TOYOTA TSUSHO CORPORATION

Financial Section 2020

Fiscal year ended March 31, 2020

Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

General Operating Environment

In the first three quarters of the fiscal year ended March 31, 2020, although the U.S. economy remained firm, the overall global economy slowed, largely in response to European and Chinese economic slowdowns. In the fourth quarter, the impact of the spread of COVID-19 was felt in all countries, resulting in a global economic downturn.

Looking back on the first three quarters, the U.S. economy made steady progress in terms of employment and personal consumption, while monetary policy, such as interest rate cuts by the Federal Reserve Board (FRB), shored up the economy. The European economy was supported by individual and governmental consumption, and although the manufacturing industry had been sluggish, signs of bottoming out were seen. However, uncertainty grew due to factors such as the United Kingdom's departure from the EU. The Chinese economy continued to slow in the wake of deterioration in consumer sentiment and stagnant infrastructure investment despite government efforts to bolster the economy with stimulus measures, including tax cuts and subsidies. Emerging market economies showed signs of deceleration, largely as a result of declines in exports and resource prices in response to China's economic slowdown.

As the fourth quarter began, the economic activities of all countries were essentially halted due to the spread of COVID-19, which also caused chaos in financial markets, accompanied by a global economic slowdown.

Amidst this, Japan's economy saw improvements in employment and income conditions. However, domestic demand cooled following a succession of natural disasters and an increase in the consumption tax, leading to an economic downturn. Also, inbound demand and exports remained low due to the spread of COVID-19, business confidence declined, particularly in manufacturing, and consumer sentiment cooled further, leading to economic recession.

Although the impact of the spread of COVID-19 is expanding, the Toyota Tsusho Group continues to aim for the achievement of its Global Vision, and is promoting business activities that contribute to the resolution of various social issues.

Business Performance of the Toyota Tsusho Group

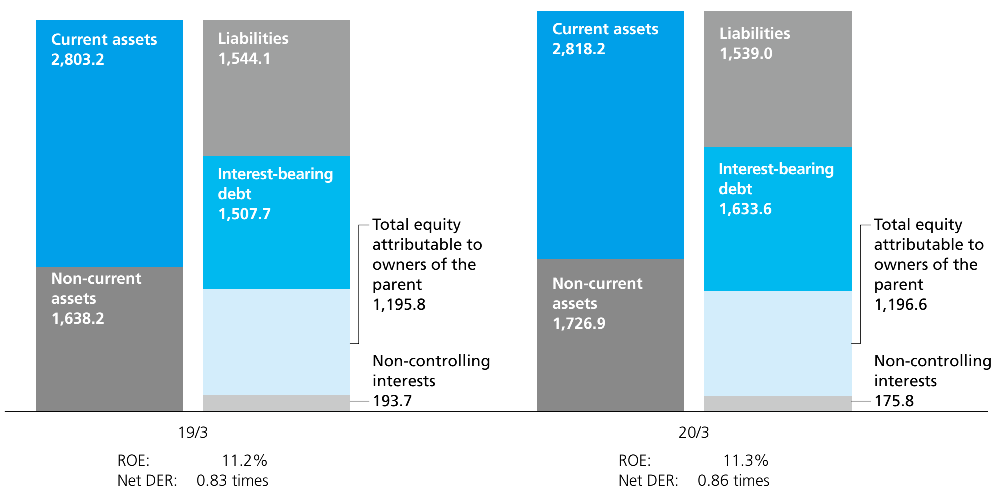
The Toyota Tsusho Group's consolidated revenue for the fiscal year ended March 31, 2020 decreased 68.7 billion yen (1.0%) year on year, to 6,694.0 billion yen, largely as a result of the decrease in the volume of crude oil transactions and due to the impact of foreign exchange rates with the strong yen.

Consolidated operating profit decreased 4.8 billion yen (2.2%) year on year to 210.3 billion yen, boosted by the increase in gross profit, which offset increases in selling, general and administrative expenses. Consolidated profit for the year attributable to owners of the parent increased 2.9 billion yen (2.2%) year on year to 135.5 billion yen, largely as a result of a decrease in corporate income tax expenses, which offset a decrease in operating profit and deterioration in the share of profit (loss) of investments accounted for using the equity method.

This includes a negative impact of 4.6 billion yen on an operating profit basis, accounting for the impact of the spread of COVID-19.

Balance Sheet Trends

(¥ billion)



Financial Position

At March 31, 2020, consolidated assets totaled 4,545.2 billion yen, a 103.8 billion yen increase from March 31, 2019. The increase was mostly due to a 168.3 billion yen increase in property, plant and equipment. Consolidated equity at March 31, 2020 totaled 1,372.4 billion yen, a 17.2 billion yen decrease from March 31, 2019. This was because, despite a 92.3 billion yen increase in retained earnings owing mainly to profit for the year attributable to owners of the parent, other components of equity decreased 90.1 billion yen and non-controlling interests were down 17.9 billion yen.

The group consequently ended the fiscal year with a ratio of equity attributable to owners of the parent to total assets (equity ratio) of 26.3% and a net debt-equity ratio (net DER) of 0.9 times.

Future Issues to Address

To realize the Toyota Tsusho Group's ideal image, "Be the Right ONE" from our Global Vision, and with an awareness to resolve important sustainability issues (Materiality), which must be tackled as a priority among a variety of social issues, the group plans to address the following issues.

In the Mobility domain, the group will promote transactions with customers both inside and outside the Toyota Group based on a three-pronged approach that revolves around functions, such as logistics and assembly functions, regions, and partners. In addition, the group will focus on businesses that contribute to realizing a convenient society in the future, including automated driving technologies and other next-generation mobility initiatives.

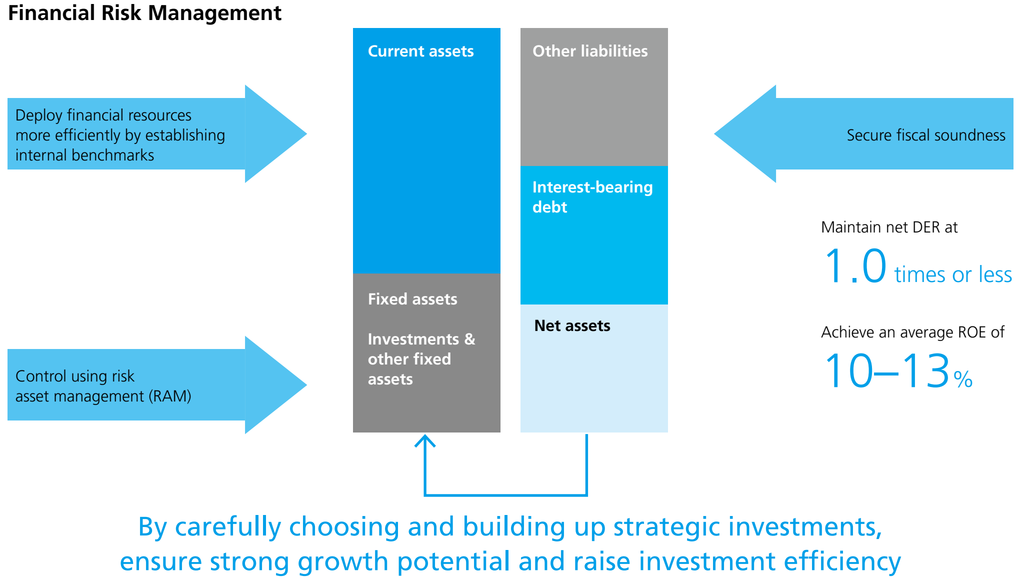
In the Life & Community domain, the group will focus on medical, consumer goods, and other businesses that contribute to a comfortable and healthy society, while in the Resources & Environment domain the focus will be on renewable energy, lithium development, and other businesses that help to realize a sustainable society.

In particular, for the achievement of the Three-Year Management Plan, under our Circular Economy Strategy, which aims to effectively use our limited resources on a global scale, we will contribute to the development of a recycling-based society. We will accomplish this objective by converting waste products into resources, for example, through the automotive scrap collection and recycling business, the recycled plastic manufacturing business, and the used vehicle and used parts reuse businesses.

Under its Next-Generation Mobility Strategy, the group will promote alliances in domains represented by CASE*, and will augment its functions while accelerating initiatives mainly in Japan, North America, Europe, and China.

Under its Renewable Energy Strategy, the group will contribute further to the realization of a low-carbon society, through the stable provision of reasonably priced, renewable electricity, by continuing to expand its wind power generation, solar power generation, hydropower generation, and other operations centered around Eurus Energy Holdings Corporation, Japan's largest wind power producer.

Financial Risk Management



Under its Africa Strategy, the group will proceed to extend its automotive, pharmaceutical, retail, and other operations throughout Africa, with CFAO SAS functioning as a regional headquarters, in the aim to provide African customers with good products and services.

In promoting these business developments, each of our officers and employees aims to be a strong individual, and we will become a strong organization comprised of strong individuals. In doing so, we will provide the value unique to us. In this process, the group will accelerate corporate growth of the company by focusing particularly on digitalization and globalization.

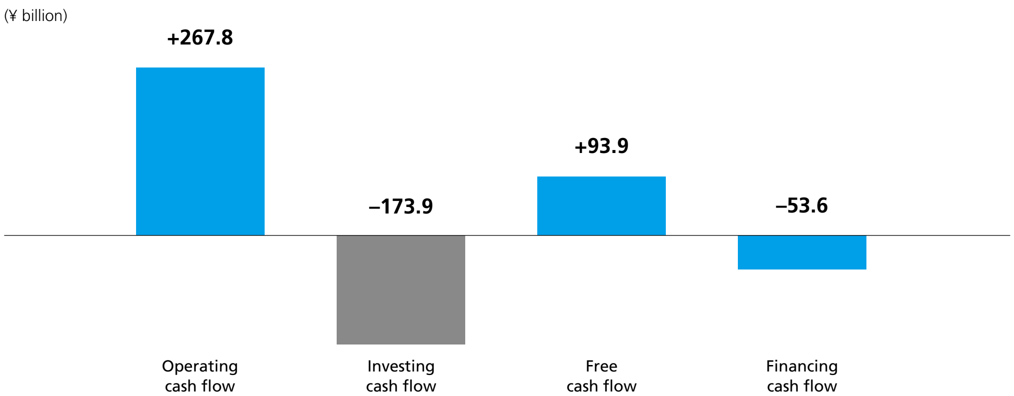
Moreover, as the group strives to strengthen its management systems to optimally allocate management resources and secure reliable investment returns, in order to remain financially sound, it intends to continue to manage its operations with a focus on return on equity (ROE), which is highly correlated with the cost of shareholders' equity; its net DER, a measure of financial stability; and cash flow.

* CASE = Connected, Autonomous, Shared & Services, and Electric

Cash Flows in the Fiscal Year Ended March 31, 2020

Cash and cash equivalents ("cash") at March 31, 2020 totaled 496.3 billion yen, a 30.5 billion yen increase from March 31, 2019. The increase, which was 8.1 billion yen less than the previous fiscal year's increase in cash, was attributable to positive cash flows from operating activities, partially offset by negative cash flows from investing and financing activities. The main factors that contributed to and detracted from the increase in cash were as follows.

Cash Flow Breakdown



Net Cash Provided by Operating Activities

Operating activities provided net cash of 267.8 billion yen, mostly in the form of profit before income taxes.

There was a 57.1 billion yen income increase compared with the previous fiscal year, primarily because of a 63.1 billion yen smaller increase in inventories.

Net Cash Used in Investing Activities

Investing activities used net cash of 173.9 billion yen, mainly for purchase of property, plant and equipment. These activities used 36.4 billion yen more net cash than in the previous fiscal year, primarily because of 48.8 billion yen deposits in time deposits.

Cash flows from operating and investing activities netted positive free cash flow of 93.9 billion yen, which is 20.7 billion yen more than in the previous fiscal year.

Net Cash Used in Financing Activities

Financing activities used net cash of 53.6 billion yen, largely to pay dividends.

These activities used 28.7 billion yen more net cash than in the previous fiscal year, due to a decrease in funds of 24.7 billion yen, mainly because of the acquisition of subsidiary interests from non-controlling shareholders.

Financial Strategy

The financial strategy of the company and its consolidated subsidiaries is focused on the efficient use of assets and fund procurement commensurate with its asset base. The goal is to achieve stable growth throughout the group and to maintain a sound financial position.

Aiming to "generate maximum profit with minimum funds," we strive to use funds more efficiently through the efficient use of working capital through such means as reducing trade receivables collection periods, reducing inventory levels, and by reducing any idle or inefficient fixed assets.

We aim both to enhance corporate value and improve our financial position by directing funds generated by the above measures to investments in businesses with higher growth potential and the repayment of interest-bearing debt.

We are also focused on conducting fund procurement commensurate with our asset base. In principle, the group will finance fixed assets with long-term loans and shareholders' equity, while financing working capital with short-term borrowings. At the same time, we have also adopted a policy of funding the less liquid portion of working capital with long-term debt.

In regard to the fund management system on a consolidated basis for our domestic subsidiaries, we are shifting to a unified group financing system by the parent company in Japan. In regard to the fund procurement of overseas subsidiaries, we will conduct group financing utilizing a cash management system for concentrating fund procurement at specific overseas subsidiaries in Asia, Europe, and the United States and for supplying funds to other subsidiaries.

In addition, we have developed systems for responding to unexpected events, including establishing a multi-currency revolving credit facility to safely meet the group's funding requirements.

Looking ahead, we will strive to enhance the efficient use of assets and secure funding, taking into consideration cash flows generated from operating activities, the condition of assets, economic conditions, and the financial environment.

As of March 31, 2020, the current ratio was 150% on a consolidated basis, meaning that the company has maintained financial soundness in terms of liquidity.

In addition, the company and its consolidated subsidiaries have established an adequate level of liquidity mainly through cash and deposits and the aforementioned credit facility.

The company's long-term and short-term credit ratings as of March 31, 2020 are as follows:

	Long-term	Short-term
Rating and Investment Information (R&I)	A+ (Stable)	a-1
Standard & Poor's (S&P)	A+ (CW negative) (See note)	A-1
Moody's	A3 (Stable)	–

Note: Lowered to A (Negative) on May 28, 2020.

Business Risks and Uncertainties

With regard to other data contained in this report, the following are the major risks recognized by management as having the potential to have a significant impact on the operating results, financial condition, and cash flows of the group stated in this report.

Forward-looking statements contained in this report are based on the judgment of the group as of the date of publication.

1. Risk Associated with the Changing Global Macro-economic Environment

The main business line of the group is the purchase and sale of products in domestic and overseas markets, with involvement in a wide range of businesses including manufacturing, processing and sales, business investments, and the provision of services relevant to these products. Therefore, the group is exposed to risks associated with political and economic conditions in Japan and other countries concerned. Any deteriorating or sluggish conditions in these countries may adversely affect the operating results and financial condition of the group.

2. Dependence on Specific Customers

The group consists of the company, its 782 consolidated subsidiaries, and 230 equity-method affiliates. The main business line of the group is the sale of automotive-related and other products in the domestic and overseas markets. Sales to the Toyota Group account for 12.7% of revenue for the group. Therefore, trends in transactions with the Toyota Group may affect the operating results and financial condition of the group.

3. Risk Associated with Exchange Rates

Of the product sales, investment, and other business activities conducted by the group, transactions conducted in foreign currencies may be affected by changes in exchange rates. While the group uses foreign exchange forward contracts and other methods to hedge against and reduce these exchange rate risks, we may be unable to completely avoid them. Many group companies are also located overseas, so exchange rate fluctuations when converting the financial statements of these companies into Japanese yen may affect the operating results and financial condition of the group.

4. Risk Associated with Fluctuations in Interest Rates

The group secures business funding through various methods, such as acquiring loans from financial institutions and issuing commercial paper and corporate bonds, for such activities as extending credit for trade receivables, or acquiring marketable securities or fixed assets, with a portion of this debt subject to variable interest rates. For a considerable portion of such debt, we are able to absorb the effect of changes in interest rates within working capital. The group also works to minimize risk associated with fluctuations in interest rates through Asset Liability Management (ALM). However, a certain portion of debt cannot be avoided, so future interest rate movements may affect the operating results and financial condition of the group.

5. Risk Associated with Fluctuations in the Price of Listed Securities

The group holds securities traded in active markets to maintain and strengthen relationships with business partners, to grow business earnings, and to improve its corporate value. Share prices of securities traded in active markets are affected by price changes, and declines in share prices may adversely affect the operating results and financial condition of the group.

6. Risk Associated with Employee Retirement Benefits

Pension assets of the group are invested in stocks, bonds, and other investment vehicles in Japan and overseas, so trends in stock and bond markets may result in reduced asset values or increased costs of providing employee retirement benefits. This may adversely affect the operating results and financial condition of the group.

7. Risk Associated with Commodities

Commodities that the group deals with in its businesses, such as non-ferrous metals, crude oil, petroleum products, rubber, food, and textiles, are vulnerable to uncertainties arising from price fluctuations. Position limits are set for each commodity, and compliance with these limits is monitored periodically. While the group takes various measures to reduce such price variation risks, it may not be possible to completely avoid them, so the state of commodity markets and market price movements may affect the operating results and financial condition of the group.

8. Risk Associated with Customers' Credit

The group faces a degree of risk arising from the collection of loans and receivables associated with commercial transactions with its domestic and overseas business partners. For credit risk management, the group rates the financial status of customers using its own criteria (8 levels) and sets limits for each type of transaction, such as accounts receivable or advances. In the case of a low-rated customer, the group reviews the transaction conditions, determines the transaction policy, such as the protection of accounts receivables or withdrawal, carries out individually focused management, and endeavors to prevent losses. While the group manages credit in this way, there is no guarantee that risk associated with credit can be completely avoided, so any deterioration in the financial status of its business partners may adversely affect the operating results and financial condition of the group.

9. Risk Associated with Business Investment

The group intends to grow existing businesses, enhance functions, and take on new business through the strengthening of current partnerships and establishment of new partnerships with companies within or outside the group. Therefore, the group has established new ventures in partnership with other companies and has also invested in existing companies, and may continue to conduct such investing activities. The group discusses the strategic and companywide priorities of any new investment and examines the investment from many angles, including investment return and various risk analyses, with participation of managers from the Administrative Division in addition to the relevant sales department. After making an investment, the group continues monitoring such factors as whether the planned investment return has been obtained and whether profit commensurate with the risk asset has been achieved. If the investment did not proceed as planned, the group then acts in line with the policies and procedures it has set for restructuring or withdrawing from such an investment. However, the group may lose all or part of such investments or be obliged to provide additional funds in the event of a decline in the corporate value or market value of the shares of invested companies. This may adversely affect the operating results and financial condition of the group.

10. Risk Associated with Countries

The group has many transactions with overseas business partners, including imports, exports, and investments in the overseas business partners. Therefore, the group is exposed to risks arising from the manufacture and purchase of foreign products, such as regulations imposed by foreign governments, political uncertainties, and fund transfer restraints, as well as loss on investment or other reduced asset value. The group holds export and investment insurance and takes other measures to reduce risks associated with transactions in countries with a high country risk. The group identifies the risk assets, which represent the maximum anticipated amount of loss, that the group holds by country and ensures risk for each country is within the maximum defined limits in order to correct any concentration of those assets in specific regions or countries. While the group hedges against and otherwise manages risk, it is not possible to completely avoid risk related to deteriorating business environments in the countries of its business partners, or the countries where it conducts business activities. For this reason, any deterioration in those environments may adversely affect the operating results and financial condition of the group.

11. Impairment Risk Associated with Fixed Assets

The group has machinery and vehicles, carriers, buildings and structures, goodwill and other fixed assets, and right-of-use assets that are exposed to impairment risk. Any reduction in the value of these assets incurs impairment losses that may adversely affect the operating results and financial condition of the group.

12. Risk Associated with Raising Funds

The group secures business funding through various methods, such as acquiring loans from financial institutions in Japan and overseas, and issuing commercial paper and corporate bonds. The group works to maintain positive transactional relationships with financial institutions, to conduct ALM, and to minimize liquidity risk by raising funds appropriate to the asset. However, any turmoil in financial markets, significant downgrades to the group's credit rating by ratings organizations, or other similar events may result in restrictions on funding for the group, or on increased funding costs. This may adversely affect the operating results and financial condition of the group.

13. Risk Associated with Compliance

The group is involved in a diverse range of businesses in Japan and overseas, with extensive restrictions imposed in various business domains. These restrictions include the Companies Act, Tax Acts, Antimonopoly Act, Financial Instruments and Exchange Act, and other laws and regulations in Japan, as well as laws and regulations in each of the countries where the group conducts business. The ERM (Enterprise Risk Management) Compliance Office is responsible for enhancing compliance systems across the group and for raising awareness of compliance with laws and regulations. However, any improper or unlawful conduct by officers or employees may damage the social trust of the group. This may adversely affect the operating results and financial condition of the group.

14. Environment-related Risks

The group is engaged in businesses in Japan and overseas that are exposed to a broad range of environment-related risks. To mitigate these risks, the group conducts risk management throughout its supply chain. Specific activities include enforcing compliance with laws and regulations concerning the handling of emissions, wastewater, and solid waste with the potential to pollute the environment. The group's businesses in Japan and overseas are also exposed to various environmental risks associated with climate change, water resources, biodiversity, and other factors. Any changes in environmental regulations, environmental pollution caused by natural disasters and other events, or other factors could result in additional costs that may adversely affect the operating results and financial condition of the group.

15. Effect of Natural Disasters and Other Events

The group's businesses could be impacted by natural disasters such as fires, earthquakes, and floods. To minimize the impact, the group establishes, maintains, and improves business continuity plans (BCPs), takes measures to earthquake-proof its equipment, establishes employee safety confirmation systems, and implements other measures, but a large-scale natural disaster could result in additional costs that may adversely affect the operating results and financial condition of the group.

Furthermore, infection of employees and business partners, the impact on supply chains, and sluggish consumption due to the spread of unknown viruses or bacteria have the potential to adversely affect the operating results and financial condition of the group.

The Toyota Tsusho Group will take measures that prioritize preventing the spread of COVID-19 within and outside the company and that ensure the safety and health of all group employees, implementing responses based on government guidance.

Consolidated Statement of Financial Position

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
As of March 31, 2020 and 2019

		Millions of Yen		Thousands of U.S. Dollars
	Notes	2020	2019	2020
Assets				
Current assets:				
Cash and cash equivalents	9	¥ 496,372	¥ 465,861	$ 4,560,985
Trade and other receivables	6, 9, 14	1,252,145	1,397,937	11,505,513
Other financial assets	9	147,467	60,525	1,355,021
Inventories	7	783,606	745,157	7,200,275
Other current assets		135,430	133,764	1,244,417
Subtotal		2,815,021	2,803,246	25,866,222
Assets held for sale	8	3,271	–	30,056
Total current assets		2,818,293	2,803,246	25,896,287
Non-current assets:				
Investments accounted for using the equity method	4, 10	265,643	285,074	2,440,898
Other investments	9	388,342	454,647	3,568,335
Trade and other receivables	6, 9, 14	33,841	27,264	310,952
Other financial assets	9	31,787	40,796	292,079
Property, plant and equipment	11, 14	780,826	612,587	7,174,731
Intangible assets	12	161,107	157,278	1,480,354
Investment property	13	19,202	18,628	176,440
Deferred tax assets	25	19,443	15,973	178,654
Other non-current assets		26,720	25,967	245,520
Total non-current assets		1,726,917	1,638,217	15,868,023
Total assets	4	¥4,545,210	¥4,441,464	$41,764,311

		Millions of Yen		Thousands of U.S. Dollars
	Notes	2020	2019	2020
Liabilities and Equity				
Liabilities				
Current liabilities:				
Trade and other payables	9, 14, 15	¥1,140,522	¥1,199,839	$10,479,849
Bonds and borrowings	9, 16	502,985	509,924	4,621,749
Other financial liabilities	9	42,597	15,679	391,408
Income taxes payable		22,764	24,627	209,170
Provisions	17	6,351	6,224	58,357
Other current liabilities		163,057	133,762	1,498,272
Total current liabilities		1,878,280	1,890,057	17,258,844
Non-current liabilities:				
Bonds and borrowings	9, 16	1,020,322	993,122	9,375,374
Trade and other payables	9, 14, 15	87,241	2,302	801,626
Other financial liabilities	9	27,907	20,964	256,427
Retirement benefits liabilities	19	41,970	41,752	385,647
Provisions	17	41,045	26,208	377,147
Deferred tax liabilities	25	47,081	63,661	432,610
Other non-current liabilities	18	28,869	13,779	265,266
Total non-current liabilities		1,294,438	1,161,790	11,894,128
Total liabilities		3,172,719	3,051,847	29,152,981
Equity				
Share capital	20	64,936	64,936	596,673
Capital surplus	20	149,807	150,933	1,376,523
Treasury shares	20	(3,735)	(3,596)	(34,319)
Other components of equity		(39,802)	50,394	(365,726)
Retained earnings	20	1,025,429	933,159	9,422,300
Total equity attributable to owners of the parent		1,196,635	1,195,826	10,995,451
Non-controlling interests		175,856	193,789	1,615,877
Total equity		1,372,491	1,389,616	12,611,329
Total liabilities and equity		¥4,545,210	¥4,441,464	$41,764,311

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2020 and 2019

Consolidated Statement of Profit or Loss	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars 2020
Revenue				
Sales of goods		¥ 6,578,920	¥ 6,668,113	$ 60,451,346
Sales of services and others		115,150	94,588	1,058,072
Total revenue	4, 21	6,694,071	6,762,702	61,509,427
Cost of sales		(6,054,186)	(6,124,273)	(55,629,752)
Gross profit	4	639,885	638,428	5,879,674
Selling, general and administrative expenses	22	(430,164)	(420,657)	(3,952,623)
Other income (expenses)				
Gain on sale and disposals of fixed assets, net		1,662	401	15,271
Impairment losses on fixed assets	4, 11, 12	(1,478)	(4,521)	(13,580)
Other, net	23	465	1,546	4,272
Total other income (expenses)		649	(2,573)	5,963
Operating profit		210,370	215,197	1,933,014
Finance income (costs)				
Interest income	24	13,180	10,943	121,106
Interest expenses	24	(29,880)	(27,033)	(274,556)
Dividend income	9, 24	18,530	24,024	170,265
Other, net	24	15,089	1,724	138,647
Total finance income (costs)		16,920	9,658	155,471
Share of profit (loss) of investments accounted for using the equity method	4, 10	(2,489)	4,336	(22,870)
Profit before income taxes		224,801	229,193	2,065,616
Income tax expense	25	(69,014)	(74,440)	(634,144)
Profit for the year		¥ 155,786	¥ 154,753	$ 1,431,461
Profit for the year attributable to:				
Owners of the parent	4	¥ 135,551	¥ 132,622	$ 1,245,529
Non-controlling interests		20,234	22,130	185,922
		Yen		U.S. Dollars
Earnings per share attributable to owners of the parent				
Basic earnings per share	27	¥385.25	¥376.89	$3.53
Diluted earnings per share	27	–	–	–

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars 2020
Profit for the year		¥ 155,786	¥154,753	$1,431,461
Other Comprehensive Income				
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit pension plans	19, 26	(770)	(1,699)	(7,075)
Financial assets measured at fair value through other comprehensive income (loss)	9, 26	(46,006)	(55,377)	(422,732)
Share of other comprehensive income (loss) of investments accounted for using the equity method	10, 26	(1,125)	(1,317)	(10,337)
Items that may be reclassified to profit or loss:				
Cash flow hedges	9, 26	(507)	2,396	(4,658)
Exchange differences on translation of foreign operations	26	(52,805)	(24,637)	(485,206)
Share of other comprehensive income (loss) of investments accounted for using the equity method	10, 26	(403)	(3,220)	(3,703)
Other comprehensive income (loss) for the year, net of tax	26	(101,618)	(83,855)	(933,731)
Total comprehensive income for the year		¥ 54,167	¥ 70,897	$ 497,721
Total comprehensive income for the year attributable to:				
Owners of the parent		¥ 41,297	¥ 51,862	$ 379,463
Non-controlling interests		12,870	19,034	118,257

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2020 and 2019

		Millions of Yen											
		Equity attributable to owners of the parent											
					Other components of equity								
For the year ended March 31, 2020	Notes	Share capital	Capital surplus	Treasury shares	Remeasu-rements of defined benefit pension plans	Financial assets measured at fair value through other compre-hensive income (loss)	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at the beginning of the year		¥64,936	¥150,933	¥(3,596)	¥ –	¥192,460	¥(10,226)	¥(131,839)	¥ 50,394	¥ 933,159	¥1,195,826	¥193,789	¥1,389,616
Profit for the year										135,551	135,551	20,234	155,786
Other comprehensive income:													
Remeasurements of defined benefit pension plans					(896)				(896)		(896)	(57)	(954)
Financial assets measured at fair value through other comprehensive income (loss)						(46,828)			(46,828)		(46,828)	(118)	(46,947)
Cash flow hedges							3,783		3,783		3,783	(1,968)	1,815
Exchange differences on translation of foreign operations								(50,312)	(50,312)		(50,312)	(5,219)	(55,531)
Comprehensive income (loss) for the year		–	–	–	(896)	(46,828)	3,783	(50,312)	(94,254)	135,551	41,297	12,870	54,167
Dividends	20									(38,728)	(38,728)	(12,028)	(50,757)
Acquisition (disposal) of treasury shares	20		0	(138)							(137)		(137)
Acquisition (disposal) of non-controlling interests	29		(1,127)								(1,127)	(18,756)	(19,884)
Reclassification to retained earnings					896	3,160			4,057	(4,057)	–		–
Other										(494)	(494)	(18)	(513)
Transactions with owners		–	(1,126)	(138)	896	3,160	–	–	4,057	(43,281)	(40,488)	(30,804)	(71,292)
Balance at the end of the year		¥64,936	¥149,807	¥(3,735)	¥ –	¥148,792	¥ (6,443)	¥(182,151)	¥(39,802)	¥1,025,429	¥1,196,635	¥175,856	¥1,372,491

		Millions of Yen											
		Equity attributable to owners of the parent											
					Other components of equity								
For the year ended March 31, 2019	Notes	Share capital	Capital surplus	Treasury shares	Remeasu-rements of defined benefit pension plans	Financial assets measured at fair value through other compre-hensive income (loss)	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at the beginning of the year		¥64,936	¥150,921	¥(3,578)	¥ –	¥248,425	¥(12,961)	¥(105,520)	¥129,943	¥832,495	¥1,174,718	¥187,468	¥1,362,187
Profit for the year										132,622	132,622	22,130	154,753
Other comprehensive income:													
Remeasurements of defined benefit pension plans					(1,671)				(1,671)		(1,671)	(36)	(1,707)
Financial assets measured at fair value through other comprehensive income (loss)						(55,504)			(55,504)		(55,504)	(1,181)	(56,686)
Cash flow hedges							2,734		2,734		2,734	(124)	2,610
Exchange differences on translation of foreign operations								(26,318)	(26,318)		(26,318)	(1,753)	(28,071)
Comprehensive income (loss) for the year		–	–	–	(1,671)	(55,504)	2,734	(26,318)	(80,760)	132,622	51,862	19,034	70,897
Dividends	20									(34,858)	(34,858)	(14,480)	(49,339)
Acquisition (disposal) of treasury shares	20		0	(18)							(18)		(18)
Acquisition (disposal) of non-controlling interests	29		11								11	1,750	1,762
Reclassification to retained earnings					1,671	(460)			1,210	(1,210)	–		–
Other										4,110	4,110	16	4,127
Transactions with owners		–	11	(18)	1,671	(460)	–	–	1,210	(31,958)	(30,754)	(12,713)	(43,468)
Balance at the end of the year		¥64,936	¥150,933	¥(3,596)	¥ –	¥192,460	¥(10,226)	¥(131,839)	¥ 50,394	¥933,159	¥1,195,826	¥193,789	¥1,389,616

		Thousands of U.S. Dollars											
		Equity attributable to owners of the parent											
					Other components of equity								
For the year ended March 31, 2020	Notes	Share capital	Capital surplus	Treasury shares	Remeasu-rements of defined benefit pension plans	Financial assets measured at fair value through other compre-hensive income (loss)	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance at the beginning of the year		$596,673	$1,386,869	$(33,042)	$ –	$1,768,446	$(93,963)	$(1,211,421)	$ 463,052	$8,574,464	$10,988,018	$1,780,657	$12,768,685
Profit for the year										1,245,529	1,245,529	185,922	1,431,461
Other comprehensive income:													
Remeasurements of defined benefit pension plans					(8,233)				(8,233)		(8,233)	(523)	(8,765)
Financial assets measured at fair value through other comprehensive income (loss)						(430,285)			(430,285)		(430,285)	(1,084)	(431,379)
Cash flow hedges							34,760		34,760		34,760	(18,083)	16,677
Exchange differences on translation of foreign operations								(462,298)	(462,298)		(462,298)	(47,955)	(510,254)
Comprehensive income (loss) for the year		–	–	–	(8,233)	(430,285)	34,760	(462,298)	(866,066)	1,245,529	379,463	118,257	497,721
Dividends	20									(355,857)	(355,857)	(110,520)	(466,387)
Acquisition (disposal) of treasury shares	20		0	(1,268)							(1,258)		(1,258)
Acquisition (disposal) of non-controlling interests	29		(10,355)								(10,355)	(172,342)	(182,706)
Reclassification to retained earnings					8,233	29,036			37,278	(37,278)	–		–
Other										(4,539)	(4,539)	(165)	(4,713)
Transactions with owners		–	(10,346)	(1,268)	8,233	29,036	–	–	37,278	(397,693)	(372,029)	(283,046)	(655,076)
Balance at the end of the year		$596,673	$1,376,523	$(34,319)	$ –	$1,367,196	$(59,202)	$(1,673,720)	$(365,726)	$9,422,300	$10,995,451	$1,615,877	$12,611,329

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2020 and 2019

	Notes	Millions of Yen 2020	Millions of Yen 2019	Thousands of U.S. Dollars 2020
Cash flows from operating activities				
Profit before income taxes		¥ 224,801	¥ 229,193	$ 2,065,616
Depreciation and amortization		103,558	76,005	951,557
Impairment losses on fixed assets		1,478	4,521	13,580
Finance income and finance cost		(16,920)	(9,658)	(155,471)
Share of profit (loss) of investments accounted for using the equity method		2,489	(4,336)	22,870
Gain on sale and disposals of fixed assets, net		(1,662)	(401)	(15,271)
Decrease (increase) in trade and other receivables		124,267	(52,505)	1,141,845
Increase in inventories		(31,792)	(94,824)	(292,125)
(Decrease) increase in trade and other payables		(99,377)	100,756	(913,139)
Other		17,818	(5,438)	163,723
Subtotal		324,661	243,312	2,983,193
Interest received		12,640	10,365	116,144
Dividends received		35,551	46,597	326,665
Interest paid		(30,389)	(26,049)	(279,233)
Income taxes paid		(74,655)	(63,428)	(685,978)
Net cash provided by operating activities		267,809	210,796	2,460,801
Cash flows from investing activities				
Increase in time deposits		(54,282)	(5,461)	(498,777)
Purchase of property, plant and equipment		(103,808)	(86,970)	(953,854)
Proceeds from sale of property, plant and equipment		9,062	9,920	83,267
Purchase of intangible assets		(13,906)	(14,197)	(127,777)
Proceeds from sale of intangible assets		668	2,067	6,138
Purchase of investment property		(1,578)	–	(14,499)
Proceeds from sale of investment property		858	4,286	7,883
Purchase of investments		(19,445)	(47,831)	(178,673)
Proceeds from sale of investments		26,086	2,235	239,694
Payments for acquisition of subsidiaries	28	(29,235)	(6,204)	(268,629)
Proceeds from sale of subsidiaries	28	2,143	3,965	19,691
Payments for loans receivable		(7,249)	(11,021)	(66,608)
Collection of loans receivable		6,211	12,522	57,070
Proceeds from government grants		9,849	–	90,498
Other		717	(857)	6,588
Net cash used in investing activities		(173,910)	(137,546)	(1,597,996)
Cash flows from financing activities				
Net decrease in short-term borrowings	28	(31,715)	(28,052)	(291,417)
Proceeds from long-term borrowings	28	113,826	156,860	1,045,906
Repayment of long-term borrowings	28	(93,684)	(165,648)	(860,828)
Proceeds from issuance of bonds	28	53,161	66,143	488,477
Purchase of treasury shares		(139)	(26)	(1,277)
Dividends paid		(38,728)	(34,858)	(355,857)
Dividends paid to non-controlling interests		(12,028)	(14,480)	(110,520)
Proceeds from non-controlling interests		7,061	2,575	64,881
Payments for acquisition of subsidiaries' interest from non-controlling interests	29	(26,951)	(2,233)	(247,643)
Proceeds from sale of subsidiaries' interest to non-controlling interests		334	137	3,069
Other	14, 28	(24,814)	(5,326)	(228,006)
Net cash used in financing activities		(53,679)	(24,909)	(493,237)
Net increase in cash and cash equivalents		40,219	48,340	369,558
Cash and cash equivalents at the beginning of the year		465,861	423,426	4,280,630
Effect of exchange rate changes on cash and cash equivalents		(9,707)	(5,905)	(89,194)
Cash and cash equivalents at the end of the year	28	¥ 496,372	¥ 465,861	$ 4,560,985

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Consolidated Financial Statements

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries
For the years ended March 31, 2020 and 2019

NOTE 1. Reporting Entity

TOYOTA TSUSHO CORPORATION (the "company") is a company located in Japan. The consolidated financial statements of the company as of and for the year ended March 31, 2020 comprise the company and its consolidated subsidiaries (collectively, the "group"), and the group's interest in associated companies and jointly controlled entities.

The group primarily engages in trading of various products in Japan and overseas as well as manufacturing, processing, marketing, investments and providing services in relation to these products.

Based on the group's corporate philosophy: "Living and prospering together with people, society, and the planet, we aim to be a value-generating corporation that contributes to the creation of prosperous societies," the group's fundamental management philosophy is to (i) strive for open and fair corporate activities, (ii) be socially responsible and strive for conservation of the environment, and (iii) be creative, and strive to provide added value to all stakeholders, including customers, shareholders, employees and communities.

NOTE 2. Basis of Preparing Consolidated Financial Statements

(1) Statement of compliance with IFRSs

The company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements as the company fulfills all the requirements of the "Specified Company for Designated IFRSs" set forth in Article 1-2 of said Ordinance.

The consolidated financial statements were authorized for issue by Ichiro Kashitani, President & CEO, and Hideyuki Iwamoto, CFO, on October 19, 2020.

(2) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for assets and liabilities such as financial instruments measured at fair value as stated in Note 3. "Significant Accounting Policies."

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the company's functional currency.

All financial information presented in Japanese yen has been rounded down to the nearest million. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥108.83 to U.S.$1, the approximate exchange rate at March 31, 2020. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) Significant accounting judgments, estimates and assumptions

Upon preparation of the consolidated financial statements in accordance with IFRSs, the company's management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and in future periods.

The following notes include information on critical judgments in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

- Note 3. Significant Accounting Policies, (1) Basis of consolidation
- Note 3. Significant Accounting Policies, (15) Revenue recognition

The following notes include information on uncertainties of assumptions and estimates that have a significant risk to cause material revisions in the next fiscal year:

- Note 9. Financial Instruments, (2) Fair value of financial instruments
- Note 11. Property, Plant and Equipment
- Note 12. Intangible Assets
- Note 13. Investment Property
- Note 17. Provisions
- Note 19. Employee Benefits
- Note 25. Deferred Taxes and Corporate Income Taxes

(5) Changes in accounting policies

The group has applied the following accounting standard effective from the year ended March 31, 2020.

IFRSs	Title	Outline of new or amended standard
IFRS 16	Leases	Amendment of accounting treatment for lease contracts

NOTE 3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities which are controlled by the group. The group controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When the accounting policies adopted by a subsidiary are different from the group accounting policies, the financial statements of the subsidiary are adjusted as necessary.

All intra-group balances of assets and liabilities, income, unrealized profit and loss are eliminated in consolidation.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the company.

If the group loses control of a subsidiary, the group derecognizes the assets, liabilities, any non-controlling interests and other components of equity related to the former subsidiary. Any gain or loss arising from such loss of control is recognized in profit or loss. Any investment retained in the former subsidiary is recognized at fair value at the date that control is lost.

(ii) Business combinations

Business combinations are accounted for using the acquisition method. Non-controlling interests are measured at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. The company determines the measurement method for each business combination.

If the aggregate amount of the consideration transferred and the amount of non-controlling interests in the acquiree exceeds the net identifiable assets acquired and liabilities assumed at the acquisition date, the company recognizes the excess amount as goodwill; however, if such aggregate amount does not exceed, the company recognizes the amount in profit or loss. Acquisition-related costs are recognized in profit or loss as incurred.

(iii) Associates and joint ventures

An associate, an entity over which the group has significant influence over the decisions on financial and operating policies but does not control, is accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the entity but not fall under the control. The group presumes to have significant influence over the entity when the group holds 20% or more and 50% or less of voting rights of the entity.

A joint venture is an entity under a joint arrangement whereby multiple parties, including the group, have joint control for significant economic operations of the entity and the group has a right to net assets of the entity. Joint ventures are accounted for using the equity method.

When accounting policies adopted by associates and joint ventures differ from those adopted by the group, adjustments are made to the financial accounts of such associates and joint ventures as necessary.

In addition, significant unrealized profit and loss are eliminated to the extent of the group's interest in the associates and joint ventures.

(2) Foreign currency translation

(i) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currency using the spot exchange rate at the date of the transactions.

Monetary items denominated in foreign currencies are translated into functional currency using the spot exchange rate at the fiscal year-end. Exchange differences arising from translation and settlement are recognized in profit or loss.

Non-monetary items in foreign currency, which are measured on a historical cost basis, are translated into functional currency using the spot exchange rate at the date of transaction. Non-monetary items in foreign currency, which are measured at fair value, are translated into functional currency using the spot exchange rate at the date of fair value measurement. With respect to exchange differences of non-monetary items, when a gain or loss on non-monetary items is recognized in other comprehensive income, the foreign exchange component of the gain or loss is also recognized in other comprehensive income. When a gain or loss on non-monetary items is recognized in profit or loss, the foreign exchange component of the gain or loss is also recognized in profit or loss.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations are translated into functional currency using the spot exchange rate at the fiscal year-end. Income and expenses are translated into functional currency using the average exchange rate for the reporting period unless exchange rates fluctuate significantly during the period. Exchange differences on translation are recognized in other comprehensive income and the cumulative amount of exchange differences is included in other components of equity. When the group disposes of a foreign operation, the cumulative amount of the exchange differences related to the foreign operation, which has been recognized as other components of equity, is reclassified to profit or loss upon disposals.

(3) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term highly liquid investments with maturities of three months or less from the date of acquisition which are readily convertible to cash and subject to an insignificant risk of changes in value.

(4) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and the estimated costs necessary to make the sale.

The acquisition cost of inventories is determined by the specific identification method when inventory items are not ordinarily interchangeable and mainly by the moving-average method when inventory items are interchangeable.

Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, where any changes in fair value are recognized in profit or loss.

(5) Assets held for sale

The group classifies an asset as held for sale if its carrying amount will be recovered through a sale transaction rather than through continuing use, and if it is highly probable to sell within one year. Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell. In addition, the group does not depreciate or amortize assets held for sale.

(6) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets are classified into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income ("FVTOCI financial assets") or financial assets measured at fair value through profit or loss ("FVTPL financial assets") upon initial recognition at the date of transaction.

The group derecognizes a financial asset when (a) the contractual rights to the cash flows from the financial assets expire, or (b) the contractual rights to receive the cash flows from the financial asset are transferred and all risks and rewards of ownership of the financial assets are substantially transferred.

(a) Financial assets measured at amortized cost

The group classifies financial assets as financial assets measured at amortized cost if the following conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interests on the principal amount outstanding.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, such financial assets are measured at amortized cost using the effective interest method.

(b) FVTOCI financial assets

The group classifies equity instruments held for the purpose of maintaining and strengthening business and collaborative relationships with investees as FVTOCI financial assets. At initial recognition, FVTOCI financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. If the asset is derecognized or its fair value substantially decreases, the group reclassifies the cumulative amounts recognized in other comprehensive income to retained earnings. Dividends are recognized in profit or loss.

(c) FVTPL financial assets

The group classifies equity instruments not classified as FVTOCI financial assets or financial assets measured at amortized cost as FVTPL financial assets. After initial recognition, such financial assets are measured at fair value and any changes in fair value are recognized in profit or loss.

(ii) Impairment of non-derivative financial assets

The group assumes the loss allowance for trade receivables, one of the financial assets measured at amortized cost, at amounts equivalent to lifetime expected credit losses. For loan receivables, the group measures a loss allowance at an amount equivalent to expected credit losses for 12 months when its credit risk has not significantly increased since initial recognition. However, when credit risk has significantly increased since initial recognition, the allowance is measured at an amount equivalent to lifetime expected credit losses. The group assumes that there is no significant increase in credit risk if a receivable is not delinquent more than 30 days or a receivable is from a customer with an investment-grade or equivalent credit profile based on an internal credit rating system. On the other hand, the group assumes that a receivable is in default if the receivable is delinquent over 90 days or a receivable is from a customer with a highly speculative credit profile based on the internal credit rating system. After taking into consideration forward-looking information related to credit risk, the group measures a loss allowance for a financial asset by evaluating expected credit losses individually if the financial asset is individually significant, and by evaluating expected credit losses collectively by asset groups with similar credit risk profiles, based on the internal credit rating system, if financial assets are individually insignificant.

The group assesses a financial asset as "credit-impaired" based on objective evidence such as a borrower's significant financial difficulty, default or delinquency of interest or principle payments, and bankruptcy.

The group writes off the gross carrying value of a financial asset when the group has no reasonable expectations of recovering the contractual cash flows on the asset.

(iii) Non-derivative financial liabilities

At initial recognition, non-derivative financial liabilities are classified as financial liabilities measured at amortized cost, and measured at fair value less transaction costs that are directly attributable to incurring the liability. After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

The financial liabilities are derecognized when the contractual obligation is fulfilled, discharged, cancelled or expired.

(iv) Derivatives and hedge accounting

The group uses derivatives transactions including foreign exchange forward contracts, interest rate swaps, commodity futures and forwards transactions, in order to hedge foreign currency fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk.

At initial recognition, derivatives are measured at fair value and the related transaction costs are recognized in profit and loss as incurred. After initial recognition, derivatives are measured at fair value and any subsequent changes in value are recognized in profit and loss.

When qualified for hedge accounting, derivatives are accounted for as follows:

(a) Fair value hedges

The group recognizes the changes in the fair value of a derivative used as a hedging instrument in profit or loss, and the changes in the fair value of a hedged item in profit or loss by adjusting the carrying amount of the hedged item.

(b) Cash flow hedges

Of the changes in the fair value of a derivative used as a hedging instrument, the portion determined to be an effective hedge is recognized in other comprehensive income, and the portion determined to be ineffective is recognized in profit and loss. The amount recognized in other comprehensive income is reclassified from other components of equity to profit or loss in the fiscal year that the hedged transaction affects profit or loss. However, if hedging on a forecasted transaction subsequently results in the recognition of a non-financial asset or liability, the amount recognized in other comprehensive income is then accounted for as an adjustment to the initial carrying amount of the non-financial asset or liability.

When future cash flows from a hedging instrument are no longer expected, the group discontinues hedge accounting and reclassifies the amounts recognized in other comprehensive income from other components of equity to profit or loss.

(c) Hedges of net investments in foreign operations

For non-derivative financial liabilities such as borrowings, which are hedging instruments to hedge a foreign exchange fluctuation risk on investments in foreign operations, the same treatment as cash flow hedges is applied. The portion determined to be an effective hedge and recognized in other comprehensive income is reclassified from other components of equity to profit or loss upon disposals of the foreign operation.

(v) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount of such offset is presented in the consolidated statement of financial position only when the group has a legally enforceable right to offset the recognized amounts and intends either to settle them on a net basis or realize the assets and settle the liabilities simultaneously.

(7) Property, plant and equipment

Property, plant and equipment is initially recognized at acquisition cost including costs directly attributable to the acquisition, dismantling and removal costs, restoration costs, and borrowing costs directly attributable to the acquisition and construction of assets which require a significant period of time to complete. After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment loss based on a cost model.

Depreciation on property, plant and equipment, other than land and construction in progress, is calculated on a straight-line basis over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and vehicles	2 to 40 years

Depreciation method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(8) Intangible assets

(i) Goodwill

After initial recognition, goodwill is not amortized but measured at cost less accumulated impairment losses.

(ii) Intangible assets other than goodwill

Intangible assets other than goodwill are initially recognized at acquisition cost if acquired individually or at fair value at the acquisition date if acquired through a business combination. After initial recognition, the assets are measured at acquisition cost less any accumulated amortization and applicable accumulated impairment loss based on a cost model.

Mining rights are generally amortized utilizing a unit-of-production method based on the estimated volume of reserves. Except for mining rights, intangible assets other than goodwill are amortized on a straight-line basis over the estimated useful life as follows:

Marketing rights, customer-related, etc.	10 to 15 years
Software	2 to 15 years

Amortization method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(9) Investment property

An investment property is a property held to earn rent or for capital appreciation, or both.

An investment property is initially recognized at acquisition cost including direct costs incurred for acquisition and borrowing costs to be capitalized. After initial recognition, it is measured at cost less accumulated depreciation and accumulated impairment losses based on a cost model.

Investment property is amortized on a straight-line basis over estimated useful lives (10 to 47 years).

Depreciation method, estimated useful lives and residual values are reviewed at the fiscal year-end and amended as necessary.

(10) Leases

The group determines whether an agreement is, or contains, a lease based on the substance of the agreement at inception of the lease.

Effective April 1, 2019, the group applied IFRS 16 "Leases" (issued on January 2016).

(i) Lessee

The standard requires a lessee to recognize all leases on the consolidated statement of financial position using a single model.

At the commencement date of the lease, a lessee shall recognize an asset that represents a lessee's right to use an underlying asset for the lease term (a right-of-use asset) and an obligation to make lease payments (a lease liability).

Then, a lessee recognizes depreciation expenses arising from the right-of-use asset and interest expenses arising from the lease liability separately.

Upon the application of IFRS 16, the group adopted the following transitional measures and methods:

- The group recognizes the cumulative effect of the application of this standard at the date of initial application.
- For leases commenced before the date of initial application, the group applies IFRS 16 to a contract which is recognized as a lease based on IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease."
- The group does not recognize a right-of-use asset and a lease liability for short-term leases and leases for which the underlying asset is of low value.
- At the date of initial application, the group uses hindsight in determining the lease term.

Due to the application of IFRS 16, the right-of-use assets included in property, plant and equipment increased by ¥92,878 million ($853,422 thousand) and lease liabilities included in trade and other payables by ¥93,004 million ($854,580 thousand) at the beginning of the year ended March 31, 2020. The weighted average of incremental borrowing rates applying to lease liabilities recognized in the consolidated statement of financial position at the date of initial application is 2.2%.

The reconciliation between the total amount of future minimum lease payments based on the non-cancellable operating lease contracts disclosed under IAS 17 as of March 31, 2019 and lease liabilities recognized at the date of initial application of IFRS 16 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Non-cancellable operating lease contracts as of March 31, 2019	¥79,629	$731,682
Non-cancellable operating lease contracts after discounting by incremental borrowing rates as of March 31, 2019	70,540	648,166
Finance lease liabilities as of March 31, 2019	4,658	42,800
Reassessment of lease terms	25,220	231,737
Other	(2,757)	(25,333)
Lease liabilities as of the date of initial application (April 1, 2019)	¥97,662	$897,381

The group's policy under IAS 17

The group prepares disclosures as of March 31, 2019 in accordance with IAS 17 "Leases."

(a) Finance lease

Leased assets and liabilities are initially recognized at the lower of fair value and present value of total minimum lease payments at inception of the lease. After initial recognition, depreciation of leased assets is computed on a straight-line basis over the respective lease term according to its estimated useful life. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability in a manner to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) Operating lease

Lease payments are recognized on a straight-line basis mainly over the lease term.

(ii) Lessor

(a) Finance lease

Leased assets are capitalized on the consolidated statement of financial position at an amount equivalent to net investment in the lease at the inception of the lease. Financial income is recognized based on a pattern reflecting a constant rate of return on the lessor's net investment in the lease.

(b) Operating lease

Right-of-use assets are capitalized on the consolidated statement of financial position, and their depreciation is computed using the same method as other similar assets held by the group.

(11) Impairment of non-financial assets

The group assesses whether there is any indication that any of the following non-financial assets may be impaired as of the fiscal year-end: property, plant and equipment, intangible assets other than goodwill, investment property and right-of-use assets. If any such indication of impairment exists, the group estimates the recoverable amount of the asset or the cash-generating unit. The group examines impairment of goodwill by comparing carrying amount and recoverable amount on an annual basis, or on a timely basis if there is an indication that the goodwill may be impaired. The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs of disposals and value in use. If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and that reduction is recognized as an impairment loss.

In addition, as of the fiscal year-end the group assesses whether there is any indication that an impairment loss recognized in the past no longer exists or may have decreased. If such indication exists, the group assesses the recoverable amount of the asset or cash-generating unit. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, an impairment loss is reversed to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset. Impairment losses recognized for goodwill are not reversed subsequent periods.

The total amount of investment accounted for using the equity method is tested for impairment as a single asset.

The COVID-19 pandemic may continue to have a negative impact on each business of the group. As of March 31, 2020, the group determines whether there are any impairment indicators based on the assumption that the impact of the pandemic will gradually improve from the second half of the year ending March 31, 2021.

On the other hand, due to the high degree of uncertainty in estimating the spread of COVID-19 and timing of its convergence, actual results may differ from these estimates.

(12) Provisions

The group recognizes a provision when (a) the group has a present legal obligation or constructive obligation as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the group measures the amount of a provision at the present value using the discount rate which reflects risks specific to the liability.

(13) Employee benefits

(i) Defined benefit plans

For each of the defined benefit plans, the present value of the obligations and fair value of the plan assets are calculated and the net of those values is accounted for as either an asset or a liability. The discount rate is determined by reference to the market yields on highly rated corporate bonds at the fiscal year-end that have the same or similar maturity terms and currencies as those of the group's defined benefit obligations. Past service cost is charged to profit or loss when recognized.

The group recognizes the changes in the net defined benefit liability (asset) due to remeasurements in other comprehensive income and immediately reclassifies them from other components of equity to retained earnings.

(ii) Defined contribution plans

The group recognizes contributions under the defined contribution plans as expenses in the period when the employees render the related services.

(iii) Short-term employee benefits

The group recognizes short-term benefits as expenses, when the related service is rendered, at an amount assumed without discounting. The group also recognizes the estimated amount as a liability when it has present legal or constructive obligations to pay as a result of past employee service and when the amount of the obligations can be reliably estimated.

(14) Equity

(i) Share capital and capital surplus

The total amount of equity instruments issued by the group is recognized as share capital and capital surplus. Issuance costs directly attributable to the issuance of equity instruments are recognized as a deduction from capital surplus.

(ii) Treasury shares

When the group repurchases treasury shares, the acquisition cost including costs directly attributable to the acquisition of shares is recognized as a deduction of equity. When the group sells treasury shares, the consideration received is recognized as an increase in equity.

(15) Revenue recognition

(i) Basis of revenue recognition and measurement

The company measures and recognizes revenues based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(ii) Timing of revenue recognition

Based on the aforementioned five-step approach, revenues are recognized when the group satisfies its performance obligations.

The group sells merchandise and products such as metals, automobiles, automotive components, machinery, chemicals and foods. Performance obligations on the sales of goods are satisfied at the point in time at which the control of the merchandise or product is transferred to a customer. In other words, at the point in time at which the good is handed over to the customer or inspected by the customer at the destination specified in the contract, the group has the right to receive payment for the merchandise or products provided. Thus, the group recognizes revenues at the point in time at which the significant risks and rewards in connection with ownership, including the legal title and physical possession of the goods, as well as economic value of the goods are transferred to the customers.

Further, the group engages in providing services, including construction contracts and software development. For these transactions, the performance obligations are satisfied over time based on the contract terms and conditions. The group measures progress toward complete satisfaction of performance obligations for the purpose of depicting the group's performance in transferring control of goods or services promised to the customer, and recognizes revenues by measuring the progress toward completion. Principally using input methods based on the costs incurred for measuring progress, the group determines the appropriate method for measuring progress after considering the details of each transaction as well as the nature of the goods or services.

(iii) Gross versus net presentation of revenues

When the group acts as a principal in sales or service transactions, revenues are recognized as the gross amount of consideration received. When the group acts as an agent, revenues are recognized net. The group comprehensively determines whether it is a principal or an agent based on the following three indicators:

- If the group has inventory risk before or after a customer's order, during shipment or on returning the goods;
- If the group has discretion in establishing the price for the specified goods or services, and if the group's benefits to be received from the goods or services are limited; and
- If the group is primarily responsible for fulfilling the contract.

(16) Income taxes

Income tax expenses comprise current tax expense and deferred tax expense. The group recognizes each in profit or loss, except when the related expense is recognized directly in other comprehensive income, equity or from a business combination.

Current tax expense is measured by the amount expected to be paid to or received from the tax authorities. The tax rates or tax laws that are used to calculate the tax amounts are those that have been enacted or substantially enacted by the fiscal year-end.

The group recognizes deferred tax assets and deferred tax liabilities for temporary differences between the carrying amounts of assets and liabilities and its tax base, with the unused tax losses carried forward and unused tax credits carried forward. The amounts of deferred tax assets and deferred tax liabilities are calculated by applying the expected tax rate or tax law applicable for the fiscal year in which those assets are realized or liabilities are settled in accordance with a statutory tax rate or a substantially enacted statutory tax rate and the tax law as of the fiscal year-end. The group does not recognize deferred tax assets and deferred tax liabilities in the following cases:

- when future taxable temporary differences arise from the initial recognition of goodwill;
- when future taxable temporary differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit (tax loss) on the transaction date;
- with respect to future taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when the group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; or
- with respect to future deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, when it is probable that the temporary differences will not reverse in the foreseeable future or it is remote that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that they can be used against future taxable profit. At the fiscal year-end, the group reviews the carrying amount of deferred tax assets and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit to be utilized. The group also reviews items unrecognized as deferred tax assets at the fiscal year-end and recognizes them to the extent that it becomes probable that future taxable profits will be available to allow the benefits to be utilized.

The deferred tax assets and deferred tax liabilities are offset and presented net on the consolidated statement of financial position only if (a) the group has a legally enforceable right to set off current tax assets against current tax liabilities, and (b) the income taxes are levied by the same taxation authority on either (i) the same taxable entity or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

(17) Government grants

Government grants are recognized when there is reasonable assurance that the group will comply with conditions of the grant and receive the grants. The government grants are measured at fair value. The amount of grants related to an asset is deducted from acquisition cost of the asset.

(18) Adoption of the consolidated taxation system

The company and some consolidated subsidiaries apply the consolidated taxation system.

(19) Accounting standards and interpretations issued but not yet applied

Of major standards and interpretations issued prior to the date of authorization of the consolidated financial statements, there are no standards and interpretations which may have material impact on the group.

NOTE 4. Segment Information

(1) Description of reportable segments

The group's reportable segments are components of the group about which separate financial information is available and such information is evaluated regularly by the company's Board of Directors in order to decide how to allocate resources and assess performance.

The main business of the group is buying and selling various goods in Japan and overseas. The group also engages in a wide range of businesses including manufacturing, processing and selling products, investments and providing services. The group's operations are classified into seven segments: Metals, Global Parts & Logistics, Automotive, Machinery, Energy & Project, Chemicals & Electronics, Food & Consumer Services and Africa. These segments correspond to the group's business divisions. The business of each segment is conducted by the company's business divisions and subsidiaries and associates directly supervised by each business division.

The businesses of each division are listed below.

(i) Metals Division

The Metals Division mainly handles steel products, steel specialty products, steel construction materials, non-ferrous metal ingots, precious metals, aluminum products, copper alloy products, iron and steel scrap, non-ferrous metals scrap, ferro-alloy products, pig iron, recycling of end-of-life vehicles (ELVs) and auto parts, waste catalysts, rare earth resources and rare metals. The division manufactures, processes, sells and disposes of the products listed above.

(ii) Global Parts & Logistics Division

The Global Parts & Logistics Division mainly manufactures, sells and provides services for component parts for automotive production, as well as runs the logistics business and tire assembly business.

(iii) Automotive Division

The Automotive Division mainly handles passenger vehicles, commercial vehicles, motorcycles, trucks, buses, industrial vehicles and automotive parts. The division exports, sells and provides services for the products listed above. The division also engages in various business related to automotive sales, including small and medium-scale vehicle assembly, body mounting and conversion, used vehicle sales and captive finance and leases.

(iv) Machinery, Energy & Project Division

The Machinery, Energy & Project Division sells products primarily used in the automotive industry, such as manufacturing and logistics facilities, parts and tools and construction machinery, and provides services relevant to those products. The division also engages in the renewable power generation business, such as wind power, solar power, hydropower, geothermal and biomass energy, as well as sales of crude oil, natural gas and petroleum products, and the infrastructure business including electric power plants, airports and ports.

(v) Chemicals & Electronics Division

The Chemicals & Electronics Division sells and provides services for component parts for automobile production, semiconductors, electronic parts, modular products, automotive embedded software development, network integration and support, electronic equipment, overseas IT infrastructure exports, PCs, PC peripherals and software, and ITS (Intelligent Transport Systems). The division also handles plastics, rubber, batteries and electronic materials, specialty and inorganic chemicals, fat and oil products, chemical additives, and pharmaceuticals and pharmaceutical ingredients. The division processes, manufactures, sells and provides services relevant to the products listed above.

(vi) Food & Consumer Services Division

The Food & Consumer Services Division manufactures, processes, sells and provides services relevant to products such as feed and oilseeds, grains, processed foods, food ingredients, agricultural, marine and livestock products, and alcoholic beverages. The division also sells and provides services relevant to products such as property, casualty and life insurance, brokered securities, textile products, apparel, nursing care and medical products, construction and housing materials, and office furniture. In addition, the division also engages in the general hospital business and hotel residence business.

(vii) Africa Division

The Africa Division manufactures, sells and provides services mainly in the automobile, healthcare, consumer goods & retail businesses operated in Africa. The division also develops new businesses designed to solve Africa's social issues, including energy & infrastructure, agriculture and ICT.

(2) Reportable segment information

The accounting policies of each reportable segment are consistent with those in Note 3. "Significant Accounting Policies."

Millions of Yen

For the year ended March 31, 2020	Reportable segments: Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	¥1,657,811	¥858,699	¥615,038	¥790,424	¥1,473,147	¥439,406	¥853,911	¥6,688,439	¥ 5,631	¥ –	¥6,694,071
Inter-segment	2,127	24,721	1,165	5,902	4,037	634	51	38,640	1,786	(40,426)	–
Total	1,659,939	883,421	616,203	796,327	1,477,184	440,040	853,963	6,727,080	7,417	(40,426)	6,694,071
Gross profit	92,301	73,149	84,393	89,585	102,518	46,695	155,181	643,825	(913)	(3,026)	639,885
Profit for the year attributable to owners of the parent	¥ 18,996	¥ 22,389	¥ 19,798	¥ 35,192	¥ 22,742	¥ 5,888	¥ 14,017	¥ 139,026	¥ (3,476)	¥ 2	¥ 135,551
Segment assets	¥ 893,889	¥388,677	¥279,548	¥816,956	¥ 668,663	¥279,356	¥592,046	¥3,919,138	¥904,862	¥(278,790)	¥4,545,210
Other items:											
(1) Investments accounted for using the equity method	¥ 40,970	¥ 17,472	¥ 25,385	¥ 70,811	¥ 63,203	¥ 28,190	¥ 1,223	¥ 247,257	¥ 18,385	¥ –	¥ 265,643
(2) Share of profit (loss) of investments accounted for using the equity method	(8,978)	1,570	3,004	1,433	3,192	(1,530)	(2,140)	(3,447)	957	0	(2,489)
(3) Depreciation and amortization	12,317	8,509	10,857	20,497	4,052	5,551	28,179	89,964	13,593	–	103,558
(4) Impairment losses on fixed assets	–	–	–	1,012	47	–	–	1,060	417	–	1,478
(5) Capital expenditures	27,285	12,976	15,799	59,080	7,146	11,365	21,007	154,660	20,284	–	174,945

Thousands of U.S. Dollars

For the year ended March 31, 2020	Reportable segments: Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	$15,233,033	$7,890,278	$5,651,364	$7,262,923	$13,536,221	$4,037,544	$7,846,283	$61,457,677	$ 51,741	$ –	$61,509,427
Inter-segment	19,544	227,152	10,704	54,231	37,094	5,825	468	355,049	16,410	(371,460)	–
Total	15,252,586	8,117,440	5,662,069	7,317,164	13,573,316	4,043,370	7,846,761	61,812,735	68,152	(371,460)	61,509,427
Gross profit	848,120	672,140	775,457	823,164	942,001	429,063	1,425,902	5,915,877	(8,389)	(27,804)	5,879,674
Profit for the year attributable to owners of the parent	$ 174,547	$ 205,724	$ 181,916	$ 323,366	$ 208,968	$ 54,102	$ 128,797	$ 1,277,460	$ (31,939)	$ 18	$ 1,245,529
Segment assets	$ 8,213,626	$3,571,414	$2,568,666	$7,506,716	$6,144,105	$2,566,902	$5,440,099	$36,011,559	$8,314,453	$(2,561,701)	$41,764,311
Other items:											
(1) Investments accounted for using the equity method	$ 376,458	$ 160,543	$ 233,253	$ 650,656	$ 580,749	$ 259,027	$ 11,237	$ 2,271,956	$ 168,933	$ –	$ 2,440,898
(2) Share of profit (loss) of investments accounted for using the equity method	(82,495)	14,426	27,602	13,167	29,330	(14,058)	(19,663)	(31,673)	8,793	0	(22,870)
(3) Depreciation and amortization	113,176	78,186	99,761	188,339	37,232	51,006	258,926	826,647	124,901	–	951,557
(4) Impairment losses on fixed assets	–	–	–	9,298	431	–	–	9,739	3,831	–	13,580
(5) Capital expenditures	250,712	119,231	145,171	542,865	65,662	104,428	193,025	1,421,115	186,382	–	1,607,507

Notes: 1. "Other" comprises businesses, such as a professional division that supports group-wide operations not included in reportable segments. "Other" also includes profit or loss not allocated to other specific reportable segments.
2. Figures in "Adjustments" represent the amounts of inter-segment transactions.
3. Prices of inter-segment transactions are individually determined based on negotiation.
4. Taxes on investments in subsidiaries and associates were previously included in each segment profit for the year when they were realized. Effective from the year ended March 31, 2020, the group now recognizes taxes on investments in subsidiaries and associates when the tax effect of temporary differences is recognized. The effect from this change is insignificant for the years ended March 31, 2020 and 2019.

For the year ended March 31, 2019	Millions of Yen										
	Reportable segments										
	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue											
External customers	¥1,740,139	¥882,551	¥649,146	¥947,586	¥1,499,984	¥454,565	¥586,124	¥6,760,097	¥ 2,604	¥ –	¥6,762,702
Inter-segment	1,919	22,203	7,861	2,961	10,571	583	6,263	52,364	1,024	(53,389)	–
Total	1,742,058	904,755	657,007	950,547	1,510,556	455,149	592,387	6,812,462	3,628	(53,389)	6,762,702
Gross profit	99,898	75,369	88,730	89,872	107,531	43,922	137,167	642,492	2,965	(7,029)	638,428
Profit for the year attributable to owners of the parent	¥ 35,309	¥ 23,799	¥ 22,757	¥ 18,780	¥ 18,441	¥ 1,762	¥ 10,118	¥ 130,970	¥ 1,693	¥ (41)	¥ 132,622
Segment assets	¥ 933,413	¥402,007	¥291,096	¥771,431	¥ 701,543	¥286,823	¥536,662	¥3,922,976	¥800,601	¥(282,113)	¥4,441,464
Other items:											
(1) Investments accounted for using the equity method	¥ 49,385	¥ 17,446	¥ 23,831	¥ 80,521	¥ 65,608	¥ 28,182	¥ 2,403	¥ 267,379	¥ 17,694	¥ –	¥ 285,074
(2) Share of profit (loss) of investments accounted for using the equity method	2,210	1,960	2,276	3,410	(939)	(2,945)	(2,402)	3,571	772	(7)	4,336
(3) Depreciation and amortization	11,532	5,794	8,482	18,510	2,956	3,612	19,971	70,860	5,145	–	76,005
(4) Impairment losses on fixed assets	1,334	–	–	2,673	429	–	0	4,437	84	–	4,521
(5) Capital expenditures	11,415	6,223	16,824	33,500	4,259	2,239	16,147	90,610	12,354	–	102,964

Notes: 1. "Other" comprises businesses, such as a professional division that supports group-wide operations not included in reportable segments. "Other" also includes profit or loss not allocated to other specific reportable segments.
2. Figures in "Adjustments" represent the amounts of inter-segment transactions.
3. Prices of inter-segment transactions are individually determined based on negotiation.

(3) Information on products and services

Products and services are the same as that of reportable segments noted above.

(4) Geographic information

(i) External revenue

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japan	¥2,133,481	¥2,132,057	$19,603,794
China	782,224	845,927	7,187,576
U.S.	645,970	692,136	5,935,587
Other	3,132,394	3,092,580	28,782,449
Total	¥6,694,071	¥6,762,702	$61,509,427

Revenue is classified based on the locations of customers.

(ii) Non-current assets (excluding financial assets and deferred tax assets, etc.)

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Japan	¥430,873	¥342,587	$3,959,138
U.S.	88,769	68,382	815,666
Other	460,046	394,266	4,227,198
Total	¥979,689	¥805,236	$9,002,012

(5) Information on major customers

The major customer of the group is Toyota Motor Corporation Group. Each of the group's segments reports revenues from them. The total revenues recognized from Toyota Motor Corporation Group for the years ended March 31, 2020 and 2019 are ¥848,163 million ($7,793,466 thousand) and ¥849,378 million, respectively.

NOTE 5. Business Combinations

The major business combination for the year ended March 31, 2020 is described below. Other business combinations are insignificant individually and in aggregate.

Acquisition of Unitrans Motor Holdings Proprietary Limited

(1) Name of acquiree and description of its business

Name of acquiree:	Unitrans Motor Holdings Proprietary Limited
(current business name:	CFAO MOTORS SOUTH AFRICA PROPRIETARY LIMITED)
Description of business:	Sale of automobiles

(2) Reason for business combination

The company has positioned Africa as a key area of its business. By acquiring the acquiree with a network of approximately 100 auto dealers as a subsidiary, the company aims to maximize the auto sales channel in South Africa, which is the largest African automotive market, and further enhance the auto business in Africa.

(3) Date and method of acquisition and voting right acquired

On November 25, 2019, the company acquired 74.9% of the acquiree's voting rights through CFAO HOLDINGS SOUTH AFRICA PROPRIETARY LIMITED, a wholly-owned subsidiary of the company.

(4) Consideration paid for the acquisition, fair value of assets acquired and liabilities assumed, non-controlling interests and goodwill

Since the initial fair value measurement has not yet been completed for assets acquired and liabilities assumed through this business combination, preliminary amounts based on the most recent information available are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Fair value of consideration paid (Note 1)	¥29,440	$270,513
Trade and other receivables	14,956	137,425
Inventories	23,973	220,279
Other current assets	13,705	125,930
Property, plant and equipment	14,469	132,950
Other non-current assets	5,154	47,358
Total fair value of assets acquired	¥72,259	$663,962
Current liabilities	¥42,353	$389,166
Non-current liabilities	7,154	65,735
Total fair value of liabilities assumed	¥49,508	$454,911
Net assets	¥22,750	$209,041
Non-controlling interests	45	413
Goodwill (Note 2)	¥ 6,735	$ 61,885

Notes: 1. All consideration was paid in cash.
2. Goodwill is the excess earnings expected from the future business development through the synergies between the company and the acquiree.

(5) Costs related to acquisition

Costs related to acquisition are insignificant.

(6) Revenue and profit of the acquiree (that belongs to the owners of the parent company)

On and after the date of acquisition, revenue and profit of the acquiree (that belongs to the owners of the parent company) are ¥54,924 million ($504,677 thousand) and ¥1,385 million ($12,726 thousand), respectively, and those amounts are recognized in the consolidated statement of profit or loss for the year ended March 31, 2020.

(7) Revenue and profit (that belongs to the owners of the parent company) as if the business combination would have been completed at the beginning of the year ended March 31, 2020

Pro forma information (unaudited) on revenue and profit (that belongs to the owners of the parent company) is ¥6,785,824 million ($62,352,513 thousand) and ¥136,970 million ($1,258,568 thousand), respectively.

NOTE 6. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Notes and accounts receivable	¥1,200,938	¥1,348,935	$11,034,990
Other	133,308	125,278	1,224,919
Loss allowance	(48,260)	(49,011)	(443,443)
Total	1,285,986	1,425,201	11,816,466
Current assets	1,252,145	1,397,937	11,505,513
Non-current assets	33,841	27,264	310,952
Total	¥1,285,986	¥1,425,201	$11,816,466

NOTE 7. Inventories

The breakdown of inventories is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Merchandise and finished goods	¥742,580	¥698,065	$6,823,302
Work in progress	10,596	10,783	97,362
Raw materials and supplies	30,429	36,308	279,601
Total	¥783,606	¥745,157	$7,200,275

The carrying amount of inventories measured at fair value after deducting direct selling cost and the revaluation loss of inventories recognized as expense during the year are not significant. Inventory primarily consists of direct costs incurred during the year as recorded in cost of sales on the consolidated statement of profit or loss.

NOTE 8. Assets Held for Sale and Liabilities Directly Associated

The breakdown of assets held for sale and liabilities directly associated with such assets is shown below.

(1) Assets held for sale

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments accounted for using the equity method	¥1,950	¥–	$17,917
Other investments	1,321	–	12,138
Total	¥3,271	¥–	$30,056

As of March 31, 2020, the company's assets held for sale are mainly the investments in the coal mining and production entity in Australia and heavy oil-fired power generation entity in Pakistan, both of which are held by the company's consolidated subsidiaries under the Machinery, Energy & Project Division. As a policy of the "Key Sustainability Issues," the company is committed to contributing to the transition to a low-carbon society. In accordance with the policy, the company decided to sell those entities and focus its business on the clean energy sector. Since the company agreed with the buyer in the year ended March 31, 2020 and it is expected to conclude the sale within one year, the company classifies the assets expected to be sold as assets held for sale.

Other components of equity associated with assets held for sale are ¥(3,366) million ($(30,928) thousand), which mainly consists of ¥(2,220) million ($(20,398) thousand) of exchange differences on translation of foreign operations and ¥(1,146) million ($(10,530) thousand) of financial assets measured at fair value through other comprehensive income (loss).

(2) Liabilities directly associated with assets held for sale

There are no liabilities directly associated with assets held for sale as of March 31, 2020 and 2019.

NOTE 9. Financial Instruments

(1) Classification of financial instruments

The breakdown of financial instruments for each classification is shown as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Financial assets			
Financial assets measured at amortized cost:			
Cash and cash equivalents	¥ 496,372	¥ 465,861	$ 4,560,985
Trade and other receivables	1,285,986	1,425,201	11,816,466
Other financial assets	117,858	68,193	1,082,955
Financial assets measured at amortized cost, total	1,900,217	1,959,256	17,460,415
Financial assets measured at fair value through profit or loss:			
Other investments	4,903	–	45,051
Other financial assets	61,396	33,128	564,145
Financial assets measured at fair value through profit or loss, total	66,299	33,128	609,197
FVTOCI financial assets:			
Other investments	383,439	454,647	3,523,284
FVTOCI financial assets, total	383,439	454,647	3,523,284
Total	¥2,349,957	¥2,447,033	$21,592,915
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade and other payables	¥1,117,407	¥1,202,141	$10,267,453
Bonds and borrowings	1,523,308	1,503,047	13,997,133
Financial liabilities measured at amortized cost, total	2,640,715	2,705,188	24,264,586
Financial liabilities measured at fair value through profit or loss:			
Other financial liabilities	70,505	36,644	647,845
Financial liabilities measured at fair value through profit or loss, total	70,505	36,644	647,845
Total	¥2,711,221	¥2,741,832	$24,912,441

(2) Fair value of financial instruments

(i) Fair value hierarchy

The group classifies financial instruments measured at fair value into the following three categories depending on the inputs used to measure fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs not based on observable market data

(ii) Financial instruments measured at amortized cost

The following summarizes the carrying amount and fair value of financial instruments measured at amortized cost.

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:						
Cash and cash equivalents	¥ 496,372	¥ 496,372	¥ 465,861	¥ 465,861	$ 4,560,985	$ 4,560,985
Trade and other receivables	1,285,986	1,286,138	1,425,201	1,425,265	11,816,466	11,817,862
Other financial assets	117,858	117,858	68,193	68,193	1,082,955	1,082,955
Total	¥1,900,217	¥1,900,369	¥1,959,256	¥1,959,320	$17,460,415	$17,461,812
Financial liabilities:						
Trade and other payables	¥1,117,407	¥1,117,407	¥1,202,141	¥1,202,141	$10,267,453	$10,267,453
Bonds and borrowings	1,523,308	1,542,566	1,503,047	1,518,836	13,997,133	14,174,088
Total	¥2,640,715	¥2,659,974	¥2,705,188	¥2,720,977	$24,264,586	$24,441,551

Method to measure the fair value is shown below. Each is classified into Level 2 of the fair value hierarchy.

(a) Cash and cash equivalents

Cash and cash equivalents mainly consist of cash on hand, cash in checking accounts and time deposits with short maturities. Since the fair value approximates the carrying amount, the carrying amount is used as fair value.

(b) Trade and other receivables

The fair value of short-term receivables and receivables with floating interest rates approximates the carrying amount; thus, the carrying amount is used as fair value. The fair value of other receivables is measured by discounting future estimated cash flows by interest rates which would have been applied for new receivables with similar maturities and credit risk.

(c) Other financial assets

Other financial assets consist mainly of time deposits with a maturity of more than three months and no more than one year. The carrying amount is used as fair value.

(d) Trade and other payables

For payables settled in no more than one year, the carrying amount is used as fair value.

(e) Bonds and borrowings

The fair value of bonds is measured based on the published reference price. The fair value of borrowings is measured by discounting future cash flows using a rate which may be applied for a new loan with similar terms and conditions.

(iii) Financial instruments measured at fair value

Fair value hierarchy of financial instruments measured at fair value on a recurring basis is as shown below. There are no financial instruments measured at fair value on a non-recurring basis.

	Millions of Yen			
As of March 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Other financial assets	¥ 12,741	¥48,655	¥ –	¥ 61,396
Other investments	231,441	–	156,901	388,342
Total	¥244,182	¥48,655	¥156,901	¥449,739
Financial liabilities:				
Other financial liabilities	¥ 18,264	¥52,240	¥ –	¥ 70,505

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Other financial assets	$ 117,072	$447,073	$ –	$ 564,145
Other investments	2,126,628	–	1,441,707	3,568,335
Total	$2,243,701	$447,073	$1,441,707	$4,132,491
Financial liabilities:				
Other financial liabilities	$ 167,821	$480,014	$ –	$ 647,845

	Millions of Yen			
As of March 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Other financial assets	¥ 2,275	¥30,853	¥ –	¥ 33,128
Other investments	269,379	–	185,268	454,647
Total	¥271,654	¥30,853	¥185,268	¥487,776
Financial liabilities:				
Other financial liabilities	¥ 2,042	¥34,601	¥ –	¥ 36,644

The methods of determining fair value are described as follows:

(a) Other financial assets

Financial instruments classified into Level 1 are derivatives traded in active markets and measured based on their quoted price as of each fiscal year-end. Financial instruments classified into Level 2 are over-the-counter derivatives and measured based on broker pricing or observable inputs.

(b) Other investments

Financial instruments classified into Level 1 are equity securities traded in active markets and measured based on their quoted price as of each fiscal year-end. Financial instruments classified into Level 3 are equity securities and capital contributions without a quoted price in active markets, and are measured individually by selected methods in accordance with the pre-approved internal policies and procedures of fair value measurement. The measurement methods include the comparable peer company analysis, net asset approach and other evaluation methods. The Price Book-value Ratio (PBR) and illiquidity discount and other methods are also used for measurement.

(c) Other financial liabilities

Financial instruments classified into Level 1 are derivatives traded in active markets and measured based on their quoted price as of each fiscal year-end. Financial instruments classified into Level 2 are over-the-counter derivatives and measured based on the offered prices by brokers or observable inputs.

The changes in financial instruments classified into Level 3 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
	Other investments	Other investments	Other investments
Balance at the beginning of the year	¥185,268	¥222,995	$1,702,361
Other comprehensive income (loss)	(32,791)	(48,728)	(301,304)
Purchases	8,958	14,552	82,311
Sales	(976)	(256)	(8,968)
Foreign exchange translation	(567)	69	(5,209)
Other	(2,990)	(3,364)	(27,474)
Balance at the end of the year	¥156,901	¥185,268	$1,441,707

Significant unobservable inputs used for measurement of financial instruments classified into Level 3 are as follows:

	2020	2019
PBR	0.3 to 3.3 times	0.4 to 4.0 times
Illiquidity discount	30.0%	30.0%

When PBR increases (decreases), the fair value also increases (decreases). When illiquidity discount increases (decreases), the fair value decreases (increases).

(3) Financial assets measured at fair value through other comprehensive income (FVTOCI financial assets)

(i) Fair value by major issuers

Investments held for the main purpose of maintaining and strengthening business relationships are measured at fair value through other comprehensive income and accounted for as "Other investments." The names of major issuers are as follows:

As of March 31, 2020

Name of issuer	Millions of Yen	Thousands of U.S. Dollars
Toyota Industries Corporation	¥79,223	$727,951
Toyota Motor Corporation	65,559	602,398
TIANJIN DENSO ELECTRONICS CO., LTD.	10,225	93,953
Towa Real Estate Co., Ltd.	9,804	90,085
P.T. ASTRA DAIHATSU MOTOR	9,559	87,834
RATCHABURI POWER CO., LTD.	8,567	78,719
Lion Corporation	8,109	74,510
JTEKT STEERING SYSTEMS (XIAMEN) CO., LTD.	6,071	55,784
TOYOTA BOSHOKU CORPORATION	5,877	54,001
HOUSE FOODS GROUP INC.	5,343	49,094

As of March 31, 2019

Name of issuer	Millions of Yen
Toyota Industries Corporation	¥84,881
Toyota Motor Corporation	65,381
P.T. ASTRA DAIHATSU MOTOR	18,704
Indus Motor Company Ltd.	10,128
Towa Real Estate Co., Ltd.	10,073
TIANJIN DENSO ELECTRONICS CO., LTD.	9,783
Koito Manufacturing Co., Ltd.	8,195
Lion Corporation	8,168
JTEKT Corporation	8,168
RATCHABURI POWER CO., LTD.	7,672

(ii) Dividend income

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Investments derecognized during the year	¥ 20	¥ 127	$ 183
Investments held at the year-end	18,509	23,897	170,072
Total	¥18,530	¥24,024	$170,265

(iii) FVTOCI financial assets that were derecognized during the year

FVTOCI financial assets are derecognized during the year when they are sold due to changes in business strategy. The fair value at the date of sale and cumulative gain or loss upon sale, before tax, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Fair value at the date of sale	¥2,830	¥974	$26,003
Cumulative gain or loss upon sale	632	534	5,807

(iv) Reclassification to retained earnings

Cumulative gain or loss from changes in fair value of FVTOCI financial assets is reclassified to retained earnings when the investment is disposed or impaired. The cumulative gains or losses in other comprehensive income reclassified to retained earnings, net of tax, are a loss of ¥3,160 million ($29,036 thousand) and a gain of ¥460 million for the years ended March 31, 2020 and 2019, respectively.

(4) Derivatives

The following is the breakdown of derivative transactions.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Commodity-related derivatives	¥ 557	¥ (915)	$ 5,118
Currency-related derivatives	3,143	(731)	28,879
Interest-related derivatives	(12,809)	(1,868)	(117,697)
Total	¥ (9,108)	¥ (3,515)	$ (83,690)
Other financial assets (current)	¥ 43,974	¥ 15,338	$ 404,061
Other financial assets (non-current)	17,422	17,790	160,084
Other financial liabilities (current)	(42,597)	(15,679)	(391,408)
Other financial liabilities (non-current)	(27,907)	(20,964)	(256,427)
Total	¥ (9,108)	¥ (3,515)	$ (83,690)

(5) Hedge accounting

(i) Type of hedge accounting

(a) Fair value hedges

The group designates commodity-related derivatives as hedging instruments mainly to hedge from the risk of fluctuation in fair value of inventories and firm commitments.

(b) Cash flow hedges

The group designates the following derivatives as hedging instruments: interest-related derivatives mainly in order to hedge from the risk of fluctuation in cash flows attributable to interests on floating-rate loans payable; currency-related derivatives to hedge from the risk of fluctuation in cash flows attributable to exchange differences of firm commitments denominated in foreign currencies; and commodity-related derivatives to hedge from the risk of fluctuation in cash flows attributable to fluctuations in the commodity price of forecasted transactions.

(c) Hedge of net investments in foreign operations

The group designates loans payable denominated in foreign currencies as hedging instruments in order to hedge fluctuation risk of foreign currency exchange rates in connection with net investments in foreign operations.

(ii) Matters regarding hedge accounting

Matters regarding hedge accounting are stated below. The effects arising from ineffectiveness of hedges and derecognition of hedge accounting are insignificant.

(a) Hedging instruments

As of March 31, 2020

Type of hedge accounting	Millions of Yen				
	Notional amount	Carrying amount			Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
		Other financial assets	Other financial liabilities	Bonds and borrowings	
Fair value hedges:					
Commodity price fluctuation risk	¥ 35,269	¥ 146	¥ 2,033	¥ –	¥ (1,819)
Cash flow hedges:					
Commodity price fluctuation risk	14,955	380	1,148	–	(766)
Foreign exchange fluctuation risk	446,528	6,789	2,731	–	4,799
Interest rate fluctuation risk	450,603	14,469	27,026	–	(18,225)
Hedge of net investments:					
Foreign exchange fluctuation risk	1,367	–	–	1,367	17

Type of hedge accounting	Thousands of U.S. Dollars				
	Notional amount	Carrying amount			Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
		Other financial assets	Other financial liabilities	Bonds and borrowings	
Fair value hedges:					
Commodity price fluctuation risk	$ 324,074	$ 1,341	$ 18,680	$ –	$ (16,714)
Cash flow hedges:					
Commodity price fluctuation risk	137,416	3,491	10,548	–	(7,038)
Foreign exchange fluctuation risk	4,102,986	62,381	25,094	–	44,096
Interest rate fluctuation risk	4,140,430	132,950	248,332	–	(167,463)
Hedge of net investments:					
Foreign exchange fluctuation risk	12,560	–	–	12,560	156

Type of hedge accounting	Millions of Yen			
	Changes in amount in other comprehensive income	Reclassification adjustment		Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
		Account name	Amount	
Fair value hedges:				
Commodity price fluctuation risk	¥ –	–	¥ –	¥ –
Cash flow hedges:				
Commodity price fluctuation risk	(5,557)	Cost of sales	4,826	(855)
Foreign exchange fluctuation risk	(4,400)	Other income (expenses), other	2,899	1,474
Interest rate fluctuation risk	(6,484)	Interest expenses, other	3,435	(22,917)
Hedge of net investments:				
Foreign exchange fluctuation risk	17	Other income (expenses), other	(982)	17

Type of hedge accounting	Thousands of U.S. Dollars			
	Changes in amount in other comprehensive income	Reclassification adjustment		Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
		Account name	Amount	
Fair value hedges:				
Commodity price fluctuation risk	$ –	–	$ –	$ –
Cash flow hedges:				
Commodity price fluctuation risk	(51,061)	Cost of sales	44,344	(7,856)
Foreign exchange fluctuation risk	(40,430)	Other income (expenses), other	26,637	13,544
Interest rate fluctuation risk	(59,579)	Interest expenses, other	31,562	(210,576)
Hedge of net investments:				
Foreign exchange fluctuation risk	156	Other income (expenses), other	(9,023)	156

As of March 31, 2019	Millions of Yen				
		Carrying amount			
Type of hedge accounting	Notional amount	Other financial assets	Other financial liabilities	Bonds and borrowings	Changes in value of hedging instruments used as a basis of recognizing hedge ineffectiveness
Fair value hedges:					
Commodity price fluctuation risk	¥ 15,715	¥ 41	¥ 706	¥ –	¥ (1,116)
Cash flow hedges:					
Commodity price fluctuation risk	10,621	13	109	–	(55)
Foreign exchange fluctuation risk	306,730	4,172	2,332	–	2,927
Interest rate fluctuation risk	417,672	17,818	19,684	–	(15,372)
Hedge of net investments:					
Foreign exchange fluctuation risk	7,027	–	–	7,027	1,027

	Millions of Yen			
		Reclassification adjustment		
Type of hedge accounting	Changes in amount in other comprehensive income	Account name	Amount	Cash flow hedges reserve and foreign exchange reserve as a result of applying hedge accounting
Fair value hedges:				
Commodity price fluctuation risk	¥ –	–	¥ –	¥ –
Cash flow hedges:				
Commodity price fluctuation risk	(972)	Cost of sales	2,020	(124)
Foreign exchange fluctuation risk	669	Other income (expenses), other	1,444	2,974
Interest rate fluctuation risk	9,749	Interest expenses, other	(9,330)	(19,868)
Hedge of net investments:				
Foreign exchange fluctuation risk	18	Other income (expenses), other	(1,150)	982

The group uses interest rate currency swaps for the purpose of fixing interest rates of interest-bearing borrowings that are denominated in foreign currencies. These transactions are included in interest rate fluctuation risk in the above tables.

The breakdown of notional amounts of hedging instruments by maturity is as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Fair value hedges:				
Commodity price fluctuation risk	¥ 35,269	¥ –	¥ –	¥ 35,269
Cash flow hedges:				
Commodity price fluctuation risk	14,955	–	–	14,955
Foreign exchange fluctuation risk	372,419	32,692	41,416	446,528
Interest rate fluctuation risk	69,581	178,906	202,114	450,603
Hedge of net investments:				
Foreign exchange fluctuation risk	–	1,268	98	1,367
March 31, 2019				
Fair value hedges:				
Commodity price fluctuation risk	¥ 15,715	¥ –	¥ –	¥ 15,715
Cash flow hedges:				
Commodity price fluctuation risk	10,621	–	–	10,621
Foreign exchange fluctuation risk	228,636	22,533	55,560	306,730
Interest rate fluctuation risk	59,659	181,076	176,937	417,672
Hedge of net investments:				
Foreign exchange fluctuation risk	4,548	2,479	–	7,027

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Fair value hedges:				
Commodity price fluctuation risk	$ 324,074	$ –	$ –	$ 324,074
Cash flow hedges:				
Commodity price fluctuation risk	137,416	–	–	137,416
Foreign exchange fluctuation risk	3,422,025	300,395	380,556	4,102,986
Interest rate fluctuation risk	639,354	1,643,903	1,857,153	4,140,430
Hedge of net investments:				
Foreign exchange fluctuation risk	–	11,651	900	12,560

(b) Hedged item

	Millions of Yen				
As of March 31, 2020	Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount			Accumulated adjustment for fair value hedges included in carrying amount
Type of hedge accounting		Inventories	Other current assets	Other current liabilities	
Fair value hedges:					
Commodity price fluctuation risk	¥ 1,819	¥4,798	¥1,830	¥–	¥1,819
Cash flow hedges:					
Commodity price fluctuation risk	766	–	–	–	–
Foreign exchange fluctuation risk	(4,799)	–	–	–	–
Interest rate fluctuation risk	18,225	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(17)	–	–	–	–

	Thousands of U.S. Dollars				
	Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount			Accumulated adjustment for fair value hedges included in carrying amount
Type of hedge accounting		Inventories	Other current assets	Other current liabilities	
Fair value hedges:					
Commodity price fluctuation risk	$ 16,714	$44,087	$16,815	$–	$16,714
Cash flow hedges:					
Commodity price fluctuation risk	7,038	–	–	–	–
Foreign exchange fluctuation risk	(44,096)	–	–	–	–
Interest rate fluctuation risk	167,463	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(156)	–	–	–	–

	Millions of Yen				
As of March 31, 2019	Changes in fair value of hedged item used as a basis of recognizing hedge ineffectiveness	Carrying amount			Accumulated adjustment for fair value hedges included in carrying amount
Type of hedge accounting		Inventories	Other current assets	Other current liabilities	
Fair value hedges:					
Commodity price fluctuation risk	¥ 1,116	¥5,495	¥1,124	¥–	¥1,116
Cash flow hedges:					
Commodity price fluctuation risk	55	–	–	–	–
Foreign exchange fluctuation risk	(2,980)	–	–	–	–
Interest rate fluctuation risk	15,372	–	–	–	–
Hedge of net investments:					
Foreign exchange fluctuation risk	(968)	–	–	–	–

(6) Offsetting financial assets and financial liabilities

Any financial assets and financial liabilities which fulfill the offsetting criteria are offset on the consolidated statement of financial position. The following provides the offsetting status of financial assets and financial liabilities arisen from derivative transactions. Except for financial assets and financial liabilities related to derivative transactions, there are no other significant financial assets or financial liabilities offset on the consolidated statement of financial position.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gross amount of financial assets recognized	¥62,433	¥34,051	$573,674
Amount offset on the consolidated statement of financial position	(1,037)	(922)	(9,528)
Net amount of financial assets presented in the consolidated statement of financial position	¥61,396	¥33,128	$564,145

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Gross amount of financial liabilities recognized	¥71,542	¥37,566	$657,373
Amount offset on the consolidated statement of financial position	(1,037)	(922)	(9,528)
Net amount of financial liabilities presented in the consolidated statement of financial position	¥70,505	¥36,644	$647,845

There is no significance in amounts of financial assets and financial liabilities which were not offset since they did not meet some or all of the offsetting criteria.

(7) Transfer of financial assets

As to some liquidated receivables such as discounted notes, the group may be obligated to make payments as recourse when a debtor cannot make a payment. Since recourse receivables do not meet the criteria for derecognition of financial assets, the group includes them as "Trade and other receivables" and "Bonds and borrowings." As of March 31, 2020 and 2019, those amounts are ¥9,083 million ($83,460 thousand) and ¥12,083 million, respectively.

(8) Risks arising from financial instruments

(i) Capital management

The group performs capital management aiming to maximize its corporate value through continuous growth. The group's main KPI used for capital management is the net interest-bearing debt to equity ratio, which is a ratio of (a) the net interest bearing debt calculated by deducting the amounts of cash and cash equivalents and time deposits from the amount of interest-bearing debt to (b) the total equity attributable to the owners of the parent. The group's target ratio is no more than 1.0. As of March 31, 2020 and 2019, the net interest-bearing debt to equity ratio is 0.9 and 0.8, respectively.

The group is not subject to the significant capital adequacy requirement but is subject to the general requirement under the Companies Act.

(ii) Financial risk management

In operating activities, the group is exposed to financial risks including foreign exchange fluctuation risk, interest rate fluctuation risk, price fluctuation risk (stock price fluctuation risk and commodity price fluctuation risk), credit risk and liquidity risk. The group conducts risk management in order to mitigate such financial risks. As a policy, the group uses derivative transactions for risk-aversion purposes.

(a) Foreign exchange fluctuation risk management

Developing businesses overseas, the group is exposed to foreign exchange fluctuation risk arising from buy/sell transactions, financing transactions and investments denominated in currencies other than local currencies of overseas offices. The group defines a foreign exchange position as each balance of contracts, and assets and liabilities denominated in foreign currencies, which are exposed to foreign exchange fluctuation risk at a certain point of time. As a basic policy, the group hedges foreign exchange positions exposed to foreign exchange fluctuation risk in an appropriate and timely manner. With respect to foreign exchange position, the group has to take risks on certain transactions and contracts. For such positions, the department which is responsible for foreign exchange fluctuation risk-management monitors and manages the risk in an appropriate and timely manner in accordance with the internal policies.

The foreign exchange position, net, as of March 31, 2020 and 2019 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
USD	¥(5,067)	¥2,030	$(46,558)
Other	7,247	6,152	66,590
Total	¥ 2,179	¥8,183	$ 20,022

A positive figure indicates a receiving position and a negative figure indicates a paying position.

1) Sensitivity analysis of foreign currency

Sensitivity analysis shows the amount affecting profit (loss) for the year attributable to owners of the parent when Japanese yen is appreciated by ¥1, assuming all other variable factors such as balances and interests are held constant. For the years ended March 31, 2020 and 2019, such amounts affecting profit (loss) for the year attributable to owners of the parent are ¥(204) million ($(1,874) thousand) and ¥(247) million, respectively. Similarly, the amounts affecting exchange differences on translation of foreign operations are ¥(1,704) million ($(15,657) thousand) and ¥(1,675) million for the years ended March 31, 2020 and 2019, respectively.

2) Foreign exchange forward contracts

The outstanding foreign exchange forward contracts as of March 31, 2020 and 2019 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		**2020**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Buy USD / Sell JPY	¥182,993	¥ 5,802	¥153,522	¥ 1,431	$1,681,457	$ 53,312
Buy JPY / Sell USD	239,522	(1,652)	208,490	(1,760)	2,200,882	(15,179)

(b) Interest rate fluctuation risk management

The group is exposed to interest rate fluctuation risk from floating rate financial instruments. The group defines interest rate fluctuation risk as the differences between receiving interests and paying interests. As a basic policy, the group hedges such risks by matching floating-interest-rate-bearing assets and floating-interest-rate-bearing liabilities denominated in the same currency whenever possible. In addition, the group utilizes derivatives to hedge the interest rate fluctuation risk. Furthermore, the group flexibly and strategically fixes or floats interest rates on financing based on the status of financing and market trends, and establishes the internal procedures to report the policies and status of risk management of interest rates and derivatives transactions.

Sensitivity analysis of interest rates

For financial instruments that are subject to interest rate fluctuation risk, the amounts affecting profit (loss) before income taxes when interest rates increase by 1% are ¥3,055 million ($28,071 thousand) and ¥4,173 million for the years ended March 31, 2020 and 2019, respectively. Under this analysis, the amount affecting profit (loss) before income taxes is calculated by multiplying the net balance of floating rate financial instruments as of the fiscal year-end by 1%, without considering future changes in: the net balance, exchange fluctuations, dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate. All other variables are held constant. The group deems the following financial instruments affected by interest fluctuation and calculates the sensitivity on: floating rate financial instruments, fixed rate financial instruments but substantially deemed as floating rate financial instruments by using interest rate swaps, and cash and cash equivalents.

(c) Stock price fluctuation risk management

The group is exposed to the risk of loss from stock price fluctuation. The group mitigates such risk by risk management, by operating and reporting in accordance with the internal risk management policies.

Sensitivity analysis of stock prices

For marketable stocks traded in active markets, the amounts affecting other comprehensive income, before tax, in the case that the stock price decreases by 1% are ¥(2,314) million ($(21,262) thousand) and ¥(2,693) million for the years ended March 31, 2020 and 2019, respectively. Under this analysis, all variables other than the stock price are assumed to be constant and the correlation among issuers is disregarded.

(d) Commodity price fluctuation risk management

Engaging in the business of non-ferrous metals, oils and foodstuffs, the group is exposed to the related commodity price fluctuation risk. The group avoids the commodity price fluctuation risk by hedge-selling, matching of buy/sell volumes and via derivatives such as futures, options and swaps.

The group's major fluctuation risk of commodity price is offset by commodity derivatives.

(e) Credit risk management

The group implements the internal credit rating system to manage the credit risk of customers. Under this rating system, the group classifies all customers into eight categories depending on the creditability and establishes the authority to determine a credit line depending on the rating. The group reviews the credit line of each customer on a periodical basis and properly manages credit risk exposures within the predetermined credit lines.

The group's receivables consist of receivables from many customers in various industries and areas. The group continuously monitors the credit status of customers and takes actions to secure the receivables as necessary, including acquisition of collateral.

The group does not have significant concentrations of credit risk, whether through exposure to individual customers or groups which they belong to.

Regarding cash deposits and derivatives, the group considers the risk is limited since most of the counterparties are international financial institutions with high credit profiles.

1) Changes in loss allowance on trade and loans receivables

Changes in loss allowance on trade and loans receivables are as follows:

Millions of Yen

	Trade and other receivables			Loans receivables				
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Total
April 1, 2018	¥25,564	¥19,939	¥45,503	¥2,938	¥ 57	¥–	¥2,995	¥48,499
Changes in financial instruments originated or purchased	3,326	–	3,326	198	31	–	230	3,556
Direct write off	(15)	(1,168)	(1,183)	–	–	–	–	(1,183)
Changes due to derecognition	(3,166)	(304)	(3,471)	(396)	–	–	(396)	(3,867)
Changes in rate of loss	2,254	389	2,644	–	–	–	–	2,644
Foreign exchange translation	(148)	147	0	(90)	–	–	(90)	(91)
Other	(41)	(555)	(597)	50	–	–	50	(546)
March 31, 2019	¥27,774	¥18,447	¥46,221	¥2,701	¥ 88	¥–	¥2,789	¥49,011
Changes in financial instruments originated or purchased	2,449	–	2,449	196	25	–	221	2,671
Direct write off	–	(108)	(108)	–	–	–	–	(108)
Changes due to derecognition	(2,506)	(210)	(2,716)	(178)	–	–	(178)	(2,894)
Changes in rate of loss	–	410	410	–	–	–	–	410
Foreign exchange translation	(1,515)	(495)	(2,011)	(122)	–	–	(122)	(2,133)
Other	(649)	1,634	984	319	–	–	319	1,304
March 31, 2020	¥25,551	¥19,677	¥45,229	¥2,916	¥114	¥–	¥3,031	¥48,260

Thousands of U.S. Dollars

	Trade and other receivables			Loans receivables				
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	Total
March 31, 2019	$255,205	$169,502	$424,708	$24,818	$ 808	$–	$25,627	$450,344
Changes in financial instruments originated or purchased	22,502	–	22,502	1,800	229	–	2,030	24,542
Direct write off	–	(992)	(992)	–	–	–	–	(992)
Changes due to derecognition	(23,026)	(1,929)	(24,956)	(1,635)	–	–	(1,635)	(26,591)
Changes in rate of loss	–	3,767	3,767	–	–	–	–	3,767
Foreign exchange translation	(13,920)	(4,548)	(18,478)	(1,121)	–	–	(1,121)	(19,599)
Other	(5,963)	15,014	9,041	2,931	–	–	2,931	11,981
March 31, 2020	$234,779	$180,804	$415,593	$26,794	$1,047	$–	$27,850	$443,443

Trade and other receivables include lease receivables.

The group does not hold credit-impaired financial assets that the group originated or purchased.

2) Changes in loss allowance on financial guarantee contracts

Changes in loss allowance on financial guarantee contracts are as follows:

	Millions of Yen			
	Financial guarantee contracts			Total
	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	
April 1, 2018	¥ 25	¥ 699	¥ –	¥ 724
Changes in financial instruments originated or purchased	2	13	–	15
Direct write off	–	–	–	–
Changes due to derecognition	(235)	(373)	–	(608)
Changes in classification	220	(220)	–	–
Changes in rate of loss	–	–	–	–
Changes due to business combination	–	–	–	–
March 31, 2019	¥ 12	¥ 120	¥ –	¥ 132
Changes in financial instruments originated or purchased	9	33	–	42
Direct write off	–	–	–	–
Changes due to derecognition	(5)	(37)	(1)	(43)
Changes in classification	3	(4)	1	–
Changes in rate of loss	–	–	–	–
Changes due to business combination	–	–	–	–
March 31, 2020	¥ 19	¥ 112	¥ –	¥ 131

	Thousands of U.S. Dollars			
	Financial guarantee contracts			Total
	Expected credit losses for 12 months	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2019	$110	$1,102	$ –	$1,212
Changes in financial instruments originated or purchased	82	303	–	385
Direct write off	–	–	–	–
Changes due to derecognition	(45)	(339)	(9)	(395)
Changes in classification	27	(36)	9	–
Changes in rate of loss	–	–	–	–
Changes due to business combination	–	–	–	–
March 31, 2020	$174	$1,029	$ –	$1,203

3) Carrying amounts of financial assets

Carrying amounts of financial assets are as follows:

As of March 31, 2020	Millions of Yen Basis of recognition of loss allowance Expected credit losses for 12 months	 Lifetime expected credit losses	 Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	¥ –	¥1,223,437	¥138,377
Loans receivables	29,065	224	12
Financial guarantee contracts	22,440	8,559	1,012

	Thousands of U.S. Dollars Basis of recognition of loss allowance Expected credit losses for 12 months	 Lifetime expected credit losses	 Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	$ –	$11,241,725	$1,271,496
Loans receivables	267,067	2,058	110
Financial guarantee contracts	206,193	78,645	9,298

As of March 31, 2019	Millions of Yen Basis of recognition of loss allowance Expected credit losses for 12 months	 Lifetime expected credit losses	 Credit-impaired financial assets and credit-impaired financial guarantee contracts
Trade and other receivables	¥ –	¥1,465,190	¥31,165
Loans receivables	32,195	173	6
Financial guarantee contracts	21,623	13,403	–

Carrying amounts for the basis of recognition of loss allowance of credit-impaired financial assets and credit-impaired financial guarantee contracts include receivables that are delinquent over 90 days or receivables from customers with a highly speculative credit profile based on the internal credit rating system. Carrying amounts for the basis of expected credit losses for 12 months include receivables from customers with investment-grade or equivalent credit profiles based on the internal credit rating system.

As for financial assets, the group's maximum credit risk exposures are the carrying amounts stated on the consolidated financial statements.

There is no significant credit enhancement such as collateral to these credit risk exposures.

(f) Liquidity risk management

The group is exposed to a risk that the group may not be able to make repayments on due dates of financial liabilities. The group manages such liquidity risk by continuously monitoring cash flow plans and actual results while obtaining appropriate amounts of funds to meet repayments and utilizing credit lines based on credit line contracts with financial institutions. Financial liabilities balances by maturities are as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Bonds and borrowings	¥ 502,985	¥521,057	¥500,421	¥1,524,465
Trade and other payables (excluding lease liabilities)	1,117,407	–	–	1,117,407
Lease liabilities	23,115	63,672	23,569	110,357
Financial guarantee contracts	21,362	9,784	865	32,012
March 31, 2019				
Bonds and borrowings	¥ 509,924	¥463,681	¥530,346	¥1,503,952
Trade and other payables	1,199,839	2,124	177	1,202,141
Financial guarantee contracts	23,536	7,075	4,414	35,027

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Bonds and borrowings	$ 4,621,749	$4,787,806	$4,598,189	$14,007,764
Trade and other payables (excluding lease liabilities)	10,267,453	–	–	10,267,453
Lease liabilities	212,395	585,059	216,567	1,014,031
Financial guarantee contracts	196,287	89,901	7,948	294,146

The breakdown of cash inflows and outflows arising from derivative contracts by maturity is as follows:

	Millions of Yen			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Commodity-related derivatives				
(Cash inflows)	¥(32,450)	¥ (861)	¥ –	¥ (33,312)
Cash outflows	31,884	870	–	32,754
Currency-related derivatives				
(Cash inflows)	(5,560)	(4,748)	(1,590)	(11,899)
Cash outflows	7,846	910	–	8,756
Interest-related derivatives				
(Cash inflows)	(25,951)	(95,438)	(81,736)	(203,127)
Cash outflows	24,139	94,401	97,395	215,936
March 31, 2019				
Commodity-related derivatives				
(Cash inflows)	¥ (8,375)	¥ (20)	¥ –	¥ (8,396)
Cash outflows	9,295	16	–	9,312
Currency-related derivatives				
(Cash inflows)	(3,069)	(2,521)	(1,323)	(6,913)
Cash outflows	5,624	293	1,727	7,645
Interest-related derivatives				
(Cash inflows)	(29,204)	(127,144)	(89,211)	(245,559)
Cash outflows	27,074	118,658	101,694	247,427

	Thousands of U.S. Dollars			
	Within one year	Between one and five years	Over five years	Total
March 31, 2020				
Commodity-related derivatives				
(Cash inflows)	$(298,171)	$ (7,911)	$ –	$ (306,092)
Cash outflows	292,970	7,994	–	300,964
Currency-related derivatives				
(Cash inflows)	(51,088)	(43,627)	(14,609)	(109,335)
Cash outflows	72,094	8,361	–	80,455
Interest-related derivatives				
(Cash inflows)	(238,454)	(876,945)	(751,042)	(1,866,461)
Cash outflows	221,804	867,417	894,927	1,984,158

Regarding derivatives for which net cash flows are exchanged, the amount of net cash flows generated from derivative assets is shown as “cash inflows,” and the amount of those generated from derivative liabilities is shown as “cash outflows.” Regarding derivatives for which gross cash flows are exchanged, the total amount of cash inflows from derivative assets and liabilities is shown as “cash inflows,” and the total amount of cash outflows is shown as “cash outflows.”

NOTE 10. Investments Accounted for Using the Equity Method

The following investments, individually insignificant, are accounted for using the equity method.

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
	Associates	Joint ventures	Associates	Joint ventures	Associates	Joint ventures
Investments accounted for using the equity method	¥227,794	¥37,849	¥244,718	¥40,356	$2,093,117	$347,780

	Millions of Yen				Thousands of U.S. Dollars	
	2020		2019		2020	
	Associates	Joint ventures	Associates	Joint ventures	Associates	Joint ventures
Profit for the year	¥ (7,990)	¥5,500	¥(2,814)	¥7,151	$ (73,417)	$50,537
Other comprehensive income	(3,451)	1,922	(5,733)	1,195	(31,710)	17,660
Comprehensive income for the year	¥(11,441)	¥7,423	¥(8,547)	¥8,347	$(105,127)	$68,207

NOTE 11. Property, Plant and Equipment

Acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

	Millions of Yen					
[Acquisition cost]	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
April 1, 2018	¥343,399	¥569,346	¥78,237	¥ 32,938	¥ 74,706	¥1,098,629
Acquisitions	7,427	26,726	3,253	40,762	9,540	87,710
Acquisition due to business combinations	5,674	1,210	3,675	1,641	–	12,201
Disposals	(4,728)	(18,055)	(372)	(1,027)	(6,726)	(30,911)
Foreign exchange translation	(3,963)	(14,052)	(1,236)	4,946	(577)	(14,884)
Other	16,327	22,859	1,652	(33,788)	517	7,569
March 31, 2019	¥364,136	¥588,035	¥85,209	¥ 45,472	¥ 77,461	¥1,160,315
Adjustments for application of IFRS 16	–	–	–	–	92,878	92,878
April 1, 2019	¥364,136	¥588,035	¥85,209	¥ 45,472	¥170,339	¥1,253,193
Acquisitions	10,423	34,107	4,851	53,373	39,563	142,319
Acquisition due to business combinations	3,738	1,447	2,222	11,507	8,143	27,059
Disposals	(4,041)	(25,906)	(681)	(2,230)	(15,428)	(48,289)
Foreign exchange translation	(14,121)	(11,838)	(4,005)	1,031	(6,696)	(35,630)
Other	7,308	34,355	(714)	(25,884)	12,723	27,787
March 31, 2020	¥367,445	¥620,200	¥86,880	¥ 83,269	¥208,644	¥1,366,440

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2019	$3,345,915	$5,403,243	$782,955	$ 417,825	$ 711,761	$10,661,720
Adjustments for application of IFRS 16	–	–	–	–	853,422	853,422
April 1, 2019	$3,345,915	$5,403,243	$782,955	$ 417,825	$1,565,184	$11,515,142
Acquisitions	95,773	313,397	44,574	490,425	363,530	1,307,718
Acquisition due to business combinations	34,347	13,295	20,417	105,733	74,823	248,635
Disposals	(37,131)	(238,040)	(6,257)	(20,490)	(141,762)	(443,710)
Foreign exchange translation	(129,752)	(108,775)	(36,800)	9,473	(61,527)	(327,391)
Other	67,150	315,675	(6,560)	(237,838)	116,907	255,324
March 31, 2020	$3,376,320	$5,698,796	$798,309	$ 765,129	$1,917,155	$12,555,729

Increase in "Other" is mainly attributable to the reassessment of asset retirement obligations for wind power related facilities for the year ended March 31, 2020.

	Millions of Yen					
[Accumulated depreciation and accumulated impairment losses]	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
April 1, 2018	¥166,889	¥289,423	¥1,872	¥–	¥50,119	¥508,304
Depreciation	14,118	36,333	–	–	7,456	57,908
Impairment losses	725	3,547	79	–	11	4,364
Disposals	(2,986)	(13,772)	(5)	–	(4,194)	(20,959)
Foreign exchange translation	(1,679)	(3,507)	3	–	(621)	(5,803)
Other	3,599	(97)	19	–	392	3,913
March 31, 2019	¥180,667	¥311,926	¥1,969	¥–	¥53,164	¥547,727
Depreciation	15,157	40,329	–	–	29,750	85,237
Impairment losses	432	1,027	13	–	5	1,478
Disposals	(2,731)	(22,027)	–	–	(8,768)	(33,527)
Foreign exchange translation	(7,775)	(7,569)	(5)	–	(2,830)	(18,180)
Other	(1,410)	1,397	(107)	–	2,998	2,877
March 31, 2020	¥184,339	¥325,083	¥1,870	¥–	¥74,320	¥585,613

	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2019	$1,660,084	$2,866,176	$18,092	$–	$488,505	$5,032,867
Depreciation	139,272	370,568	–	–	273,362	783,212
Impairment losses	3,969	9,436	119	–	45	13,580
Disposals	(25,094)	(202,398)	–	–	(80,566)	(308,067)
Foreign exchange translation	(71,441)	(69,548)	(45)	–	(26,003)	(167,049)
Other	(12,955)	12,836	(983)	–	27,547	26,435
March 31, 2020	$1,693,825	$2,987,071	$17,182	$–	$682,899	$5,380,988

	Millions of Yen					
[Carrying amount]	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2019	¥183,469	¥276,108	¥83,240	¥45,472	¥ 24,296	¥612,587
March 31, 2020	183,105	295,116	85,010	83,269	134,323	780,826
	Thousands of U.S. Dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
March 31, 2020	$1,682,486	$2,711,715	$781,126	$765,129	$1,234,246	$7,174,731

"Other" includes right-of-use assets. For the carrying amount of right-of-use assets, please see Note 14. "Leases, (1) Lessee, (i) Changes associated with right-of-use assets."

Depreciation is included in "Cost of sales" or "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Impairment losses are presented as "Impairment losses on fixed assets" in the consolidated statement of profit or loss in the amounts of ¥1,478 million ($13,580 thousand) and ¥4,364 million for the years ended March 31, 2020 and 2019, respectively.

For the year ended March 31, 2020, the group recognized an impairment loss for power generation business properties of the Machinery, Energy & Project Division by reducing their carrying amount to the recoverable amount, since their disposal has been decided.

For the year ended March 31, 2019, the group recognized an impairment loss for power generation business properties of the Machinery, Energy & Project Division by reducing their carrying amount to the recoverable amount, since it became highly unlikely to earn profits as initially projected due to declines in electricity's pricing.

The recoverable amount is measured at value in use estimated by applying an appropriate discount rate, which reflects assumed risks specific to the asset or cash-generating unit.

NOTE 12. Intangible Assets

Acquisition cost, accumulated amortization and accumulated impairment losses of intangible assets are as follows:

	Millions of Yen					
[Acquisition cost]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
April 1, 2018	¥202,767	¥99,195	¥ 47,965	¥55,507	¥ 31,826	¥437,261
Acquisitions	–	–	0	3,539	9,241	12,781
Acquisition due to business combinations	1,591	–	–	–	1,304	2,896
Disposals	(1,049)	–	(37,914)	(7,655)	(1,130)	(47,750)
Foreign exchange translation	(7,222)	(4,529)	(98)	(1,320)	(1,403)	(14,574)
Other	(4)	–	–	3,163	(2,542)	617
March 31, 2019	¥196,082	¥94,665	¥ 9,951	¥53,234	¥ 37,297	¥391,231
Acquisitions	–	–	–	4,629	9,367	13,996
Acquisition due to business combinations	8,288	–	–	1	8,531	16,822
Disposals	–	–	–	(5,151)	(584)	(5,736)
Foreign exchange translation	(7,666)	(3,807)	(193)	(1,127)	(631)	(13,426)
Other	5	–	–	17,094	(19,990)	(2,890)
March 31, 2020	¥196,710	¥90,858	¥ 9,758	¥68,681	¥ 33,988	¥399,996

	Thousands of U.S. Dollars					
	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2019	$1,801,727	$869,842	$91,436	$489,148	$ 342,708	$3,594,881
Acquisitions	–	–	–	42,534	86,070	128,604
Acquisition due to business combinations	76,155	–	–	9	78,388	154,571
Disposals	–	–	–	(47,330)	(5,366)	(52,706)
Foreign exchange translation	(70,440)	(34,981)	(1,773)	(10,355)	(5,798)	(123,366)
Other	45	–	–	157,070	(183,680)	(26,555)
March 31, 2020	$1,807,497	$834,861	$89,662	$631,085	$ 312,303	$3,675,420

For the year ended March 31, 2020, the increase of "Other" in "Software" column is mainly attributable to the reclassification from software in progress included in "Other intangible assets."

	Millions of Yen					
[Accumulated amortization and accumulated impairment losses]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
April 1, 2018	¥131,938	¥48,336	¥ 47,179	¥36,956	¥6,155	¥270,566
Amortization	–	9,057	31	7,597	934	17,621
Impairment losses	–	–	–	26	130	156
Disposals	(993)	–	(37,914)	(7,530)	(313)	(46,751)
Foreign exchange translation	(4,453)	(2,478)	(133)	(1,288)	(506)	(8,860)
Other	352	–	285	578	4	1,220
March 31, 2019	¥126,843	¥54,915	¥ 9,448	¥36,340	¥6,405	¥233,953
Amortization	–	8,522	34	8,562	747	17,866
Impairment losses	–	–	–	–	–	–
Disposals	–	–	–	(4,796)	(370)	(5,166)
Foreign exchange translation	(4,022)	(2,298)	(183)	(922)	(219)	(7,645)
Other	332	–	–	163	(614)	(118)
March 31, 2020	¥123,154	¥61,140	¥ 9,298	¥39,347	¥5,948	¥238,889

	Thousands of U.S. Dollars					
	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2019	$1,165,515	$504,594	$86,814	$333,915	$58,853	$2,149,710
Amortization	–	78,305	312	78,673	6,863	164,164
Impairment losses	–	–	–	–	–	–
Disposals	–	–	–	(44,068)	(3,399)	(47,468)
Foreign exchange translation	(36,956)	(21,115)	(1,681)	(8,471)	(2,012)	(70,247)
Other	3,050	–	–	1,497	(5,641)	(1,084)
March 31, 2020	$1,131,618	$561,793	$85,436	$361,545	$54,654	$2,195,065

	Millions of Yen					
[Carrying amount]	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2019	¥69,238	¥39,749	¥503	¥16,894	¥30,892	¥157,278
March 31, 2020	73,556	29,717	459	29,333	28,040	161,107

	Thousands of U.S. Dollars					
	Goodwill	Marketing rights, customer-related, etc.	Mining rights	Software	Other intangible assets	Total
March 31, 2020	$675,879	$273,058	$4,217	$269,530	$257,649	$1,480,354

Amortization expense is included in "Cost of sales" or "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Of the intangible assets above, there is no significant intangible asset whose useful life is not readily determinable.

Of intangible assets with readily determinable useful lives, the carrying amounts of significant intangible assets as of March 31, 2020 and 2019 are as below.

Customer-related assets of the automotive marketing business in Africa, included in "Marketing rights, customer-related, etc.," are ¥17,914 million ($164,605 thousand) and ¥25,452 million for the years ended March 31, 2020 and 2019, respectively. The average remaining useful lives of "Marketing rights, customer-related, etc." as of March 31, 2020 and 2019 are four years and five years, respectively.

Impairment losses on intangible assets are included in "Impairment losses on fixed assets" in the amounts of ¥156 million for the year ended March 31, 2019.

For the year ended March 31, 2020, the group did not recognize any impairment of assets.

For the year ended March 31, 2019, the group recognized an impairment loss primarily at the Machinery, Energy & Project Division.

The carrying amounts of goodwill by segment are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Metals	¥ 77	¥ 94	$ 707
Global Parts & Logistics	290	295	2,664
Automotive	744	868	6,836
Machinery, Energy & Project	7,590	6,789	69,741
Chemicals & Electronics	851	1,077	7,819
Food & Consumer Services	1,264	1,265	11,614
Africa	62,699	58,809	576,118
Other	38	38	349
Total	¥73,556	¥69,238	$675,879

Of goodwill shown above, the significant goodwill is the one related to CFAO SAS in the amounts of ¥62,699 million ($576,118 thousand) and ¥58,809 million as of March 31, 2020 and 2019, respectively.

The recoverable amount of goodwill is measured at value in use based on the next three-to-five-year business plan and growth rates as approved by management. The group determines the growth rate based on the average growth rate of markets or countries to which cash generating units belong. The growth rate which exceeds the average growth rate of markets or countries is not used. The discount rates are determined, based on cost of capital, to be 6.5% for domestic and 6.4% to 22.2% for overseas.

Management considers it highly unlikely to impair goodwill significantly even if major assumptions used for the aforementioned impairment test would have changed within a reasonable and predictable scope.

NOTE 13. Investment Property

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
[Acquisition cost]	2020	2019	2020
Balance at the beginning of the year	¥22,727	¥29,308	$208,830
Acquisitions	1,578	196	14,499
Disposals or reclassifications to assets held for sale	(1,131)	(6,995)	(10,392)
Foreign exchange translation	(77)	168	(707)
Other	216	49	1,984
Balance at the end of the year	¥23,312	¥22,727	$214,205

	Millions of Yen		Thousands of U.S. Dollars
[Accumulated depreciation and accumulated impairment losses]	2020	2019	2020
Balance at the beginning of the year	¥4,098	¥10,525	$37,655
Depreciation	454	475	4,171
Disposals or reclassifications to assets held for sale	(425)	(6,966)	(3,905)
Foreign exchange translation	(17)	53	(156)
Other	–	9	–
Balance at the end of the year	¥4,110	¥ 4,098	$37,765

	Millions of Yen		Thousands of U.S. Dollars
[Carrying amount and fair value]	2020	2019	2020
Carrying amount	¥19,202	¥18,628	$176,440
Fair value	30,214	27,524	277,625

Fair value of investment property is based on the value determined by an independent appraiser who has a professional qualification and recent work similar to the target investment property in terms of location and characteristics. The measurement of fair value of investment property is Level 3 of the fair value hierarchy in IFRS 13 "Fair Value Measurement."

Rental revenues earned from investment property, shown as "Sales of services and others" on the consolidated statement of profit or loss, are ¥1,932 million ($17,752 thousand) and ¥2,097 million for the years ended March 31, 2020 and 2019, respectively.

Direct costs incurred to earn rental revenues are accounted for as "Cost of sales" on the consolidated statement of profit or loss, amounting to ¥1,001 million ($9,197 thousand) and ¥1,124 million for the years ended March 31, 2020 and 2019, respectively.

NOTE 14. Leases

For the year ended March 31, 2020

(1) Lessee

(i) Changes associated with right-of-use assets

Changes associated with right-of-use assets are as follows:

	Millions of Yen				
	Buildings and structures	Machinery and vehicles	Land	Other	Total
April 1, 2019	¥ 71,102	¥ 9,900	¥15,873	¥ 6,372	¥103,249
Increase of right-of-use assets	24,144	9,240	2,380	3,235	39,000
Increase due to business combinations	6,996	–	–	–	6,996
Depreciation	(15,444)	(4,629)	(1,268)	(3,439)	(24,781)
Impairment losses	–	–	–	–	–
Other	(7,778)	(2,558)	4,485	467	(5,384)
March 31, 2020	¥ 79,021	¥11,953	¥21,469	¥ 6,635	¥119,080

	Thousands of U.S. Dollars				
	Buildings and structures	Machinery and vehicles	Land	Other	Total
April 1, 2019	$ 653,330	$ 90,967	$145,851	$ 58,550	$ 948,718
Increase of right-of-use assets	221,850	84,903	21,868	29,725	358,357
Increase due to business combinations	64,283	–	–	–	64,283
Depreciation	(141,909)	(42,534)	(11,651)	(31,599)	(227,703)
Impairment losses	–	–	–	–	–
Other	(71,469)	(23,504)	41,211	4,291	(49,471)
March 31, 2020	$ 726,095	$109,831	$197,270	$ 60,966	$1,094,183

(ii) Finance costs, lease expenses due to an exemption to short-term leases, and lease expenses due to an exemption to low-value assets

Finance costs, lease expenses due to an exemption to short-term leases, and lease expenses due to an exemption to low-value assets for the year ended March 31, 2020 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Finance costs	¥2,863	$26,307
Lease expenses due to an exemption to short-term leases	4,159	38,215
Lease expenses due to an exemption to low-value assets	1,420	13,047

(iii) Variable lease payments

Although some of the group's real estate leases have payment terms linked to net sales generated by stores, variable lease payments for the year ended March 31, 2020 are insignificant.

(iv) Sublease income

Sublease income for the year ended March 31, 2020 is insignificant.

(v) Sales and leaseback transaction

Gain or loss from sales and leaseback transaction for the year ended March 31, 2020 is insignificant.

(vi) Cash outflows associated with leases

Cash outflows associated with leases are ¥24,818 million ($228,043 thousand) for the year ended March 31, 2020.

(vii) Maturity analysis for lease liabilities

Balances of lease liabilities by maturities are stated in Note 9. "Financial Instruments, (8) Risks arising from financial instruments, (ii) Financial risk management, (f) Liquidity risk management."

(2) Lessor

(i) Finance income on net investment in the lease and income relating to variable lease payments

Finance income on net investment in the lease and income relating to variable lease payments are shown below. Sales profit or loss is insignificant.

	Millions of Yen	Thousands of U.S. Dollars
Finance income on net investment in the lease	¥2,251	$20,683
Income relating to variable lease payments	–	–

(ii) Revenue associated with operating leases

	Millions of Yen	Thousands of U.S. Dollars
Lease payments earned	¥56,249	$516,851
Variable lease payments earned	–	–

(3) Maturity analysis

The following table summarizes balances by maturities of finance income on net investment in the lease and operating lease payments receivable.

For the year ended March 31, 2020

	Millions of Yen									
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total	Unearned finance income	Discounted unguaranteed residual value	Net investment in the lease
Undiscounted lease payments receivable	¥3,555	3,994	3,601	3,591	3,461	18,331	¥36,536	¥13,742	¥–	¥22,793

	Thousands of U.S. Dollars									
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total	Unearned finance income	Discounted unguaranteed residual value	Net investment in the lease
Undiscounted lease payments receivable	$32,665	36,699	33,088	32,996	31,801	168,437	$335,716	$126,270	$–	$209,436

	Millions of Yen						
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Operating lease payments	¥2,262	1,108	346	128	46	–	¥3,892

	Thousands of U.S. Dollars						
	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	Over five years	Total
Operating lease payments	$20,784	10,181	3,179	1,176	422	–	$35,762

For the year ended March 31, 2019

(1) Finance leases

(iii) Lessee

The group carries certain property, plant and equipment under finance lease contracts as a lessee. The net carrying amount of leased assets is as follows:

	Millions of Yen
Buildings and structures	¥ 3,502
Machinery and vehicles	4,746
Other	2,129
Total	¥10,378

The total minimum lease payments and their present value in connection with finance lease contracts are as follows:

	Millions of Yen	
	Total minimum lease payments	Present value of total minimum lease payments
Within one year	¥2,356	¥2,356
Between one and five years	2,137	2,124
Over five years	182	177
Total	¥4,676	¥4,658
Interest equivalent	¥ (17)	
Present value of total minimum lease payments	4,658	

The total minimum lease payments receivable under subleases of financing lease contracts is ¥24 million as of March 31, 2019.

(iv) Lessor

The group leases certain property, plant and equipment under financing lease contracts as a lessor. Total net investment in the leases and present value of total minimum lease payments receivable are as follows:

	Millions of Yen	
	Total future minimum lease payments	Present value of total minimum lease payments receivable
Within one year	¥ 4,888	¥ 3,784
Between one and five years	13,730	8,053
Over five years	19,911	12,351
Total	¥ 38,530	¥24,189
Unsecured remaining balance	¥ –	
Unearned finance income	(14,341)	
Present value of total minimum lease payments receivable	24,189	

(1) Operating leases

(i) Lessee

The group carries certain property, plant and equipment under operating lease contracts as a lessee. The total future minimum lease payments are as follows:

	Millions of Yen
Within one year	¥20,999
Between one and five years	39,069
Over five years	19,560
Total	¥79,629

Lease payments recognized as expenses under cancellable or non-cancellable operating lease contracts are ¥27,194 million for the year ended March 31, 2019.

(ii) Lessor

The group leases certain property, plant and equipment under operating lease contracts as a lessor. The total minimum lease payments receivable is as follows:

	Millions of Yen
Within one year	¥ 9
Between one and five years	8
Over five years	–
Total	¥17

NOTE 15. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Notes payable and accounts payable	¥ 926,669	¥1,020,123	$ 8,514,830
Other	301,094	182,017	2,766,645
Total	¥1,227,764	¥1,202,141	$11,281,484
Current liabilities	¥1,140,522	¥1,199,839	$10,479,849
Non-current liabilities	87,241	2,302	801,626
Total	¥1,227,764	¥1,202,141	$11,281,484

The group has applied IFRS 16 "Leases" effective from the year ended March 31, 2020, and accordingly, lease liabilities increased. The amounts of lease liabilities included in "Other" are ¥110,357 million ($1,014,031 thousand) and ¥4,658 million as of March 31, 2020 and 2019, respectively.

NOTE 16. Bonds and Borrowings

(1) The breakdown of bonds and borrowings is as follows:

	Millions of Yen		Thousands of U.S. Dollars		
	2020	2019	2020	Average rate	Maturity
Short-term borrowings	¥ 357,804	¥ 336,262	$ 3,287,733	2.26%	–
Commercial papers	20,000	85,000	183,772	0.00	–
Current portion of bonds	9,986	–	91,757	0.07	–
Current portion of long-term borrowings	115,181	88,662	1,058,357	1.47	–
Bonds (excluding current portion)	278,358	235,097	2,557,732	1.86	2021 – 2043
Long-term borrowings (excluding current portion)	741,977	758,024	6,817,761	1.08	2020 – 2043
Total	¥1,523,308	¥1,503,047	$13,997,133	–	–
Current liabilities	¥ 502,985	¥ 509,924	$ 4,621,749	–	–
Non-current liabilities	1,020,322	993,122	9,375,374	–	–
Total	¥1,523,308	¥1,503,047	$13,997,133	–	–

"Average rate" presents the weighted average-interest rate to the balances for the year ended March 31, 2020.

In order to secure financing under unforeseeable circumstances such as financial market turmoil, the group has obtained multi-currency revolving facilities and line of credit contracts with major financial institutions in Japan and overseas.

The facility balances and unused balances of multi-currency revolving facilities and line of credit contracts are as follows:

	2020	2019	2020
Multi-currency revolving facilities, total	¥50,000 million equivalent	¥50,000 million equivalent	$459,432 thousand equivalent
Line of credit contracts, total	$1,200 million	$1,200 million	$1,200,000 thousand
Balance executed	–	–	–
Balance unused	¥50,000 million equivalent	¥50,000 million equivalent	$459,432 thousand equivalent
	$1,200 million	$1,200 million	$1,200,000 thousand

In order to secure financial flexibility and safety, the group has entered into line of credit contracts with financial institutions. The line of credit given and unused balances are as follows:

	2020	2019	2020
Total line of credit	€250 million	€250 million	$274,625 thousand
Balance executed	€200 million	€180 million	$219,700 thousand
Balance unused	€ 50 million	€ 70 million	$ 54,925 thousand

(2) Details of bonds

The following table summarizes details of bonds.

			Millions of Yen		Thousands of U.S. Dollars		
Issuer	Description	Issue date	2020	2019	2020	Coupon (%)	Redemption date
The company	The 16th unsecured domestic corporate bond	December 8, 2011	¥ 29,972	¥ 29,957	$ 275,402	1.35	December 8, 2021
The company	The 17th unsecured domestic corporate bond	December 5, 2013	14,973	14,967	137,581	0.81	December 5, 2023
The company	The 18th unsecured domestic corporate bond	December 5, 2013	14,965	14,960	137,508	1.01	December 5, 2025
The company	The 19th unsecured domestic corporate bond	July 10, 2014	14,962	14,956	137,480	0.95	July 10, 2026
The company	The 20th unsecured domestic corporate bond	July 10, 2014	14,952	14,947	137,388	1.27	July 10, 2029
The company	The 21st unsecured domestic corporate bond	September 3, 2015	9,974	9,969	91,647	0.74	September 3, 2025
The company	The 22nd unsecured domestic corporate bond	September 3, 2015	9,958	9,955	91,500	1.57	September 2, 2033
The company	The 23rd unsecured domestic corporate bond	July 20, 2016	19,905	19,900	182,899	0.70	July 18, 2036
The company	The 24th unsecured domestic corporate bond	March 7, 2017	19,903	19,898	182,881	1.02	March 6, 2037
The company	The 25th unsecured domestic corporate bond	September 14, 2017	9,948	9,945	91,408	0.89	September 14, 2037
The company	The 26th unsecured domestic corporate bond	March 7, 2018	9,947	9,944	91,399	0.90	March 5, 2038
The company	The 27th unsecured domestic corporate bond	March 6, 2019	9,986 (9,986)	9,971	91,757 (91,757)	0.07	March 5, 2021
The company	The 1st unsecured foreign corporate bond	September 13, 2018	54,043	55,017	(Note 3) 496,581	3.63	September 13, 2023
The company	The 2nd unsecured foreign corporate bond	September 19, 2019	54,145	–	(Note 4) 497,519	2.60	September 19, 2024
North Hokkaido Wind Energy Transmission Corporation	Corporate bond (private placement) (Note 2)	November 30, 2018	705	705	6,477	4.00	March 31, 2043
Total	–	–	¥288,344 ¥ (9,986)	¥235,097	$2,649,490 $ (91,757)	–	–

Notes: 1. Figures in parentheses are the current portion of bonds with a redemption period of less than one year from the day following the fiscal year-end and included in "Bonds and borrowings" under current liabilities in the consolidated statement of financial position.
2. This is a corporate bond issued by North Hokkaido Wind Energy Transmission Corporation, a domestic consolidated subsidiary of the company. The bond was privately placed in Japan.
3. It is the calculated figure by translating ¥54,043 million into U.S. dollars using the exchange rate as explained in Note 2. The carrying value of the bond in the original currency is $498,010 thousand as of March 31, 2020.
4. It is the calculated figure by translating ¥54,145 million into U.S. dollars using the exchange rate as explained in Note 2. The carrying value of the bond in the original currency is $497,468 thousand as of March 31, 2020.

(3) Assets pledged as collateral

The following assets are pledged as collateral for bonds and borrowings.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Cash and cash equivalents	¥ 31,020	¥ 25,285	$ 285,031
Trade and other receivables	6,135	10,778	56,372
Inventories	13,976	1,344	128,420
Property, plant and equipment	263,773	224,002	2,423,715
Other investments	15,193	14,301	139,603
Other	13,366	13,831	122,815
Total	¥343,465	¥289,544	$3,155,977

The group has borrowings under loan agreements with financial institutions, and above assets are pledged as collateral upon the request of the lenders. Under the loan agreements, financial institutions as lenders have rights to enforce the disposal of those assets pledged as collateral and may appropriate or offset those proceeds against a debt, if the group as a borrower defaults on a debt such as failure to repay any matured payables or interests, or breaches the representation and warranty or the covenants.

The debt secured by the above collateral is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Bonds and borrowings	¥231,298	¥204,594	$2,125,314

In addition to the above, the group normally uses trust receipts financing to settle imported goods under a letter of credit where the title or sales proceeds of imported goods are held by the bank as collateral. The amount of trust receipts is not included in the above since it is impractical to obtain the total amount of assets subject to trust receipts financing due to the following reasons: (i) the volume of imports is significant, and (ii) the group does not track each amount of letter of credit with applicable sales proceed when settling the letter of credit on the due date.

NOTE 17. Provisions

The breakdown and changes of provisions for the year ended March 31, 2020 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Asset retirement obligations	Other	Total	Asset retirement obligations	Other	Total
Balance at the beginning of the year	¥20,231	¥12,201	¥32,432	$185,895	$112,110	$298,006
Increase	16,278	2,899	19,177	149,572	26,637	176,210
Decrease (wrote off)	(41)	(3,924)	(3,966)	(376)	(36,056)	(36,442)
Decrease (reversal)	(1)	(220)	(221)	(9)	(2,021)	(2,030)
Changes due to present value calculation	330	–	330	3,032	–	3,032
Foreign exchange translation	(49)	(329)	(379)	(450)	(3,023)	(3,482)
Other	(2)	26	23	(18)	238	211
Balance at the end of the year	¥36,745	¥10,651	¥47,397	$337,636	$ 97,868	$435,514
Current liabilities	8	6,343	6,351	73	58,283	58,357
Non-current liabilities	36,737	4,308	41,045	337,563	39,584	377,147
Total	¥36,745	¥10,651	¥47,397	$337,636	$ 97,868	$435,514

The group's provisions for asset retirement obligations primarily include costs to remove facilities in the wind power and solar power business.

NOTE 18. Other Non-Current Liabilities

As of March 31, 2020, the balance of other non-current liabilities includes ¥9,849 million ($90,498 thousand) of government grant received by the company's consolidated subsidiary under the Machinery, Energy & Project Division, for the acquisition of transmission facilities. The grant is contingent upon the transmission facilities becoming operational.

NOTE 19. Employee Benefits

(1) Post-employment benefits

(i) Outline of the group's retirement benefit plans

The company and certain consolidated subsidiaries have defined benefit plans, a lump-sum severance benefit plan and a defined contribution benefit plan, available to almost all employees. The amount of benefits is determined based on each employee's salary, qualification and length of service. The group's defined benefit plans are mainly the pension plans pursuant to the Defined-Benefit Corporate Pension Act of Japan, under which directors of the fund have a responsibility to perform administrations and operations of the pension funds in a faithful manner in accordance with laws and regulations and an employer is obligated to make contributions to the plans. A lump-sum severance benefit plan is a plan under which an employer provides employees with lump-sum money payments upon their retirement as retirement benefits. The defined contribution plan is a plan under which an employer is not obligated to pay more than the amount contributed.

(ii) Defined benefit plans

(a) Defined benefit obligations and plan assets

Changes in present value of defined benefit obligations and fair value of plan assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Balance of net defined benefit liability at the beginning of the year	¥ 32,527	¥ 29,700	$ 298,878
Changes in present value of defined benefit obligations:			
Balance at the beginning of the year	¥119,345	¥117,541	$1,096,618
Service cost	5,656	5,447	51,970
Interest cost	822	761	7,553
Remeasurements	1,234	1,763	11,338
Benefit paid	(5,037)	(4,712)	(46,283)
Foreign exchange translation	(971)	(788)	(8,922)
Other	(401)	(669)	(3,684)
Balance at the end of the year	¥120,648	¥119,345	$1,108,591
Changes in fair value of plan assets:			
Balance at the beginning of the year	¥ 86,817	¥ 87,841	$ 797,730
Interest income	1,095	1,082	10,061
Remeasurements	(964)	(1,776)	(8,857)
Employer contributions	2,212	2,679	20,325
Benefit paid	(2,552)	(2,343)	(23,449)
Foreign exchange translation	(476)	(479)	(4,373)
Other	714	(185)	6,560
Balance at the end of the year	¥ 86,845	¥ 86,817	$ 797,987
Balance of net defined benefit liability at the end of the year	¥ 33,802	¥ 32,527	$ 310,594

Remeasurements are the differences mainly arisen from changes in actuarial assumptions.

The breakdown of defined benefit obligations of funded plan and unfunded plan is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Defined benefit obligations of funded plan	¥ 80,592	¥ 79,366	$ 740,531
Plan assets	(86,845)	(86,817)	(797,987)
Subtotal	(6,253)	(7,451)	(57,456)
Defined benefit obligations of unfunded plan	40,056	39,979	368,060
Total	¥ 33,802	¥ 32,527	$ 310,594

(b) The breakdown of plan assets and their fair value

The breakdown of plan assets and their fair value are as follows:

As of March 31, 2020

	Millions of Yen		
Plan assets	Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	¥ 1,258	¥ –	¥ 1,258
Equity securities:			
Japan	20,823	4,414	25,237
Other than Japan	2,126	5,547	7,673
Debt securities:			
Japan	–	20,797	20,797
Other than Japan	–	5,571	5,571
Life insurance company general accounts	–	12,505	12,505
Other	4	13,796	13,801
Total	¥24,212	¥62,632	¥86,845

	Thousands of U.S. Dollars		
Plan assets	Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	$ 11,559	$ –	$ 11,559
Equity securities:			
Japan	191,335	40,558	231,893
Other than Japan	19,535	50,969	70,504
Debt securities:			
Japan	–	191,096	191,096
Other than Japan	–	51,189	51,189
Life insurance company general accounts	–	114,903	114,903
Other	36	126,766	126,812
Total	$222,475	$575,503	$797,987

As of March 31, 2019

	Millions of Yen		
Plan assets	Assets with a quoted market price in an active market	Assets without a quoted market price in an active market	Total
Cash and cash equivalents	¥ 1,252	¥ –	¥ 1,252
Equity securities:			
Japan	20,435	4,959	25,394
Other than Japan	2,202	6,131	8,334
Debt securities:			
Japan	–	21,059	21,059
Other than Japan	–	5,322	5,322
Life insurance company general accounts	–	12,209	12,209
Other	4	13,241	13,246
Total	¥23,894	¥62,923	¥86,817

(c) Major actuarial assumption

Major actuarial assumption used to determine the present value is as follows:

	2020	2019
Discount rate	Primarily 0.6%	Primarily 0.6%
Salary increase rate	Primarily 3.1%	Primarily 3.1%

Actuarial calculations are based on estimates for future uncertainties. If the discount rate increased or decreased by 0.5%, the defined benefit obligations as of March 31, 2020 decreases by ¥2,784 million ($25,581 thousand) or increases by ¥2,800 million ($25,728 thousand). The group performs such sensitivity analysis based on changes in assumption which are reasonably expected as of the fiscal year-end. Although the group assumes variable factors other than the discount rate are constant, changes in other variable factors may affect the sensitivity analysis results.

(d) Managing plan assets

The group manages plan assets to generate sufficient earnings to meet future benefit payments. The group has established a portfolio to meet the objective, considering operational risks and returns, past performance and forecasts.

(e) Impacts on future cash flows

The contribution amount is planned to be ¥2,450 million ($22,512 thousand) for next fiscal year. The group will contribute amounts required in accordance with the internal rules when a defined benefit plan is not funded by sufficient plan assets. For the year ended March 31, 2020, the weighted-average duration of the defined benefit plan obligations is 14 years.

(iii) Defined contribution plans

Costs of defined contribution plans are ¥1,226 million ($11,265 thousand) and ¥1,339 million for the years ended March 31, 2020 and 2019, respectively.

(iv) Multi-employer plans

Certain consolidated subsidiaries participate in the Toyota Tsusho Group corporate pension plan, a multi-employer welfare pension fund. This plan differs from a single-employer plan in the following aspects:

(a) Assets contributed to a multi-employer welfare pension fund may be used for the benefits to the employees of employers other than the group companies.
(b) If some employers stop making contributions, other employers may be obligated to provide sufficient funds.
(c) If a multi-employer plan is terminated or if an employer withdraws from the plan, employers may be obligated to make special contributions for unfunded portions, if any, upon termination of the plan or the withdrawal from the plan.

Since the amount of plan assets corresponding to the company's contributions is reasonably determined, the plan is included in notes of the defined benefit plans.

(2) Employee benefit costs

Employee benefit costs are included in "Cost of sales" and "Selling, general and administrative expenses" in the amount of ¥237,380 million ($2,181,200 thousand) and ¥234,237 million for the years ended March 31, 2020 and 2019, respectively.

NOTE 20. Equity

(1) Share capital

The number of authorized shares and shares issued and outstanding is as follows:

	Thousands of Shares	
	2020	2019
Number of authorized shares:		
Common stock (no par-value)	1,000,000	1,000,000
Number of shares issued and outstanding:		
Beginning of the year	354,056	354,056
Changes during the year	–	–
End of the year	354,056	354,056

The number of shares issued and outstanding includes the number of treasury shares as follows: 2,210 thousand and 2,169 thousand, as of March 31, 2020 and 2019, respectively.

(2) Capital surplus

Under the Companies Act in Japan (the "Act"), it is prescribed that more than half of the amount contributed at the share issuance shall be recorded as share capital and the remaining shall be recorded as capital reserve under capital surplus. In addition, the Act allows a company to reclassify the amount of capital reserve to share capital upon approval at a shareholders' meeting.

(3) Retained earnings

Under the Act, it is prescribed that an amount equal to 10% of the amount to be disbursed as distributions of surplus shall be reserved as capital reserve or legal reserve until the sum of the capital reserve and legal reserve equals 25% of the amount of share capital. In addition, the amount of legal reserve can be reversed for the purpose of covering a loss upon approval at a shareholders' meeting.

(4) Dividends

(i) Amount of dividend payments

Resolution	Class of stock	Total amounts of dividends (Millions of Yen)	Total amounts of dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
General meeting of shareholders held on June 21, 2018	Common stock	¥17,253	$158,531	¥49	$0.45	March 31, 2018	June 22, 2018
Board of Directors' meeting held on October 31, 2018	Common stock	17,605	161,766	50	0.45	September 30, 2018	November 27, 2018
General meeting of shareholders held on June 25, 2019	Common stock	17,605	161,766	50	0.45	March 31, 2019	June 26, 2019
Board of Directors' meeting held on October 31, 2019	Common stock	21,123	194,091	60	0.55	September 30, 2019	November 26, 2019

(ii) Dividend with record date in the current fiscal year, and effective date in the following fiscal year

Resolution	Class of stock	Total amounts of dividends (Millions of Yen)	Total amounts of dividends (Thousands of U.S. Dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
General meeting of shareholders held on June 23, 2020	Common stock	¥17,602	$161,738	Retained earnings	¥50	$0.45	March 31, 2020	June 24, 2020

NOTE 21. Revenue

(1) Disaggregation of revenue

The group's revenue mainly consists of revenues recognized from sale of goods whose control is transferred to customers at a point in time. The consideration in exchange for goods is received within one year and does not include significant time value of money.

The following table summarizes disaggregation of revenue and segment revenue.

Millions of Yen

	Reportable segments					
For the year ended March 31, 2020	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services
Revenue recognized from contracts with customers	¥1,662,413	¥883,421	¥607,595	¥795,220	¥1,477,184	¥428,191
Revenue recognized from other sources	(2,474)	–	8,608	1,106	–	11,849
Total	¥1,659,939	¥883,421	¥616,203	¥796,327	¥1,477,184	¥440,040

	Millions of Yen				
	Reportable segments				
For the year ended March 31, 2020	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue recognized from contracts with customers	¥842,548	¥6,696,575	¥7,417	¥(40,426)	¥6,663,566
Revenue recognized from other sources	11,414	30,505	–	–	30,505
Total	¥853,963	¥6,727,080	¥7,417	¥(40,426)	¥6,694,071

	Thousands of U.S. Dollars					
	Reportable segments					
For the year ended March 31, 2020	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services
Revenue recognized from contracts with customers	$15,275,319	$8,117,440	$5,582,973	$7,306,992	$13,573,316	$3,934,494
Revenue recognized from other sources	(22,732)	–	79,095	10,162	–	108,876
Total	$15,252,586	$8,117,440	$5,662,069	$7,317,164	$13,573,316	$4,043,370

	Thousands of U.S. Dollars				
	Reportable segments				
For the year ended March 31, 2020	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue recognized from contracts with customers	$7,741,872	$61,532,435	$68,152	$(371,460)	$61,229,127
Revenue recognized from other sources	104,879	280,299	–	–	280,299
Total	$7,846,761	$61,812,735	$68,152	$(371,460)	$61,509,427

	Millions of Yen					
	Reportable segments					
For the year ended March 31, 2019	Metals	Global Parts & Logistics	Automotive	Machinery, Energy & Project	Chemicals & Electronics	Food & Consumer Services
Revenue recognized from contracts with customers	¥1,739,043	¥904,755	¥648,392	¥949,302	¥1,510,556	¥443,013
Revenue recognized from other sources	3,014	–	8,614	1,244	–	12,135
Total	¥1,742,058	¥904,755	¥657,007	¥950,547	¥1,510,556	¥455,149

	Millions of Yen				
	Reportable segments				
For the year ended March 31, 2019	Africa	Total	Other (Note 1)	Adjustments (Note 2)	Consolidated
Revenue recognized from contracts with customers	¥585,031	¥6,780,095	¥3,628	¥(53,389)	¥6,730,335
Revenue recognized from other sources	7,356	32,366	–	–	32,366
Total	¥592,387	¥6,812,462	¥3,628	¥(53,389)	¥6,762,702

Notes: 1. "Other" comprises businesses, such as a professional division that supports group-wide operations not included in reportable segments.
2. Figures in "Adjustments" represent the amounts of inter-segment transactions.
3. Revenue recognized from other sources includes revenues recognized under IFRS 9 "Financial Instruments" and IFRS 16 "Leases" for the year ended March 31, 2020 and under IFRS 9 "Financial Instruments" and IAS 17 "Leases" for the year ended March 31, 2019.

(2) Outstanding balances of contracts

Balances of receivables, contract assets and contract liabilities arising from contracts with customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Receivables arising from contracts with customers	¥1,181,480	¥1,337,150	$10,856,197
Contract assets	19,457	11,784	178,783
Contract liabilities	97,018	61,819	891,463

Of revenues recognized for the year ended March 31, 2020, ¥43,809 million ($402,545 thousand) was included in contract liabilities as at April 1, 2019. In addition, for the year ended March 31, 2019 the amount of revenues recognized from the performance obligations satisfied or partially satisfied in the past period is not significant.

(3) Transaction price allocated to the remaining performance obligations

The table shown below summarizes the period in which revenue recognition is expected and the aggregate amount of the transaction price allocated to the remaining performance obligations under electric power sales contracts and service contracts. The table does not include transactions whose individual contractual periods are expected to be less than one year.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Within one year	¥ 87,766	¥ 87,196	$ 806,450
Over one year	691,096	693,978	6,350,234
Total	¥778,862	¥781,174	$7,156,684

(4) Contract costs

There are no contract costs capitalized as an asset for the year ended March 31, 2020.

NOTE 22. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Salaries and wages	¥236,247	¥233,247	$2,170,789
Travel and transportation	18,872	19,979	173,408
Commissions and fees	41,752	37,252	383,644
Rent	11,357	25,491	104,355
Depreciation and amortization	49,556	34,512	455,352
Other	72,378	70,174	665,055
Total	¥430,164	¥420,657	$3,952,623

NOTE 23. Foreign Exchange Translation Gains and Losses

Foreign exchange translation gains and losses included in “Other, net” under “Other income (expenses)” in the consolidated statement of profit or loss for the years ended March 31, 2020 and 2019 are ¥(6,020) million ($(55,315) thousand) and ¥(13,119) million, respectively.

NOTE 24. Finance Income (Costs)

The breakdown of finance income (costs) is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Interest income:			
Financial assets measured at amortized cost	¥ 13,180	¥ 10,943	$ 121,106
Interest expenses:			
Financial liabilities measured at amortized cost	(36,443)	(28,240)	(334,861)
Derivatives	6,562	1,206	60,295
Total interest expenses	(29,880)	(27,033)	(274,556)
Dividends received:			
FVTOCI financial assets	18,530	24,024	170,265
Other	15,089	1,724	138,647

In addition to the above, net profit and loss on commodity-related derivatives is included in "Revenue" and "Cost of sales" in the consolidated statement of profit or loss in the amounts of ¥(1,582) million ($(14,536) thousand) and ¥2,678 million for the years ended March 31, 2020 and 2019, respectively.

For the year ended March 31, 2020, "Other" includes ¥12,991 million ($119,369 thousand) of gain on sale of shares of an associate which engaged in the electric power business in the Machinery, Energy & Project Division.

NOTE 25. Deferred Taxes and Corporate Income Taxes

(1) Deferred taxes

(i) Breakdown of deferred tax assets and deferred tax liabilities

The following table summarizes the breakdown of main deferred tax assets and deferred tax liabilities by cause.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Elimination of unrealized profits	¥ 5,270	¥ 2,348	$ 48,424
Loss allowance	5,482	6,272	50,372
Retirement benefits liabilities	9,365	8,767	86,051
Accruals	6,777	6,363	62,271
Other investment	21,239	18,429	195,157
Net operating losses	6,237	15,560	57,309
Other	44,415	30,053	408,113
Total deferred tax assets	¥ 98,788	¥ 87,796	$ 907,727
Deferred tax liabilities:			
Valuation difference on assets and liabilities of subsidiaries	¥ (9,629)	¥ (13,931)	$ (88,477)
Other investments	(51,076)	(71,305)	(469,319)
Equity interests in subsidiaries and associates	(11,165)	(9,661)	(102,591)
Property, plant and equipment	(17,260)	(9,429)	(158,595)
Other	(37,293)	(31,157)	(342,672)
Total deferred tax liabilities	¥(126,425)	¥(135,484)	$(1,161,674)
Total deferred tax assets (liabilities), net	¥ (27,637)	¥ (47,688)	$ (253,946)

(ii) Changes in deferred tax assets and deferred tax liabilities

Changes in deferred tax assets and deferred tax liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Balance of deferred tax assets (liabilities), net at the beginning of the year	¥(47,688)	¥(68,287)	$(438,187)
Deferred tax expense	1,064	(12,016)	9,776
Income tax on other comprehensive income	26,691	22,924	245,254
Other	(7,704)	9,690	(70,789)
Balance of deferred tax assets (liabilities), net at the end of the year	¥(27,637)	¥(47,688)	$(253,946)

(iii) Future deductible temporary differences and net operating losses for which deferred tax assets are not accounted for

The amounts of future deductible temporary differences for which deferred tax assets are not accounted for are ¥28,780 million ($264,449 thousand) and ¥21,937 million as of March 31, 2020 and 2019, respectively.

Net operating losses by year of expiration for which deferred tax assets are not accounted for are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Expire within one year	¥ –	¥ 178	$ –
Expire in a fiscal year between one and five years	1,775	1,604	16,309
Expire in a fiscal year between five and ten years	689	2,218	6,330
Expire in a fiscal year over ten years	15,869	29,454	145,814
Total	¥18,334	¥33,457	$168,464

(iv) Future taxable temporary differences in connection with investments in subsidiaries for which deferred tax liabilities are not accounted for

The amounts of future taxable temporary differences in connection with investments in subsidiaries for which deferred tax liabilities are not accounted for are ¥502,627 million ($4,618,459 thousand) and ¥568,881 million as of March 31, 2020 and 2019, respectively.

(2) Corporate income tax expense

(i) Breakdown of corporate income tax expense

The breakdown of corporate income tax expense is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Current	¥70,079	¥62,424	$643,930
Deferred	(1,064)	12,016	(9,776)
Total	¥69,014	¥74,440	$634,144

Deferred tax above includes adjustments due to reassessment of recoverability of deferred tax assets. For the years ended March 31, 2020 and 2019, the amounts of adjustments are insignificant.

(ii) Reconciliation of the statutory effective tax rate

The reconciliation between the statutory effective tax rate and the average effective tax rate is as follows:

	%	
	2020	2019
Statutory effective tax rate	30.6%	30.5%
(Adjustments)		
Permanent nondeductible differences such as entertainment expenses	0.3	0.3
Equity in earnings of unconsolidated subsidiaries and associates accounted for using the equity method	0.3	(0.6)
Differences in tax rates applied for foreign operations	(1.6)	(0.1)
Reassessment of recoverability of deferred tax assets	(1.5)	2.7
Other	2.7	(0.3)
Average effective tax rate	30.7%	32.5%

The statutory effective tax rate in Japan, which is calculated based on corporation tax, inhabitant tax and tax-deductible enterprise tax, is 30.6% for the year ended March 31, 2020 and 30.5% for the year ended March 31, 2019. For foreign operations, however, local foreign corporate tax rates are to be applied.

NOTE 26. Other Comprehensive Income

Changes in items of other comprehensive income and income tax effects are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Remeasurements of defined benefit pension plans:			
Amount arising during the year	¥ (1,036)	¥ (2,187)	$ (9,519)
Income tax effects	266	487	2,444
Total	(770)	(1,699)	(7,075)
FVTOCI financial assets:			
Amount arising during the year	(67,659)	(78,997)	(621,694)
Income tax effects	21,652	23,620	198,952
Total	(46,006)	(55,377)	(422,732)
Cash flow hedges:			
Amount arising during the year	(16,441)	9,445	(151,070)
Reclassification to profit or loss in the year	11,161	(5,865)	102,554
Income tax effects	4,772	(1,183)	43,848
Total	(507)	2,396	(4,658)
Exchange differences on translation of foreign operations:			
Amount arising during the year	(53,125)	(27,952)	(488,146)
Reclassification to profit or loss in the year	320	3,314	2,940
Income tax effects	–	–	–
Total	(52,805)	(24,637)	(485,206)
Share of other comprehensive income (loss) of investments accounted for using the equity method:			
Amount arising during the year	(4,674)	(3,521)	(42,947)
Reclassification to profit or loss in the year	3,145	(1,015)	28,898
Total	(1,528)	(4,537)	(14,040)
Total	¥(101,618)	¥(83,855)	$(933,731)

Exchange differences on translation of foreign operations in the above table include the portion of the gain or loss on a hedging instrument that is determined to be an effective hedge of net investments in foreign operations. The amounts are stated in Note 9. "Financial Instruments, (5) Hedge accounting (ii) Matters regarding hedge accounting."

NOTE 27. Earnings per Share

The basis for calculation of basic earnings per share attributable to owners of the parent is summarized in the table shown below. Diluted earnings per share attributable to owners of the parent are not stated since there are no dilutive shares.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Profit for the year attributable to owners of the parent	¥135,551	¥132,622	$1,245,529
Basic weighted-average shares (thousand shares)	351,856	351,885	

	Yen		U.S. Dollars
Basic earnings per share attributable to owners of the parent	¥385.25	¥376.89	$3.53

NOTE 28. Cash Flow Information

(1) Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits excluding time deposits with a maturity of more than three months.

(2) Changes in liabilities arising from financing activities

The following tables summarize changes in liabilities arising from financing activities.

	Millions of Yen					
	Short-term borrowings	Long-term borrowings	Commercial papers	Bonds	Lease liabilities	Total
April 1, 2018	¥313,860	¥849,575	¥138,000	¥169,343	¥ 7,249	¥1,478,029
Changes arising from cash flows	24,947	(8,788)	(53,000)	66,143	(3,867)	25,436
Changes arising from business combinations	53	2,589	–	–	8	2,651
Foreign exchange translation	(2,081)	(3,933)	–	–	(103)	(6,118)
Other	(518)	7,244	–	(390)	1,370	7,706
Changes not arising from cash flows	(2,545)	5,899	–	(390)	1,275	4,239
March 31, 2019	¥336,262	¥846,687	¥ 85,000	¥235,097	¥ 4,658	¥1,507,705
Adjustments for application of IFRS 16	–	–	–	–	93,004	93,004
April 1, 2019	¥336,262	¥846,687	¥ 85,000	¥235,097	¥ 97,662	¥1,600,709
Changes arising from cash flows	33,284	20,141	(65,000)	53,161	(24,818)	16,767
Changes arising from business combinations	3,189	4,340	–	–	6,966	14,497
Foreign exchange translation	(14,439)	(5,031)	–	–	(2,594)	(22,066)
Changes arising from increase in right-of-use assets	–	–	–	–	38,197	38,197
Other	(492)	(8,977)	–	86	(5,056)	(14,440)
Changes not arising from cash flows	(11,742)	(9,669)	–	86	37,513	16,188
March 31, 2020	¥357,804	¥857,159	¥ 20,000	¥288,344	¥110,357	¥1,633,665

	Thousands of U.S. Dollars					
	Short-term borrowings	Long-term borrowings	Commercial papers	Bonds	Lease liabilities	Total
March 31, 2019	$3,089,791	$7,779,904	$ 781,034	$2,160,222	$ 42,800	$13,853,762
Adjustments for application of IFRS 16	–	–	–	–	854,580	854,580
April 1, 2019	$3,089,791	$7,779,904	$ 781,034	$2,160,222	$ 897,381	$14,708,343
Changes arising from cash flows	305,834	185,068	(597,261)	488,477	(228,043)	154,065
Changes arising from business combinations	29,302	39,878	–	–	64,008	133,207
Foreign exchange translation	(132,674)	(46,228)	–	–	(23,835)	(202,756)
Changes arising from increase in right-of-use assets	–	–	–	–	350,978	350,978
Other	(4,520)	(82,486)	–	790	(46,457)	(132,684)
Changes not arising from cash flows	(107,893)	(88,844)	–	790	344,693	148,745
March 31, 2020	$3,287,733	$7,876,127	$183,772	$2,649,490	$1,014,031	$15,011,164

(3) Amount paid upon acquisition of subsidiaries

The following tables summarize assets acquired and liabilities assumed upon acquisition of companies which became consolidated subsidiaries of the company and the relationship between consideration payable and the amount paid.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets acquired:			
Current assets	¥56,254	¥ 1,596	$516,897
Non-current assets	44,696	13,472	410,695
Liabilities assumed:			
Current liabilities	45,133	1,365	414,711
Non-current liabilities	12,273	2,421	112,772

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Consideration payable [of which, cash and cash equivalents]	¥ (43,491) [(43,491)]	¥ (7,232) [(7,232)]	$ (399,623) [(399,623)]
Of assets acquired, the amount of cash and cash equivalents	14,255	1,027	130,984
Difference: Amount paid upon acquisition of subsidiaries	¥ (29,235)	¥ (6,204)	$ (268,629)

(4) Amount received upon sale of subsidiaries

The following tables summarize assets sold and liabilities relieved upon sales of companies which used to be consolidated subsidiaries of the company and the relationship between consideration assumed and the amount received.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets sold:			
Current assets	¥1,090	¥5,606	$10,015
Non-current assets	1,496	524	13,746
Liabilities relieved:			
Current liabilities	1,009	1,513	9,271
Non-current liabilities	15	–	137

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	**2020**
Consideration assumed [of which, cash and cash equivalents]	¥ 2,562 [2,562]	¥ 4,064 [4,064]	$ 23,541 [23,541]
Of assets sold,the amount of cash and cash equivalents	(419)	(99)	(3,850)
Difference: Amount received upon sale of subsidiaries	¥ 2,143	¥ 3,965	$ 19,691

NOTE 29. Major Subsidiaries

(1) Major subsidiaries are as follows:

Corporate name	Location	Major business description	Voting rights (%)
Toyota Steel Center Co., Ltd.	Tokai-shi, Aichi	Metals	90.0
Toyota Tsusho Material Incorporated	Nakamura-ku, Nagoya	Metals	100.0
Toyotsu Tekkou Hanbai Corporation	Nakamura-ku, Nagoya	Metals	100.0
Eurus Energy Holdings Corporation	Minato-ku, Tokyo	Machinery, Energy & Project	60.0
Toyotsu Machinery Corporation	Nakamura-ku, Nagoya	Machinery, Energy & Project	100.0
Toyotsu Energy Corporation	Nakamura-ku, Nagoya	Machinery, Energy & Project	100.0
NEXTY Electronics Corporation	Minato-ku, Tokyo	Chemicals & Electronics	100.0
Elematec Corporation	Minato-ku, Tokyo	Chemicals & Electronics	58.6
Tomen Devices Corporation	Chuo-ku, Tokyo	Chemicals & Electronics	50.1
Toyotsu Chemiplas Corporation	Minato-ku, Tokyo	Chemicals & Electronics	100.0
Toyota Tsusho Foods Corporation	Minato-ku, Tokyo	Food & Consumer Services	100.0
Toyota Tsusho Insurance Partners Corporation	Nakamura-ku, Nagoya	Food & Consumer Services	100.0
GUANGQI TOYOTSU STEEL PROCESSING CO., LTD.	Guangzhou,China	Metals	70.0
Toyotsu Rare Earths India Private Limited	Visakhapatnam, India	Metals	100.0
TT Automotive Steel (Thailand) Co., Ltd.	Chachoengsao, Thailand	Metals	100.0
Toyota Tsusho South Pacific Holdings Pty Ltd	Brisbane, Australia	Automotive	100.0
Business Car Co. Ltd.	Moscow, Russia	Automotive	94.0
Toyota Tsusho Petroleum Pte. Ltd.	Singapore, Singapore	Machinery, Energy & Project	100.0
Toyota Tsusho CBM Queensland Pty Ltd	Brisbane, Australia	Machinery, Energy & Project	100.0
Toyota Tsusho Gas E&P Trefoil Pty Ltd	Brisbane, Australia	Machinery, Energy & Project	100.0
Toyota Tsusho Wheatland Inc.	New Brunswick, Canada	Machinery, Energy & Project	100.0
PT. Toyota Tsusho Real Estate Cikarang	Bekasi, Indonesia	Food & Consumer Services	100.0
NovaAgri Infra-Estrutura de Armazenagem e Escoamento Agrícola S.A.	São Paulo, Brazil	Food & Consumer Services	100.0
CFAO SAS	Sèvres, France	Africa	100.0
Toyota Tsusho America, Inc.	New York, U.S.A.	Overseas subsidiary	100.0
Toyota Tsusho Europe S.A.	Zaventem, Belgium	Overseas subsidiary	100.0
Toyota Tsusho (Thailand) Co., Ltd.	Bangkok, Thailand	Overseas subsidiary	100.0
Toyota Tsusho Thai Holdings Co., Ltd.	Bangkok, Thailand	Overseas subsidiary	49.0
Toyota Tsusho Asia Pacific Pte. Ltd.	Singapore, Singapore	Overseas subsidiary	100.0
P.T. Toyota Tsusho Indonesia	Jakarta, Indonesia	Overseas subsidiary	100.0
Toyota Tsusho India Private Limited	Bangalore, India	Overseas subsidiary	100.0
Toyota Tsusho (Shanghai) Co., Ltd.	Shanghai, China	Overseas subsidiary	100.0
Toyota Tsusho (Guangzhou) Co., Ltd.	Guangzhou, China	Overseas subsidiary	100.0
Toyota Tsusho (Tianjin) Co., Ltd.	Tianjin, China	Overseas subsidiary	100.0
Toyota Tsusho (Taiwan) Co., Ltd.	Taipei, Taiwan	Overseas subsidiary	79.9

Notes: 1. "Major business description" column primarily shows the segment name.
2. Toyota Tsusho Thai Holdings Co., Ltd. was newly established for the year ended March 31, 2020 and is treated as a subsidiary of the company, because it is substantially controlled by the company, although its voting rights held by the company is not more than 50%.

(2) Transactions with non-controlling interests

For the year ended March 31, 2020, the major transaction with non-controlling interests is the acquisition of shares of Toyota Tsusho (Thailand) Co., Ltd. from non-controlling interests and the outline is shown below.

As a result of this acquisition, the voting rights held by the company increased from 49.0% to 100.0%.

	Millions of Yen	Thousands of U.S. Dollars
Carrying amount of non-controlling interests acquired	¥25,642	$235,615
Consideration paid to non-controlling interests	26,068	239,529
Excess amount of consideration recognized in the transaction with non-controlling interests in equity	¥ 426	$ 3,914

There is no significant transaction with non-controlling interests for the year ended March 31, 2019.

NOTE 30. Related Party Information

(1) Related party transactions

For the years ended March 31, 2020 and 2019

			Millions of Yen		Thousands of U.S. Dollars
Classification	Corporate name	Type of transaction	2020	2019	2020
Entity with significant influence over the group	Toyota Motor Corporation Group	Sales of raw materials	¥ 848,163	¥849,378	$7,793,466
		Purchase of automobiles	1,046,092	823,852	9,612,165

Outstanding balances arising from the transactions above are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Trade and other receivables	¥ 92,749	¥111,876	$ 852,237
Trade and other payables	111,301	83,495	1,022,705

Notes: Terms of transactions and policy for determining terms
1. Prices and other terms of transactions are determined individually based on negotiation.
2. The amount of transaction does not include consumption tax. The balance of receivables and payables subject to consumption tax includes consumption tax.

(2) Remuneration to management executives

The amounts of remuneration to the company's management executives for the years ended March 31, 2020 and 2019 are ¥798 million ($7,332 thousand) and ¥879 million, respectively.

NOTE 31. Contingent Liabilities

(1) Guarantees

Guarantees given to associates accounted for using the equity method and third parties are as shown below. When a debtor defaults on an obligation, it may be necessary to fulfill the obligation.

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Guarantees issued for associates accounted for using the equity method	¥21,977	¥21,206	$201,938
Guarantees issued for third parties	10,034	13,820	92,198
Total	¥32,012	¥35,027	$294,146

Some of the guarantees above are secured by third parties' counter guarantees, whose balances are ¥2,612 million ($24,000 thousand) and ¥3,834 million as of March 31, 2020 and 2019, respectively.

In addition, loss allowance is recorded for some of the financial guarantees above. The balance of such loss allowance is ¥1,657 million ($15,225 thousand) and ¥132 million as of March 31, 2020 and 2019, respectively.

(2) Other

The group carries out business activities on a global scale under supervision of regulatory bodies within Japan and abroad. Since such activities may involve certain risk, the group may receive claims or be subject to certain litigation.

As of March 31, 2020, there are several pending issues which may result in liabilities to the group, including unsettled lawsuits or notices of assessments from tax authorities and customs authorities based on different interpretations or applications of tax laws primarily in emerging countries. However, it is impossible to estimate their outcomes at this point in time due to the following reasons: (i) the collection of evidence is still underway, (ii) many related facts need to be identified and verified, and (iii) the legal basis or the nature of claims is not very clear.

NOTE 32. Subsequent Events

There is no significant subsequent event which may give a material impact on the company's financial position.

Report of Independent Auditors

TOYOTA TSUSHO CORPORATION and its consolidated subsidiaries

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Toyota Tsusho Corporation

Opinion

We have audited the consolidated financial statements of Toyota Tsusho Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020 , and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

PricewaterhouseCoopers Aarata LLC
JR Central Towers, 38th Floor, 1-1-4 Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-6038, Japan
Tel: +81 (52) 588 3951, Fax: +81 (52) 588 3952, www.pwc.com/jp/assurance

pwc

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

齋藤 剛

Tsuyoshi Saito
Designated Engagement Partner
Certified Public Accountant

木下 昌久

Masahisa Kinoshita
Designated Engagement Partner
Certified Public Accountant

小笠原 修文

Shubun Ogasawara
Designated Engagement Partner
Certified Public Accountant

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TOYOTA TSUSHO CORPORATION

9-8, Meieki 4-chome, Nakamura-ku, Nagoya 450-8575, Japan
TEL: +81-52-584-5000
URL: https://www.toyota-tsusho.com/english

Contact
Corporate Communications Department
TEL: +81-3-4306-8200
E-MAIL: ttc_hp@pp.toyota-tsusho.com