

November 12, 2019

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**VIA ELECTRONIC FILING**

Hon. Rosemary Chiavetta  
Secretary to the Commission  
Pennsylvania Public Utility Commission  
400 North Street, Keystone Building  
Harrisburg, PA 17120

**MICHELLE K. PIASECKI**  
ATTORNEY  
DIRECT: (518) 701-2741  
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**RE: Docket No. A-2019-3012703: SmartestEnergy US LLC's Electric Generation  
Supplier License Application**

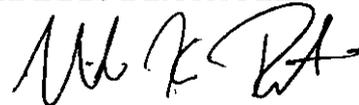
Dear Secretary Chiavetta:

We represent SmartestEnergy US LLC ("SEUS") in the above-referenced matter. On October 11, 2019, the Public Utility Commission requested certain information from SEUS related to its application for an Electric Generation Supplier license. On November 5, 2019, SEUS electronically filed responses to those requests and sent a confidential copy of the requested updated letter of credit. In connection with that filing, please also see attached copies of confidential exhibits 6 and 7.

Please contact me if you have any questions related to this filing.

Respectfully submitted,

HARRIS BEACH PLLC



Michelle K. Piasecki

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SECRETARY'S BUREAU

# ATTACHMENT 6

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Consolidated Financial Statements**

**Marubeni Corporation and Subsidiaries**

*At March 31, 2018 and  
for the year ended March 31, 2018  
with Independent Auditors' Report*

# Marubeni Corporation and Subsidiaries

## Consolidated Financial Statements

At March 31, 2018 and  
for the year ended March 31, 2018

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## Independent Auditor's Report

The Board of Directors  
Marubeni Corporation

We have audited the accompanying consolidated financial statements of Marubeni Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marubeni Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 22, 2018  
Tokyo, Japan

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Financial Position**

<b>Assets</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<b>March 31, 2018</b>
<b>Current assets:</b>			
Cash and cash equivalents <i>(Notes 13 and 14)</i>	¥625,834	¥704,972	\$5,904,094
Time deposits <i>(Note 13)</i>	1,046	1,227	9,868
Investment securities <i>(Note 13)</i>	0	10,075	0
Notes, trade accounts and loans receivable <i>(Notes 13 and 14)</i>	1,315,336	1,235,392	12,408,830
Other current financial assets <i>(Note 13)</i>	213,941	200,560	2,018,311
Inventories <i>(Notes 4 and 14)</i>	835,021	767,365	7,877,557
Assets classified as held for sale	61,452	36,689	579,736
Other current assets	226,141	208,206	2,133,406
Total current assets	<b>3,278,771</b>	<b>3,164,486</b>	<b>30,931,802</b>
<b>Non-current assets:</b>			
Investments in associates and joint ventures <i>(Notes 12, 14 and 25)</i>	1,764,169	1,755,952	16,643,104
Other investments <i>(Note 13)</i>	322,628	334,441	3,043,660
Notes, trade accounts and loans receivable <i>(Notes 13 and 25)</i>	138,715	162,961	1,308,632
Other non-current financial assets <i>(Note 13)</i>	72,492	85,799	683,887
Property, plant and equipment <i>(Notes 5, 8 and 14)</i>	905,479	968,392	8,542,255
Intangible assets <i>(Note 6)</i>	293,583	289,334	2,769,651
Deferred tax assets <i>(Note 11)</i>	45,233	88,216	426,726
Other non-current assets	56,047	47,152	528,745
Total non-current assets	<b>3,598,346</b>	<b>3,732,247</b>	<b>33,946,660</b>
<b>Total assets <i>(Note 18)</i></b>	<b>¥6,877,117</b>	<b>¥6,896,733</b>	<b>\$64,878,462</b>

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Financial Position (continued)**

<b>Liabilities and equity</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Current liabilities:</b>			
Bonds and borrowings (Notes 13 and 17)	¥611,756	¥643,049	\$5,771,283
Notes and trade accounts payable (Note 13)	1,374,022	1,243,087	12,962,472
Other current financial liabilities (Note 13)	370,103	361,768	3,491,538
Income tax payable (Note 11)	17,858	19,454	168,472
Liabilities directly associated with assets held for sale	-	4,086	-
Other current liabilities (Note 7)	387,975	344,761	3,660,141
Total current liabilities	2,761,714	2,616,205	26,053,906
<b>Non-current liabilities:</b>			
Bonds and borrowings (Note 13)	1,930,948	2,163,089	18,216,491
Notes and trade accounts payable (Notes 13 and 25)	16,713	18,349	157,670
Other non-current financial liabilities (Note 13)	66,316	70,285	625,622
Accrued pension and retirement benefits (Note 9)	79,099	83,468	746,217
Deferred tax liabilities (Note 11)	95,944	105,630	905,132
Other non-current liabilities (Note 7)	90,746	96,949	856,094
Total non-current liabilities	2,279,766	2,537,770	21,507,226
<b>Total liabilities</b>	5,041,480	5,153,975	47,561,132
<b>Equity:</b>			
Issued capital (Note 19)	262,686	262,686	2,478,170
Capital surplus (Note 19)	135,295	142,881	1,276,368
Other equity instruments (Note 20)	243,589	243,589	2,298,009
Treasury stock (Note 19)	(1,379)	(1,374)	(13,009)
Retained earnings (Notes 19 and 21)	1,014,709	856,647	9,572,726
Other components of equity (Note 16):			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 13 and 16)	82,596	54,606	779,207
Foreign currency translation adjustments (Notes 13 and 16)	76,253	165,310	719,368
Gains (losses) on cash flow hedges (Notes 13 and 16)	(42,274)	(40,622)	(398,811)
Remeasurements of defined benefit plan (Notes 9 and 16)	-	-	-
Equity attributable to owners of the parent	1,771,475	1,683,723	16,712,028
Non-controlling interests	64,162	59,035	605,302
<b>Total equity</b>	1,835,637	1,742,758	17,317,330
<b>Total liabilities and equity</b>	¥6,877,117	¥6,896,733	\$64,878,462

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Revenue (Notes 18 and 23):</b>			
Sales of goods (Note 13)	¥7,361,808	¥6,940,332	\$69,451,019
Commissions on services and trading margins	178,529	188,473	1,684,236
Total revenue	<u>7,540,337</u>	<u>7,128,805</u>	<u>71,135,255</u>
<b>Cost of goods sold (Notes 4, 5, 6 and 13)</b>	<b>(6,863,100)</b>	<b>(6,514,925)</b>	<b>(64,746,227)</b>
<b>Gross trading profit (Note 18)</b>	<u>677,237</u>	<u>613,880</u>	<u>6,389,028</u>
<b>Other income (expenses):</b>			
Selling, general and administrative expenses (Notes 5, 6 and 9)	(559,183)	(522,283)	(5,275,312)
Gains (losses) on property, plant and equipment:			
Impairment losses (Notes 5 and 6)	(5,197)	(69,246)	(49,028)
Gains (losses) on sales of property, plant and equipment	3,728	5,852	35,170
Other-net (Notes 10 and 13)	(35,063)	45,934	(330,783)
Total other income (expenses)	<u>(595,715)</u>	<u>(539,743)</u>	<u>(5,619,953)</u>
<b>Finance income (expenses):</b>			
Interest income (Note 13)	13,526	16,213	127,604
Interest expenses (Note 13)	(34,948)	(33,318)	(329,698)
Dividend income (Note 13)	21,254	17,512	200,509
Gains (losses) on investment securities (Note 13)	25,147	11,002	237,236
Total finance income (expenses)	<u>24,979</u>	<u>11,409</u>	<u>235,651</u>
<b>Share of profits of associates and joint ventures (Notes 12 and 18)</b>	<u>148,503</u>	<u>114,725</u>	<u>1,400,972</u>
<b>Profit before tax</b>	<u>255,004</u>	<u>200,271</u>	<u>2,405,698</u>
<b>Income taxes (Note 11)</b>	<u>(38,429)</u>	<u>(44,485)</u>	<u>(362,538)</u>
<b>Profit for the year</b>	<u>¥216,575</u>	<u>¥155,786</u>	<u>\$2,043,160</u>
<b>Profit for the year attributable to:</b>			
Owners of the parent (Note 18)	¥211,259	¥155,350	\$1,993,009
Non-controlling interests	<u>5,316</u>	<u>436</u>	<u>50,151</u>

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Comprehensive Income (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Other comprehensive income (Note 16):</b>			
Items that will not be reclassified to profit or loss:			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 13 and 16)	¥18,191	¥7,998	\$171,613
Remeasurements of defined benefit plan (Notes 9 and 16)	3,916	1,207	36,944
Changes in other comprehensive income of associates and joint ventures (Note 12)	2,070	3,384	19,528
Items that will be reclassified to profit or loss:			
Foreign currency translation adjustments (Notes 13 and 16)	(86,554)	(27,860)	(816,547)
Gains (losses) on cash flow hedges (Notes 13 and 16)	(2,779)	4,185	(26,217)
Changes in other comprehensive income of associates and joint ventures (Note 12)	(413)	7,809	(3,896)
Other comprehensive income, net of tax	<u>(65,569)</u>	<u>(3,277)</u>	<u>(618,575)</u>
Total comprehensive income for the year	<u>¥151,006</u>	<u>¥152,509</u>	<u>\$1,424,585</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent	¥145,671	¥153,449	\$1,374,255
Non-controlling interests	<u>5,335</u>	<u>(940)</u>	<u>50,330</u>
	<i>Yen</i>		<i>U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Basic earnings per share attributable to shareholders of the parent (Note 15)</b>	¥119.43	¥88.08	\$1.13
<b>Diluted earnings per share attributable to shareholders of the parent (Note 15)</b>	¥119.37	¥88.06	\$1.13

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Issued capital (Note 19):</b>			
Balance at beginning of year	¥262,686	¥262,686	\$2,478,170
Balance at end of year	262,686	262,686	2,478,170
<b>Capital surplus (Note 19):</b>			
Balance at beginning of year	142,881	141,504	1,347,934
Disposal of treasury stock	1	(1)	9
Equity transactions with non-controlling interests and others	(7,587)	1,378	(71,575)
Balance at end of year	135,295	142,881	1,276,368
<b>Other equity instruments:</b>			
Balance at beginning of year	243,589	–	2,298,009
Issuance of other equity instruments (Note 20)	–	243,589	–
Balance at end of year	243,589	243,589	2,298,009
<b>Treasury stock (Note 19):</b>			
Balance at beginning of year	(1,374)	(1,369)	(12,962)
Purchases and sales of treasury stock	(5)	(5)	(47)
Balance at end of year	(1,379)	(1,374)	(13,009)
<b>Retained earnings:</b>			
Balance at beginning of year	856,647	737,215	8,081,575
Profit for the year attributable to owners of the parent (Note 18)	211,259	155,350	1,993,009
Transfer from other components of equity (Note 16)	(4,063)	803	(38,330)
Dividends to shareholders of the parent (Note 21)	(45,124)	(34,711)	(425,698)
Distribution to owners of other equity instruments	(4,010)	(2,010)	(37,830)
Balance at end of year	1,014,709	856,647	9,572,726
<b>Other components of equity:</b>			
Balance at beginning of year	179,294	177,016	1,691,452
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 13 and 16)	20,397	11,212	192,425
Foreign currency translation adjustments (Notes 13 and 16)	(89,057)	(28,298)	(840,160)
Gains (losses) on cash flow hedges (Notes 13 and 16)	(458)	14,054	(4,321)
Remeasurements of defined benefit plan (Notes 9 and 16)	3,530	1,131	33,302
Transfer to retained earnings (Note 16)	4,063	(803)	38,330
Transfer to non-financial assets or non-financial liabilities (Notes 13 and 16)	(1,194)	4,982	(11,264)
Balance at end of year	116,575	179,294	1,099,764
<b>Equity attributable to owners of the parent</b>	<b>¥1,771,475</b>	<b>¥1,683,723</b>	<b>\$16,712,028</b>

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Non-controlling interests:</b>			
Balance at beginning of year	¥59,035	¥98,150	\$556,934
Dividends to non-controlling interests	(5,802)	(3,480)	(54,736)
Equity transactions with non-controlling interests and others	5,594	(34,695)	52,774
Profit for the year attributable to non-controlling interests	5,316	436	50,151
<b>Other components of equity:</b>			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 13 and 16)	167	235	1,575
Foreign currency translation adjustments (Notes 13 and 16)	(258)	(1,716)	(2,434)
Gains (losses) on cash flow hedges (Notes 13 and 16)	27	94	255
Remeasurements of defined benefit plan (Notes 9 and 16)	83	11	783
Balance at end of year	<u>64,162</u>	<u>59,035</u>	<u>605,302</u>
<b>Total equity</b>	<b>¥1,835,637</b>	<b>¥1,742,758</b>	<b>\$1,317,330</b>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent	¥145,671	¥153,449	\$1,374,255
Non-controlling interests	5,335	(940)	50,330
<b>Total comprehensive income (loss) for the year</b>	<b>¥151,006</b>	<b>¥152,509</b>	<b>\$1,424,585</b>

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Cash Flows**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Operating activities:</b>			
Profit for the year	¥216,575	¥155,786	\$2,043,160
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortisation	120,331	111,682	1,135,199
(Gains) losses on property, plant and equipment	1,469	63,394	13,858
Finance (income) expenses	(24,979)	(11,409)	(235,651)
Share of profits of associates and joint ventures	(148,503)	(114,725)	(1,400,972)
Income taxes	38,429	44,485	362,538
Changes in notes and accounts receivable	(135,801)	(25,820)	(1,281,141)
Changes in inventories	(102,626)	24,791	(968,170)
Changes in notes and trade accounts payable	158,159	64,793	1,492,066
Other-net	56,719	(45,474)	535,085
Interest received	9,607	13,425	90,632
Interest paid	(35,069)	(33,358)	(330,840)
Dividends received	126,086	102,467	1,189,491
Income taxes paid	(26,974)	(25,774)	(254,472)
Net cash provided by (used in) operating activities	253,423	324,263	2,390,783
<b>Investing activities (Note 17):</b>			
Net (increase) decrease in time deposits	171	3,665	1,613
Proceeds from sale of property, plant and equipment	15,647	89,684	147,613
Proceeds from sale of investment property	246	13,446	2,321
Collection of loans receivable	31,658	30,005	298,660
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	51,722	56,622	487,943
Proceeds from sale of investments in associates and joint ventures, and other investments	63,366	105,816	597,793
Purchase of property, plant and equipment	(103,176)	(130,987)	(973,358)
Purchase of investment property	(406)	(181)	(3,830)
Loans provided to customers	(11,488)	(21,052)	(108,377)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(22,990)	(10,705)	(216,887)
Purchase of investments in associates and joint ventures, and other investments	(74,492)	(89,809)	(702,755)
Net cash provided by (used in) investing activities	(49,742)	46,504	(469,264)

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Cash Flows (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Financing activities (Note 17):</b>			
Net increase (decrease) in short-term borrowings	¥41,733	¥(135,725)	\$393,707
Proceeds from long-term bonds and borrowings	229,867	126,589	2,168,557
Repayments of long-term bonds and borrowings	(487,202)	(450,820)	(4,596,245)
Dividends paid to shareholders of the parent (Note 21)	(45,124)	(34,711)	(425,698)
Net cash outflows on purchases and sales of treasury stock	(15)	(8)	(142)
Capital contribution from non-controlling interests	2,420	374	22,830
Acquisition of additional interests in subsidiaries from non-controlling interests	(1,375)	(1,656)	(12,972)
Proceeds from issuance of other equity instruments (Note 20)	-	243,589	-
Distribution to owners of other equity instruments	(4,010)	(2,010)	(37,830)
Other	(5,801)	(3,745)	(54,726)
Net cash provided by (used in) financing activities	(269,507)	(258,123)	(2,542,519)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(13,312)</b>	<b>(8,512)</b>	<b>(125,585)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(79,138)</b>	<b>104,132</b>	<b>(746,585)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>704,972</b>	<b>600,840</b>	<b>6,650,679</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥625,834</b>	<b>¥704,972</b>	<b>\$5,904,094</b>

See accompanying Notes to Consolidated Financial Statements.

## **Marubeni Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **1. Business Overview**

Marubeni Corporation (the "Company") is a corporation domiciled in Japan. The Company and its domestic and overseas subsidiaries, which are controlled by the Company mainly through direct or indirect holdings of the majority of voting rights (together the "Companies"), engage in import and export trading of domestic and overseas products and commodities, including domestic and offshore trading in fields which cover a wide range of commodities such as Food & Consumer Products, Chemical & Forest Products, Energy & Metals, Power Business & Plant, Transportation & Industrial Machinery, and others. In addition, the Companies offer various services and engage in diversified businesses such as investments in domestic and foreign businesses, exploration of natural resources and others.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2018 and at March 31, 2018 is included solely for the convenience of readers outside of Japan and has been made at ¥106 to \$1, the exchange rate prevailing on March 31, 2018. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate.

#### **2. Basis of Presentation**

##### **(1) Statements of Compliance**

The Company's Consolidated Financial Statements have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards", pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, the "Consolidated Financial Statements Ordinance"), it has applied the provisions of Article 93 of said Ordinance.

##### **(2) Functional Currency and Presentation Currency**

The Consolidated Financial Statements of the Company are presented in Japanese yen, the functional currency of the Company, and amounts of less than one million yen are rounded to the nearest million yen.

##### **(3) Use of Estimates and Judgments**

Preparation of the Consolidated Financial Statements requires management to make accounting estimates and assumptions, as necessary that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions due to their inherent uncertainty. Accounting estimates and assumptions that could significantly affect the Consolidated Financial Statements are as follows:

- Write-down of inventories (Note 4 "Inventories")
- Impairment of property, plant and equipment (Note 5 "Property, Plant and Equipment")
- Impairment of intangible assets (Note 6 "Intangible Assets")
- Provisions (Note 7 "Provisions")
- Defined benefit obligation (Note 9 "Employee Benefits")
- Recoverability of deferred tax assets (Note 11 "Income Taxes")
- Impairment of investments in associates and joint ventures (Note 12 "Associates and Joint Ventures")
- Valuation of financial instruments (Note 13 "Financial Instruments and Related Disclosures")
- Contingent liabilities (Note 24 "Commitments and Contingent Liabilities")

Information related to judgments made by the Company that could significantly affect the Consolidated Financial Statements in the process of applying the accounting policies are as follows:

- Scope of subsidiaries, associates and joint ventures (Note 3 "Significant Accounting Policies")
- Classification of non-current assets or disposal groups as held for sale (Note 3 "Significant Accounting Policies")
- Accounting for leases (Note 8 "Leases")
- Derecognition of financial assets (Note 13 "Financial Instruments and Related Disclosures")
- Classification of liabilities and equity (Note 20 "Other Equity Instruments")

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**3. Significant Accounting Policies**

**(1) Basis of Measurement**

The Consolidated Financial Statements, as stated in the accounting policies below, have been prepared on an historical cost basis, with the exception of certain current assets, financial instruments, and assets and liabilities relating to the post-employment benefit plan, which are measured at fair value.

**(2) Basis of Consolidation**

The Consolidated Financial Statements of the Company include the accounts of all domestic and foreign subsidiaries under the control of the Company either through direct or indirect ownership of a majority voting interest or by other means. Intercompany transactions and accounts between the Companies are eliminated. To align the reporting periods of subsidiaries that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as compliance with the local legal system of the country in which they operate, subsidiaries prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

**(3) Business Combinations**

The Companies use the acquisition method of accounting for all business combinations. The acquisition cost is the aggregate of the consideration transferred measured at acquisition date fair value, plus any previously held equity interest in the acquiree remeasured at its acquisition date fair value and any non-controlling interest in the acquiree. The amount of any non-controlling interest is measured as elected for each business combination either at fair value or at the proportionate interest in the identifiable net assets of the acquiree.

Any difference between the fair value and the carrying amount of the equity interest in the acquiree previously held at the time control is obtained is recognised in profit or loss. Further, any other comprehensive income that had been previously recognised in connection with the equity interest in the acquiree is treated in the same way as a disposal of the equity interest. Acquisition costs incurred are recognised in profit or loss.

The Companies perform any necessary classification and designation of identifiable assets acquired and liabilities assumed based, in principle, on the contractual terms, economic conditions, business or accounting policies, and other appropriate conditions that exist on the acquisition date.

**(4) Investments in Associates and Joint Ventures**

Associates refer to investees over which the Companies have the ability to exercise significant influence through such factors as the ownership of 20% to 50% of the voting interest in the entity and other factors.

A joint venture is a joint arrangement whereby the Companies, as the parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Companies account for investments in associates and joint ventures under the equity method. Under the equity method, investments in associates and joint ventures are normally recorded at cost, adjusted for the Companies' share of the change in the net assets of these associates and joint ventures since the acquisition date. Any dividends received from these associates and joint ventures are subtracted from the carrying amount of investments in associates and joint ventures.

The Companies' share of the profit or loss of the associates and joint ventures is included as "Share of profits of associates and joint ventures" in the Consolidated Statement of Comprehensive Income. The Companies' share of any change in other comprehensive income recognised by the associates and joint ventures is recognised in other comprehensive income. Any unrealised profit arising from the transactions between the Companies and the associates and joint ventures is eliminated against the Companies' interest in associates and joint ventures. Certain adjustments are made to achieve unification of the accounting policies of the associates and joint ventures with those of the Companies.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

To align the reporting periods of associates and joint ventures accounted for under the equity method that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as the relationship with other shareholders, the associates and joint ventures prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

If it is determined, after the initial application of the equity method to investments in associates and joint ventures, that there is objective evidence of impairment based on all available information, the carrying amount of investments in associates and joint ventures is reduced to their recoverable amounts and the difference is recognised in profit or loss as an impairment loss.

The Companies determine, at each reporting date, whether there is an indication that the recognised impairment loss may no longer exist or may have been reduced. If there is such an indication, the Companies estimate the recoverable amount of investments in associates and joint ventures. If the estimated recoverable amount exceeds the carrying amount of the investment, a reversal of impairment losses is recognised in profit or loss to the extent of the increase in the recoverable amount of the investment since the recognition of impairment losses, and is recognised only up to the amount of impairment losses that have been recognised in the past.

If the Companies lose significant influence or joint control over any associates and joint ventures, such investments in associates and joint ventures are measured at fair value. Specifically, the difference between; the fair value of any residual interests plus the proceeds from the partial disposal of interests in associates or joint ventures, and the carrying amount of the investment at the date on which control was lost, is recognised in profit or loss. Any other comprehensive income previously recognised under the equity method is accounted for in the same manner as a disposal of assets or liabilities related to the other comprehensive income of the associates and joint ventures.

**(5) Foreign Currency Translation**

The Consolidated Financial Statements of the Companies are presented in Japanese yen, the functional currency of the Company. Each entity in the consolidated group determines its functional currency in consideration of, among other factors, the economic environment in which it operates, and it measures the items in its financial statements using its own functional currency.

Assets and liabilities included in the financial statements of foreign operations are translated into Japanese yen at the reporting date rates. Income and expenses are translated at the average rates prevailing for the reporting period. The resulting translation adjustments are recognised in other comprehensive income and the cumulative translation adjustments are recognised in other components of equity.

On disposal of a subsidiary that results in loss of control, all cumulative translation adjustments related to the foreign operation that have been recognised in other components of equity are reclassified to profit or loss. In a partial disposal of a subsidiary that does not result in loss of control, the corresponding share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to non-controlling interest rather than profit or loss.

On disposal of an associate or joint venture that results in loss of significant influence or loss of joint control, the full amount of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss. In a partial disposal of an associate or joint venture that does not result in loss of significant influence or loss of joint control, the corresponding proportionate share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss.

**(6) Cash and Cash Equivalents**

The Companies include deposits in banks and certificates of deposit with a remaining maturity of 3 months or less at the acquisition date in cash equivalents.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(7) Financial Instruments**

**(i) Financial assets**

**Initial recognition and measurement**

Financial assets to which IFRS 9 *Financial Instruments* ("IFRS 9") applies are classified as follows: debt instrument financial assets are classified as either financial assets measured at amortised cost or financial assets measured at fair value through profit or loss ("Financial assets measured at FVTPL"), and equity financial assets are classified as either Financial assets measured at FVTPL or financial assets measured at fair value through other comprehensive income ("Financial assets measured at FVTOCI"). The Companies determine such classifications at initial recognition of the financial assets.

Financial assets measured at FVTPL are measured at fair value at initial recognition and financial assets other than Financial assets measured at FVTPL are measured at fair value plus transaction costs at initial recognition.

For purchases or sales of financial assets under contracts with terms requiring delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (regular way purchase or sale), the purchase or sale is recognised on the trade date on which the Companies become a party to the contract for the financial asset.

Financial assets of the Companies include cash and cash equivalents, debt instrument financial assets including notes, trade accounts and loans receivable, equity financial assets, and derivative financial assets.

**Subsequent measurement**

After initial recognition, financial assets are measured according to their category as follows:

**Financial assets measured at amortised cost**

A debt instrument financial asset is measured at amortised cost if both of the following conditions are met:

- The asset is 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at amortised cost calculated using the effective interest method less any impairment losses. Amortisation using the effective interest method is recognised as part of finance income in the Consolidated Statement of Comprehensive Income.

The Companies may, at initial recognition, make an irrevocable election to designate a financial asset that meets the conditions for classification as measured at amortised cost mentioned above as Financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets measured at FVTPL**

The Companies classify the following financial assets as Financial assets measured at FVTPL: (i) equity financial assets not designated as Financial assets measured at FVTOCI at initial recognition and (ii) debt instrument financial assets that either do not meet the conditions for classification as measured at amortised cost or those that meet these conditions but are designated as Financial assets measured at FVTPL under an election made by the Companies at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Financial assets measured at FVTPL, together with the related dividend and interest income, are mainly recognised within revenue or finance income (expenses) in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**Financial assets measured at FVTOCI**

The Companies make an irrevocable election at initial recognition to (or not to) designate equity financial assets that are not held for trading as Financial assets measured at FVTOCI.

After initial recognition, equity financial assets designated as Financial assets measured at FVTOCI are measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, dividend income arising from equity financial assets designated as Financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Derecognition**

The Companies derecognise a financial asset in the following situations:

- When the contractual rights to receive the cash flows of the financial asset are extinguished;
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership are transferred to the transferee; and
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, but control over the financial asset is transferred.

Where substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control over the transferred financial asset is retained, the Companies continue to recognise the financial asset to the extent of their continuing involvement.

When Companies continue to recognise the financial asset to the extent of their continuing involvement, any liabilities arising in relation to such continuing involvement are recognised. The continuing involvement in the financial asset and any liabilities arising in relation to such continuing involvement are measured on the basis of the rights and obligations held by the Companies.

**Impairment of financial assets measured at amortised cost**

The Companies judge that a financial asset measured at amortised cost is impaired only if there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset, and such an event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes such events as significant financial difficulty of the issuer or obligor and a default or delinquency in interest or principal payments.

The amount of an impairment loss is estimated based on the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or observable market prices of the financial asset. However, if the returns on the financial asset are based on a floating interest rate, the present value of estimated future cash flows is calculated using the effective interest rate at each reporting date.

In addition to the impairment losses recognised in the manner described above, the Companies recognise impairment losses on financial assets based on historical credit loss rates calculated in consideration of past experience, etc. or estimated recoverable amounts after evaluating potential risks associated with the obligors, geographic areas, etc. pertaining to the financial assets.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Impairment losses are recognised in the Consolidated Statement of Financial Position by deducting them directly from the carrying amount of the respective assets in the case of debt securities and by recognising an allowance in the case of financial assets other than debt securities. Impairment losses arising from trade receivables are recognised as part of selling, general and administrative expenses and those arising from other assets are recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Such a reversal is recognised to the extent that it does not result in the financial asset having a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal of impairment loss is recognised in profit or loss.

**(ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities to which IFRS 9 applies, are classified as follows: financial liabilities are classified as financial liabilities measured at amortised cost unless they are financial liabilities measured at fair value through profit or loss ("Financial liabilities measured at FVTPL"). The Companies determine such classifications at the initial recognition of the financial liabilities.

Financial liabilities measured at FVTPL are measured at fair value at initial recognition and financial liabilities classified as financial liabilities measured at amortised cost are measured at fair value less transaction costs at initial recognition.

Financial liabilities of the Companies include corporate bonds and loans payable, notes and trade accounts payable, derivative financial liabilities, etc.

**Subsequent measurement**

After initial recognition, financial liabilities are measured according to their classification as follows:

**Financial liabilities measured at FVTPL**

Financial liabilities designated as Financial liabilities measured at FVTPL are measured at fair value.

After initial recognition, changes in the fair values of Financial liabilities measured at FVTPL together with the related interest expense are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. However the amount of changes in the fair value of the financial liabilities that is attributable to changes in the credit risk of the entity is recognised as other comprehensive income in the Consolidated Statement of Comprehensive Income.

**Financial liabilities measured at amortised cost**

Financial liabilities not classified as Financial liabilities measured at FVTPL are measured at amortised cost.

After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Derecognition**

The Companies derecognise a financial liability only when the underlying obligation specified in the contract is performed, discharged, cancelled or expires.

An exchange of financial liabilities with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as the derecognition of the original financial liability and the recognition of a new financial liability, and the difference between the carrying amount of these liabilities is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Financial guarantee contracts**

The Company and certain consolidated subsidiaries, in the normal course of their business, issue various guarantees for obligations owed by associates and general trade partners ("guaranteed parties"). These are issued to third parties to guarantee

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

the repayment, mainly of loans which the guaranteed parties have borrowed from external parties. When a guaranteed party fails to perform its obligations, the Company and certain consolidated subsidiaries are obligated to perform the obligations in accordance with the relevant financial guarantee contract.

Liabilities recognised for such financial guarantee contracts are measured at initial recognition at the present value of the total guarantee premiums to be received by the guarantor over a future period under the financial guarantee contract adjusted for directly attributable transaction costs. After initial recognition, these liabilities are amortised over the financial guarantee period on a systematic basis and the amortised amounts are recognised in profit or loss. However, if the estimated amount required to settle any such current guarantee obligations at the reporting date exceeds the amount initially recognised less cumulative amortisation, the balance of any such liability is recognised at the estimated amount required to settle such current guarantee obligations at the reporting date, and any resulting difference is recognised in profit or loss.

**(iii) Offsetting of financial instruments**

A financial asset and a financial liability are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Companies currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(iv) Fair value of financial instruments**

The fair value of financial instruments at the end of each reporting period is measured based on the market price in an active market. If the market in which a financial instrument is traded is not active or no active market exists for the financial instrument, fair value is determined by using an appropriate valuation technique.

**(8) Derivatives and Hedge Accounting**

**Initial recognition and subsequent measurement**

The Companies recognise derivatives as assets or liabilities at fair value. For derivatives designated as qualifying hedging instruments, subsequent changes in fair value are recognised according to the objective and designation of the hedge. Subsequent changes in the fair value of derivatives not designated as qualifying hedging instruments are recognised in profit or loss.

**Fair value hedges**

If the objective of holding a derivative is to hedge the exposure of changes in the fair value of the hedged item (as a fair value hedge), changes in the fair value of the derivative are recognised in profit or loss and are offset against the changes in the fair value of the hedged assets, liabilities, or firm commitments.

When financial instruments measured at amortised cost are designated as hedged items, after recognising the difference between the carrying amount and the fair value of such hedged items in profit or loss, the adjusted financial instruments are amortised through profit or loss using the recalculated effective interest rate.

The Companies use fair value hedges mainly for hedging the exposure of changes in the fair value of goods or firm commitments to purchase goods and the exposure of changes in the fair value of assets and liabilities with a fixed interest rates arising from changes in interest rates.

**Cash flow hedges**

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Companies use cash flow hedges for hedging the exposure to variability in cash flows of forecast purchases of goods, sales of goods, etc. arising from changes in prices and exchange rates and the exposure to variability in interest cash flows of a floating rate interest bearing assets and liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. However, if a hedged item is a recognised non-financial asset

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

or non-financial liability, the amounts that have been recognised in other components of equity relating to the hedging instrument are reclassified as adjustments to the initial carrying amount of the non-financial asset or non-financial liability.

If a forecast transaction or firm commitment is no longer expected to occur, the Companies discontinue hedge accounting. Accordingly, any amounts that had been recognised in other components of equity while the hedge was effective are reclassified to profit or loss when hedge accounting is discontinued. Changes in the fair value of the derivative after hedge accounting is discontinued are recognised in profit or loss prospectively as it is no longer a hedging instrument. However, to the extent that such a previously hedged forecast transaction continues to be expected to occur even if hedge accounting is discontinued, amounts that had been recognised in other components of equity before the discontinuation of hedge accounting remain in other components of equity until the forecast transaction occurs.

**Hedges of a net investment in a foreign operation**

Where the objective of holding a derivative and other non-derivative hedging instruments, such as loans payable, is to hedge the foreign currency risk of a net investment in a foreign operation (as a hedge of a net investment in a foreign operation), changes in the fair value of the hedging instruments attributable to changes in exchange rates are recognised in other components of equity to the extent that the hedge is effective. Of the changes in the fair values of derivative and other non-derivative hedging instruments which are due to exchange rate movements, the portions related to any ineffectiveness or any parts outside the hedge effectiveness assessment are recognised in profit or loss.

The cumulative amount of changes in the fair value of hedging instruments attributable to changes in exchange rates that have been recognised in other components of equity under a hedge of a net investment in a foreign operation is reclassified to profit or loss when the underlying foreign operation is disposed of.

**(9) Inventories**

Inventories, which mainly consist of commodities, merchandise, and real estate held for sale, are measured at the lower of cost (mainly specific or moving average cost) and net realisable value. If the net realisable value is lower than cost, the difference is expensed as a write-down and the amount of the write-down is directly deducted from the carrying amount of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the cause of a write-down no longer exists, or when there is clear evidence of an increase in net realisable value due to changes in economic conditions, reversals of such write-downs are recognised. The carrying amount after reversal is recognised at the lower of cost or the revised net realisable value, and the amount of the reversal of write-downs is recognised in profit or loss.

Inventories held for generating profits from short-term fluctuations in market prices are measured at fair value less costs to sell, with fluctuations in fair value less costs to sell recognised in profit or loss in the period in which such fluctuations occur.

**(10) Property, Plant and Equipment**

Items of property, plant and equipment are recognised initially at acquisition cost including transaction costs. Acquisition cost includes borrowing costs directly attributable to the acquisition, construction, etc. of assets requiring a considerable time period before they can be used as intended. The present value of the estimated costs for the disposal of an item of property, plant and equipment at the end of its useful life is included in the acquisition cost of the item if the recognition criteria for provisions are met, and are recognised as an expense through depreciation over the useful life of the item.

After initial recognition, the Companies apply the cost model to items of property, plant and equipment and measure such assets at acquisition cost less accumulated depreciation and accumulated impairment loss. The depreciable amount of items of property, plant and equipment is allocated over each period for the useful life of each item through depreciation, mainly on a straight-line basis over the useful life of each item (buildings and structures from 2 to 60 years, machinery and equipment from 2 to 45 years), or the units of production method based on reserve estimation. Land is not depreciated. If an item of property, plant

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

and equipment includes one or more significant parts, each significant part is individually depreciated.

The Companies derecognise an item of property, plant and equipment when they have disposed of it or when it is no longer expected to produce any future economic benefits through use or disposal. The difference between the net disposal proceeds of the item and its carrying amount is recognised in profit or loss when the item is derecognised.

The basis of depreciation of property, plant and equipment, such as residual value, useful life, and depreciation method, is reviewed at each reporting date. When there is a change in the basis of depreciation, the depreciation charge is adjusted prospectively as a change in an accounting estimate.

**(11) Intangible Assets**

**Intangible assets other than goodwill**

Intangible assets acquired separately are measured at initial recognition at acquisition cost. The acquisition cost of intangible assets acquired in a business combination is measured at the acquisition date fair value. After initial recognition, the Companies apply the cost model to intangible assets and measure such assets at acquisition cost less accumulated amortisation and accumulated impairment loss. Internally generated intangible assets are expensed in the period in which they are incurred, unless they satisfy the criteria for capitalisation.

Intangible assets are classified as either intangible assets with finite useful lives or intangible assets with indefinite useful lives.

The amount of intangible assets with finite useful lives subject to amortisation is allocated as an expense over each period for the useful life of each asset (franchises and customer relationships approximately from 3 years to 45 years, software approximately from 2 years to 20 years) through amortisation, mainly on a straight-line basis. The basis of amortisation of these intangible assets, such as useful life and depreciation method, is reviewed at the end of each reporting period. When there is a change in the basis of amortisation, the amortisation charge is adjusted prospectively as a change in accounting estimate.

Intangible assets judged to have indefinite useful lives are not subject to amortisation, and the Companies review, at the end of each reporting period, whether the events or circumstances supporting such a judgment continue to exist. If the judgment that the useful life is indefinite is no longer valid, the intangible asset is reclassified from an intangible asset with an indefinite life to an intangible asset with a finite useful life, with amortisation charges adjusted prospectively as a change in an accounting estimate.

The Companies derecognise an item of intangible assets when they have disposed of it or when it is no longer expected to produce any future economic benefits from its use or disposal. The difference between the net disposal proceeds of an intangible asset arising from its derecognition and its carrying amount is recognised in profit or loss when the asset is derecognised.

**Goodwill**

Goodwill is recognised as the excess of (a) the aggregate of the consideration transferred measured at acquisition date fair value, the acquirer's previously held equity interest in the acquiree remeasured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree (hereinafter collectively referred to as "the aggregate amount of consideration") over (b) the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. The amount of non-controlling interest is measured for each business combination either at acquisition date fair value or at the acquirer's proportionate interest in the identifiable net assets of the acquiree. If the total amount of consideration is less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is not subject to amortisation and is measured at acquisition cost less accumulated impairment loss. For impairment testing purposes, goodwill acquired in a business combination is, on or after the acquisition date, allocated to cash-generating units or groups of cash-generating units that are expected to receive benefits from the business combination.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

If an operation within a cash-generating unit or a group of cash-generating units to which goodwill has been allocated is disposed of, the portion of goodwill related to the operation to be disposed of is included in the carrying amount of the operation for the purpose of calculation of the disposal gain or loss. Goodwill is allocated on the basis of the relative percentage of the values of the business to be disposed of and the remaining portion of the cash-generating unit, unless there is a more reasonable method.

**(12) Oil, Gas and Mineral Resources Mining Activities**

Costs associated with the exploration, evaluation and development of oil and gas are accounted for based on the successful efforts method. Costs associated with the acquisition of vested mining rights, costs associated with the drilling and construction of exploratory wells and development wells, and related facilities are capitalised, and costs associated with exploratory wells are expensed when it has been demonstrated that the wells have no commercial viability, while other costs associated with exploration and evaluation, including geographical survey costs, are recognised as expenses when incurred. Costs associated with the exploration and evaluation of mineral resources are recognised as an expense as they are incurred until such time as the commercial viability of the mining activities is demonstrated.

Capitalised costs associated with exploration, evaluation and development are recognised as property, plant and equipment (machinery and equipment). Additionally, expenditures associated with the acquisition of rights to explore, etc. are recognised as intangible assets (licenses and operating rights for natural resources), and reclassified as property, plant and equipment (machinery and equipment) when their technical feasibility and economic viability have been demonstrated. When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, such carrying amount is written down to its recoverable amount.

**(13) Leases**

The Companies engage in the business of leasing non-current assets as lessors and lease non-current assets as lessees under finance leases and operating leases. Whether or not an arrangement is (or contains) a lease is determined at the inception of the lease based on the substance of that arrangement considering whether the performance of that arrangement depends on the use of a specific asset or group of assets, and whether the right to use the asset is transferred under the terms of that arrangement.

**Accounting as lessee**

For finance leases that transfer substantially all of the risks and rewards incidental to ownership of the asset, an asset and a liability are recognised on the commencement of the lease term in the Consolidated Statement of Financial Position at the lower of the fair value of the leased asset, determined at the inception of the lease, or the present value of the minimum lease payments calculated at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the outstanding liability, and finance charges are calculated so that they are equivalent to a constant interest rate on the balance of the liability. Finance charges are recognised as expenses over the lease term and contingent rents are recognised as expenses in the period in which they are incurred. Leased assets are depreciated over the period of expected use by a method consistent with the depreciation method for other similar assets owned by the lessee. The period of expected use is the useful life of the asset if the transfer of ownership is reasonably certain, or the shorter of the lease term or the useful life of the asset if the transfer of ownership is not reasonably certain.

Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Contingent rents are recognised as expenses in the period in which they are incurred.

**Accounting as lessor**

For finance leases that transfer substantially all the risks and rewards incidental to ownership of the asset, a lease receivable is recognised on the commencement of the lease term at an amount that equals the net investment in the lease at the inception of the lease. Initial direct costs incurred by the lessor are recognised as part of net investment in the lease in principle.

For operating leases, the leased assets are presented in the Consolidated Statement of Financial Position according to the nature of the assets and are depreciated by a method consistent with the depreciation method for other similar assets owned by

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

the lessor. Lease income is recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Initial direct costs incurred by the lessor are included in the carrying amount of the leased asset and are recognised as expenses over the lease term as corresponding lease income is recognised.

**(14) Impairment of Non-financial Assets Other than Inventories**

**Impairment losses**

The Companies assess, at the end of each reporting period, whether there is an indication that an asset may be impaired.

Property, plant and equipment, and intangible assets with finite useful lives:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated.

Intangible assets with indefinite useful lives and goodwill:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated. The Companies also evaluate whether the carrying amount of an asset exceeds its recoverable amount on a regular basis (at least annually), irrespective of whether there is any indication that an asset may be impaired.

The recoverable amount of an asset is the higher of asset's or cash-generating unit's fair value less costs of disposal and its value in use. This determination is made for individual assets, unless an individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount and that reduction is recognised as an impairment loss. Value in use is calculated as the present value of the estimated future cash flows discounted at a discount rate reflecting the time value of money and the current market evaluation of the risks inherent in the asset.

**Reversals of impairment losses**

The Companies assess, at the end of each reporting period, whether there is an indication that the recognised impairment losses in prior periods for an asset may no longer exist or may have decreased. If there is such an indication, the Companies estimate the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognised to the extent that the carrying amount after the reversal does not exceed the carrying amount (after deducting accumulated depreciation or accumulated amortisation) that would have been determined had the impairment losses not been recognised previously. Reversal of impairment losses is recognised in profit or loss.

However, impairment losses recognised in respect of goodwill are not reversed under any circumstances.

**(15) Non-current Assets Held for Sale and Discontinued Operations**

The Companies classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following conditions are met:

- It is available for immediate sale in its present condition based solely on usual or customary conditions; and
- Sale is highly probable.

A non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Depreciation or amortisation is discontinued for a non-current asset or disposal group for the year in which it is classified as held for sale.

**(16) Provisions**

The Companies recognise a provision when (i) they have a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

of a provision is measured at the present value of the expenditure expected to be required to settle the obligation, discounted at a discount rate reflecting the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses.

For decommissioning obligations, a provision is recognised for the costs of demolition or removal of the asset, land restoration costs and expenditures incurred as a result of the use of the asset, and is added to the acquisition cost of the asset. Estimated costs and the discount rate applied are reviewed every year and any adjustment to the estimated amount is accounted for as a change in accounting estimate. The effect of changes in estimated costs or the discount rate applied is added to or deducted from the carrying amount of the related asset.

**(17) Post-employment Benefits**

The Company and certain of its consolidated subsidiaries have defined benefit pension plans and lump-sum severance indemnity plans covering substantially all employees. The Companies measure the present value of defined benefit obligations and the post-employment benefit costs based on the projected unit credit method for each plan.

The effect of the remeasurement of a net defined benefit asset or liability is recognised in other comprehensive income and is immediately reclassified from other components of equity to retained earnings. Such remeasurement consists of actuarial gains and losses on the defined benefit obligation and the return on plan assets (excluding the amount of interest income on plan assets). Past service cost is recognised immediately in profit or loss.

A net defined benefit asset or liability is calculated as the present value of the defined benefit obligation less the fair value of the plan assets and is recognised as an asset or liability in the Consolidated Statement of Financial Position.

**(18) Treasury Stock**

If the Companies buy back their own equity instruments (treasury stock), such treasury stock is recognised at acquisition cost and is deducted from equity. No gain or loss is recognised in profit or loss at the time of purchase, sale, issuance or retirement of treasury stock. The difference between the carrying amount and the sale proceeds is recognised in capital surplus.

**(19) Share-based Payment**

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. The fair value at the grant date of the stock options are recognised as an expense over the period during which all the specified vesting conditions are satisfied with a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes model.

**(20) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Such a fair value is calculated after deducting sales discounts, volume rebates, etc.

The Companies are involved in various forms of transactions including proprietary transactions and agency transactions. In agency transactions, consideration for the transaction is settled directly between the ultimate buyer and the seller, and the Companies receive fees from the buyer, the seller or both. Proprietary transactions, agency transactions, etc. are carried out in the following forms.

**Sale of goods**

Revenue arising from the sale of goods is recognised when all the following conditions have been satisfied:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Marubeni Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements (continued)**

For sale of goods, if the Companies arrange shipping or deliver a bill of lading, warehouse receipt, delivery order, etc., to the buyer, revenue is recognised when the delivery obligations specified in the contract have been performed, such as when said document is delivered or when the inspection of goods is completed, and there are substantially no further obligations to perform, and the receipt of goods by the customer is practically certain.

#### **Rendering of services**

When the outcome of the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The Companies judge that the outcome of the rendering of services can be estimated reliably if all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction can be measured reliably at the end of the reporting period; and
- The costs incurred for the transaction or the costs to complete the transaction can be measured reliably.

In the case of rendering of services, revenue is recognised only to the extent of the expenses recognised that are recoverable, unless the outcome of the rendering of services can be estimated reliably. In acting as an agent, the Companies recognise commissions when contracted services are fully rendered to the customers.

#### **Construction contracts**

When the outcome of the construction contract can be reliably estimated, the percentage of completion method is applied. Under the percentage of completion method, contract revenue is recognised progressively over several accounting periods as work is performed representing the proportionate completion of the contract. The Companies judge that the outcome of the construction contract can be estimated reliably when all the following conditions are satisfied:

- The total amount of contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the entity;
- Both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of the construction contract cannot be reliably estimated, contract revenue is recognised to the extent recovery of contract costs incurred is probable.

When it is probable that total contract costs will exceed total contract revenue, the excess amount is recognised immediately as an expense.

#### **Presentation of the total amount of revenue and the net amount of revenue**

The Companies are deemed to be performing transactions as a principal when they have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, and the total amount of transactions is presented as revenue. The Companies are deemed to be performing transactions as an agent when they do not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, and the net amount, after deduction of amounts due to third parties from the consideration earned on the transactions, is presented as revenue.

#### **Interest income**

Interest income is recognised when it is probable that economic benefits will flow to the Companies and the amount of revenue can be measured reliably. Interest income is recognised using the effective interest method.

#### **Dividend income**

Dividend income is recognised when the shareholder's right to receive the dividends is established.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(21) Income and Other Taxes**

**Current tax**

Taxes payable (receivable) at the end of each reporting period are measured at an amount expected to be due for payment to, or refunded from, the taxation authorities. In measuring the amount of taxes, the Companies use the statutory tax rate or statutory effective tax rate at the end of each reporting period.

Current tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas current tax related to items recognised directly in equity is recognised directly in equity. The Companies recognise the financial statement effects of tax positions when it is more likely than not, based on technical interpretations, that the tax positions will be sustained upon examination by the tax authorities.

Current tax assets and current tax liabilities are offset if the Companies currently have a legally enforceable right to set off the recognised amounts of the assets and liabilities and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Deferred tax**

Deferred tax assets and liabilities are recognised by the Companies based on differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their tax basis, and are measured using the enacted tax rates and tax laws which will be in effect when the differences are expected to reverse.

Deferred tax liabilities are recognised with respect to taxable temporary differences other than those arising in the following cases:

- Initial recognition of goodwill;
- Initial recognition of assets or liabilities arising from a transaction that is not a business combination and does not affect accounting profit or taxable profit (loss) at the time of the transaction; and
- Taxable temporary differences associated with investments in subsidiaries, and associates or interests in joint ventures if the parent, investor or party to a joint venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, etc. can be utilised, except as follows. Deferred tax assets or liabilities are not recognised where they arise from the initial recognition of assets or liabilities as a result of transactions that are not a business combination and which do not affect accounting profit or taxable profit (loss) at the time of the transaction.

For deductible temporary differences associated with investments in subsidiaries and associates or interests in joint ventures, a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profit will be available against which the temporary difference can be utilised.

The Companies review, at the end of each reporting period, whether it is probable that sufficient taxable profit will be available to realise part or all of the benefit of the deferred tax assets, and reduce the amount of deferred tax assets to the extent that it is no longer probable that such taxable profit will be available. The Companies also review unrecognised deferred tax assets at the end of each reporting period and recognise them to the extent that it has become probable that future taxable profit will be available.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively.

Deferred tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas deferred tax related to items recognised directly in equity is recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset and presented net if, and only if, the Companies currently have a legally enforceable right to set off current tax assets and current tax liabilities and either of the following two conditions is met:

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on different taxable entities, and those entities intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period.

**(22) Reclassifications**

In cases where the presentation of the Consolidated Financial Statements or the Notes to Consolidated Financial Statements has been modified, reclassifications and format changes have been made to comparative information.

**(23) Early Application of Standards and Interpretations**

The Companies have early applied the following standards.

Standards and interpretations	Description
IFRS 9 <i>Financial Instruments (Amended November 2013)</i>	Changes in qualifying criteria for hedge accounting

**(24) New Standards and Interpretations not yet Adopted**

Major standards and interpretations issued by the date of approval of the Consolidated Financial Statements are as follows.

At March 31, 2018, the Company has not yet adopted the following standards and interpretations. The application of IFRS 9 *Financial Instruments (Amended July 2014)* and IFRS 15 *Revenue from Contracts with Customers* is not expected to have a material impact on the Consolidated Financial Statements of the Companies. The potential impact of the application of IFRS 16 *Leases* is currently being evaluated and cannot be estimated at the present time. Of note, the Companies will recognise the cumulative effects of initially applying the following standards and interpretations at the dates of initial application.

The impact of the application of IFRS 16 *Leases* will primarily be on operating leases, which are not recorded on the balance sheet of a lessee and for which only the lease fee is recognised as an expense as incurred currently, in that right-of-use assets and lease liabilities will be recognised in the Consolidated Statement of Financial Position.

Standards and interpretations	Reporting periods on or after which the application are required	Reporting periods for adoption by the Company	Description
IFRS 9 <i>Financial Instruments (Amended July 2014)</i>	January 1, 2018	Financial year ending March 31, 2019	Changes in qualifying criteria for impairment accounting, classification and measurement of financial assets
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2018	Financial year ending March 31, 2019	Accounting for and disclosure of revenue recognition
IFRS 16 <i>Leases</i>	January 1, 2019	Financial year ending March 31, 2020	Changes in lease accounting

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**4. Inventories**

Inventories at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>U.S. dollars</u>
Merchandise/finished goods	¥788,069	¥720,591	\$7,434,613
Materials/work in progress	28,076	26,333	264,868
Real estate held for sale	18,876	20,441	178,076
Total	<u>¥835,021</u>	<u>¥767,365</u>	<u>\$7,877,557</u>

The carrying amount of inventories measured at fair value less costs to sell on a recurring basis is based mainly on a market approach using observable inputs such as reasonable price obtained from trading partners and others, and is categorised as Level 2 in the fair value hierarchy, were ¥255,126 million (\$2,406,849 thousand) and ¥174,148 million at March 31, 2018 and 2017, respectively.

During the year ended March 31, 2018, there were no transfers between Level 1 and Level 2.

Inventories recognised as expenses for the years ended March 31, 2018 and 2017 were ¥6,372,458 million (\$60,117,528 thousand) and ¥6,371,215 million, respectively. Among those expenses, inventory write-down of ¥2,844 million (\$26,830 thousand) and ¥2,627 million were included in expenses for the years ended March 31, 2018 and 2017, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**5. Property, Plant and Equipment**

Changes in cost, accumulated depreciation and impairment losses of property, plant and equipment for the years ended March 31, 2018 and 2017 were as follows:

Cost

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2016	¥146,290	¥354,651	¥1,808,872	¥35,425	¥2,345,238
Additions	395	12,021	76,717	34,769	123,902
Disposals	(70,463)	(8,629)	(43,068)	(169)	(122,329)
Disposals of subsidiaries	-	(135)	(115,844)	-	(115,979)
Currency translation adjustments	(397)	(1,106)	(11,385)	85	(12,803)
Other	1,548	13,479	14,453	(30,402)	(922)
March 31, 2017	¥77,373	¥370,281	¥1,729,745	¥39,708	¥2,217,107
Additions	837	7,549	76,437	43,559	128,382
Disposals	(2,383)	(28,622)	(39,992)	-	(70,997)
Disposals of subsidiaries	(965)	(1,501)	(33,203)	-	(35,669)
Currency translation adjustments	(906)	(9,660)	(77,631)	(1,128)	(89,325)
Other	1,704	17,566	18,250	(53,778)	(16,258)
March 31, 2018	¥75,660	¥355,613	¥1,673,606	¥28,361	¥2,133,240

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2017	\$729,934	\$3,493,217	\$16,318,349	\$374,604	\$20,916,104
Additions	7,896	71,217	721,104	410,934	1,211,151
Disposals	(22,481)	(270,019)	(377,283)	-	(669,783)
Disposals of subsidiaries	(9,104)	(14,160)	(313,236)	-	(336,500)
Currency translation adjustments	(8,547)	(91,132)	(732,368)	(10,642)	(842,689)
Other	16,076	165,717	172,169	(507,339)	(153,377)
March 31, 2018	\$713,774	\$3,354,840	\$15,788,735	\$267,557	\$20,124,906

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Accumulated depreciation and impairment losses

	<i>Millions of yen</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
April 1, 2016	¥(5,632)	¥(166,208)	¥(971,954)	¥-	¥(1,143,794)
Depreciation	-	(16,437)	(80,165)	-	(96,602)
Impairment losses	(308)	(1,709)	(53,616)	(3)	(55,636)
Disposals	1,667	4,029	17,732	-	23,428
Disposals of subsidiaries	-	48	11,147	-	11,195
Currency translation adjustments	(2)	156	825	-	979
Other	(84)	30	11,769	-	11,715
March 31, 2017	¥(4,359)	¥(180,091)	¥(1,064,262)	¥(3)	¥(1,248,715)
Depreciation	-	(14,253)	(90,702)	-	(104,955)
Impairment losses	(1,209)	(344)	(573)	-	(2,126)
Disposals	841	26,421	32,198	-	59,460
Disposals of subsidiaries	256	558	11,057	-	11,871
Currency translation adjustments	40	3,135	48,965	-	52,140
Other	122	1,085	3,367	(10)	4,564
March 31, 2018	¥(4,309)	¥(163,489)	¥(1,059,950)	¥(13)	¥(1,227,761)

	<i>Thousands of U.S. dollars</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2017	\$(41,123)	\$(1,698,972)	\$(10,040,207)	\$(28)	\$(11,780,330)
Depreciation	-	(134,463)	(855,679)	-	(990,142)
Impairment losses	(11,406)	(3,245)	(5,406)	-	(20,057)
Disposals	7,934	249,255	303,754	-	560,943
Disposals of subsidiaries	2,415	5,264	104,312	-	111,991
Currency translation adjustments	377	29,576	461,934	-	491,887
Other	1,152	10,236	31,764	(95)	43,057
March 31, 2018	\$(40,651)	\$(1,542,349)	\$(9,999,528)	\$(123)	\$(11,582,651)

Carrying amount

	<i>Millions of yen</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2017	¥73,014	¥190,190	¥665,483	¥39,705	¥968,392
March 31, 2018	¥71,351	¥192,124	¥613,656	¥28,348	¥905,479

	<i>Thousands of U.S. dollars</i>				Total
	Land	Buildings and structures	Machinery and equipment	Other	
March 31, 2018	\$673,123	\$1,812,491	\$5,789,207	\$267,434	\$8,542,255

Changes in the cost classified as "Other" included transfers from construction in progress to other property, plant and equipment.

Depreciation of property, plant and equipment is included in "Cost of goods sold" and "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

For the years ended March 31, 2018 and 2017, the Company and certain of its consolidated subsidiaries recognised impairment losses on facilities, real estate and industrial plants of ¥2,126 million (\$20,057 thousand) and ¥55,636 million, respectively, based on the related recoverable amounts due to decreases in estimated future cash flows and other factors.

In terms of operating segments, the major impairment losses of ¥50,783 million were included in the Energy & Metals segment for the year ended March 31, 2017.

Impairment losses are included in "Impairment losses" in the Consolidated Statement of Comprehensive Income.

Significant impairment losses recognised for the year ended March 31, 2017 included ¥47,495 million as a result of downward revisions in estimated future cash flows due to such factors as the decrease in reserves for oil and gas assets in the U.S. Gulf of Mexico. These impairment losses were reported under the Energy & Metals segment. The amount of the impairment losses was calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the total amount of the recoverable amounts was ¥67,619 million. The discount rate used in the value in use calculations was 8.0% and reflected current market assessments of the time value of money and risks specific to the assets. Discounted future cash flows used in value in use calculations were calculated by referring to prices such as long-term prices published by external organisations such as brokers.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**6. Intangible Assets**

Changes in cost, accumulated amortisation and impairment losses of intangible assets for the years ended March 31, 2018 and 2017 were as follows:

Cost

*Millions of yen*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2016	¥61,152	¥203,592	¥31,692	¥198,254	¥12,684	¥507,374
Acquisitions arising from business combinations	—	2,297	239	2,824	9	5,369
Additions	—	120	10,252	—	148	10,520
Disposals	—	—	(2,140)	—	(484)	(2,624)
Currency translation adjustments	(383)	(1,868)	(215)	(1,752)	(373)	(4,591)
Other	—	(24,874)	884	(8,461)	(1,476)	(33,927)
March 31, 2017	¥60,769	¥179,267	¥40,712	¥190,865	¥10,508	¥482,121
Acquisitions arising from business combinations	—	18,635	38	13,675	—	32,348
Additions	—	1,665	9,364	—	201	11,230
Disposals	—	(43)	(3,470)	—	(2)	(3,515)
Currency translation adjustments	(4,646)	(7,469)	(2)	(8,021)	(219)	(20,357)
Other	—	(2,357)	398	(7,497)	(1,870)	(11,326)
March 31, 2018	¥56,123	¥189,698	¥47,040	¥189,022	¥8,618	¥490,501

*Thousands of U.S. dollars*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2017	\$573,293	\$1,691,198	\$384,075	\$1,800,613	\$99,132	\$4,548,311
Acquisitions arising from business combinations	—	175,802	359	129,009	—	305,170
Additions	—	15,707	88,340	—	1,896	105,943
Disposals	—	(405)	(32,736)	—	(19)	(33,160)
Currency translation adjustments	(43,831)	(70,462)	(19)	(75,670)	(2,065)	(192,047)
Other	—	(22,236)	3,755	(70,726)	(17,642)	(106,849)
March 31, 2018	\$529,462	\$1,789,604	\$443,774	\$1,783,226	\$81,302	\$4,627,368

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Accumulated amortisation and impairment losses

*Millions of yen*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2016	¥(57,114)	¥(38,072)	¥(17,347)	¥(55,276)	¥(4,292)	¥(172,101)
Amortisation expenses	(212)	(9,230)	(4,423)	—	(656)	(14,521)
Impairment losses	(3,596)	(15)	(11)	(8,617)	(716)	(12,955)
Disposals	—	—	1,908	—	476	2,384
Currency translation adjustments	376	37	172	(28)	16	573
Other	—	2,417	(393)	(286)	2,095	3,833
March 31, 2017	¥(60,546)	¥(44,863)	¥(20,094)	¥(64,207)	¥(3,077)	¥(192,787)
Amortisation expenses	—	(9,083)	(5,480)	—	(511)	(14,074)
Impairment losses	(220)	(535)	(3)	(1,872)	—	(2,630)
Disposals	—	19	3,065	—	2	3,086
Currency translation adjustments	4,643	2,007	9	3,342	32	10,033
Other	—	(75)	(222)	120	631	454
March 31, 2018	¥(56,123)	¥(52,530)	¥(22,725)	¥(62,617)	¥(2,923)	¥(196,918)

*Thousands of U.S. dollars*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2017	\$ (571,189)	\$ (423,236)	\$ (189,566)	\$ (605,726)	\$ (29,028)	\$ (1,818,745)
Amortisation expenses	—	(85,689)	(51,698)	—	(4,821)	(142,208)
Impairment losses	(2,076)	(5,047)	(28)	(17,660)	—	(24,811)
Disposals	—	179	28,915	—	19	29,113
Currency translation adjustments	43,803	18,934	85	31,528	301	94,651
Other	—	(707)	(2,095)	1,132	5,953	4,283
March 31, 2018	\$ (529,462)	\$ (495,566)	\$ (214,387)	\$ (590,726)	\$ (27,576)	\$ (1,857,717)

Carrying amount

*Millions of yen*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2017	¥223	¥134,404	¥20,618	¥126,658	¥7,431	¥289,334
March 31, 2018	¥0	¥137,168	¥24,315	¥126,405	¥5,695	¥293,583

*Thousands of U.S. dollars*

	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2018	¥0	\$1,294,038	\$229,387	\$1,192,500	\$53,726	\$2,769,651

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in the cost of "Franchises and customer relationships" for the year ended March 31, 2017 classified as "Other" included a decrease of ¥22,218 million as a result of disposals of subsidiaries. Changes in the cost of "Goodwill" for the year ended March 31, 2017 classified as "Other" included a decrease of ¥12,547 million as a result of disposals of subsidiaries.

Of the intangible assets stated above, the carrying amounts of intangible assets with indefinite useful lives at March 31, 2018 and 2017 were ¥51,718 million (\$487,906 thousand) and ¥48,237 million, respectively. Major intangible assets with indefinite useful lives were trademarks, which were included in "Franchises and customer relationships". As the trademarks with indefinite business terms will basically exist as long as the Company continues to exist, it has been determined that there is no foreseeable limit to the period of inflow of future economic benefits and thus they are classified as intangible assets with indefinite useful lives. The carrying amounts of intangible assets with indefinite useful lives at March 31, 2018 and 2017 included trademarks recognised as a result of the acquisition of Gavilon in the amounts of ¥39,840 million (\$375,849 thousand) and ¥42,071 million, respectively.

Of the intangible assets stated above, intangible assets with finite useful lives are amortised by the straight-line basis based over their expected useful lives. However, exploration and evaluation assets are not amortised until the technical feasibility and commercial viability of the mine have been demonstrated. When the technical feasibility and commercial viability are demonstrated, an exploration and evaluation asset is reclassified to property, plant and equipment, and amortised using the units-of-production method based on the estimation of proved reserves. Major intangible assets with finite useful lives at March 31, 2018 and 2017, which were included in "Franchises and customer relationships", and their carrying amounts were as follows: customer relationship assets related to the trading and distribution business of grains and fertilizers were ¥23,086 million (\$217,792 thousand) and ¥26,758 million, and franchises and customer relationship assets related to the mobile phone sales distribution business were ¥25,753 million (\$242,953 thousand) and ¥27,554 million, respectively. The assets are amortised over 4-25 years on a straight-line basis.

Amortisation of intangible assets is included in "Cost of goods sold" and "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income.

For the years ended March 31, 2018 and 2017, the Company and certain of its consolidated subsidiaries recognised impairment losses on intangible assets of ¥2,630 million (\$24,811 thousand) and ¥12,955 million, respectively, based on the relevant recoverable amounts due to decreases in estimated future cash flows and other factors.

Impairment losses are included in "Impairment losses" in the Consolidated Statement of Comprehensive Income.

The carrying amounts of "Goodwill" at March 31, 2018 and 2017 included goodwill for Gavilon in the amounts of ¥66,434 million (\$626,736 thousand) and ¥70,155 million, respectively.

Effective from the fiscal year ended March 31, 2018, the Group conducts and monitors the business operations of Gavilon's grain business and Columbia Grain (which are engaged in the grain business in North America) in an integrated manner. The Group also conducts and monitors the business operations of Gavilon's fertilizer business and Helena Agri-Enterprises (which are engaged in the agricultural materials business in North America) in an integrated manner.

Effective from the fiscal year ended March 31, 2018, following the reorganisation of the reporting structure aimed at the integrated management of the grain business as well as the fertilizer/agricultural materials businesses, Gavilon's grain business and Columbia Grain are treated as a single group of cash-generating units, and Gavilon's fertilizer business and Helena Agri-Enterprises are also treated as a single group of cash-generating units.

Accordingly, effective from the fiscal year ended March 31, 2018, goodwill with respect to Gavilon was reallocated to the reorganised groups of cash-generating units and is now tested for impairment as part of the respective group of cash-generating units.

The carrying amounts of "Goodwill" allocated to the group of cash-generating units of the grain business ("Grain CGU Group") at March 31, 2018 and 2017 were ¥34,354 million (\$324,094 thousand) and ¥36,278 million, respectively, and were included in Food & Consumer Products in terms of operating segment.

The carrying amounts of "Goodwill" allocated to the group of cash-generating units of the agricultural materials business ("Agricultural Materials CGU Group") at March 31, 2018 and 2017 were ¥32,080 million (\$302,642 thousand) and ¥33,877 million, respectively, and were included in Chemical & Forest Products in terms of operating segment.

The recoverable amounts used in impairment testing of goodwill of the Grain CGU Group and the Agricultural Materials CGU Group were calculated based on value in use which was measured by discounting the estimated future cash flows based on the revised business plan approved by the management.

The business plan represents the management's estimate of a range of economic conditions including such significant

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

assumptions as quantity, price and margin with respect to each group of cash-generating units, based on past experience, which was also consistent with external evidence. The business plan in the Grain CGU Group and the Agricultural Materials CGU Group uses the most recent 10-year forecasts in order to average market conditions. For the period beyond 10 years, the Company calculated the terminal value based on a steady growth rate of 2%. The growth rate was determined by considering such factors as the market to which each CGU Group belongs and the long-term average growth rate in the U.S.A.

The discount rate used in the value in use calculations at March 31, 2018 and 2017 was 8.5% and 8.1%, respectively, which reflects current market assessments of the time value of money and risks specific to the assets.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**7. Provisions**

Changes in provisions for the year ended March 31, 2018 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	Decommissioning Obligations	Other Provisions	Total	Decommissioning Obligations	Other Provisions	Total
Balance at beginning of year	¥73,984	¥14,180	¥88,164	\$697,962	\$133,774	\$831,736
Increase for the year	4,210	15,188	19,398	39,717	143,283	183,000
Decrease for the year	(5,143)	(2,961)	(8,104)	(48,519)	(27,934)	(76,453)
Interest expense	677	22	699	6,387	207	6,594
Other	(3,727)	(356)	(4,083)	(35,160)	(3,359)	(38,519)
Balance at end of year	¥70,001	¥26,073	¥96,074	\$660,387	\$245,971	\$906,358

"Other" includes changes due to foreign currency fluctuations.

Decommissioning obligations mainly relate to the costs of dismantlement and removal of development facilities for natural resources owned by consolidated subsidiaries engaged in oil and gas producing activities. Generally, costs relating to the dismantlement and removal of facilities are expected to be paid after 10 years or more after the initial recognition of said decommissioning obligations.

Other provisions include provisions for litigation and provisions for onerous contracts.

Decommissioning obligations and other provisions are included in "Other current liabilities" and "Other non-current liabilities" in the Consolidated Statement of Financial Position.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**8. Leases**

**Lessor**

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases.

Gross investment in the lease and present value of the total of future minimum lease payments receivable under finance leases at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2018		March 31, 2017		March 31, 2018	
	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable
Not later than one year	¥3,160	¥2,925	¥7,297	¥6,811	\$29,811	\$27,594
Later than one year and not later than five years	18,723	16,568	20,284	17,641	176,632	156,302
Later than five years	59	2	1,954	1,575	557	19
Total	<u>¥21,942</u>	<u>¥19,495</u>	<u>¥29,535</u>	<u>¥26,027</u>	<u>\$207,000</u>	<u>\$183,915</u>
Less: Unearned finance income	<u>2,446</u>		<u>3,505</u>		<u>23,075</u>	
Net investment in the lease	<u>¥19,496</u>		<u>¥26,030</u>		<u>\$183,925</u>	
Less: Present value of unguaranteed residual value	<u>1</u>		<u>3</u>		<u>10</u>	
Present value of minimum lease payments receivable	<u>¥19,495</u>		<u>¥26,027</u>		<u>\$183,915</u>	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, etc. under operating leases.

The total of future minimum lease payments receivable under non-cancellable operating leases at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
	Not later than one year	¥26,117	¥27,127
Later than one year and not later than five years	65,117	74,782	614,311
Later than five years	16,082	25,377	151,717
Total	<u>¥107,316</u>	<u>¥127,286</u>	<u>\$1,012,415</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**Lessee**

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases. At March 31, 2018 and 2017, the net carrying amounts mainly included in "Property, plant and equipment" in the Consolidated Statement of Financial Position, were ¥24,279 million (\$229,047 thousand) and ¥27,109 million, respectively.

The total of future minimum lease payments and the present value under finance leases at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2018		March 31, 2017		March 31, 2018	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	¥8,506	¥8,040	¥5,370	¥4,874	\$80,245	\$75,849
Later than one year and not later than five years	16,668	15,901	23,709	22,827	157,245	150,009
Later than five years	1,944	1,716	1,537	1,147	18,340	16,189
Total	<u>¥27,118</u>	<u>¥25,657</u>	<u>¥30,616</u>	<u>¥28,848</u>	<u>\$255,830</u>	<u>\$242,047</u>
Less: Financial charges	1,461		1,768		13,783	
Present value of minimum lease payments	<u>¥25,657</u>		<u>¥28,848</u>		<u>\$242,047</u>	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, buildings and structures, etc. under operating leases. Lease payments were ¥54,854 million (\$517,491 thousand) and ¥51,299 million for the years ended March 31, 2018 and 2017, respectively. Payments for services of ¥5,380 million (\$50,755 thousand) and ¥3,081 million, respectively, were included in the lease payments.

The total of future minimum lease payments under non-cancelable operating leases at March 31, 2018 and 2017 were as follows. The total of future minimum lease payments receivable at March 31, 2018 and 2017 had not been offset by the future minimum sublease rentals of ¥89,045 million (\$840,047 thousand) and ¥99,882 million, respectively, under non-cancelable subleases.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
	Not later than one year	¥42,872	¥41,492
Later than one year and not later than five years	82,300	89,753	776,415
Later than five years	67,271	78,696	634,632
Total	<u>¥192,443</u>	<u>¥209,941</u>	<u>\$1,815,500</u>

Future payments for services of ¥10,021 million (\$94,538 thousand) and ¥6,725 million at March 31, 2018 and 2017, respectively, were included in the total of future minimum lease payments.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**9. Employee Benefits**

**(1) Post-employment benefits**

The Company and certain of its consolidated subsidiaries have cash balance plans based on the Japanese Defined Benefit Corporate Pension Plan Act and other defined benefit pension plans. These plans cover substantially all employees other than directors. In addition to the pension plans, the Company and certain of its consolidated subsidiaries have lump sum retirement plans to be paid upon retirement or severance based on the years of service and compensation level.

The Company, pursuant to the Japanese Defined Benefit Corporate Pension Plan Act and other laws, has the obligation to make contributions to the Marubeni Corporate Pension Fund (the "Fund"), which pays out pension benefits. The Director of the Fund has the fiduciary duty to comply with laws, the dispositions of the Minister of Health, Labour and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the Board of Representatives, and to faithfully perform duties for the Fund including the management and operation of the contributions. Additionally, a code of conduct has been articulated, which prohibits the Director of the Fund from entering into asset management agreements for the purpose of benefiting a third party and from acts that constitute conflicts of interest.

The pension plan is operated by the Fund, which is legally independent from the Company. The Board of Representatives comprises an equal number of Representatives elected from the management side (Assigned Representatives) and Representatives elected from the employee side (Mutually Elected Representatives), while the chair of the Board of Representatives (the "Chairman") is elected from the management side.

Proceedings of the Board of Representatives are decided by a majority vote of the members attending. In the case of a tied vote, the Chairman has the power to decide the vote. However, with regard to particularly important matters, the bylaws provide that the decision be made by a majority that exceeds the above.

The Representatives hold exclusive power to decide important matters including investment policy. The actual management of the assets is conducted by investment managers on the basis of an entrustment contract, and the Representatives are prohibited by law from giving instructions, such as instructions on specific investments.

The Company is required to make contributions to the Fund, and the contributions are reviewed regularly to the extent allowed by law. While it is under obligation to make contributions stipulated by the Fund into the future, the Company, in addition to these contributions, also funds a retirement benefit trust on a voluntary basis.

With regard to the lump sum retirement plan, the Company is under obligation to pay benefits directly to the beneficiaries. Although the Company is not under any legal obligation regarding the funding of this plan, fund assets exist, which have been voluntarily contributed by the Company to the retirement benefit trust.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in the present value of defined benefit obligation and the fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at beginning of year of net defined benefit liability	¥82,759	¥91,316	\$780,744
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	332,170	329,323	3,133,679
Current service cost	12,445	12,211	117,405
Past service cost	104	(1,307)	981
Interest expense	5,143	4,514	48,519
Remeasurements	2,630	9,271	24,811
Effect of changes in foreign exchange rates	(3,381)	(1,705)	(31,896)
Employees' contributions	256	356	2,415
Benefits paid	(18,051)	(19,845)	(170,292)
Effects of business combinations, divestitures and others	2	(648)	19
Balance at end of year	331,318	332,170	3,125,641
Changes in the fair value of plan assets:			
Balance at beginning of year	249,411	238,007	2,352,934
Interest income	3,931	3,293	37,085
Remeasurements	10,870	14,786	102,547
Effect of changes in foreign exchange rates	(2,134)	(1,287)	(20,132)
Employees' contributions	256	356	2,415
Employer's contributions	6,334	12,568	59,755
Benefits paid	(15,390)	(16,759)	(145,189)
Effects of business combinations, divestitures and others	-	(1,553)	-
Balance at end of year	253,278	249,411	2,389,415
Balance at end of year of net defined benefit liability	¥78,040	¥82,759	\$736,226

Actuarial assumptions used for the present value calculation of defined benefit obligations at March 31, 2018 and 2017 were mainly as follows:

	March 31, 2018	March 31, 2017
Discount rate	0.8%	0.8%
Rates of salary increase	4.7%	5.0%

Sensitivity analyses are conducted at the year end based on reasonably estimable changes in assumptions. Although sensitivity analyses assume that the actuarial assumptions other than those that are subject to the analyses are held constant, in reality, it is possible for the sensitivity analyses to be impacted by other actuarial assumptions.

If, for example, the discount rate fell by 0.5%, and the other assumptions were held constant, defined benefit plan liability at March 31, 2018 and 2017 would increase by ¥15,040 million (\$141,887 thousand) and ¥15,556 million, respectively. The rate of salary increase is not expected to change in the future.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Fair value of plan assets by class at March 31, 2018 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥75,096	¥-	¥75,096
Equity securities:			
Japanese companies	36,568	-	36,568
Pooled funds	1,610	35,609	37,219
Debt securities:			
Bonds denominated in Japanese yen	-	2,655	2,655
Bonds denominated in foreign currencies	2,713	9,129	11,842
Pooled funds	-	67,820	67,820
Life insurance company general accounts	-	16,741	16,741
Other	2,367	2,970	5,337
Total plan assets	¥118,354	¥134,924	¥253,278

Class of plan assets	<i>Thousands of U.S. dollars</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	\$708,453	\$-	\$708,453
Equity securities:			
Japanese companies	344,981	-	344,981
Pooled funds	15,189	335,934	351,123
Debt securities:			
Bonds denominated in Japanese yen	-	25,047	25,047
Bonds denominated in foreign currencies	25,594	86,123	111,717
Pooled funds	-	639,811	639,811
Life insurance company general accounts	-	157,934	157,934
Other	22,330	28,019	50,349
Total plan assets	\$1,116,547	\$1,272,868	\$2,389,415

Fair value of plan assets by class at March 31, 2017 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥19,346	¥-	¥19,346
Equity securities:			
Japanese companies	39,788	-	39,788
Pooled funds	1,596	65,384	66,980
Debt securities:			
Bonds denominated in Japanese yen	-	8,369	8,369
Bonds denominated in foreign currencies	2,505	7,118	9,623
Pooled funds	-	82,909	82,909
Life insurance company general accounts	-	16,368	16,368
Other	2,318	3,710	6,028
Total plan assets	¥65,553	¥183,858	¥249,411

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

In making investment decisions, the main objective is to secure the necessary return over the long term to cover pension and retirement benefit payments. The primary investment policy is to analyse the risk/return characteristics by asset class and to invest in a diversified portfolio taking into consideration the correlation among asset classes.

The Company sets an asset mix policy with investments in equity securities, debt securities and other assets. Based on this policy, the Company selects multiple investment managers who execute the strategy. When selecting an investment manager, the Company gives consideration to management philosophy and content, investment management policy and investment style, investment control systems including information collection mechanisms and decision-making processes, compliance systems, investment experience and the track record of the investment manager as well as the professionals in charge of managing pension assets.

Plan assets are invested 30%, 60% and 10% in equity securities, debt securities and other, respectively, at March 31, 2018.

The investments in each asset class executed by investment managers are outlined as follows:

Equity securities are selected mainly from stocks that are listed on securities exchanges. Prior to investing, the Company investigates the business conditions of the investee companies and appropriately diversifies investments in consideration of the type of industry, investees and other relevant factors. Debt securities are selected mainly from government bonds, public debt instruments and corporate bonds. Prior to investing, the Company investigates the quality of the issuing conditions, including issuers, rating, interest rate and repayment dates, and appropriately diversifies the investments. Pooled funds are selected using strategies consistent with the equity and debt securities described above. For investments in life insurance company general accounts, contracts with insurance companies include a guaranteed interest rate and a return of capital. With respect to foreign investments vehicles, the Company investigates the stability of the underlying governments and economies, the market characteristics, such as settlement systems, and the taxation systems. For each such investment, the Company selects the appropriate investment country and currency.

The performance of certain plan assets by the cash balance plan is matched with the related pension benefits to a certain extent.

Funding of the Marubeni Corporate Pension Fund is conducted by taking into account various factors including limits on deductible expenses under the tax rules, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services to be rendered by employees in the future as well as services already rendered.

In accordance with the Japanese Defined Benefit Corporate Pension Plan Act, the bylaws of the Marubeni Corporate Pension Fund provide for the re-calculation of the contribution amount at five-year intervals with the year end as the base date for the purpose of maintaining balanced finances into the future.

The re-calculation process reviews the basic rates relating to the contribution (the guaranteed rate of return, expected rate of mortality, expected withdrawal rate, expected salary increase, expected new enrollment rate, etc.) and verifies the adequacy of the contribution amount.

Additionally, the Company, in order to ensure sufficient funding of the pension plan, may also contribute marketable equity securities and cash to the retirement benefit trust in the amount of the unfunded portion of defined benefit obligation.

The amount of contributions expected to be paid to plan assets for the year ending March 31, 2019 is approximately ¥9,200 million (\$86,792 thousand).

The weighted average durations of defined benefit obligations at March 31, 2018 and 2017 were 14.4 years and 14.6 years, respectively.

**(2) Employee benefit cost**

The aggregate amounts of employee benefit cost included under "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2018 and 2017 were ¥303,328 million (\$2,861,585 thousand) and ¥283,349 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**10. Other-net**

“Other-net” in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥26,497 million (\$249,972 thousand) and other expenses of ¥61,560 million (\$580,755 thousand) for the year ended March 31, 2018, and the net amount of other income of ¥73,600 million and other expenses of ¥27,666 million for the year ended March 31, 2017.

“Other-net” was mainly comprised of the following.

**For the year ended March 31, 2018**

Net exchange differences recognised in profit or loss classified as “Other-net” in the Consolidated Statement of Comprehensive Income were net gains of ¥4,824 million (\$45,509 thousand).

Also, the Companies recognised losses incurred from infrastructure projects overseas.

**For the year ended March 31, 2017**

Net exchange differences recognised in profit or loss classified as “Other-net” in the Consolidated Statement of Comprehensive Income were net gains of ¥13,496 million. These net exchange differences (net gains) were mainly offset by profits or losses on derivatives held for hedging purposes.

Also, the Company recognised a gain on transfer in the amount of ¥22,387 million associated with the sale of solar power generating business in Oita Prefecture.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**11. Income Taxes**

The Company files a consolidated income tax return in Japan.

Total income taxes recognised for the years ended March 31, 2018 and 2017 were attributable to the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Current tax	¥(24,109)	¥(53,615)	\$(227,444)
Deferred tax	(14,320)	9,130	(135,094)
Total	¥(38,429)	¥(44,485)	\$(362,538)

The Company is mainly subject to income tax, inhabitants tax and enterprise tax, which is recognised as a deductible expense, and the applicable income tax rate calculated on the basis of these taxes for the years ended March 31, 2018 and 2017 was approximately 31.0%. However, the income tax rates of foreign subsidiaries are calculated on the basis of general local tax rates.

The U.S. President signed the "Tax Cuts and Jobs Act" into law on December 22, 2017 (U.S. Eastern Standard Time) that resulted in, among others, the reduction of the federal corporate income tax rate from 35.0% to 21.0%. Accordingly, the Company has changed the statutory effective tax rate applied in calculating deferred tax assets and liabilities of its U.S. consolidated subsidiaries associated with temporary differences, etc., that are expected to reverse on or after January 1, 2018. This change in the tax rate, etc., resulted in a decrease in income taxes (profit) by ¥2,842 million (\$26,811 thousand) for the year ended March 31, 2018.

A reconciliation of the applicable tax rates to the effective tax rates expressed as a percentage of profit before tax for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017
Applicable tax rate	31.0 %	31.0 %
Tax effect on income and expenses not taxable and deductible for tax purposes	(3.3)%	(1.6)%
Difference in tax rate of foreign subsidiaries	(0.3)%	2.1 %
Tax effect on share of profits of associates and joint ventures and retained earnings of subsidiaries	(12.0)%	(17.4)%
Reassessment of the recoverability of deferred tax assets	4.1 %	2.6 %
Other	(4.4)%	5.5 %
Effective tax rate	15.1 %	22.2 %

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Balance at beginning of year (Deferred tax assets-net)	¥(17,414)	¥(6,504)	\$(164,283)
Deferred tax income or expense recognised in profit or loss	(14,320)	9,130	(135,094)
Deferred tax income or expense recognised in other comprehensive income	(14,174)	(22,578)	(133,717)
Changes in acquisitions and divestitures	(4,803)	2,538	(45,312)
Balance at end of year (Deferred tax assets-net)	¥(50,711)	¥(17,414)	\$(478,406)

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Deferred tax assets:</b>			
Allowance for doubtful accounts	¥2,660	¥2,950	\$25,094
Inventories	684	718	6,453
Property, plant and equipment and investment property	12,257	18,926	115,632
Employees' retirement benefits	24,429	27,563	230,462
Unrealised profit on intercompany transactions	2,624	936	24,755
Net operating loss carryforwards	106,218	150,825	1,002,057
Other	32,642	42,055	307,943
Total deferred tax assets	¥181,514	¥243,973	\$1,712,396
<b>Deferred tax liabilities:</b>			
Property, plant and equipment and investment property	¥81,546	¥114,836	\$769,302
Investment securities and other investments	29,082	28,922	274,359
Intangible assets	26,276	32,329	247,887
Undistributed earnings	52,964	51,457	499,660
Other	42,357	33,843	399,594
Total deferred tax liabilities	¥232,225	¥261,387	\$2,190,802
Deferred tax assets-net	¥(50,711)	¥(17,414)	\$(478,406)

Deferred tax assets and deferred tax liabilities in the Consolidated Statement of Financial Position at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Deferred tax assets	¥45,233	¥88,216	\$426,726
Deferred tax liabilities	95,944	105,630	905,132
Deferred tax assets-net	¥(50,711)	¥(17,414)	\$(478,406)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The amount of deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognised at March 31, 2018 and 2017 were ¥759,507 million (\$7,165,160 thousand) and ¥733,604 million, respectively. Within these amounts, tax loss carryforwards classified by expiry date at March 31, 2018 and 2017 were as follows:

Expiry date	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Not later than one year	¥6,177	¥10,457	\$58,273
Later than one year and not later than five years	36,927	40,394	348,368
Later than five years	35,539	75,139	335,274
Indefinite carryforward periods	37,483	39,641	353,613
Total	¥116,126	¥165,631	\$1,095,528

Deferred tax assets of ¥64,113 million (\$604,840 thousand) and ¥100,122 million were recognised at March 31, 2018 and 2017, respectively, by certain subsidiaries that have recorded losses in the years ended March 31, 2018 or 2017 in the tax jurisdiction to which the deferred tax assets relate, and the utilisation of the deferred tax assets is dependent on future taxable profits. Each company's management carefully has assessed the probability that taxable profit will be available against which the unused tax losses or deductible temporary differences may be utilised based on tax planning.

The aggregate amounts of temporary differences relating to investments in subsidiaries and associates and equity interests in joint ventures for which deferred tax liabilities were not recognised at March 31, 2018 and 2017 were ¥840,005 million (\$7,924,575 thousand) and ¥776,091 million, respectively. Determination of the amounts of the related unrecognised deferred tax liabilities is not practical.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**12. Associates and Joint Ventures**

**For the year ended March 31, 2018**

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥994,926 million (\$9,386,094 thousand) and ¥100,344 million (\$946,642 thousand), respectively. The share of comprehensive income consisted of ¥99,815 million (\$941,651 thousand) in profit for the year and ¥529 million (\$4,991 thousand) in other comprehensive income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥769,243 million (\$7,257,010 thousand) and ¥49,816 million (\$469,962 thousand), respectively. The share of comprehensive income consisted of ¥48,688 million (\$459,321 thousand) in profit for the year and ¥1,128 million (\$10,641 thousand) in other comprehensive income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥11,572 million (\$109,170 thousand) (a ¥4,960 million (\$46,792 thousand) increase for the current year) and ¥2,558 million (\$24,132 thousand) (a ¥6,384 million (\$60,226 thousand) decrease for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

**For the year ended March 31, 2017**

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥1,001,351 million and ¥72,649 million, respectively. The share of comprehensive income consisted of ¥71,494 million in profit for the year and ¥1,155 million in other comprehensive income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥754,601 million and ¥53,269 million, respectively. The share of comprehensive income consisted of ¥43,231 million in profit for the year and ¥10,038 million in other comprehensive income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥6,612 million (a ¥1,926 million decrease for the current year) and ¥8,942 million (a ¥5,258 million decrease for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**13. Financial Instruments and Related Disclosures**

**(1) Policy for managing capital**

The fundamental policy of the Companies is to maintain an optimal mix of funding in line with the requirements of the asset portfolio. Funding sources include indirect financial procurement firstly from banks and other financial institutions, as well as direct procurement through the issuance of bonds, commercial paper and other means. The Companies utilise such management indicators as net D/E ratio (Note 1) and risk assets (Note 2) and strengthen the financial base to establish a strong earnings structure and a solid financial footing that can withstand changes in the business environment while attaining sustainable growth.

Note 1 Net D/E ratio = Net interest bearing debt / Total equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents, and time deposits from the total bonds and borrowings (current and non-current).

Note 2 The Company defines risk assets as the exposure of its portfolio to the maximum possible loss that could be incurred on a consolidated basis, measured using the Value at Risk method. The Company conducts computer simulations on all group assets including the assets of the consolidated subsidiaries that take into account the risk attributes of each type of exposure such as country risk, industry risk, credit rating of the customers, and scheduled due dates of receivables.

At the group level, the target net D/E ratio had been set at approximately 1.3 times by the end of the year ending March 31, 2019 under the three-year mid-term management plan, "Global Challenge 2018", which commenced April 2016. However, in the "Revised GC2018" released on May 9, 2017, the target net D/E ratio was revised to approximately 1.0 times by the end of the year ending March 31, 2019, based on the basic policy of further reinforcing the Group's financial foundation and evolving its business strategy. Management regularly monitors the net D/E ratio as a target management indicator.

The Companies are not subject to any significant capital restrictions (with the exception of general restrictions pursuant to laws such as the Companies Act of Japan).

**(2) Policy for managing risks**

The Companies conduct business activities in various countries including Japan and are, thus, subject to the effects of interest rate risks, exchange rate risks, credit risks, commodity price risks, liquidity risks and stock price fluctuation risks described below. The Companies evaluate these risks through monitoring on a regular basis and manage these risks under an identical risk management policy, regardless of the application of hedge accounting, in order to hedge all or part of these risks. In principle, the hedged items and the hedging instruments are based on the same underlying and have an economic relationship. Additionally, the hedge ratio is on a one-to-one basis so that the risk exposure of the hedged items is effectively reduced.

**(i) Management of interest rate risks**

Since the Companies have raised certain funds at floating interest rates, they are exposed to the risk of an increase in interest expense in the event of a hike in market interest rates. The majority of liabilities at floating rates correspond to notes, trade accounts and loans receivable, which are positively affected by changes in interest rates. Interest insensitive assets such as certain fixed assets and investment securities will also possibly produce an increase in dividends and other income because of a rise in market interest rates. The Companies cannot completely avoid interest rate risks, however, risk exposure is limited by the portfolio of assets and liabilities held.

In addition, among the liabilities used to fund interest insensitive assets, such as certain fixed assets and investment securities, that portion with floating rates is categorised as "unhedged" based on the Group's asset-liability management. Monitoring market movements in interest rates, the Group utilises interest rate swaps and takes other measures to mitigate the risk of interest rate fluctuations.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Interest rate sensitivity

The following table illustrates the impact of a 1% rise in interest rates on profit before tax of the Companies at March 31, 2018 and 2017 assuming that all other variables are held constant.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Effect on profit before tax	¥(12,881)	¥(13,596)	\$(121,519)

(ii) Management of foreign currency risks

The Companies conduct transactions in a variety of currencies and are, thus, subject to the effects of exchange rate fluctuation risks associated with business activities conducted in foreign currencies and with net investments in foreign operations. In order to hedge the risks associated with business activities, i.e., the risk of changes in cash flows of foreign currency denominated receivables, payables, firm commitments and forecast transactions, and the risk of changes in fair value of foreign currency denominated receivables, payables and firm commitments; as well as the exchange rate fluctuation risk of net investments in foreign operations, the Companies utilise forward-exchange contracts, foreign currency denominated bonds and borrowings, and other means to mitigate these risks associated with exchange rate fluctuations.

Foreign exchange sensitivity

The following table illustrates the impact of an appreciation of the Japanese yen by ¥1 against the US\$ and AU\$ on profit before tax and equity of the Companies, assuming that all other variables are held constant at March 31, 2018 and 2017. A depreciation of the Japanese yen by ¥1 against the US\$ and AU\$, assuming that all other variables are held constant, would result in the opposite impact on profit before tax and equity of the Companies of the amounts shown in the following table. Currencies other than the US\$ and AU\$, there are no foreign currencies that pose a significant exchange rate fluctuation risk.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
<b>&lt;U.S. dollars&gt;</b>			
Effect on profit before tax	¥49	¥279	\$(462)
Effect on foreign currency translation adjustments (before tax)	(12,113)	(5,951)	(114,274)
<b>&lt;Australian dollars&gt;</b>			
Effect on profit before tax	48	38	453
Effect on foreign currency translation adjustments (before tax)	(1,913)	(1,807)	(18,047)

(iii) Management of credit risks

The Companies carry out general trading business, which comprise export, import, domestic and offshore trading in a wide variety of fields including industrial, agricultural and consumer products, and which also involves all levels of activities from planning, investment, and research and development through production, distribution and marketing. In addition, the Companies operate in substantially all geographic areas of the world, and their customers are diversified. Accordingly, the management of the Companies believes there is no significant concentration of credit risk among its customers or in its investments. The Companies require collateral to the extent considered necessary.

The carrying amount of the financial assets of the Companies after impairment represent the maximum exposure to credit risk that does not take into account collateral and other credit enhancements.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(iv) Management of commodity price risks

The Companies are subject to the effects of fluctuation risk of oil and gas, coal, aluminum, copper, and agricultural product prices. The Companies match buy and sell orders and use commodity derivatives including commodity futures, commodity forward contracts, commodity swaps and commodity options to mitigate the fluctuation risks of commodity prices. Additionally, certain commodity derivatives are entered into for trading purposes within pre-determined limits and loss limits.

Commodity price sensitivity

The fluctuation risk of commodity prices on inventories, and purchase and sales contracts at the end of year is substantially diminished through commodity derivatives and other means. Additionally, the impact of changes in the fair value of commodity derivatives for trading purposes is not significant.

(v) Management of liquidity risk

The Companies are subject to the effects of liquidity risk including the dramatic decline in liquidity of held assets due to financial market turmoil. The Companies maintain a sufficient level of liquidity, mainly in the form of cash and deposits, in addition to cash flows from operating activities and the establishment of commitment lines with financial institutions.

The following table illustrates the results of a liquidity analysis conducted on the derivatives of the Companies at March 31, 2018 and 2017. Derivatives that are settled net with other contracts are represented as gross amounts.

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	<b>March 31, 2018</b>		<b>March 31, 2017</b>		<b>March 31, 2018</b>	
	Not later than one year	More than one year	Not later than one year	More than one year	Not later than one year	More than one year
<b>Revenue</b>						
Interest rate	¥5,731	¥19,388	¥6,290	¥24,426	\$54,066	\$182,906
Foreign currency	7,057	1,023	10,758	1,830	66,575	9,651
Commodity	92,081	6,895	66,908	15,758	868,689	65,047
Other	-	1,265	-	-	-	11,934
<b>Expense</b>						
Interest rate	(55)	(1,926)	(15)	(825)	(519)	(18,170)
Foreign currency	(6,485)	(2,277)	(25,275)	(1,097)	(61,179)	(21,481)
Commodity	(81,797)	(3,043)	(57,747)	(4,006)	(771,670)	(28,708)
Other	-	(445)	-	0	-	(4,198)

For the liquidity analysis of non-derivative financial liabilities, see (3) Fair value of financial instruments.

(vi) Management of stock price fluctuation risk

The Companies hold equity instruments (stocks) mainly for the purpose of strengthening relationships with business partners and are, thus, subject to the effects of stock price fluctuations. The Companies regularly review their holding of stocks, and by disposing of stocks that are no longer considered worthwhile holding, mitigate the risk of fluctuations in stock prices.

Sensitivity to stock price fluctuations

In terms of equity instruments (stocks) in active markets, if quoted prices drop 5% across the board at the year end, the negative impact (before tax) on "Gains (losses) on financial assets measured at fair value through other comprehensive income" of the Companies for the years ended March 31, 2018 and 2017 would be ¥(8,712) million (\$82,189 thousand) and ¥(9,261) million, respectively; while the impact on profit or loss would be minimal.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(3) Fair value of financial instruments**

**(i) Fair value measurement methods**

The estimated fair value of the financial instruments of the Companies has been determined using available market information or other appropriate valuation methodologies.

The following methodologies and assumptions are used by the Companies in estimating the fair value disclosures of financial instruments:

**Cash and cash equivalents, and time deposits:** Cash and cash equivalents, and time deposits are measured at amortised cost, and their carrying amount in the Consolidated Statement of Financial Position approximate fair value due to the relative short-term maturities.

**Investment securities and other investments:** The fair value of investment securities in active markets is measured on the basis of quoted prices at the year end.

The fair value of equity financial assets in markets that are not active and debt instrument financial assets classified as Financial assets measured at FVTPL is measured on the basis of discounted future cash flows, third-party valuations and other valuation methods.

The fair value of debt instrument financial assets measured at amortised cost is estimated using discounted future cash flows based on the market interest rates at the year end applicable to debt instrument financial assets with identical remaining periods and similar credit ratings.

**Notes, trade accounts and loans receivable, and notes and trade accounts payable:** The fair value of notes, trade accounts and loans receivable, and notes and trade accounts payable is estimated using discounted future cash flows based mainly on the interest rates at the year end applicable to notes, trade accounts and loans receivable, and notes and trade accounts payable with identical remaining periods and similar credit ratings.

**Bonds and borrowings:** The fair value of bonds and borrowings is estimated using discounted future cash flows based on the interest rates at the year end applicable to similar loan agreements with identical remaining periods.

**Other financial assets and liabilities:** Other financial assets and other financial liabilities include derivative assets and derivative liabilities as well as non-derivative assets and non-derivative liabilities.

The carrying amounts of derivative assets and derivative liabilities reflected in the Consolidated Statement of Financial Position represent fair value.

Non-derivative assets mainly consist of other receivables from customers, and have been measured at amortised cost, with the exception of Financial assets measured at FVTPL.

Non-derivative liabilities mainly consist of other payables to customers and payables relating to consideration for notes, trade accounts and loans receivable that have been transferred without satisfying the criteria for derecognition of financial assets, and have been measured at amortised cost.

The carrying amounts of non-derivative assets and non-derivative liabilities measured at amortised cost reflected in the Consolidated Statement of Financial Position approximate fair value.

**Interest rate swap agreements:** The fair value of interest rate swap agreements is estimated using discounted future cash flows based on the swap rates at the year end applicable to similar interest rate swap agreements with identical remaining periods.

**Forward exchange contracts:** The fair value forward exchange contracts is estimated based on quoted prices at the year end.

**Commodity futures and forward contracts:** The fair value of commodity futures and forward contracts is estimated based on quoted prices at the year end.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(ii) Notes, trade accounts and loans receivable

The carrying amounts of notes, trade accounts and loans receivable at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Notes receivable	¥70,425	¥74,228	\$664,387
Trade accounts receivable	1,312,735	1,215,018	12,384,292
Loans receivable	120,283	144,874	1,134,745
Allowance for doubtful accounts	(49,392)	(35,767)	(465,962)
Total	<u>¥1,454,051</u>	<u>¥1,398,353</u>	<u>\$13,717,462</u>

Notes, trade accounts and loans receivable subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset, while all other notes, trade accounts and loans receivable are substantially measured at amortised cost.

Notes, trade accounts and loans receivable measured at FVTPL were ¥49,974 million (\$471,453 thousand) and ¥43,482 million at March 31, 2018 and 2017, respectively.

The fair values of notes, trade accounts and loans receivable measured at amortised cost were ¥1,404,106 million (\$13,246,283 thousand) and ¥1,355,261 million at March 31, 2018 and 2017, respectively.

Notes, trade accounts and loans receivable that were transferred without meeting the criteria for derecognition and therefore continued to be recognised by the Company at March 31, 2018 and 2017 were ¥107,373 million (\$1,012,953 thousand) and ¥129,871 million, respectively, and have been included in "Notes, trade accounts and loans receivable". Correspondingly amounts received from such transfers of ¥59,233 million (\$558,802 thousand) and ¥61,378 million, respectively, have been included in "Other current financial liabilities". In terms of these notes, trade accounts, and loans receivable, the Companies have been judged to substantially retain all the risks and rewards of ownership of the transferred assets, as the Companies assume payment obligations in the event of default by the drawer or the obligor.

Of the amounts above, notes, trade accounts and loans receivable for which the transferee has the right to recourse to the transferred assets only were ¥89,453 million (\$843,896 thousand) and ¥90,757 million, and the carrying amount of the related liabilities were ¥41,321 million (\$389,821 thousand) and ¥22,285 million at March 31, 2018 and 2017, respectively. These carrying amounts approximate their respective fair values.

Additionally, certain notes, trade accounts and loans receivable transferred continue to be recognised as assets to the extent of continuing involvement, due to the Companies assuming partial payment obligations in the event of a default by the obligor or due to the Companies having been determined to retain control over the said notes, trade accounts and loans receivable. At March 31, 2018 and 2017, the carrying amounts prior to transfer of the said notes, trade accounts and loans receivable were ¥419 million (\$3,953 thousand) and ¥854 million, respectively, and the carrying amounts of assets continued to be recognised by the Companies due to continuing involvement and the related liabilities in the same amounts were ¥73 million (\$689 thousand) and ¥140 million, respectively.

Changes in allowance for doubtful accounts for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Balance at beginning of year	¥35,767	¥39,882	\$337,425
Provision for the year	20,041	4,191	189,066
Charge-offs	(2,972)	(13,386)	(28,038)
Others	(3,444)	5,080	(32,491)
Balance at end of year	<u>¥49,392</u>	<u>¥35,767</u>	<u>\$465,962</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Notes, trade accounts and loans receivable for which impairment was recognised at March 31, 2018 and 2017 were ¥46,946 million (\$442,887 thousand) and ¥34,738 million, respectively; and their corresponding allowances for doubtful accounts were ¥38,664 million (\$364,755 thousand) and ¥27,711 million, respectively. The Companies have determined that the difference between the carrying amounts of the notes, trade accounts and loans receivable and their respective allowances will be recoverable through the collection of collateral and other means.

The Companies, as part of their accounts receivable management policy, consider financing receivables 90 days past due as delinquent and strengthen procedures over collection. Notes, trade accounts and loans receivable that were past due but not impaired at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Not later than 90 days	¥49,443	¥42,761	\$466,443
Later than 90 days	20,063	20,581	189,274
Total	¥69,506	¥63,342	\$655,717

(iii) Investment securities and other investments

The carrying amounts of investment securities and other investments at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Investment securities			
Amortised cost	¥0	¥10,075	\$0
Total	¥0	¥10,075	\$0
Other investments			
FVTPL	¥4,601	¥2,832	\$43,405
FVTOCI	315,091	328,901	2,972,557
Amortised cost	2,936	2,708	27,698
Total	¥322,628	¥334,441	\$3,043,660

Debt in the form of other investments subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset.

Other investments measured at FVTPL mainly consisted of government and corporate bonds, etc. at March 31, 2018 and investments in funds, etc. at March 31, 2017.

Investment securities and other investments measured at amortised cost approximated their fair values at March 31, 2018 and 2017.

Equity instruments measured at fair value within other investments held by the Company and certain of its consolidated subsidiaries, included investments made mainly for the purpose of maintaining and strengthening relationships with business partners which have been classified as subsequently measured at FVTOCI. Said financial assets as FVTOCI mainly consisted of common stock and details of their fair values at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
With quoted prices in active markets	¥174,230	¥185,210	\$1,643,679
Without quoted prices in active markets	140,861	143,691	1,328,878
Total	¥315,091	¥328,901	\$2,972,557

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Major issuers of other investments measured at FVTOCI with quoted prices in active markets at March 31, 2018 and 2017 were as follows:

Stocks	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
YAMAZAKI BAKING CO., LTD.	¥18,030	¥18,700	\$170,094
NISSHIN SEIFUN GROUP INC.	13,254	10,439	125,038
INPEX CORPORATION	12,225	10,167	115,330
AEON CO., LTD.	8,602	9,061	81,151
Dai-ichi Life Holdings, Inc.	8,498	8,735	80,170
Okamoto Industries, Inc.	7,874	8,588	74,283
GOLDWIN INC.	6,134	2,812	57,868
SAPPORO HOLDINGS LIMITED	5,113	4,964	48,236
Long Chen Paper Co., LTD.	4,569	3,705	43,104
Tokio Marine Holdings, Inc.	4,316	4,281	40,717

Other investments measured at FVTOCI that do not have quoted prices in active markets comprised investments in resources, materials, machinery and lifestyle related businesses. At March 31, 2018 and 2017, investments in resources related businesses were ¥79,354 million (\$748,623 thousand) and ¥77,413 million, respectively, while investments in other areas were ¥61,507 million (\$580,255 thousand) and ¥66,278 million, respectively.

Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2018 was ¥21,254 million (\$200,509 thousand), of which dividend income on investments held at March 31, 2018 was ¥20,731 million (\$195,575 thousand). Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2017 was ¥17,301 million, of which dividend income on investments held at March 31, 2017 was ¥16,563 million.

Gains and losses on Financial assets measured at FVTOCI relating to other investments measured at FVTOCI recognised within Equity in the Consolidated Statement of Financial Position that relate to the portion of investments that were derecognised or of which the decline in fair value compared with its acquisition cost is significant and other than temporary for the year have been reclassified to retained earnings. Amounts of reclassified items (after tax) for the years ended March 31, 2018 and 2017 were ¥7,593 million (\$71,632 thousand) (losses) and ¥328 million (losses), respectively.

Other investments measured at FVTOCI that were disposed of due to revisions of business strategies and other reasons for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Fair value at derecognition	¥26,357	¥25,768	\$248,651
Cumulative gains (losses) at derecognition	(12,992)	(2,094)	(122,566)
Dividend income on the derecognised investments	523	738	4,934

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(iv) Notes and trade accounts payable

The carrying amounts of notes and trade accounts payable at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Notes payable	¥307,604	¥258,254	\$2,901,925
Trade accounts payable	1,083,131	1,003,182	10,218,217
Total	<u>¥1,390,735</u>	<u>¥1,261,436</u>	<u>\$13,120,142</u>

Notes and trade accounts payable are measured at amortised cost.

The carrying amounts of notes and trade accounts payable approximated their fair value at March 31, 2018 and 2017.

The future contract due dates of notes and trade accounts payable at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Not later than one year	¥1,374,022	¥1,243,087	\$12,962,472
Later than one year	16,713	18,349	157,670

(v) Bonds and borrowings

The carrying amounts of bonds and borrowings at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Bonds	¥325,364	¥376,404	\$3,069,472
Borrowings	2,217,340	2,429,734	20,918,302
Total	<u>¥2,542,704</u>	<u>¥2,806,138</u>	<u>\$23,987,774</u>

Bonds and borrowings are measured at amortised cost.

The fair values of bonds and borrowings at March 31, 2018 and 2017 were ¥2,542,717 million (\$23,987,896 thousand) and ¥2,806,133 million, respectively, and were categorised as Level 3.

The future contract due dates of bonds and borrowings at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Not later than one year	¥652,211	¥680,008	\$6,152,934
Later than one year and not later than five years	1,313,033	1,258,369	12,387,104
Later than five years	717,655	1,017,340	6,770,330

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Details of bonds and borrowings at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
0.23% - 2.55% unsecured bonds payable in Japanese yen with final maturity in 2037	¥318,000	¥358,000	\$3,000,000
Bonds payable in Australian dollars	—	9,442	—
Short-term borrowings principally at rates from 0.00% to 2.64%	276,723	222,733	2,610,594
Long-term borrowings due serially through 2033 principally at rates from 0.00% to 12.00%	1,940,617	2,207,001	18,307,708
(Current portion of long-term borrowings)	(284,938)	(340,835)	(2,688,094)
Other	7,364	8,962	69,472
Total	<u>¥2,542,704</u>	<u>¥2,806,138</u>	<u>\$23,987,774</u>

Note: The applicable interest rates, the year of final maturity or the final repayment deadline as at March 31, 2018 are presented.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(vi) Finance income (expenses)

Each component of finance income (expenses) for the years ended March 31, 2018 and 2017 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Interest income:</b>			
Financial assets measured at amortised cost	¥13,526	¥16,213	\$127,604
Total	¥13,526	¥16,213	\$127,604
<b>Interest expenses:</b>			
Financial liabilities measured at amortised cost	¥(38,441)	¥(36,887)	\$(362,651)
Other	3,493	3,569	32,953
Total	¥(34,948)	¥(33,318)	\$(329,698)
<b>Dividend income:</b>			
Financial assets measured at FVTPL	¥0	¥211	\$0
Financial assets measured at FVTOCI	21,254	17,301	200,509
Total	¥21,254	¥17,512	\$200,509
<b>Gains (losses) on investment securities:</b>			
Financial assets measured at FVTPL	¥1,080	¥(255)	\$10,189
Other	24,067	11,257	227,047
Total	¥25,147	¥11,002	\$237,236

"Other" within "Interest expenses" mainly included gains and losses from derivative transactions.

"Other" within "Gains (losses) on investment securities" mainly included gains (losses) on disposal of investments and impairment losses with respect to associates and joint ventures and gains (losses) accompanying the loss of control of subsidiaries. For the years ended March 31, 2018 and 2017, gains (losses) on disposal of subsidiaries and other were ¥5,350 million (\$50,472 thousand) (gains) and ¥9,165 million (gains), respectively. Included in the amounts, gains (losses) on the remeasurement to fair value of residual interests in the former subsidiaries at the date of loss of control for the years ended March 31, 2018 and 2017 were ¥1,483 million (\$13,991 thousand) (gains) and ¥3,814 million (losses), respectively.

In respect of "Other" within "Gains (losses) on investment securities" in the year ended March 31, 2018, the Company recognised a gain on sale in the amount of ¥11,177 million (\$105,443 thousand) associated with the sale of its offshore wind farm business in the U.K.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(vii) Fair value measurements

The Companies measure certain assets and liabilities at fair value. The inputs used in the fair value measurement are categorised into three levels based upon the observability of the inputs in markets.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Companies can access at the measurement date

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

Level 3: Unobservable inputs for the assets or liabilities

The financial assets and liabilities measured at fair value by the Companies on a recurring basis at March 31, 2018 and 2017 were as follows:

	Millions of yen								Thousands of U.S. dollars			
	March 31, 2018				March 31, 2017				March 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>												
<b>Non-derivative Financial assets measured at FVTPL:</b>												
Notes, trade accounts and loans receivable		¥ 49,974		¥ 49,974		¥ 31,939	¥ 11,543	¥ 43,482		\$ 471,453		\$ 471,453
Other investments (equity)			10	10			106	106			95	95
Other investments (debt)			4,591	4,591			2,726	2,726			43,311	43,311
Other financial assets			13,152	13,152			12,882	12,882			124,075	124,075
<b>Non-derivative Financial assets measured at FVTOCI:</b>												
Other investments	174,230		140,861	315,091	185,210		143,691	328,901	1,643,679		1,328,878	2,972,557
<b>Derivative instruments:</b>												
Interest rate contracts		22,872		22,872		28,823		28,823		215,774		215,774
Forward exchange contracts		8,080		8,080		12,563		12,563		76,226		76,226
Commodity contracts	1,779	65,438	1,470	68,687	9,795	52,194	1,006	62,995	16,783	617,340	13,868	647,991
Other			1,265	1,265							11,934	11,934
<b>Liabilities:</b>												
<b>Derivative instruments:</b>												
Interest rate contracts		(602)		(602)		(497)		(497)		(5,679)		(5,679)
Forward exchange contracts		(8,762)		(8,762)		(26,347)		(26,347)		(82,660)		(82,660)
Commodity contracts	(3,875)	(50,135)	(541)	(54,551)	(6,611)	(35,123)	(348)	(42,082)	(36,556)	(472,972)	(5,104)	(514,632)
Other			(445)	(445)			0	0			(4,198)	(4,198)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Other investments categorised as Level 1 mainly consist of marketable equity securities in active markets. Derivative instruments categorised as Level 1 consist of derivatives related to commodity contracts. These assets are measured at quoted prices in active markets without adjustment.

Notes, trade accounts and loans receivable categorised as Level 2 consist of notes and trade accounts receivable that are settled at future market prices. Derivative instruments categorised as Level 2 mainly consist of interest rate swaps, forward exchange contracts and derivatives related to commodity contracts. These assets and liabilities are mainly measured based on quoted prices of identical assets not categorised as Level 1 in markets that are not active or similar assets or liabilities in active markets, and measurement is based mainly on a market approach using observable inputs, such as prices in commodity markets, foreign exchange rates and interest rates.

Other investments categorised as Level 3 mainly consist of equity securities in inactive markets; and derivative instruments categorised as Level 3 mainly consist of derivatives related to commodity contracts. These assets and liabilities are measured mainly based on an income approach using inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available due to a lack of similar assets or liabilities in active markets or distortive market prices resulting from dramatic liquidity decreases and such like.

Significant unobservable inputs used in the fair value measurement of investments whose fair values are measured on a recurring basis categorised as Level 3 are discount rates. Fair value decreases (increases) as the discount rate rises (declines). At March 31, 2018 and 2017, discount rates used in fair value measurement by the Companies range from 7.0% to 11.6% and 6.5% to 11.7%, respectively.

The Companies recognise transfers of assets and liabilities between Levels of the fair value hierarchy at the end of each quarterly period.

During the years ended March 31, 2018 and 2017, there were no significant transfers between Levels 1 and 2.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis by the Companies for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>					
	Non-derivative Financial assets measured at FVTPL			Non-derivative Financial assets measured at FVTOCI		Derivative instruments
March 31, 2018	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
Balance at beginning of year	¥11,543	¥2,832	¥12,882	¥143,691	¥658	¥0
Gains (losses) in profit or loss	(307)	1,015	6,710	-	2,358	(586)
Gains (losses) in other comprehensive income	-	-	-	6,032	-	-
Purchases	-	357	164	938	-	1,386
Sales/Redemptions	(11,170)	(2,123)	(5,879)	(3,472)	-	-
Settlements	-	-	-	-	(2,186)	-
Transfers	-	2,555	-	(1,970)	(283)	-
Effects of acquisition and divestitures	-	-	-	(257)	-	-
Net transfers in and/or (out) of Level 3	-	-	-	-	-	-
Other	(66)	(35)	(725)	(4,101)	382	20
Balance at end of year	¥-	¥4,601	¥13,152	¥140,861	¥929	¥820
Gains (losses) in assets and liabilities held at end of year	¥-	¥1,061	¥6,874	¥-	¥960	¥(586)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

*Thousands of U.S. dollars*

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
<b>March 31, 2018</b>						
Balance at beginning of year	\$108,896	\$26,717	\$121,528	\$1,355,576	\$6,208	\$0
Gains (losses) in profit or loss	(2,896)	9,575	63,302	-	22,245	(5,528)
Gains (losses) in other comprehensive income	-	-	-	56,906	-	-
Purchases	-	3,368	1,547	8,849	-	13,075
Sales/Redemptions	(105,377)	(20,028)	(55,462)	(32,755)	-	-
Settlements	-	-	-	-	(20,623)	-
Transfers	-	24,104	-	(18,585)	(2,670)	-
Effects of acquisition and divestitures	-	-	-	(2,425)	-	-
Net transfers in and/or (out) of Level 3	-	-	-	-	-	-
Other	(623)	(330)	(6,840)	(38,689)	3,604	189
Balance at end of year	\$-	\$43,406	\$124,075	\$1,328,877	\$8,764	\$7,736
Gains (losses) in assets and liabilities held at end of year	\$-	\$10,009	\$64,849	\$-	\$9,057	\$(5,528)

*Millions of yen*

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
<b>March 31, 2017</b>						
Balance at beginning of year	¥11,627	¥5,650	¥12,526	¥149,029	¥1,355	¥(100)
Gains (losses) in profit or loss	(33)	(236)	4,913	-	2,291	69
Gains (losses) in other comprehensive income	-	-	-	(6,095)	-	-
Purchases	-	229	-	339	-	27
Sales/Redemptions	-	(1,273)	(4,538)	(7,727)	-	-
Settlements	-	-	-	-	(2,955)	-
Transfers	-	(1,500)	-	3,482	(2)	-
Effects of acquisition and divestitures	-	-	-	(26)	-	-
Net transfers in and/or (out) of Level 3	-	-	-	-	-	-
Other	(51)	(38)	(19)	4,689	(31)	4
Balance at end of year	¥11,543	¥2,832	¥12,882	¥143,691	¥658	¥0
Gains (losses) in assets and liabilities held at end of year	¥(33)	¥(236)	¥4,913	¥-	¥637	¥96

Among gains and losses on the assets and liabilities above, gains and losses on notes, trade accounts and loans receivable are included in "Other-net", gains and losses on other investments are included in "Gains (losses) on investment securities", gains and losses on other financial assets are mainly included in "Sales of goods", and gains and losses on derivatives are mainly included in "Cost of goods sold" or "Other-net" in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Additionally, "Other" above mainly consists of "Foreign currency translation adjustments" in the Consolidated Statement of Comprehensive Income.

The relevant division of the Company, upon determining the valuation method of the applicable assets and liabilities, measures the fair value of assets and liabilities categorised as Level 3, according to valuation policies and procedures stipulated by the Company. Additionally, appropriate third-party valuations are obtained, as necessary. The results of fair value measurements are then reviewed by the Corporate Staff Group, which is independent from the division responsible for the fair value measurement.

If the inputs used to measure "Other investments measured at FVTOCI" among the assets categorised as Level 3 were to be changed, there were no significant changes of the fair value at March 31, 2018 and 2017.

**(4) Offsetting financial assets and financial liabilities**

At March 31, 2018 and 2017, among the financial assets and financial liabilities recognised with the same counterparty, the financial instruments offset in accordance with the criteria for offsetting financial assets and financial liabilities and the financial instruments not offset as a result of not meeting some or all of the offsetting criteria despite being subject to an enforceable master netting arrangement or similar agreement, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Gross amounts of recognised financial assets	¥132,224	¥140,048	\$1,247,396
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(36,962)	(50,104)	(348,698)
Net amount presented in the Consolidated Statement of Financial Position	95,262	89,944	898,698
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(65,183)	(54,998)	(614,934)
Net amount	¥30,079	¥34,946	\$283,764

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Gross amounts of recognised financial liabilities	¥139,803	¥136,422	\$1,318,896
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(36,962)	(50,104)	(348,698)
Net amount presented in the Consolidated Statement of Financial Position	102,841	86,318	970,198
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(65,183)	(54,998)	(614,934)
Net amount	¥37,658	¥31,320	\$355,264

Generally, the set-off rights on financial instruments that do not meet some or all of the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfill its obligations due to bankruptcy and other reasons.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(5) Derivative instruments and hedging activities**

**Fair value hedges**

The Company and certain of its consolidated subsidiaries mainly designate, as fair value hedges, commodity futures and forward contracts, which hedge volatility risk of the fair value of inventories and firm commitments on commodity transactions; and interest rate swaps, which convert fixed interest rates on assets and liabilities to floating interest rates.

For the years ended March 31, 2018 and 2017, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts recognised in profit or loss due to firm commitments becoming ineligible as hedged items were immaterial.

**Cash flow hedges**

The Company and certain of its consolidated subsidiaries mainly designate, as cash flow hedges, forward exchange contracts, which hedge the cash flows of foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions; interest rate swaps, which convert floating interest rates on assets and liabilities to fixed interest rates; and commodity futures and forward contracts, which hedge the cash flows of forecasted transactions on commodity transactions. For the years ended March 31, 2018 and 2017, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts of gains (losses) on cash flow hedges reclassified to profit or loss because the forecast transactions no longer were expected to occur were immaterial.

**Hedges of net investments in foreign operations**

The Company and certain of its consolidated subsidiaries mainly use foreign currency denominated bonds and borrowings, and forward exchange contracts to hedge foreign exchange fluctuation risks of net investments in foreign operations. For the years ended March 31, 2018 and 2017, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

At March 31, 2018 and 2017, the carrying amounts of hedging instruments to which the Company and certain of its consolidated subsidiaries applied hedge accounting by risk category for each type of hedge were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Financial Position
	March 31, 2018		March 31, 2017		March 31, 2018		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
<b>Fair value hedges:</b>							
Interest rate risk	¥22,864	¥(532)	¥28,807	¥(371)	\$215,698	\$(5,019)	
Foreign exchange risk	-	-	-	-	-	-	(Note 1)
Commodity price risk	2,994	(1,873)	1,777	(1,147)	28,245	(17,670)	
Total	¥25,858	¥(2,405)	¥30,584	¥(1,518)	\$243,943	\$(22,689)	
<b>Cash flow hedges:</b>							
Interest rate risk	¥8	¥(70)	¥16	¥(92)	\$76	\$(661)	
Foreign exchange risk	884	(8,036)	3,551	(10,513)	8,340	(75,811)	(Note 2)
Commodity price risk	6,262	(2,040)	13,554	(3,723)	59,075	(19,245)	
Total	¥7,154	¥(10,146)	¥17,121	¥(14,328)	\$67,491	\$(95,717)	
Hedges of net investments in foreign operations	¥4,555	¥(276,947)	¥1,127	¥(320,726)	\$42,972	\$(2,612,707)	(Note 3)
Total financial instruments to which hedge accounting was applied	¥37,567	¥(289,498)	¥48,832	¥(336,572)	\$354,406	\$(2,731,113)	

- Notes: (1) "Other current financial assets", "Other non-current financial assets", "Other current financial liabilities" and "Other non-current financial liabilities"
- (2) "Other current financial assets", "Other non-current financial assets", "Notes and trade accounts payable", "Other current financial liabilities" and "Other non-current financial liabilities"
- (3) "Other current financial assets", "Bonds and borrowings" and "Other current financial liabilities"

In addition to the above, the fair values of derivative assets and liabilities to which hedge accounting was not applied at March 31, 2018 and 2017 were ¥63,337 million (\$597,519 thousand) and ¥53,536 million (\$505,057 thousand) and ¥55,647 million and ¥39,817 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

At March 31, 2018 and 2017, the profile of the timing of the nominal amount and the average price or rate of the main hedging instruments were as follows:

March 31, 2018

			Not later than one year	Later than one year and not later than five years	Later than five years	Total			
Fair value hedges	Soy bean futures and forward contracts	Buy	Nominal amount (MT)	4,539,544	—	—	4,539,544		
			Average price (U.S. dollars/MT)	378.82	—	—	378.82		
		Sell	Nominal amount (MT)	4,342,072	—	—	4,342,072		
			Average price (U.S. dollars/MT)	378.16	—	—	378.16		
		Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	84,600	446,500	221,524	752,624	
	Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	140	—	—	140	
			Average rate (Yen/U.S. dollars)	107.42	—	—	107.42		
Buy U.S. dollars/Sell yen			Nominal amount (Millions of U.S. dollars)	1,098	153	185	1,436		
			Average rate (Yen/U.S. dollars)	108.09	104.68	85.20	104.78		
Hedges of net investments in foreign operations			Borrowings (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	1,329	880	395	2,604
					Average rate (Yen/U.S. dollars)	98.09	106.20	107.56	102.26
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	5,000	—	—	5,000		
			Average rate (Yen/U.S. dollars)	109.11	—	—	109.11		

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2017

			Not later than one year	Later than one year and not later than five years	Later than five years	Total		
Fair value hedges	Soy bean futures and forward contracts	Buy	Nominal amount (MT)	8,021,144	–	–	8,021,144	
			Average price (U.S. dollars/MT)	374.35	–	–	374.35	
		Sell	Nominal amount (MT)	7,022,224	–	–	7,022,224	
			Average price (U.S. dollars/MT)	378.23	–	–	378.23	
		Interest rate swaps, fixed to floating		Nominal amount (Millions of yen)	83,642	421,600	260,010	765,252
	Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	157	0	–	157
			Average rate (Yen/U.S. dollars)	111.88	113.96	–	111.89	
		Buy U.S. dollars/Sell yen	Nominal amount (Millions of U.S. dollars)	1,048	189	40	1,277	
			Average rate (Yen/U.S. dollars)	110.74	106.66	97.98	109.65	
Hedges of net investments in foreign operations		Forward exchange contracts and borrowings (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	161	1,665	749	2,575
				Average rate (Yen/U.S. dollars)	99.59	99.69	109.46	102.53
	Range forward contracts (U.S. dollars)		Nominal amount (Millions of U.S. dollars)	5,000	–	–	5,000	
			Average rate (Yen/U.S. dollars)	101.97	–	–	101.97	

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates, were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

At March 31, 2018 and 2017, the carrying amounts of hedged items which the Company and certain of its consolidated subsidiaries categorised as fair value hedges and the accumulated amounts of fair value hedge adjustments on the hedged items included in the carrying amounts of hedged items recognised in the Consolidated Statement of Financial Position were as follows:

March 31, 2018

	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥—	¥ (890,994)	¥—	¥(22,370)	(Note 1)
Foreign exchange risk	3	—	3	—	(Note 2)
Commodity price risk	38,656	(40,401)	36,365	(39,926)	(Note 3)

	<i>Thousands of U.S. dollars</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	\$—	\$(8,405,604)	\$—	\$(211,038)	(Note 1)
Foreign exchange risk	28	—	28	—	(Note 2)
Commodity price risk	364,679	(381,142)	343,066	(376,660)	(Note 3)

March 31, 2017

	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥—	¥(909,830)	¥—	¥(28,578)	(Note 1)
Foreign exchange risk	3	—	3	—	(Note 2)
Commodity price risk	45,896	(48,280)	45,868	(48,277)	(Note 3)

Notes: (1) "Bonds and borrowings"

(2) "Other current financial assets"

(3) "Other current financial assets" and "Other current financial liabilities"

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The amounts which the Company and certain of its consolidated subsidiaries recognise in the Consolidated Statement of Comprehensive Income on cash flow hedges and hedges of net investments in foreign operations (before tax) for the years ended March 31, 2018 and 2017 were as follows:

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:					
Interest rate risk	¥0	¥94	\$0	\$887	Interest expenses
Foreign exchange risk	1,651	1,171	15,575	11,047	Other-net
Commodity price risk	(8,312)	(219)	(78,415)	(2,066)	Cost of goods sold
Total	¥(6,661)	¥1,046	\$(62,840)	\$9,868	
Hedges of net investments in foreign operations:	¥6,184	¥1,536	\$58,340	\$14,491	Other-net and gains (losses) on investment securities

Year ended March 31, 2017

	<i>Millions of yen</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:			
Interest rate risk	¥298	¥1,116	Interest expenses
Foreign exchange risk	1,447	(3,669)	Other-net
Commodity price risk	9,589	(2,690)	Cost of goods sold
Total	¥11,334	¥(5,243)	
Hedges of net investments in foreign operations:	¥(7,564)	¥(882)	Other-net and gains (losses) on investment securities

For the years ended March 31, 2018 and 2017, for hedges of net positions, there were no significant hedging gains or losses recognised as an individual account in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in other components of equity arising from cash flow hedges and hedges of net investments in foreign operations for the years ended March 31, 2018 and 2017 were as follows:

Year ended March 31, 2018

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(33,382)	¥(9,278)	¥2,038	¥(194,600)
Changes for the year	(2,802)	(548)	(5,470)	5,781
Reclassification to profit or loss for the year	8,187	727	(552)	1,508
Transfer to non-financial assets or non-financial liabilities	-	(1,194)	-	-
Balance at end of year	¥(27,997)	¥(10,293)	¥(3,984)	¥(187,311)

	<i>Thousands of U.S. dollars</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	\$(314,925)	\$(87,528)	\$19,227	\$(1,835,849)
Changes for the year	(26,434)	(5,170)	(51,604)	54,538
Reclassification to profit or loss for the year	77,236	6,858	(5,208)	14,226
Transfer to non-financial assets or non-financial liabilities	-	(11,264)	-	-
Balance at end of year	\$(264,123)	\$(97,104)	\$(37,585)	\$(1,767,085)

Year ended March 31, 2017

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(38,984)	¥(17,529)	¥(3,145)	¥(188,482)
Changes for the year	(3,838)	5,428	7,336	(5,128)
Reclassification to profit or loss for the year	9,440	(2,159)	(2,153)	(990)
Transfer to non-financial assets or non-financial liabilities	-	4,982	-	-
Balance at end of year	¥(33,382)	¥(9,278)	¥2,038	¥(194,600)

"Reclassification to profit or loss for the year" mainly represented the amounts transferred because the hedged items affected profit or loss.

There were no significant items excluded from the designation as the hedging instrument, such as the time value of option contracts, forward elements of forward contracts included in hedging instruments and foreign currency basis spreads of financial instruments.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Derivative assets included in "Other current financial assets" and "Other non-current financial assets" in the Consolidated Statement of Financial Position at March 31, 2018 and 2017 were ¥70,882 million (\$668,698 thousand) and ¥30,022 million, (\$283,226 thousand) and ¥61,210 million and ¥43,171 million, respectively.

Additionally, at March 31, 2018 and 2017, non-derivative assets in "Other current financial assets" and "Other non-current financial assets" included Financial assets measured at FVTPL in the amounts of ¥13,152 million (\$124,075 thousand) and ¥12,882 million, respectively.

Derivative liabilities included in "Other current financial liabilities" and "Other non-current financial liabilities" in the Consolidated Statement of Financial Position at March 31, 2018 and 2017 were ¥59,597 million (\$562,236 thousand) and ¥4,763 million (\$44,934 thousand), and ¥65,993 million and ¥2,933 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**14. Pledged Assets**

The assets pledged as collateral for the Companies' loans and such like at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Cash and cash equivalents, and time deposits	¥941	¥1,043	\$8,877
Notes, trade accounts and loans receivable	68	24,069	641
Inventories	49,879	14,898	470,557
Investments in associates and joint ventures	27,861	32,756	262,840
Property, plant and equipment (after deducting accumulated depreciation)	37,856	61,856	357,132
Other	24,656	13,807	232,604
Total	<u>¥141,261</u>	<u>¥148,429</u>	<u>\$1,332,651</u>

The Companies pledge collateral under conventional conditions in standard borrowing arrangements, etc.

In addition to the above, import bills included in notes payable at March 31, 2018 and 2017 were secured by trust receipts on inventories.

The standard terms provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Companies' transactions, it would not be practical to determine the total amount of inventories and/or proceeds from the sales of such inventories covered by outstanding trust receipts.

As is customary in Japan, security, if requested by a lending bank, must be given and, regardless of the existence of such security, the bank has the right to offset cash deposits against any debt or obligations that become due and, in the case of default or certain other specified events, against all debt payable to the bank. To date, no such rights have been exercised with respect to the Companies.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**15. Earnings per Share**

Basic and diluted earnings per share attributable to shareholders of the parent for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>March 31, 2018</b>	March 31, 2017	<b>March 31, 2018</b>
<b>Numerator:</b>			
Profit for the year attributable to owners of the parent	<b>¥211,259</b>	¥155,350	<b>\$1,993,009</b>
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (basic)			
Amount not attributable to shareholders of the parent	<b>4,000</b>	2,499	<b>37,735</b>
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (basic)	<b>207,259</b>	152,851	<b>1,955,274</b>
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (diluted)			
Adjustment concerning stock acquisition rights	<b>(1)</b>	(0)	<b>(10)</b>
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	<b>¥207,258</b>	¥152,851	<b>\$1,955,264</b>
	<i>Number of shares</i>		
	<b>March 31, 2018</b>	March 31, 2017	
<b>Denominator:</b>			
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (basic)	<b>1,735,359,061</b>	1,735,357,836	
Effect of dilution			
Adjustment concerning stock acquisition rights	<b>849,138</b>	331,454	
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	<b>1,736,208,198</b>	1,735,689,289	
	<i>Yen</i>		<i>U.S. dollars</i>
<b>Earnings per share attributable to shareholders of the parent</b>	<b>March 31, 2018</b>	March 31, 2017	<b>March 31, 2018</b>
Basic	<b>¥119.43</b>	¥88.08	<b>\$1.13</b>
Diluted	<b>¥119.37</b>	¥88.06	<b>\$1.13</b>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**16. Other Components of Equity and Other Comprehensive Income**

Changes in other components of equity for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Balance at beginning of year	¥54,606	¥43,066	\$515,150
Change for the year	20,397	11,212	192,425
Transfer to retained earnings	7,593	328	71,632
Balance at end of year	<u>¥82,596</u>	<u>¥54,606</u>	<u>\$779,207</u>
Foreign currency translation adjustments			
Balance at beginning of year	¥165,310	¥193,608	\$1,559,528
Change for the year	(89,057)	(28,298)	(840,160)
Balance at end of year	<u>¥76,253</u>	<u>¥165,310</u>	<u>\$719,368</u>
Gains (losses) on cash flow hedges			
Balance at beginning of year	¥(40,622)	¥(59,658)	\$(383,226)
Change for the year	(458)	14,054	(4,321)
Transfer to non-financial assets or non-financial liabilities	(1,194)	4,982	(11,264)
Balance at end of year	<u>¥(42,274)</u>	<u>¥(40,622)</u>	<u>\$(398,811)</u>
Remeasurements of defined benefit plan			
Balance at beginning of year	¥-	¥-	\$-
Change for the year	3,530	1,131	33,302
Transfer to retained earnings	(3,530)	(1,131)	(33,302)
Balance at end of year	<u>¥-</u>	<u>¥-</u>	<u>\$-</u>
Other components of equity			
Balance at beginning of year	¥179,294	¥177,016	\$1,691,452
Change for the year	(65,588)	(1,901)	(618,754)
Transfer to retained earnings	4,063	(803)	38,330
Transfer to non-financial assets or non-financial liabilities	(1,194)	4,982	(11,264)
Balance at end of year	<u>¥116,575</u>	<u>¥179,294</u>	<u>\$1,099,764</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Each component of other comprehensive income, including non-controlling interests and related tax effects, for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>					
	March 31, 2018			March 31, 2017		
	Before tax amount	Tax (expense) or benefit	Net of tax amount	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	¥28,662	¥(8,098)	¥20,564	¥17,400	¥(5,953)	¥11,447
Change for the year	¥28,662	¥(8,098)	¥20,564	¥17,400	¥(5,953)	¥11,447
Foreign currency translation adjustments:						
Gains (losses) arising for the year	¥(93,467)	¥(111)	¥(93,578)	¥(27,960)	¥(641)	¥(28,601)
Reclassification to profit or loss for the year	4,494	(231)	4,263	(1,492)	79	(1,413)
Change for the year	¥(88,973)	¥(342)	¥(89,315)	¥(29,452)	¥(562)	¥(30,014)
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	¥(12,462)	¥3,650	¥(8,812)	¥11,997	¥(2,998)	¥8,999
Reclassification to profit or loss for the year	9,195	(814)	8,381	4,057	1,092	5,149
Change for the year	¥(3,267)	¥2,836	¥(431)	¥16,054	¥(1,906)	¥14,148
Remeasurements of defined benefit pension plan:						
Gains (losses) arising for the year	¥7,473	¥(3,860)	¥3,613	¥4,333	¥(3,191)	¥1,142
Change for the year	¥7,473	¥(3,860)	¥3,613	¥4,333	¥(3,191)	¥1,142
Other comprehensive income (loss)	¥(56,105)	¥(9,464)	¥(65,569)	¥8,335	¥(11,612)	¥(3,277)

	<i>Thousands of U.S. dollars</i>		
	March 31, 2018		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:			
Gains (losses) arising for the year	\$270,397	\$(76,397)	\$194,000
Change for the year	\$270,397	\$(76,397)	\$194,000
Foreign currency translation adjustments:			
Gains (losses) arising for the year	\$(881,764)	\$(1,047)	\$(882,811)
Reclassification to profit or loss for the year	42,396	(2,179)	40,217
Change for the year	\$(839,368)	\$(3,226)	\$(842,594)
Gains (losses) on cash flow hedges:			
Gains (losses) arising for the year	\$(117,566)	\$34,434	\$(83,132)
Reclassification to profit or loss for the year	86,745	(7,679)	79,066
Change for the year	\$(30,821)	\$26,755	\$(4,066)
Remeasurements of defined benefit plan:			
Gains (losses) arising for the year	\$70,500	\$(36,415)	\$34,085
Change for the year	\$70,500	\$(36,415)	\$34,085
Other comprehensive income (loss)	\$(529,292)	\$(89,283)	\$(618,575)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**17. Cash Flow Information**

Supplemental cash flow information for the years ended March 31, 2018 and 2017 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
<b>Non-cash investing and financing activities:</b>			
Exchange of assets:			
Fair value of assets received	¥—	¥7,261	\$—
Carrying amounts of assets surrendered	—	5,459	—

Changes in liabilities and assets arising from financing activities for the years ended March 31, 2018 were mainly composed of the following.

	<i>Millions of yen</i>		
	Bonds and borrowings	Other	Total
<b>Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):</b>			
Changes from financing cash flows	¥(189,508)	¥(26,094)	¥(215,602)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(14,424)	(3,639)	(18,063)
The effect of changes in foreign exchange rates	(57,714)	(5,630)	(63,344)
Changes in fair values	(6,651)	6,823	172

	<i>Thousands of U.S. dollars</i>		
	Bonds and borrowings	Other	Total
<b>Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):</b>			
Changes from financing cash flows	\$(1,787,811)	\$(246,170)	\$(2,033,981)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(136,076)	(34,330)	(170,406)
The effect of changes in foreign exchange rates	(544,472)	(53,113)	(597,585)
Changes in fair values	(62,745)	64,368	1,623

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**18. Segment Information**

**(1) Operating Segments**

The Companies' operating segments by which the management evaluates performance and allocates resources are classified in terms of the nature of the products and services. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a wide variety of industries and, in addition, provides the related financing, insurance and other services to these operations on a worldwide basis. The Companies have five segments identified by products and services.

These segments are outlined as follows:

**Food & Consumer Products:** Both domestically and internationally, the Foods sector produces and distributes all sorts of foods such as fodder, soy beans, grain, sugar, processed food and beverages, raw materials, foodstuffs for commercial use, and agricultural and marine products. The Lifestyle sector includes apparel, footwear, tires, household goods, home furnishings and sporting goods, and operates various businesses from planning, manufacturing, importing, and wholesaling/retailing of products to business investment. The Communication sector is involved in the system integration business, the data communication network business, the mobile devices sales business. The Logistics sector operates forwarding business and logistics centers, and the Insurance sector operates an insurance brokerage business, a reinsurance business and other related businesses. The Finance sector operates asset and property managements, fund operations and other businesses, while the Real estate development sector deals with condominium development business, redevelopment business, and other broad range businesses to provide various services.

**Chemical & Forest Products:** Both domestically and internationally, the Chemical sector handles a wide variety of goods ranging from upstream, such as basic petrochemicals, to downstream, such as electronic materials and specialty chemicals. Focusing on China, the Americas, Middle East and South East Asia as priority markets, this sector is conducting business with a balance between investment and trade. The Agri-Input sector conducts agriculture material sales operation in the U.S., U.K. and other regions, as well as global trade business involving agrochemicals, fertilizers and raw materials of fertilizers, with the aim of further expanding the earnings of the Company's agriculture-related business. The Forest Products sector manufactures and distributes raw materials for paper production, paper and cardboard, and takes part in afforestation projects and sells housing materials.

**Energy & Metals:** Both domestically and internationally, the Energy sector, which focuses on products related to energy such as oil, gas and etc., takes part in various sorts of businesses which benefit from the development of resources through retail channels such as gas stations. The Metals and Mineral Resources sector is engaged in the development business for raw materials for production of steel and iron and nonferrous light metals. Also, this sector processes and sells nonferrous light metals, and is engaged in trading of raw materials for steel and iron and nonferrous light metals, as well as producing, processing and selling steel products in general including steel plates, steel pipes, and special steels.

**Power Business & Plant:** Both domestically and internationally, this segment develops, invests in, operates and manages a variety of power businesses including power generating, distributing and transforming operations, energy related infrastructure operations, desalination and water treatment operations, traffic and infra-system operations and various fields of industrial plants. In addition, this segment also delivers and contracts works of related equipment.

**Transportation & Industrial Machinery:** Both domestically and internationally, this segment focuses on domestic and international trade (export and import) in aerospace and defense systems, automotive, construction, agricultural machinery and other transportation-related machinery; loans and investments in wide-ranging fields such as wholesale, retail, retail finance, leasing business, product development and services related to such transportation machinery; and trading, possessing and chartering various cargo vessels, tankers and LNG carriers.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The Companies' operating segment information for the years ended March 31, 2018 and 2017 was as follows:

March 31, 2018	<i>Millions of yen</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Business & Plant
Revenue:				
External customers	¥4,421,374	¥1,752,066	¥705,217	¥225,256
Inter-segment	5,356	1,374	311	527
Total	¥4,426,730	¥1,753,440	¥705,528	¥225,783
Gross trading profit	¥271,649	¥203,219	¥58,016	¥41,910
Share of profits (losses) of associates and joint ventures	¥14,336	¥3,801	¥38,582	¥64,989
Profit (loss) for the year attributable to owners of the parent	¥73,529	¥41,868	¥21,936	¥39,614
Segment assets	¥1,941,822	¥1,180,020	¥1,613,397	¥1,120,314

March 31, 2018	<i>Millions of yen</i>		
	Transportation & Industrial Machinery	Other	Consolidated
Revenue:			
External customers	¥432,317	¥4,107	¥7,540,337
Inter-segment	3,281	(10,849)	—
Total	¥435,598	¥(6,742)	¥7,540,337
Gross trading profit	¥110,184	¥(7,741)	¥677,237
Share of profits (losses) of associates and joint ventures	¥26,583	¥212	¥148,503
Profit (loss) for the year attributable to owners of the parent	¥36,138	¥(1,826)	¥211,259
Segment assets	¥722,153	¥299,411	¥6,877,117

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2018	<i>Thousands of U.S. dollars</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Business & Plant
Revenue:				
External customers	\$41,711,076	\$16,528,925	\$6,652,991	\$2,125,056
Inter-segment	50,528	12,962	2,934	4,972
Total	<u>\$41,761,604</u>	<u>\$16,541,887</u>	<u>\$6,655,925</u>	<u>\$2,130,028</u>
Gross trading profit	<u>\$2,562,726</u>	<u>\$1,917,160</u>	<u>\$547,321</u>	<u>\$395,377</u>
Share of profits (losses) of associates and joint ventures	<u>\$135,245</u>	<u>\$35,859</u>	<u>\$363,981</u>	<u>\$613,104</u>
Profit (loss) for the year attributable to owners of the parent	<u>\$693,670</u>	<u>\$394,981</u>	<u>\$206,943</u>	<u>\$373,717</u>
Segment assets	<u>\$18,319,076</u>	<u>\$11,132,264</u>	<u>\$15,220,726</u>	<u>\$10,569,000</u>

March 31, 2018	<i>Thousands of U.S. dollars</i>		
	Transportation & Industrial Machinery	Other	Consolidated
Revenue:			
External customers	\$4,078,462	\$38,745	\$71,135,255
Inter-segment	30,953	(102,349)	—
Total	<u>\$4,109,415</u>	<u>\$(63,604)</u>	<u>\$71,135,255</u>
Gross trading profit	<u>\$1,039,472</u>	<u>\$(73,028)</u>	<u>\$6,389,028</u>
Share of profits (losses) of associates and joint ventures	<u>\$250,783</u>	<u>\$2,000</u>	<u>\$1,400,972</u>
Profit (loss) for the year attributable to owners of the parent	<u>\$340,925</u>	<u>\$(17,227)</u>	<u>\$1,993,009</u>
Segment assets	<u>\$6,812,764</u>	<u>\$2,824,632</u>	<u>\$64,878,462</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2017	<i>Millions of yen</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Business & Plant
Revenue:				
External customers	¥4,060,765	¥1,810,376	¥660,576	¥235,958
Inter-segment	¥7,593	¥630	¥260	¥636
Total	¥4,068,358	¥1,811,006	¥660,836	¥236,594
Gross trading profit	¥272,129	¥185,219	¥26,155	¥45,279
Share of profits (losses) of associates and joint ventures	¥14,034	¥2,436	¥19,429	¥61,097
Profit (loss) for the year attributable to owners of the parent	¥58,729	¥30,646	¥(6,240)	¥56,508
Segment assets	¥1,765,541	¥1,120,223	¥1,691,231	¥1,117,558

March 31, 2017	<i>Millions of yen</i>		
	Transportation & Industrial Machinery	Other	Consolidated
Revenue:			
External customers	¥358,931	¥2,199	¥7,128,805
Inter-segment	2,406	(11,525)	—
Total	¥361,337	¥(9,326)	¥7,128,805
Gross trading profit	¥93,316	¥(8,218)	¥613,880
Share of profits (losses) of associates and joint ventures	¥18,211	¥(482)	¥114,725
Profit (loss) for the year attributable to owners of the parent	¥28,615	¥(12,908)	¥155,350
Segment assets	¥797,380	¥404,800	¥6,896,733

- Notes : (1) Effective from the fiscal year ended March 31, 2018, "Revenue" in accordance with IFRSs is presented in the operating segment information. Prior to the fiscal year ended March 31, 2018, "Total volume of trading transactions" under common Japanese accounting practice was presented as operating revenue in the operating segment information which used to be regularly provided to the chief operating decision maker of the Company, and the operating segment information presented here has been re-presented retrospectively accordingly.
- (2) Effective from the fiscal year ended March 31, 2018, a certain portion of "Food & Consumer Products" and "Other" has been reclassified into "Chemical & Forest Products" and "Food & Consumer Products", respectively.
- (3) In conjunction with the above, operating segment information for the fiscal year ended March 31, 2017 has been restated and is presented accordingly.
- (4) Inter-segment transactions are generally priced in accordance with the prevailing market prices.
- (5) "Profit (loss) for the year attributable to owners of the parent" of "Other" includes profit/loss such as head office expenses that are not allocated to the operating segments and inter-segment elimination. "Segment assets" of "Other" include assets such as cash and cash equivalents related to financing held for general corporate purposes that are not allocated to the operating segments and inter-segment elimination.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(2) Geographical information**

Geographical information is categorised according to the region or country in which the assets, which are the sources of revenue, are located.

Geographical information for the years ended March 31, 2018 and 2017 was as follows:

Revenue from external customers

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Japan	¥3,806,312	¥3,811,051	\$35,908,604
United States	2,572,199	2,404,209	24,266,028
Singapore	285,108	239,376	2,689,698
Other	876,718	674,169	8,270,925
Total	¥7,540,337	¥7,128,805	\$71,135,255

Note: There is no concentration of revenue from a specific customer for the years ended March 31, 2018 and 2017.

Non-current assets other than financial assets and deferred tax assets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
United States	¥613,642	¥638,976	\$5,789,075
Japan	267,328	261,569	2,521,962
United Kingdom	135,240	152,481	1,275,849
Other	237,840	251,143	2,243,774
Total	¥1,254,050	¥1,304,169	\$11,830,660

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**19. Issued Capital Stock and Reserves**

The number of shares authorised and issued at March 31, 2018 and 2017 were as follows:

	<i>Number of shares</i>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Class of share	<b>Ordinary shares</b>	<b>Ordinary shares</b>
Authorised	4,300,000,000	4,300,000,000
Issued:		
Balance at beginning of year	1,737,940,900	1,737,940,900
Change for the year	-	-
Balance at end of year	<b>1,737,940,900</b>	<b>1,737,940,900</b>

- Notes: (1) Common stock has no par value.  
(2) Issued stock is fully paid.

Treasury stock held by the Company and by its subsidiaries or associates at March 31, 2018 and 2017 was as follows:

Name	<b>March 31, 2018</b>		<b>March 31, 2017</b>		<b>March 31, 2018</b>
	<i>Shareholding</i>		<i>Shareholding</i>		<i>Shareholding</i>
	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
The Company	2,406,660	¥1,354	2,398,261	¥1,347	\$12,773
Subsidiaries and associates	177,659	25	189,677	27	236
Total	<b>2,548,319</b>	<b>¥1,379</b>	<b>2,587,938</b>	<b>¥1,374</b>	<b>\$13,009</b>

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the amount of issued capital.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**20. Other Equity Instruments**

In August 2016, the Company obtained financing from domestic financial institutions through perpetual subordinated loans (the "Loans") in order to bolster its balance sheet.

As the Loans are classified as equity instruments in accordance with IFRSs, ¥243,589 million (\$2,298,009 thousand) (after deducting transaction costs of ¥6,411 million (\$60,481 thousand)) was recorded in "Other equity instruments" in the "Equity" section of the Consolidated Statement of Financial Position.

Accrued interest on the Loans has not been recognised as a distribution to owners of other equity instruments at March 31, 2018 because such interest payment was discretionary and it was not determined at that date. The potential amount payable was ¥479 million (\$4,519 thousand).

**Overview of the Loans**

(i) Total amount of financing obtained	¥250 billion (Tranche A: ¥100 billion, Tranche B: ¥150 billion)
(ii) Due date of final repayment	No specific maturity has been set. However, by giving prior notice the Company has the option to make early repayments of the principal of Tranche A on August 16, 2021 and subsequent interest payment dates and the principal of Tranche B on August 16, 2023 and subsequent interest payment dates.
(iii) Restrictions on interest	The Company is able to suspend and defer interest payments at its discretion by giving prior notice. However, if dividends on common stock, etc. are distributed, feasible and reasonable efforts will be made to pay any such suspended interest and associated additional interest.
(iv) Subordination clause	If a subordination event (e.g., liquidation) provided for in the contract occurs, the order of repayment of the Loans will be subordinated to all senior creditors.
(v) Applicable interest rate	Tranche A: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2041 Tranche B: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2043

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**21. Dividends**

Dividends on common stock recognised as distributions to shareholders of common stock for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<i>(U.S. dollars)</i>
Year-end dividend	¥23,430	¥18,223	<b>\$221,038</b>
(Dividends per share)	(13.5)	(10.5)	<b>(0.13)</b>
Interim dividend	21,694	16,488	<b>204,660</b>
(Dividends per share)	(12.5)	(9.5)	<b>(0.12)</b>

Dividends on common stock which were approved by resolution of the Board of Directors after the year end but which have not been recognised as distributions to shareholders of common stock for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	<b>March 31, 2018</b>	<b>March 31, 2017</b>	<i>(U.S. dollars)</i>
Year-end dividend	¥32,107	¥23,430	<b>\$302,896</b>
(Dividends per share)	(18.5)	(13.5)	<b>(0.17)</b>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**22. Share-based Payment**

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. Under the plan, each stock option entitles stock acquisition right holders to acquire 100 shares of common stock at an exercise price equal to ¥1 (\$0.01) per share.

Stock acquisition right holders shall be able to exercise their stock acquisition rights for 33 years after the allotment date, on and after (i) the day when three years have elapsed from the allotment date or (ii) the day following the date on which they cease to be a director or executive officer of the Company, whichever is earlier.

A summary of the Company's stock option activity is as follows:

	Year ended March 31, 2018		Year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	472,400	¥1 (\$0.01)	—	—
Granted	532,300	¥1 (\$0.01)	472,400	¥1
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at end of year	1,004,700	¥1 (\$0.01)	472,400	¥1
Exercisable at end of year	40,900	¥1 (\$0.01)	—	—

The exercise price and weighted average remaining contractual life at March 31, 2018 were ¥1 (\$0.01) and 31.8 years.

The weighted average fair values of stock options under the Company's stock option plan at the respective measurement dates for the years ended March 31, 2018 and 2017 were ¥671 (\$6.33) and ¥419, respectively.

The fair value of the stock options was measured using the Black-Scholes model. The expected volatility is measured based on the historical share prices of the Company for a period corresponding to the expected option life. The assumptions used for measuring the fair value are as follows:

	Year ended March 31, 2018		Year ended March 31, 2017
	Portion allocated on April 17, 2017	Portion allocated on July 10, 2017	
Stock price at the measurement date	¥655 (\$6.18)	¥740 (\$6.98)	¥478
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1
Expected volatility (%)	29.6	29.9	28.6
Expected option life (years)	3.0	3.0	3.0
Expected dividend yield (%)	3.1	3.1	4.4
Risk-free interest rate (%)	(0.2)	(0.1)	(0.4)

Stock compensation expenses recorded for the years ended March 31, 2018 and 2017 were ¥348 million (\$3,283 thousand) and ¥180 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**23. Related Party Transactions**

The Consolidated Financial Statements of the Company include following subsidiaries.

For the year ended March 31, 2018

Company name	Main businesses	Area/Country	Holding ratio
MX Mobiling Co., Ltd.	Sale of mobile phone and related products	Tokyo/Japan	100.00%
Yamaboshiya Co., Ltd.	Wholesale of confectionery, etc. to mass retailers, convenience stores, etc.	Osaka/Japan	75.62%
Marubeni Energy Corporation	Sale of petroleum and petrochemical products, management and leasing of oil terminals and service stations	Tokyo/Japan	66.60%
Marubeni Nisshin Feed Co., Ltd.	Manufacture and sale of feed	Tokyo/Japan	60.00%
Axia Power Holdings B.V.	Overseas power assets holding company	Amsterdam/ Netherlands	100.00%
Gavilon Agriculture Investment, Inc.	Company overseeing the Gavilon Group (engaged in the business of consolidation and distribution of grains, fertilizers, etc.)	Nebraska/U.S.A.	100.00%
Helena Agri-Enterprises, LLC	Sale of agricultural materials and provision of various services	Tennessee/U.S.A.	100.00%
Marubeni Coal Pty. Ltd.	Investment in coal business in Australia	Brisbane/Australia	100.00%
Marubeni LP Holding B.V.	Investment in copper business in Chile	Amsterdam/ Netherlands	100.00%
Marubeni Oil & Gas (USA) LLC	Exploration, development, production and sales of crude oil and natural gas in the U.S. Gulf of Mexico	Texas/U.S.A.	100.00%

In addition to the above, the financial statements of the other 266 consolidated subsidiaries are included.

Total amounts of compensation to members of the board and corporate auditors of the Company for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	March 31, 2018	March 31, 2017	March 31, 2018	
Cash compensation	¥574	¥540	\$5,415	
Stock compensation-type stock options	98	54	925	
Total	¥672	¥594	\$6,340	

The outstanding balances of receivables from and payables to the primary/major related parties of the Companies at March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2018		March 31, 2017		March 31, 2018	
	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables
Associates	¥121,340	¥34,911	¥133,796	¥26,362	\$1,144,717	\$329,349
Joint Ventures	21,521	23,063	29,907	14,314	203,028	217,575

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Revenue and purchases of goods with the main related parties of the Companies for the years ended March 31, 2018 and 2017 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	<b>March 31, 2018</b>		<b>March 31, 2017</b>		<b>March 31, 2018</b>	
	Purchases	Revenue	Purchases	Revenue	Purchases	Revenue
Associates	¥108,712	¥91,715	¥110,643	¥78,158	\$1,025,585	\$865,236
Joint Ventures	81,983	69,555	69,677	67,266	773,425	656,179

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**24. Commitments and Contingent Liabilities**

The Company and certain of its consolidated subsidiaries enter into long-term purchase contracts for certain goods and products in chemical, metal and machinery industries at either fixed or variable prices. The Company and certain of its consolidated subsidiaries generally enter into sales contracts for such purchase contracts with customers. The total amounts of the long-term purchase contracts were approximately ¥714,000 million (\$6,735,849 thousand) and ¥662,000 million at March 31, 2018 and 2017, respectively.

The Company and certain of its consolidated subsidiaries had commitments to make additional investments or loans in the aggregate amounts of approximately ¥182,000 million (\$1,716,981 thousand) and ¥224,000 million at March 31, 2018 and 2017, respectively, of which capital expenditures in property, plant and equipment and intangible assets were approximately ¥31,000 million (\$292,453 thousand) and ¥2,000 million, respectively, while commitments to joint ventures were approximately ¥46,000 million (\$433,962 thousand) and ¥53,000 million, respectively.

The Company and certain of its consolidated subsidiaries provide various types of guarantees for the obligations of their associates and customers in the ordinary course of business. The guarantees mainly relate to the repayment of borrowings to third parties. Should the guaranteed associates and customers fail to fulfill their obligations, the Company and certain of its consolidated subsidiaries would be required to fulfill the obligations under these guarantees.

Outstanding guarantees were ¥260,973 million (\$2,462,009 thousand) and ¥357,619 million, including ¥192,551 million (\$1,816,519 thousand) and ¥294,394 million to associates and joint ventures, at March 31, 2018 and 2017, respectively. Outstanding guarantees (total of guarantee payable) represent the maximum potential amount of future payments under the contracts without any consideration of the likelihood of such obligations being incurred.

Therefore, such amounts do not represent the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Some guarantees are secured by counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties.

The amounts of counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties were ¥5,934 million (\$55,981 thousand) and ¥25,353 million, including ¥3,302 million (\$31,151 thousand) and ¥21,074 million relating to the associates and joint ventures at March 31, 2018 and 2017, respectively.

The Company manages the risk of fulfillment of obligations under the guarantees by setting the appropriate line of credit and by undertaking provisional measures in accordance with the credit risk rank to which each guaranteed customer belongs. The Company determines the rank of each customer before entering into the guarantee agreements according to the customer's credit risk which is estimated and reviewed based on the customer's financial information.

The likelihood of such obligations being incurred under the guarantees which would have a material effect in the Consolidated Financial Statements were estimated to be remote at March 31, 2018. A provision for loss on guarantees was recognised for the amount that was considered probable.

The Companies conduct business activities on a global scale and are involved in transactions which are subject to the oversight by various types of authorities, both in Japan and abroad. Such business activities are exposed to risk and, from time to time, may involve legal actions, claims or other disputes.

After the Supreme Court of Indonesia ("Supreme Court") ruled in favor of the Company in a lawsuit on March 17, 2011 (hereinafter referred to as the "Previous Case"\*), lawsuits were filed against the Company in South Jakarta and Gunung Sugih (hereinafter collectively referred to as the "Two Current Cases"), in which substantially the same claims were made as in the Previous Case, including a claim for compensation for damages. As the lower courts partially ruled in favor of the plaintiffs, the Company appealed to the Supreme Court. The Supreme Court handed down a ruling on the South Jakarta case on May 17, 2017, and the Gunung Sugih case on September 14, 2017, respectively.

\* The Company had receivables owed by PT. Indolampung Perkasa and PT. Sweet Indolampung—both of which belong to the Indonesian enterprise group Sugar Group—and requested payment from such receivables. However, in response, Sugar Group companies including the aforementioned two debtors (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta) sued the defendants including the Company for damages and sought affirmation of the invalidity of the Company's receivables and security interest.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The Supreme Court's decision on the South Jakarta case is as summarised below.

South Jakarta case:

To find four out of the six defendants, including the Company and Marubeni Europe PLC, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., five companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta).

The Supreme Court's decision on the Gunung Sugih case is as summarised below.

Gunung Sugih case:

To find five out of the seven defendants, including the Company, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., four companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram and PT. Indolampung Distillery).

The Two Current Cases were brought before the courts again by the Sugar Group against the defendants including the Company, making substantially the same claims as in the Previous Case. The decision above is deemed to contradict with the ruling on the Previous Case by the Supreme Court itself, in which Sugar Group's claims were rejected. Pursuant to Indonesian Supreme Court legislation, the Company filed an application for judicial review (retrial) with respect to the South Jakarta case on October 24, 2017 and the Gunung Sugih case on February 6, 2018, respectively.

The Company did not recognise any provisions for litigation in regard to the South Jakarta and Gunung Sugih cases at March 31, 2018, having determined that there is a high possibility that the aforementioned ruling will be overturned as a result of such judicial review (retrial).

In addition to the above, although there are certain outstanding litigations such as those relating to compensation for damages and collection of receivables regarding infrastructure projects overseas at March 31, 2018, the outcome of these cannot be determined at this time except the projects for which the Company has recognised losses. The Company provides no further disclosures on these litigations since the Company believes that such disclosures would prejudice seriously the outcome of the proceedings.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**25. Structured Entities**

The Company and certain of its consolidated subsidiaries are involved in structured entities through investments and financing, but do not include certain of such structured entities engaged in financing, leasing, etc. in their scope of consolidation. Total assets of these unconsolidated structured entities at March 31, 2018 and 2017 were ¥264,580 million (\$2,496,038 thousand) and ¥391,400 million, respectively. These structured entities mainly procure funds through bank loans.

Carrying amounts of assets and liabilities recognised in the Consolidated Statement of Financial Position relating to the involvement in these unconsolidated structured entities and maximum exposures to assets, liabilities and lease contracts at March 31, 2018 and 2017 were as follows:

Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2018	March 31, 2017	March 31, 2018
Carrying amount of assets	¥374	¥8,031	\$3,528
Carrying amount of liabilities	15,211	15,043	143,500
Maximum exposures	92,979	110,196	877,160

The carrying amount of assets mainly consisted of "Investments in associates and joint ventures" in the year ended March 31, 2018 and "Notes, trade accounts and loans receivable" in Non-current assets in the year ended March 31, 2017. The carrying amount of liabilities mainly consists of "Notes and trade accounts payable" in Non-current liabilities. The sum of the carrying amount of assets and the carrying amount of liabilities is different from maximum exposures primarily due to lease contracts.

Maximum exposures represent the maximum potential amounts of losses precipitated through the decline in the price of assets held and lease contracts. Therefore, such amounts bear no relationship to the anticipated amounts of losses through the involvement in the structured entities.

**26. Subsequent Events**

The Company issued bonds as follows.

<USD-denominated unsecured bonds, first issue>

(i) Total amount of bonds issued	\$500 million
(ii) Interest rate	3.75% per annum
(iii) Issue price	99.612% of par value
(iv) Closing date	April 17, 2018
(v) Maturity date	April 17, 2023
(vi) Redemption method	Bullet (redemption in full at maturity)
(vii) Use of proceeds	The net proceeds of the issue of the bonds will be used for general corporate purposes

**27. Approval of Consolidated Financial Statements**

The Consolidated Financial Statements were approved by the Board of Directors on June 22, 2018.

# ATTACHMENT 7

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Consolidated Financial Statements**

**Marubeni Corporation and Subsidiaries**

*At March 31, 2019 and  
for the year ended March 31, 2019  
with Independent Auditors' Report*

Marubeni Corporation and Subsidiaries

Consolidated Financial Statements

At March 31, 2019 and  
for the year ended March 31, 2019

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## Independent Auditor's Report

The Board of Directors  
Marubeni Corporation

We have audited the accompanying consolidated financial statements of Marubeni Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marubeni Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

Tokyo, Japan  
June 21, 2019

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Financial Position**

<b>Assets</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Current assets:</b>			
Cash and cash equivalents <i>(Notes 5, 23 and 24)</i>	¥509,288	¥625,834	\$4,588,180
Time deposits <i>(Note 23)</i>	250	1,046	2,252
Investment securities <i>(Note 23)</i>	151	0	1,360
Notes, trade accounts and loans receivable <i>(Notes 5, 17, 23 and 24)</i>	1,289,196	1,315,336	11,614,379
Other current financial assets <i>(Note 23)</i>	182,208	213,941	1,641,514
Inventories <i>(Notes 6 and 24)</i>	900,472	835,021	8,112,360
Assets classified as held for sale	35,438	61,452	319,261
Other current assets	241,546	226,141	2,176,090
Total current assets	3,158,549	3,278,771	28,455,396
<b>Non-current assets:</b>			
Investments in associates and joint ventures <i>(Notes 9, 24 and 25)</i>	1,732,712	1,764,169	15,610,018
Other investments <i>(Notes 23 and 25)</i>	292,752	322,628	2,637,406
Notes, trade accounts and loans receivable <i>(Notes 17 and 23)</i>	132,328	138,715	1,192,144
Other non-current financial assets <i>(Note 23)</i>	79,511	72,492	716,315
Property, plant and equipment <i>(Notes 7, 11 and 24)</i>	926,092	905,479	8,343,171
Intangible assets <i>(Notes 5 and 8)</i>	379,941	293,583	3,422,892
Deferred tax assets <i>(Note 10)</i>	45,806	45,233	412,667
Other non-current assets	61,386	56,047	553,027
Total non-current assets	3,650,528	3,598,346	32,887,640
<b>Total assets</b>	¥6,809,077	¥6,877,117	\$61,343,036

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Financial Position (continued)**

<b>Liabilities and equity</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Current liabilities:</b>			
Bonds and borrowings (Notes 21 and 23)	¥478,387	¥611,756	\$4,309,793
Notes and trade accounts payable (Note 23)	1,273,196	1,374,022	11,470,234
Other current financial liabilities (Note 23)	275,217	370,103	2,479,433
Income tax payable	17,778	17,858	160,162
Liabilities directly associated with assets held for sale	359	-	3,234
Other current liabilities (Notes 13 and 17)	421,489	387,975	3,797,198
Total current liabilities	2,466,426	2,761,714	22,220,054
<b>Non-current liabilities:</b>			
Bonds and borrowings (Note 23)	1,889,990	1,930,948	17,026,937
Notes and trade accounts payable (Notes 23 and 25)	11,566	16,713	104,198
Other non-current financial liabilities (Note 23)	74,404	66,316	670,306
Accrued pension and retirement benefits (Note 12)	89,764	79,099	808,685
Deferred tax liabilities (Note 10)	107,783	95,944	971,018
Other non-current liabilities (Note 13)	97,418	90,746	877,640
Total non-current liabilities	2,270,925	2,279,766	20,458,784
<b>Total liabilities</b>	4,737,351	5,041,480	42,678,838
<b>Equity:</b>			
Issued capital (Note 14)	262,686	262,686	2,366,541
Capital surplus (Note 14)	139,898	135,295	1,260,342
Other equity instruments (Note 15)	243,589	243,589	2,194,495
Treasury stock (Note 14)	(1,384)	(1,379)	(12,469)
Retained earnings (Note 14)	1,163,472	1,014,709	10,481,730
Other components of equity:			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Note 23)	71,912	82,596	647,856
Foreign currency translation adjustments (Note 23)	131,178	76,253	1,181,784
Gains (losses) on cash flow hedges (Note 23)	(33,610)	(42,274)	(302,793)
Equity attributable to owners of the parent	1,977,741	1,771,475	17,817,486
Non-controlling interests (Note 5)	93,985	64,162	846,712
<b>Total equity</b>	2,071,726	1,835,637	18,664,198
<b>Total liabilities and equity</b>	¥6,809,077	¥6,877,117	\$61,343,036

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Revenue:</b>			
Sales of goods (Notes 4 and 17)	¥7,197,705	¥7,361,808	\$64,844,189
Commissions on services and trading margins (Notes 4, 17 and 23)	203,551	178,529	1,833,793
Total revenue (Notes 4, 17 and 26)	7,401,256	7,540,337	66,677,982
Cost of goods sold (Notes 7, 8 and 23)	(6,671,581)	(6,863,100)	(60,104,333)
<b>Gross trading profit (Note 4)</b>	<b>729,675</b>	<b>677,237</b>	<b>6,573,649</b>
<b>Other income (expenses):</b>			
Selling, general and administrative expenses (Notes 7, 8 and 12)	(556,666)	(559,183)	(5,015,009)
Gains (losses) on property, plant and equipment:			
Impairment losses (Notes 7 and 8)	(17,803)	(5,197)	(160,387)
Gains (losses) on sales of property, plant and equipment	2,597	3,728	23,396
Other-net (Notes 18 and 23)	10,742	(35,063)	96,775
Total other income (expenses)	(561,130)	(595,715)	(5,055,225)
<b>Finance income (expenses):</b>			
Interest income (Note 23)	15,950	13,526	143,694
Interest expenses (Note 23)	(46,807)	(34,948)	(421,685)
Dividend income (Note 23)	37,336	21,254	336,360
Gains (losses) on investment securities (Notes 5 and 23)	28,517	25,147	256,910
Total finance income (expenses)	34,996	24,979	315,279
<b>Share of profits of associates and joint ventures (Notes 4 and 9)</b>	<b>85,278</b>	<b>148,503</b>	<b>768,270</b>
<b>Profit before tax</b>	<b>288,819</b>	<b>255,004</b>	<b>2,601,973</b>
<b>Income taxes (Note 10)</b>	<b>(49,535)</b>	<b>(38,429)</b>	<b>(446,261)</b>
<b>Profit for the year</b>	<b>¥239,284</b>	<b>¥216,575</b>	<b>\$2,155,712</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent (Note 4)	¥230,891	¥211,259	\$2,080,099
Non-controlling interests	8,393	5,316	75,613

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Comprehensive Income (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss:			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 19 and 23)	¥(12,485)	¥18,191	\$(112,477)
Remeasurements of defined benefit plan (Notes 12 and 19)	(7,301)	3,916	(65,775)
Changes in other comprehensive income of associates and joint ventures (Note 9)	(5,659)	2,070	(50,982)
Items that will be reclassified to profit or loss:			
Foreign currency translation adjustments (Notes 19 and 23)	47,308	(86,554)	426,198
Gains (losses) on cash flow hedges (Notes 19 and 23)	4,777	(2,779)	43,036
Changes in other comprehensive income of associates and joint ventures (Note 9)	13,639	(413)	122,874
Other comprehensive income, net of tax	<u>40,279</u>	<u>(65,569)</u>	<u>362,874</u>
Total comprehensive income for the year	<u>¥279,563</u>	<u>¥151,006</u>	<u>\$2,518,586</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent	¥270,904	¥145,671	\$2,440,577
Non-controlling interests	<u>8,659</u>	<u>5,335</u>	<u>78,009</u>
<i>U.S. dollars (Note 1)</i>			
	<i>Yen</i>		<i>U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Basic earnings per share attributable to shareholders of the parent</b> (Note 20)	¥130.74	¥119.43	\$1.18
<b>Diluted earnings per share attributable to shareholders of the parent</b> (Note 20)	¥130.62	¥119.37	\$1.18

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity**

*Millions of yen*

	Equity attributable to owners of the parent					Other components of equity	
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments
<b>Year ended March 31, 2019</b>							
Balance at April 1, 2018	¥262,686	¥135,295	¥243,589	¥(1,379)	¥1,014,709	¥82,596	¥76,253
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(1,117)		
Profit for the year (Note 4)					230,891		
Other comprehensive income (Note 19)						(17,594)	54,925
Purchases and sales of treasury stock		0		(5)			
Dividends (Note 16)					(61,611)		
Equity transactions with non-controlling interests and others		4,603			(748)		
Distribution to owners of other equity financial instruments					(4,035)		
Transfer from other components of equity to retained earnings (Note 23)					(14,617)	6,910	
Transfer to non-financial assets or non-financial liabilities (Note 23)							
Balance at March 31, 2019	¥262,686	¥139,898	¥243,589	¥(1,384)	¥1,163,472	¥71,912	¥131,178

*Millions of yen*

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent			
	Gains (losses) on cash flow hedges	Remeasurements of defined benefit plan	Other components of equity	Retained earnings	Treasury stock		
<b>Year ended March 31, 2019</b>							
Balance at April 1, 2018	¥(42,274)		¥—	¥116,575	¥1,771,475	¥64,162	¥1,835,637
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(1,117)		(1,117)
Profit for the year (Note 4)					230,891	8,393	239,284
Other comprehensive income (Note 19)	10,389	(7,707)	40,013		40,013	266	40,279
Purchases and sales of treasury stock					(5)		(5)
Dividends (Note 16)					(61,611)	(7,350)	(68,961)
Equity transactions with non-controlling interests and others					3,855	28,514	32,369
Distribution to owners of other equity financial instruments					(4,035)		(4,035)
Transfer from other components of equity to retained earnings (Note 23)			7,707	14,617			
Transfer to non-financial assets or non-financial liabilities (Note 23)	(1,725)			(1,725)	(1,725)		(1,725)
Balance at March 31, 2019	¥(33,610)		¥—	¥169,480	¥1,977,741	¥93,985	¥2,071,726

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity (continued)**

*Thousands of U.S. dollars (Note 1)*

	Equity attributable to owners of the parent						Other components of equity	
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments	
<b>Year ended March 31, 2019</b>								
Balance at April 1, 2018	\$2,366,541	\$1,218,874	\$2,194,495	\$(12,423)	\$9,141,523	\$744,108	\$686,964	
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(10,063)			
Profit for the year (Note 4)					2,080,099			
Other comprehensive income (Note 19)						(158,505)	494,820	
Purchases and sales of treasury stock		0		(46)				
Dividends (Note 16)					(555,054)			
Equity transactions with non-controlling interests and others		41,468			(6,739)			
Distribution to owners of other equity financial instruments					(36,351)			
Transfer from other components of equity to retained earnings (Note 23)					(131,685)	62,253		
Transfer to non-financial assets or non-financial liabilities (Note 23)								
Balance at March 31, 2019	\$2,366,541	\$1,260,342	\$2,194,495	\$(12,469)	\$10,481,730	\$647,856	\$1,181,784	

*Thousands of U.S. dollars (Note 1)*

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Gains (losses) on cash flow hedges	Other components of equity		Total equity attributable to owners of the parent				
		Remeasurements of defined benefit plan	Other components of equity					
Balance at April 1, 2018	\$(380,847)		\$—	\$1,050,225	\$15,959,235	\$578,036	\$16,537,271	
Cumulative effect of applying new accounting standards and interpretations (Note 3)					(10,063)		(10,063)	
Profit for the year (Note 4)					2,080,099	75,613	2,155,712	
Other comprehensive income (Note 19)	93,595	(69,432)	360,478	360,478	360,478	2,396	362,874	
Purchases and sales of treasury stock					(46)		(46)	
Dividends (Note 16)					(555,054)	(66,216)	(621,270)	
Equity transactions with non-controlling interests and others					34,729	256,883	291,612	
Distribution to owners of other equity financial instruments					(36,351)		(36,351)	
Transfer from other components of equity to retained earnings (Note 23)			69,432	131,685	—		—	
Transfer to non-financial assets or non-financial liabilities (Note 23)	(15,541)			(15,541)	(15,541)		(15,541)	
Balance at March 31, 2019	\$(302,793)		\$—	\$1,526,847	\$17,817,486	\$846,712	\$18,664,198	

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity (continued)**

*Millions of yen*

	Equity attributable to owners of the parent						
	Issued capital	Capital surplus	Other equity instruments	Treasury stock	Retained earnings	Other components of equity Gains (losses) on financial assets measured at fair value through other comprehensive income	Foreign currency translation adjustments
<b>Year ended March 31, 2018</b>							
Balance at April 1, 2017	¥262,686	¥142,881	¥243,589	¥(1,374)	¥856,647	¥54,606	¥165,310
Profit for the year (Note 4)					211,259		
Other comprehensive income (Note 19)						20,397	(89,057)
Purchases and sales of treasury stock		1		(5)			
Dividends (Note 16)					(45,124)		
Equity transactions with non-controlling interests and others		(7,587)					
Distribution to owners of other equity financial instruments					(4,010)		
Transfer from other components of equity to retained earnings (Note 23)					(4,063)	7,593	
Transfer to non-financial assets or non-financial liabilities (Note 23)							
Balance at March 31, 2018	¥262,686	¥135,295	¥243,589	¥(1,379)	¥1,014,709	¥82,596	¥76,253

*Millions of yen*

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Total equity attributable to owners of the parent			
	Gains (losses) on cash flow hedges	Remeasurements of defined benefit plan	Other components of equity				
Balance at April 1, 2017	¥(40,622)	¥—	¥179,294	¥1,683,723	¥59,035	¥1,742,758	
Profit for the year (Note 4)				211,259	5,316	216,575	
Other comprehensive income (Note 19)	(458)	3,530	(65,588)	(65,588)	19	(65,569)	
Purchases and sales of treasury stock				(4)		(4)	
Dividends (Note 16)				(45,124)	(5,802)	(50,926)	
Equity transactions with non-controlling interests and others				(7,587)	5,594	(1,993)	
Distribution to owners of other equity financial instruments				(4,010)		(4,010)	
Transfer from other components of equity to retained earnings (Note 23)		(3,530)	4,063	—		—	
Transfer to non-financial assets or non-financial liabilities (Note 23)	(1,194)		(1,194)	(1,194)		(1,194)	
Balance at March 31, 2018	¥(42,274)	¥—	¥116,575	¥1,771,475	¥64,162	¥1,835,637	

See accompanying Notes to Consolidated Financial Statements.

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Cash Flows**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Operating activities:</b>			
Profit for the year	¥239,284	¥216,575	\$2,155,712
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortisation	113,541	120,331	1,022,892
(Gains) losses on property, plant and equipment	15,206	1,469	136,991
Finance (income) expenses	(34,996)	(24,979)	(315,279)
Share of profits of associates and joint ventures	(85,278)	(148,503)	(768,270)
Income taxes	49,535	38,429	446,261
Changes in notes and accounts receivable	65,190	(135,801)	587,297
Changes in inventories	(42,777)	(102,626)	(385,378)
Changes in notes and trade accounts payable	(127,896)	158,159	(1,152,216)
Other-net	14,096	56,719	126,990
Interest received	11,414	9,607	102,829
Interest paid	(44,202)	(35,069)	(398,216)
Dividends received	152,765	126,086	1,376,261
Income taxes paid	(40,987)	(26,974)	(369,252)
Net cash provided by (used in) operating activities	284,895	253,423	2,566,622
<b>Investing activities (Note 21):</b>			
Net (increase) decrease in time deposits	803	171	7,234
Proceeds from sale of property, plant and equipment	5,968	15,647	53,766
Proceeds from sale of investment property	544	246	4,901
Collection of loans receivable	33,061	31,658	297,847
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	12,022	51,722	108,306
Proceeds from sale of investments in associates and joint ventures, and other investments	123,279	63,366	1,110,622
Purchase of property, plant and equipment	(93,221)	(103,176)	(839,829)
Purchase of investment property	(69)	(406)	(622)
Loans provided to customers	(14,872)	(11,488)	(133,982)
Acquisition of subsidiaries, net of cash and cash equivalents acquired (Note 5)	7,172	(22,990)	64,613
Purchase of investments in associates and joint ventures, and other investments	(52,159)	(74,492)	(469,901)
Net cash provided by (used in) investing activities	22,528	(49,742)	202,955

**Marubeni Corporation and Subsidiaries**  
**Consolidated Statement of Cash Flows (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended	Year ended	Year ended
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Financing activities (Note 21):</b>			
Net increase (decrease) in short-term borrowings	¥(163,088)	¥41,733	\$(1,469,261)
Proceeds from long-term bonds and borrowings	254,166	229,867	2,289,784
Repayments of long-term bonds and borrowings	(436,146)	(487,202)	(3,929,243)
Dividends paid to shareholders of the parent (Note 16)	(61,611)	(45,124)	(555,054)
Net cash outflows on purchases and sales of treasury stock	(9)	(15)	(81)
Capital contribution from non-controlling interests	79	2,420	712
Acquisition of additional interests in subsidiaries from non-controlling interests	(9,425)	(1,375)	(84,910)
Distribution to owners of other equity instruments	(4,035)	(4,010)	(36,351)
Other	(7,351)	(5,801)	(66,227)
Net cash provided by (used in) financing activities	(427,420)	(269,507)	(3,850,631)
Effect of exchange rate changes on cash and cash equivalents	3,451	(13,312)	31,090
Net increase (decrease) in cash and cash equivalents	(116,546)	(79,138)	(1,049,964)
Cash and cash equivalents at beginning of year	625,834	704,972	5,638,144
Cash and cash equivalents at end of year	¥509,288	¥625,834	\$4,588,180

See accompanying Notes to Consolidated Financial Statements.

## **Marubeni Corporation and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **1. Business Overview**

Marubeni Corporation (the "Company") is a corporation domiciled in Japan. The Company and its domestic and overseas subsidiaries, which are controlled by the Company mainly through direct or indirect holdings of the majority of voting rights (together the "Companies"), engage in import and export trading of domestic and overseas products and commodities, including domestic and offshore trading in fields which cover a wide range of commodities such as Food, Consumer Products, Chemical & Forest Products, Energy & Metals, Power Business & Plant, Transportation & Industrial Machinery, and others. In addition, the Companies offer various services and engage in diversified businesses such as investments in domestic and foreign businesses, exploration of natural resources and others.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2019 and at March 31, 2019 is included solely for the convenience of readers outside of Japan and has been made at ¥111 to \$1, the exchange rate prevailing on March 31, 2019. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate.

#### **2. Basis of Presentation**

##### **(1) Statements of Compliance**

The Company's Consolidated Financial Statements have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. As the Company meets the requirements of a "Specified Company applying Designated International Financial Reporting Standards", pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, the "Consolidated Financial Statements Ordinance"), it has applied the provisions of Article 93 of said Ordinance.

##### **(2) Functional Currency and Presentation Currency**

The Consolidated Financial Statements of the Company are presented in Japanese yen, the functional currency of the Company, and amounts of less than one million yen are rounded to the nearest million yen.

##### **(3) Use of Estimates and Judgments**

Preparation of the Consolidated Financial Statements requires management to make accounting estimates and assumptions, as necessary that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions due to their inherent uncertainty. Accounting estimates and assumptions that could significantly affect the Consolidated Financial Statements are as follows:

- Write-down of inventories (Note 6 "Inventories")
- Impairment of property, plant and equipment (Note 7 "Property, Plant and Equipment")
- Impairment of intangible assets (Note 8 "Intangible Assets")
- Impairment of investments in associates and joint ventures (Note 9 "Associates and Joint Ventures")
- Recoverability of deferred tax assets (Note 10 "Income Taxes")
- Defined benefit obligation (Note 12 "Employee Benefits")
- Provisions (Note 13 "Provisions")
- Valuation of financial instruments (Note 23 "Financial Instruments and Related Disclosures")
- Contingent liabilities (Note 27 "Commitments and Contingent Liabilities")

Information related to judgments made by the Company that could significantly affect the Consolidated Financial Statements in the process of applying the accounting policies are as follows:

- Scope of subsidiaries, associates and joint ventures (Note 5 "Business Combinations")
- Accounting for leases (Note 11 "Leases")
- Classification of liabilities and equity (Note 15 "Other Equity Instruments")
- Revenue recognition (Note 17 "Revenue")
- Derecognition of financial assets (Note 23 "Financial Instruments and Related Disclosures")

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**3. Significant Accounting Policies**

**(1) Basis of Measurement**

The Consolidated Financial Statements, as stated in the accounting policies below, have been prepared on an historical cost basis, with the exception of certain current assets, financial instruments, and assets and liabilities relating to the post-employment benefit plan, which are measured at fair value.

**(2) Basis of Consolidation**

The Consolidated Financial Statements of the Company include the accounts of all domestic and foreign subsidiaries under the control of the Company either through direct or indirect ownership of a majority voting interest or by other means. Intercompany transactions and accounts between the Companies are eliminated. To align the reporting periods of subsidiaries that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as compliance with the local legal system of the country in which they operate, subsidiaries prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

**(3) Business Combinations**

The Companies use the acquisition method of accounting for all business combinations. The acquisition cost is the aggregate of the consideration transferred measured at acquisition date fair value, plus any previously held equity interest in the acquiree remeasured at its acquisition date fair value and any non-controlling interest in the acquiree. The amount of any non-controlling interest is measured as elected for each business combination either at fair value or at the proportionate interest in the identifiable net assets of the acquiree.

Any difference between the fair value and the carrying amount of the equity interest in the acquiree previously held at the time control is obtained is recognised in profit or loss. Further, any other comprehensive income that had been previously recognised in connection with the equity interest in the acquiree is treated in the same way as a disposal of the equity interest. Acquisition costs incurred are recognised in profit or loss.

The Companies perform any necessary classification and designation of identifiable assets acquired and liabilities assumed based, in principle, on the contractual terms, economic conditions, business or accounting policies, and other appropriate conditions that exist on the acquisition date.

**(4) Investments in Associates and Joint Ventures**

Associates refer to investees over which the Companies have the ability to exercise significant influence through such factors as the ownership of 20% to 50% of the voting interest in the entity and other factors.

A joint venture is a joint arrangement whereby the Companies, as the parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Companies account for investments in associates and joint ventures under the equity method. Under the equity method, investments in associates and joint ventures are normally recorded at cost, adjusted for the Companies' share of the change in the net assets of these associates and joint ventures since the acquisition date. Any dividends received from these associates and joint ventures are subtracted from the carrying amount of investments in associates and joint ventures.

The Companies' share of the profit or loss of the associates and joint ventures is included as "Share of profits of associates and joint ventures" in the Consolidated Statement of Comprehensive Income. The Companies' share of any change in other comprehensive income recognised by the associates and joint ventures is recognised in other comprehensive income. Any unrealised profit arising from the transactions between the Companies and the associates and joint ventures is eliminated against the Companies' interest in associates and joint ventures. Certain adjustments are made to achieve unification of the accounting policies of the associates and joint ventures with those of the Companies.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

To align the reporting periods of associates and joint ventures accounted for under the equity method that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as the relationship with other shareholders, the associates and joint ventures prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

If it is determined, after the initial application of the equity method to investments in associates and joint ventures, that there is objective evidence of impairment based on all available information, the carrying amount of investments in associates and joint ventures is reduced to their recoverable amounts and the difference is recognised in profit or loss as an impairment loss.

The Companies determine, at each reporting date, whether there is an indication that the recognised impairment loss may no longer exist or may have been reduced. If there is such an indication, the Companies estimate the recoverable amount of investments in associates and joint ventures. If the estimated recoverable amount exceeds the carrying amount of the investment, a reversal of impairment losses is recognised in profit or loss to the extent of the increase in the recoverable amount of the investment since the recognition of impairment losses, and is recognised only up to the amount of impairment losses that have been recognised in the past.

If the Companies lose significant influence or joint control over any associates and joint ventures, such investments in associates and joint ventures are measured at fair value. Specifically, the difference between, the fair value of any residual interests plus the proceeds from the partial disposal of interests in associates or joint ventures, and the carrying amount of the investment at the date on which control was lost, is recognised in profit or loss. Any other comprehensive income previously recognised under the equity method is accounted for in the same manner as a disposal of assets or liabilities related to the other comprehensive income of the associates and joint ventures.

**(5) Foreign Currency Translation**

The Consolidated Financial Statements of the Companies are presented in Japanese yen, the functional currency of the Company. Each entity in the consolidated group determines its functional currency in consideration of, among other factors, the economic environment in which it operates, and it measures the items in its financial statements using its own functional currency.

Assets and liabilities included in the financial statements of foreign operations are translated into Japanese yen at the reporting date rates. Income and expenses are translated at the average rates prevailing for the reporting period. The resulting translation adjustments are recognised in other comprehensive income and the cumulative translation adjustments are recognised in other components of equity.

On disposal of a subsidiary that results in loss of control, all cumulative translation adjustments related to the foreign operation that have been recognised in other components of equity are reclassified to profit or loss. In a partial disposal of a subsidiary that does not result in loss of control, the corresponding share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to non-controlling interest rather than profit or loss.

On disposal of an associate or joint venture that results in loss of significant influence or loss of joint control, the full amount of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss. In a partial disposal of an associate or joint venture that does not result in loss of significant influence or loss of joint control, the corresponding proportionate share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss.

**(6) Cash and Cash Equivalents**

The Companies include deposits in banks and certificates of deposit with a remaining maturity of 3 months or less at the acquisition date in cash equivalents.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(7) Financial Instruments**

**(i) Financial assets**

**Initial recognition and measurement**

Financial assets to which IFRS 9 *Financial Instruments* ("IFRS 9") applies are classified as follows: debt instrument financial assets are classified as either debt instrument financial assets measured at amortised cost, debt instrument financial assets measured at fair value through other comprehensive income ("Debt instrument financial assets measured at FVTOCI") or debt instrument financial assets measured at fair value through profit or loss ("Debt instrument financial assets measured at FVTPL"); equity instrument financial assets are classified as either equity instrument financial assets measured at fair value through other comprehensive income ("Equity instrument financial assets measured at FVTOCI") or equity instrument financial assets measured at fair value through profit or loss ("Equity instrument financial assets measured at FVTPL"). The Companies determine such classifications at initial recognition of the financial assets.

Debt instrument financial assets measured at FVTPL and Equity instrument financial assets measured at FVTPL are measured at fair value at initial recognition and financial assets other than those are measured at fair value plus transaction costs at initial recognition.

For purchases or sales of financial assets under contracts with terms requiring delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (regular way purchase or sale), the purchase or sale is recognised on the trade date on which the Companies become a party to the contract for the financial asset.

Financial assets of the Companies include cash and cash equivalents, debt instrument financial assets including notes, trade accounts and loans receivable, equity instrument financial assets, and derivative financial assets.

**Subsequent measurement**

After initial recognition, financial assets are measured according to their category as follows:

**Debt instrument financial assets measured at amortised cost**

The Companies measure debt instrument financial assets at amortised cost if both of the following conditions are met:

- The asset is 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at amortised cost calculated using the effective interest method less any impairment losses. Interest using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

The Companies may, at initial recognition, make an irrevocable election to designate a debt instrument financial asset that meets the conditions for classification as measured at amortised cost mentioned above as Debt instrument financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Debt instrument financial assets measured at FVTOCI**

The Companies measure debt instrument financial assets at fair value through other comprehensive income if both of the following conditions are met:

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

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, interest arising from Debt instrument financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. When Debt instrument financial assets measured at FVTOCI are derecognised of, the cumulative change in other comprehensive income shall be reclassified to profit or loss.

The Companies may, at initial recognition, make an irrevocable election to designate a debt instrument financial asset that meets the conditions for classification as measured at fair value through other comprehensive income mentioned above as Debt instrument financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

would otherwise arise.

**Debt instrument financial assets measured at FVTPL**

The Companies classify the following debt instrument financial assets as Debt instrument financial assets measured at FVTPL: (i) debt instrument financial assets that either do not meet the conditions for classification as measured at amortised cost or Debt instrument financial assets measured at FVTOCI at initial recognition or (ii) those that meet the conditions for classification as measured at amortised cost or Debt instrument financial assets measured at FVTOCI but are designated as Debt instrument financial assets measured at FVTPL under an election made by the Companies at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Debt instrument financial assets measured at FVTPL are mainly recognised as revenue or finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Equity instrument financial assets measured at FVTOCI**

The Companies make an irrevocable election at initial recognition to (or not to) designate equity instrument financial assets that are not held for trading as Equity instrument financial assets measured at FVTOCI.

After initial recognition, equity instrument financial assets designated as Equity instrument financial assets measured at FVTOCI are measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, dividend income arising from Equity instrument financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Equity instrument financial assets measured at FVTPL**

The Companies classify the following financial assets as Equity instrument financial assets measured at FVTPL: (i) equity instrument financial assets that are held for trading and (ii) equity instrument financial assets not designated as Equity instrument financial assets measured at FVTOCI at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Equity instrument financial assets measured at FVTPL, together with the related dividend, are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Derecognition**

The Companies derecognise a financial asset in the following situations:

- When the contractual rights to receive the cash flows of the financial asset are extinguished;
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership are transferred to the transferee; and
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, but control over the financial asset is transferred.

Where substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control over the transferred financial asset is retained, the Companies continue to recognise the financial asset to the extent of their continuing involvement.

When Companies continue to recognise the financial asset to the extent of their continuing involvement, any liabilities arising in relation to such continuing involvement are recognised. The continuing involvement in the financial asset and any liabilities arising in relation to such continuing involvement are measured on the basis of the rights and obligations held by the Companies.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**Impairment of debt instrument financial assets measured at amortised cost and Debt instrument financial assets measured at FVTOCI**

The Companies recognise the allowance for doubtful accounts on expected credit losses for financial assets classified as debt instrument financial assets measured at amortised cost and Debt instrument financial assets measured at FVTOCI, etc. If recovery is difficult, impossible or expected to take a considerable amount of time due to the credit deterioration of the counterparty, it is deemed that default has occurred.

If, at each reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Companies measure the allowance for doubtful accounts at an amount equal to the expected credit losses that result from default events possible within the 12 months after each reporting date ("12-month expected credit losses"). At each reporting date, the Companies measure the allowance for doubtful accounts at an amount equal to the expected credit losses that result from all possible default events over the expected life of the financial instrument ("lifetime expected credit losses") if the credit risk on the financial instrument has increased significantly since initial recognition. However, the Companies always measure the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade accounts receivable, etc.

The Companies recognise in profit or loss the amount of expected credit losses or reversal necessary to adjust the allowance for doubtful accounts at each reporting date to the amount that is required to be recognised.

Impairment losses are recognised in the Consolidated Statement of Financial Position by deducting them directly from the carrying amount of the respective assets in the case of debt securities and by recognising an allowance in the case of financial assets other than debt securities. Impairment losses arising from trade accounts receivable, etc. are recognised as part of selling, general and administrative expenses and those arising from other assets are recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**(ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities to which IFRS 9 applies, are classified as follows: financial liabilities are classified as financial liabilities measured at amortised cost unless they are financial liabilities measured at fair value through profit or loss ("Financial liabilities measured at FVTPL"). The Companies determine such classifications at the initial recognition of the financial liabilities.

Financial liabilities measured at FVTPL are measured at fair value at initial recognition and financial liabilities classified as financial liabilities measured at amortised cost are measured at fair value less transaction costs at initial recognition.

Financial liabilities of the Companies include corporate bonds and loans payable, notes and trade accounts payable, derivative financial liabilities, etc.

**Subsequent measurement**

After initial recognition, financial liabilities are measured according to their classification as follows:

**Financial liabilities measured at FVTPL**

Financial liabilities designated as Financial liabilities measured at FVTPL are measured at fair value.

After initial recognition, changes in the fair values of Financial liabilities measured at FVTPL together with the related interest expense are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. However the amount of changes in the fair value of the financial liabilities that is attributable to changes in the credit risk of the entity is recognised as other comprehensive income in the Consolidated Statement of Comprehensive Income.

**Financial liabilities measured at amortised cost**

Financial liabilities not classified as Financial liabilities measured at FVTPL are measured at amortised cost.

After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**Derecognition**

The Companies derecognise a financial liability only when the underlying obligation specified in the contract is performed, discharged, cancelled or expires.

An exchange of financial liabilities with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as the derecognition of the original financial liability and the recognition of a new financial liability, and the difference between the carrying amount of these liabilities is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

**Financial guarantee contracts**

The Company and certain consolidated subsidiaries, in the normal course of their business, issue various guarantees for obligations owed by associates and general trade partners ("guaranteed parties"). These are issued to third parties to guarantee the repayment, mainly of loans which the guaranteed parties have borrowed from external parties. When a guaranteed party fails to perform its obligations, the Company and certain consolidated subsidiaries are obligated to perform the obligations in accordance with the relevant financial guarantee contract.

Liabilities recognised for such financial guarantee contracts are measured at initial recognition at the present value of the total guarantee premiums to be received by the guarantor over a future period under the financial guarantee contract adjusted for directly attributable transaction costs. After initial recognition, these liabilities are amortised over the financial guarantee period on a systematic basis and the amortised amounts are recognised in profit or loss. However, if the estimated amount required to settle any such current guarantee obligations at the reporting date exceeds the amount initially recognised less cumulative amortisation, the balance of any such liability is recognised at the estimated amount required to settle such current guarantee obligations at the reporting date, and any resulting difference is recognised in profit or loss.

**(iii) Offsetting of financial instruments**

A financial asset and a financial liability are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Companies currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**(iv) Fair value of financial instruments**

The fair value of financial instruments at the end of each reporting period is measured based on the market price in an active market. If the market in which a financial instrument is traded is not active or no active market exists for the financial instrument, fair value is determined by using an appropriate valuation technique.

**(8) Derivatives and Hedge Accounting**

**Initial recognition and subsequent measurement**

The Companies recognise derivatives as assets or liabilities at fair value. For derivatives designated as qualifying hedging instruments, subsequent changes in fair value are recognised according to the objective and designation of the hedge. Subsequent changes in the fair value of derivatives not designated as qualifying hedging instruments are recognised in profit or loss.

**Fair value hedges**

If the objective of holding a derivative is to hedge the exposure of changes in the fair value of the hedged item (as a fair value hedge), changes in the fair value of the derivative are recognised in profit or loss and are offset against the changes in the fair value of the hedged assets, liabilities, or firm commitments.

When financial instruments measured at amortised cost are designated as hedged items, after recognising the difference between the carrying amount and the fair value of such hedged items in profit or loss, the adjusted financial instruments are amortised through profit or loss using the recalculated effective interest rate.

The Companies use fair value hedges mainly for hedging the exposure of changes in the fair value of goods or firm commitments to purchase goods and the exposure of changes in the fair value of assets and liabilities with a fixed interest rates arising from changes in interest rates.

**Cash flow hedges**

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Companies use cash flow hedges for hedging the exposure to variability in cash flows of forecast purchases of goods, sales of goods, etc. arising from changes in prices and exchange rates and the exposure to variability in interest cash flows of a floating rate interest bearing assets and liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. However, if a hedged item is a recognised non-financial asset or non-financial liability, the amounts that have been recognised in other components of equity relating to the hedging instrument are reclassified as adjustments to the initial carrying amount of the non-financial asset or non-financial liability.

If a forecast transaction or firm commitment is no longer expected to occur, the Companies discontinue hedge accounting. Accordingly, any amounts that had been recognised in other components of equity while the hedge was effective are reclassified to profit or loss when hedge accounting is discontinued. Changes in the fair value of the derivative after hedge accounting is discontinued are recognised in profit or loss prospectively as it is no longer a hedging instrument. However, to the extent that such a previously hedged forecast transaction continues to be expected to occur even if hedge accounting is discontinued, amounts that had been recognised in other components of equity before the discontinuation of hedge accounting remain in other components of equity until the forecast transaction occurs.

**Hedges of a net investment in a foreign operation**

Where the objective of holding a derivative and other non-derivative hedging instruments, such as loans payable, is to hedge the foreign currency risk of a net investment in a foreign operation (as a hedge of a net investment in a foreign operation), changes in the fair value of the hedging instruments attributable to changes in exchange rates are recognised in other components of equity to the extent that the hedge is effective. Of the changes in the fair values of derivative and other non-derivative hedging instruments which are due to exchange rate movements, the portions related to any ineffectiveness or any parts outside the hedge effectiveness assessment are recognised in profit or loss.

The cumulative amount of changes in the fair value of hedging instruments attributable to changes in exchange rates that have been recognised in other components of equity under a hedge of a net investment in a foreign operation is reclassified to profit or loss when the underlying foreign operation is disposed of.

**(9) Inventories**

Inventories, which mainly consist of commodities, merchandise, and real estate held for sale, are measured at the lower of cost (mainly specific or moving average cost) and net realisable value. If the net realisable value is lower than cost, the difference is expensed as a write-down and the amount of the write-down is directly deducted from the carrying amount of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the cause of a write-down no longer exists, or when there is clear evidence of an increase in net realisable value due to changes in economic conditions, reversals of such write-downs are recognised. The carrying amount after reversal is recognised at the lower of cost or the revised net realisable value, and the amount of the reversal of write-downs is recognised in profit or loss.

Inventories held for generating profits from short-term fluctuations in market prices are measured at fair value less costs to sell, with fluctuations in fair value less costs to sell recognised in profit or loss in the period in which such fluctuations occur.

**(10) Property, Plant and Equipment**

Items of property, plant and equipment are recognised initially at acquisition cost including transaction costs. Acquisition cost includes borrowing costs directly attributable to the acquisition, construction, etc. of assets requiring a considerable time period before they can be used as intended. The present value of the estimated costs for the disposal of an item of property, plant and equipment at the end of its useful life is included in the acquisition cost of the item if the recognition criteria for provisions are met, and are recognised as an expense through depreciation over the useful life of the item.

After initial recognition, the Companies apply the cost model to items of property, plant and equipment and measure such assets at acquisition cost less accumulated depreciation and accumulated impairment loss. The depreciable amount of items of property, plant and equipment is allocated over each period for the useful life of each item through depreciation, mainly on a straight-line basis over the useful life of each item (buildings and structures from 2 to 60 years, machinery and equipment from 2

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

to 45 years), or the units of production method based on reserve estimation. Land is not depreciated. If an item of property, plant and equipment includes one or more significant parts, each significant part is individually depreciated.

The Companies derecognise an item of property, plant and equipment when they have disposed of it or when it is no longer expected to produce any future economic benefits through use or disposal. The difference between the net disposal proceeds of the item and its carrying amount is recognised in profit or loss when the item is derecognised.

The basis of depreciation of property, plant and equipment, such as residual value, useful life, and depreciation method, is reviewed at each reporting date. When there is a change in the basis of depreciation, the depreciation charge is adjusted prospectively as a change in an accounting estimate.

**(II) Intangible Assets**

**Intangible assets other than goodwill**

Intangible assets acquired separately are measured at initial recognition at acquisition cost. The acquisition cost of intangible assets acquired in a business combination is measured at the acquisition date fair value. After initial recognition, the Companies apply the cost model to intangible assets and measure such assets at acquisition cost less accumulated amortisation and accumulated impairment loss. Internally generated intangible assets are expensed in the period in which they are incurred, unless they satisfy the criteria for capitalisation.

Intangible assets are classified as either intangible assets with finite useful lives or intangible assets with indefinite useful lives.

The amount of intangible assets with finite useful lives subject to amortisation is allocated as an expense over each period for the useful life of each asset (franchises and customer relationships approximately from 2 years to 45 years, software approximately from 3 years to 20 years) through amortisation, mainly on a straight-line basis. The basis of amortisation of these intangible assets, such as useful life and depreciation method, is reviewed at the end of each reporting period. When there is a change in the basis of amortisation, the amortisation charge is adjusted prospectively as a change in accounting estimate.

Intangible assets judged to have indefinite useful lives are not subject to amortisation, and the Companies review, at the end of each reporting period, whether the events or circumstances supporting such a judgment continue to exist. If the judgment that the useful life is indefinite is no longer valid, the intangible asset is reclassified from an intangible asset with an indefinite life to an intangible asset with a finite useful life, with amortisation charges adjusted prospectively as a change in an accounting estimate.

The Companies derecognise an item of intangible assets when they have disposed of it or when it is no longer expected to produce any future economic benefits from its use or disposal. The difference between the net disposal proceeds of an intangible asset arising from its derecognition and its carrying amount is recognised in profit or loss when the asset is derecognised.

**Goodwill**

Goodwill is recognised as the excess of (i) the aggregate of the consideration transferred measured at acquisition date fair value, the acquirer's previously held equity interest in the acquiree remeasured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree (hereinafter collectively referred to as "the aggregate amount of consideration") over (ii) the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. The amount of non-controlling interest is measured for each business combination either at acquisition date fair value or at the acquirer's proportionate interest in the identifiable net assets of the acquiree. If the total amount of consideration is less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is not subject to amortisation and is measured at acquisition cost less accumulated impairment loss. For impairment testing purposes, goodwill acquired in a business combination is, on or after the acquisition date, allocated to cash-generating units or groups of cash-generating units that are expected to receive benefits from the business combination.

If an operation within a cash-generating unit or a group of cash-generating units to which goodwill has been allocated is disposed of, the portion of goodwill related to the operation to be disposed of is included in the carrying amount of the operation for the purpose of calculation of the disposal gain or loss. Goodwill is allocated on the basis of the relative percentage of the values of the business to be disposed of and the remaining portion of the cash-generating unit, unless there is a more reasonable method.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(12) Oil, Gas and Mineral Resources Mining Activities**

Costs associated with the exploration, evaluation and development of oil and gas are accounted for based on the successful efforts method. Costs associated with the acquisition of vested mining rights, costs associated with the drilling and construction of exploratory wells and development wells, and related facilities are capitalised; and costs associated with exploratory wells are expensed when it has been demonstrated that the wells have no commercial viability, while other costs associated with exploration and evaluation, including geographical survey costs, are recognised as expenses when incurred. Costs associated with the exploration and evaluation of mineral resources are recognised as an expense as they are incurred until such time as the commercial viability of the mining activities is demonstrated.

Capitalised costs associated with exploration, evaluation and development are recognised as property, plant and equipment (machinery and equipment). Additionally, expenditures associated with the acquisition of rights to explore, etc. are recognised as intangible assets and reclassified as property, plant and equipment (machinery and equipment) and depreciated by the units of production method based on reserve estimation when their technical feasibility and economic viability have been demonstrated.

When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, such carrying amount is written down to its recoverable amount.

**(13) Leases**

The Companies engage in the business of leasing non-current assets as lessors and lease non-current assets as lessees under finance leases and operating leases.

Whether or not an arrangement is (or contains) a lease is determined at the inception of the lease based on the substance of that arrangement considering whether the performance of that arrangement depends on the use of a specific asset or group of assets, and whether the right to use the asset is transferred under the terms of that arrangement.

**Accounting as lessee**

For finance leases that transfer substantially all of the risks and rewards incidental to ownership of the asset, an asset and a liability are recognised on the commencement of the lease term in the Consolidated Statement of Financial Position at the lower of the fair value of the leased asset, determined at the inception of the lease, or the present value of the minimum lease payments calculated at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the outstanding liability, and finance charges are calculated so that they are equivalent to a constant interest rate on the balance of the liability. Finance charges are recognised as expenses over the lease term and contingent rents are recognised as expenses in the period in which they are incurred. Leased assets are depreciated over the period of expected use by a method consistent with the depreciation method for other similar assets owned by the lessee. The period of expected use is the useful life of the asset if the transfer of ownership is reasonably certain, or the shorter of the lease term or the useful life of the asset if the transfer of ownership is not reasonably certain.

Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Contingent rents are recognised as expenses in the period in which they are incurred.

**Accounting as lessor**

For finance leases that transfer substantially all the risks and rewards incidental to ownership of the asset, a lease receivable is recognised on the commencement of the lease term at an amount that equals the net investment in the lease at the inception of the lease. Initial direct costs incurred by the lessor are recognised as part of net investment in the lease in principle.

For operating leases, the leased assets are presented in the Consolidated Statement of Financial Position according to the nature of the assets and are depreciated by a method consistent with the depreciation method for other similar assets owned by the lessor. Lease income is recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Initial direct costs incurred by the lessor are included in the carrying amount of the leased asset and are recognised as expenses over the lease term as corresponding lease income is recognised.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(14) Impairment of Non-financial Assets Other than Inventories**

**Impairment losses**

The Companies assess, at the end of each reporting period, whether there is an indication that an asset may be impaired. Property, plant and equipment, and intangible assets with finite useful lives:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated.

Intangible assets with indefinite useful lives and goodwill:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated. The Companies also evaluate whether the carrying amount of an asset exceeds its recoverable amount on a regular basis (at least annually), irrespective of whether there is any indication that an asset may be impaired.

The recoverable amount of an asset is the higher of asset's or cash-generating unit's fair value less costs of disposal and its value in use. This determination is made for individual assets, unless an individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount and that reduction is recognised as an impairment loss. Value in use is calculated as the present value of the estimated future cash flows discounted at a discount rate reflecting the time value of money and the current market evaluation of the risks inherent in the asset.

**Reversals of impairment losses**

The Companies assess, at the end of each reporting period, whether there is an indication that the recognised impairment losses in prior periods for an asset may no longer exist or may have decreased. If there is such an indication, the Companies estimate the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognised to the extent that the carrying amount after the reversal does not exceed the carrying amount (after deducting accumulated depreciation or accumulated amortisation) that would have been determined had the impairment losses not been recognised previously. Reversal of impairment losses is recognised in profit or loss.

However, impairment losses recognised in respect of goodwill are not reversed under any circumstances.

**(15) Non-current Assets Held for Sale and Discontinued Operations**

The Companies classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following conditions are met:

- It is available for immediate sale in its present condition based solely on usual or customary conditions; and
- Sale is highly probable.

A non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Depreciation or amortisation is discontinued for a non-current asset or disposal group for the year in which it is classified as held for sale.

**(16) Provisions**

The Companies recognise a provision when (i) they have a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditure expected to be required to settle the obligation, discounted at a discount rate reflecting the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses.

For decommissioning obligations, a provision is recognised for the costs of demolition or removal of the asset, land restoration costs and expenditures incurred as a result of the use of the asset, and is added to the acquisition cost of the asset. Estimated costs and the discount rate applied are reviewed every year and any adjustment to the estimated amount is accounted for as a change in accounting estimate. The effect of changes in estimated costs or the discount rate applied is added to or deducted from the carrying amount of the related asset.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(17) Post-employment Benefits**

The Company and certain of its consolidated subsidiaries have defined benefit pension plans and lump-sum severance indemnity plans covering substantially all employees. The Companies measure the present value of defined benefit obligations and the post-employment benefit costs based on the projected unit credit method for each plan.

The effect of the remeasurement of a net defined benefit asset or liability is recognised in other comprehensive income and is immediately reclassified from other components of equity to retained earnings. Such remeasurement consists of actuarial gains and losses on the defined benefit obligation and the return on plan assets (excluding the amount of interest income on plan assets). Past service cost is recognised immediately in profit or loss.

A net defined benefit asset or liability is calculated as the present value of the defined benefit obligation less the fair value of the plan assets and is recognised as an asset or liability in the Consolidated Statement of Financial Position.

**(18) Treasury Stock**

If the Companies buy back their own equity instruments (treasury stock), such treasury stock is recognised at acquisition cost and is deducted from equity. No gain or loss is recognised in profit or loss at the time of purchase, sale, issuance or retirement of treasury stock. The difference between the carrying amount and the sale proceeds is recognised in capital surplus.

**(19) Share-based Payment**

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. The fair value at the grant date of the stock options are recognised as an expense over the period during which all the specified vesting conditions are satisfied with a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes model.

**(20) Revenue**

With the exception of interest, dividend, and other income recognised in accordance with IFRS 9 *Financial Instruments*, the Companies recognise revenue based on the following five-step approach if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

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 the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

**(21) Income and Other Taxes**

**Current tax**

Taxes payable (receivable) at the end of each reporting period are measured at an amount expected to be due for payment to, or refunded from, the taxation authorities. In measuring the amount of taxes, the Companies use the statutory tax rate or statutory effective tax rate at the end of each reporting period.

Current tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas current tax related to items recognised directly in equity is recognised directly in equity. The Companies recognise the financial statement effects of tax positions when it is more likely than not, based on technical interpretations, that the tax positions will be sustained upon examination by the tax authorities.

Current tax assets and current tax liabilities are offset if the Companies currently have a legally enforceable right to set off the recognised amounts of the assets and liabilities and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Deferred tax**

Deferred tax assets and liabilities are recognised by the Companies based on differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their tax basis, and are measured using the enacted tax rates and tax laws which will be in effect when the differences are expected to reverse.

Deferred tax liabilities are recognised with respect to taxable temporary differences other than those arising in the following cases:

- Initial recognition of goodwill;

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

- Initial recognition of assets or liabilities arising from a transaction that is not a business combination and does not affect accounting profit or taxable profit (loss) at the time of the transaction; and
- Taxable temporary differences associated with investments in subsidiaries, and associates or interests in joint ventures if the parent, investor or party to a joint venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, etc. can be utilised, except as follows. Deferred tax assets or liabilities are not recognised where they arise from the initial recognition of assets or liabilities as a result of transactions that are not a business combination and which do not affect accounting profit or taxable profit (loss) at the time of the transaction.

For deductible temporary differences associated with investments in subsidiaries and associates or interests in joint ventures, a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profit will be available against which the temporary difference can be utilised.

The Companies review, at the end of each reporting period, whether it is probable that sufficient taxable profit will be available to realise part or all of the benefit of the deferred tax assets, and reduce the amount of deferred tax assets to the extent that it is no longer probable that such taxable profit will be available. The Companies also review unrecognised deferred tax assets at the end of each reporting period and recognise them to the extent that it has become probable that future taxable profit will be available.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively.

Deferred tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas deferred tax related to items recognised directly in equity is recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset and presented net if, and only if, the Companies currently have a legally enforceable right to set off current tax assets and current tax liabilities and either of the following two conditions is met:

- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on different taxable entities, and those entities intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period.

**(22) Reclassifications**

In cases where the presentation of the Consolidated Financial Statements or the Notes to Consolidated Financial Statements has been modified, reclassifications and format changes have been made to comparative information.

**(23) Newly Applied Standards and Interpretations**

From the year ended March 31, 2019, the Companies have applied the following standards and interpretations.

Standards and interpretations	Description
IFRS 9 <i>Financial Instruments</i> (Amended July 2014)	Changes in qualifying criteria for impairment accounting, classification and measurement of financial assets
IFRS 15 <i>Revenue from Contracts with Customers</i>	Accounting for and disclosure of revenue recognition

The application of the above-mentioned standards did not have a material impact on the Consolidated Financial Statements. The cumulative effect of applying the above standards and interpretations were accounted for as adjustments to retained earnings at the date of initial application.

**(24) New Standards and Interpretations not yet Adopted**

Major standards and interpretations issued by the date of approval of the Consolidated Financial Statements are as follows.

At March 31, 2019, the Company has not yet adopted the following standards and interpretations.

The primary impact of the application of IFRS 16 *Leases* in the Consolidated Financial Statements is expected to be that, in principle, for all leases, right-of-use assets representing the right to use the underlying assets, and lease liabilities representing

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

the obligation for the related lease payments, will be recognised in the Consolidated Statement of Financial Position. In addition, depreciation and amortisation of such right-of-use assets, and finance charges for such lease liabilities will be recognised in the Consolidated Statement of Comprehensive Income. The application of IFRS 16 is expected to result in an increase in assets and liabilities by approximately ¥250 billion (\$2,252 million) respectively, but is not expected to have a material impact on the Consolidated Statement of Comprehensive Income.

Of note, the Companies will recognise the cumulative effects of initially applying the following standards and interpretations at the dates of initial application.

Standards and interpretations	Reporting periods on or after which the application are required	Reporting periods for adoption by the Company	Description
IFRS 16 <i>Leases</i>	January 1, 2019	Financial year ending March 31, 2020	Changes in lease accounting.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**4. Segment Information**

**(1) Operating Segments**

The Companies' operating segments by which the management evaluates performance and allocates resources are classified in terms of the nature of the products and services. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a wide variety of industries and, in addition, provides the related financing, insurance and other services to these operations on a worldwide basis. The Companies have six segments identified by products and services.

These segments are outlined as follows:

**Food:** Both domestically and internationally, this segment produces and distributes all sorts of foods such as fodder, soybeans, grain, sugar, processed food and beverages, raw materials, foodstuffs for commercial use, and agricultural and marine products.

**Consumer Products:** Both domestically and internationally, the Lifestyle sector includes apparel, footwear, household goods, home furnishings and sporting goods, and operates various businesses from planning, manufacturing, importing, and wholesaling/retailing of products to business investment. The Communication sector is involved in the system solution business, the network business, the mobile devices sales business. The Logistics sector operates forwarding business and logistics centres, and the Insurance sector operates an insurance brokerage business, a reinsurance business and other related businesses. The Finance sector operates asset and property managements, fund operations and other businesses, while the Real estate development sector deals with condominium development business, redevelopment business, and other broad range businesses to provide various services.

**Chemical & Forest Products:** Both domestically and internationally, the Chemical sector handles a wide variety of goods ranging from upstream, such as basic petrochemicals, to downstream, such as electronic materials and specialty chemicals. Focusing on China, the Americas, Middle East and South East Asia as priority markets, this sector is conducting business with a balance between investment and trade. The Agri-Input sector conducts agriculture material sales operation in the U.S., U.K. and other regions, as well as global trade business involving agrochemicals, fertilizers and raw materials of fertilizers, with the aim of further expanding the earnings of the Company's agriculture-related business. The Forest Products sector manufactures and distributes raw materials for paper production, paper and cardboard, and takes part in afforestation projects and sells housing materials.

**Energy & Metals:** Both domestically and internationally, the Energy sector, which focuses on products related to energy such as oil, gas and etc., takes part in various sorts of businesses which benefit from the development of resources through retail channels such as gas stations. The Metals and Mineral Resources sector is engaged in the development business for raw materials for production of steel and iron and nonferrous light metals. Also, this sector processes and sells nonferrous light metals, and is engaged in trading of raw materials for steel and iron and nonferrous light metals, as well as producing, processing and selling steel products in general including steel plates, steel pipes, and special steels.

**Power Business & Plant:** Both domestically and internationally, this segment develops, invests in, operates and manages a variety of power businesses including power generating, distributing and transforming operations, energy related infrastructure operations, desalination and water treatment operations, traffic and infra-system operations and various fields of industrial plants. In addition, this segment also delivers and contracts works of related equipment. This segment is also engaged in fund operations business targeted at overseas infrastructure assets.

**Transportation & Industrial Machinery:** Both domestically and internationally, this segment focuses on domestic and international trade (export and import) in aerospace and defense systems, automotive, construction, agricultural machinery, tires and other transportation-related machinery; loans and investments in wide-ranging fields such as wholesale, retail, retail finance, leasing business, product development and services related to such transportation machinery, and trading, possessing and chartering various cargo vessels, tankers and LNG carriers.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The Companies' operating segment information for the years ended March 31, 2019 and 2018 was as follows:

March 31, 2019	<i>Millions of yen</i>			
	Food	Consumer Products	Chemical & Forest Products	Energy & Metals
Revenue:				
Sales of goods	¥3,980,036	¥270,655	¥1,636,163	¥753,835
Commissions on services and trading margins	7,219	75,867	38,041	35,248
Total	¥3,987,255	¥346,522	¥1,674,204	¥789,083
Gross trading profit	¥139,023	¥123,640	¥226,357	¥86,419
Share of profits (losses) of associates and joint ventures	¥(24,669)	¥7,624	¥4,595	¥41,970
Profit (loss) for the year attributable to owners of the parent	¥(3,069)	¥37,341	¥51,540	¥67,855
Segment assets	¥1,378,571	¥578,017	¥1,218,202	¥1,634,844

March 31, 2019	<i>Millions of yen</i>			
	Power Business & Plant	Transportation & Industrial Machinery	Other	Consolidated
Revenue:				
Sales of goods	¥176,577	¥391,379	¥(10,940)	¥7,197,705
Commissions on services and trading margins	19,009	26,105	2,062	203,551
Total	¥195,586	¥417,484	¥(8,878)	¥7,401,256
Gross trading profit	¥45,519	¥118,823	¥(10,106)	¥729,675
Share of profits (losses) of associates and joint ventures	¥22,142	¥33,675	¥(59)	¥85,278
Profit (loss) for the year attributable to owners of the parent	¥30,758	¥52,022	¥(5,556)	¥230,891
Segment assets	¥1,078,380	¥804,755	¥116,308	¥6,809,077

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2019	<i>Thousands of U.S. dollars</i>			
	Food	Consumer Products	Chemical & Forest Products	Energy & Metals
Revenue:				
Sales of goods	\$35,856,180	\$2,438,333	\$14,740,207	\$6,791,306
Commissions on services and trading margins	65,036	683,487	342,712	317,550
<b>Total</b>	<b>\$35,921,216</b>	<b>\$3,121,820</b>	<b>\$15,082,919</b>	<b>\$7,108,856</b>
Gross trading profit	\$1,252,459	\$1,113,874	\$2,039,252	\$778,550
Share of profits (losses) of associates and joint ventures	(\$222,243)	\$68,685	\$41,396	\$378,108
Profit (loss) for the year attributable to owners of the parent	(\$27,649)	\$336,405	\$464,324	\$611,306
Segment assets	\$12,419,559	\$5,207,360	\$10,974,793	\$14,728,324

March 31, 2019	<i>Thousands of U.S. dollars</i>			
	Power Business & Plant	Transportation & Industrial Machinery	Other	Consolidated
Revenue:				
Sales of goods	\$1,590,784	\$3,525,937	(\$98,558)	\$64,844,189
Commissions on services and trading margins	171,252	235,180	18,576	1,833,793
<b>Total</b>	<b>\$1,762,036</b>	<b>\$3,761,117</b>	<b>(\$79,982)</b>	<b>\$66,677,982</b>
Gross trading profit	\$410,081	\$1,070,477	(\$91,044)	\$6,573,649
Share of profits (losses) of associates and joint ventures	\$199,477	\$303,378	(\$531)	\$768,270
Profit (loss) for the year attributable to owners of the parent	\$277,099	\$468,667	(\$50,053)	\$2,080,099
Segment assets	\$9,715,135	\$7,250,045	\$1,047,820	\$61,343,036

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2018	<i>Millions of yen</i>			
	Food	Consumer Products	Chemical & Forest Products	Energy & Metals
Revenue:				
Sales of goods	¥3,979,503	¥332,833	¥1,717,692	¥679,039
Commissions on services and trading margins	¥4,072	¥69,141	¥35,748	¥26,489
Total	¥3,983,575	¥401,974	¥1,753,440	¥705,528
Gross trading profit	¥135,181	¥117,343	¥203,219	¥58,016
Share of profits (losses) of associates and joint ventures	¥8,472	¥5,742	¥3,801	¥38,582
Profit (loss) for the year attributable to owners of the parent	¥42,321	¥27,029	¥41,868	¥21,936
Segment assets	¥1,437,817	¥451,816	¥1,180,020	¥1,613,397

March 31, 2018	<i>Millions of yen</i>			
	Power Business & Plant	Transportation & Industrial Machinery	Other	Consolidated
Revenue:				
Sales of goods	¥198,241	¥463,766	¥(9,266)	¥7,361,808
Commissions on services and trading margins	13,051	28,011	2,017	178,529
Total	¥211,292	¥491,777	¥(7,249)	¥7,540,337
Gross trading profit	¥39,871	¥131,487	¥(7,880)	¥677,237
Share of profits (losses) of associates and joint ventures	¥64,989	¥26,705	¥212	¥148,503
Profit (loss) for the year attributable to owners of the parent	¥38,900	¥41,031	¥(1,826)	¥211,259
Segment assets	¥1,111,024	¥784,248	¥298,795	¥6,877,117

- Notes: (1) Effective from the year ended March 31, 2019, "Food & Consumer Products" has been split into "Food" and "Consumer Products". Certain portions of "Consumer Products" and "Power Business & Plant" have been incorporated into "Transportation & Industrial Machinery".
- (2) Effective from the year ended March 31, 2019, the Companies changed the presentation of revenue to disaggregate "Sales of goods" and "Commissions on services and trading margins". The amount of inter-segment revenue is immaterial.
- (3) In conjunction with the above, operating segment information for the year ended March 31, 2018 has been restated and is presented accordingly.
- (4) Inter-segment transactions are generally priced in accordance with the prevailing market prices.
- (5) "Other" includes profit/loss such as head office expenses that are not allocated to the operating segments and inter-segment elimination and assets such as cash and cash equivalents related to financing held for general corporate purposes that are not allocated to the operating segments.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(2) Geographical information**

Geographical information is categorised according to the region or country in which the assets, which are the sources of revenue, are located.

Geographical information for the years ended March 31, 2019 and 2018 was as follows:

Revenue from external customers

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Japan	¥3,023,456	¥3,806,312	\$27,238,342
United States	3,022,893	2,572,199	27,233,270
Other	1,354,907	1,161,826	12,206,370
Total	<u>¥7,401,256</u>	<u>¥7,540,337</u>	<u>\$66,677,982</u>

Note: There is no concentration of revenue from a specific customer for the years ended March 31, 2019 and 2018.

Non-current assets other than financial assets and deferred tax assets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
United States	¥635,868	¥613,642	\$5,728,541
Japan	368,218	267,328	3,317,279
United Kingdom	119,079	135,240	1,072,784
Other	243,204	237,840	2,191,027
Total	<u>¥1,366,369</u>	<u>¥1,254,050</u>	<u>\$12,309,631</u>

**5. Business Combinations**

For the year ended March 31, 2019, the following material business combination occurred.

**ARTERIA Networks Corporation**

The common stock of ARTERIA Networks Corporation ("ARTE"), of which the Company had owned 50% of the voting rights and which was classified as an investment in a joint venture before the acquisition date, was newly listed on the First Section of the Tokyo Stock Exchange on December 12, 2018. ARTE became the Company's consolidated subsidiary since the Company came to possess substantial control over ARTE following the sale of its common stock upon the initial public offering by the other party who had jointly controlled ARTE, which resulted in a decrease of voting rights held by that party and a wide dispersion of voting right holders.

ARTE conducts the following business:

- Internet services;
- Network services; and
- Condominium internet services.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The fair value of the assets acquired and liabilities assumed at the acquisition date were as follows. As the allocation of purchase price to assets acquired and liabilities assumed had not yet been completed for this business combination, the amounts indicated were preliminary amounts based on information currently available at the issuance date of the Consolidated Financial Statements.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Fair value of the consideration transferred	¥—	\$—
Fair value of the equity interest held before the acquisition date	¥32,099	\$289,180
Current assets:	¥15,798	\$142,324
Cash and cash equivalents	7,399	66,658
Notes, trade accounts and loans receivable	5,929	53,414
Other	2,470	22,252
Non-current assets:	80,050	721,171
Intangible assets	46,196	416,180
Other	33,854	304,991
Fair value of the assets acquired	95,848	863,495
Current liabilities:	¥(10,666)	\$(96,090)
Non-current liabilities:	¥(59,625)	\$(537,162)
Fair value of the liabilities assumed	¥(70,291)	\$(633,252)
Fair value of the assets acquired and liabilities assumed-net	¥25,557	\$230,243
Fair value of non-controlling interests	(32,489)	(292,694)
Goodwill	¥39,031	\$351,631

The remeasured amount of the Company's equity interest held before the acquisition date represents its fair value at the acquisition date based on the market price of ARTE shares and the projected future cash flow of ARTE, etc., and the amount of non-controlling interests represents the fair value based on the market price of ARTE shares, respectively. Goodwill represents excess earning power that cannot be recognised separately.

The Company recognised a gain of ¥17,661 million (\$159,108 thousand) arising from remeasurement of the Company's equity interest held before the acquisition date in ARTE based on the fair value at the acquisition date following the consolidation of ARTE as the Company's consolidated subsidiary. Such gain was included in "Gains (losses) on investment securities" in the Consolidated Statement of Comprehensive Income.

Pro forma information (unaudited information) assuming that ARTE had been included in the Company's Consolidated Financial Statements at the beginning of the year ended March 31, 2019, revenue and profit for the period of ARTE recognised since the acquisition date, and acquisition-related costs relevant to this business combination were immaterial.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**6. Inventories**

Inventories at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>March 31, 2019</b>	March 31, 2018	<i>U.S. dollars</i>
Merchandise/finished goods	¥846,505	¥788,069	<b>\$7,626,171</b>
Materials/work in progress	34,830	28,076	313,784
Real estate held for sale	19,137	18,876	172,405
Total	<b>¥900,472</b>	<b>¥835,021</b>	<b>\$8,112,360</b>

The carrying amount of inventories measured at fair value less costs to sell on a recurring basis is based mainly on a market approach using observable inputs such as reasonable price obtained from trading partners and others, and is categorised as Level 2 in the fair value hierarchy, were ¥264,100 million (\$2,379,279 thousand) and ¥255,126 million at March 31, 2019 and 2018, respectively.

During the year ended March 31, 2019, there were no transfers between Level 1 and Level 2.

Inventories recognised as expenses for the years ended March 31, 2019 and 2018 were ¥6,087,203 million (\$54,839,667 thousand) and ¥6,372,458 million, respectively. Among those expenses, inventory write-down of ¥1,405 million (\$12,658 thousand) and ¥2,844 million were included in expenses for the years ended March 31, 2019 and 2018, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**7. Property, Plant and Equipment**

Changes in cost, accumulated depreciation and impairment losses of property, plant and equipment for the years ended March 31, 2019 and 2018 were as follows:

Cost

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2017	¥77,373	¥370,281	¥1,729,745	¥39,708	¥2,217,107
Additions	837	7,549	76,437	43,559	128,382
Disposals	(2,383)	(28,622)	(39,992)	-	(70,997)
Disposals of subsidiaries	(965)	(1,501)	(33,203)	-	(35,669)
Currency translation adjustments	(906)	(9,660)	(77,631)	(1,128)	(89,325)
Other	1,704	17,566	18,250	(53,778)	(16,258)
March 31, 2018	¥75,660	¥355,613	¥1,673,606	¥28,361	¥2,133,240
Additions	3,464	8,044	46,900	38,165	96,573
Disposals	(367)	(2,362)	(58,108)	(127)	(60,964)
Disposals of subsidiaries	(745)	(1,460)	(13,050)	-	(15,255)
Currency translation adjustments	525	6,436	58,386	531	65,878
Other	1,348	6,070	28,905	(34,921)	1,402
March 31, 2019	¥79,885	¥372,341	¥1,736,639	¥32,009	¥2,220,874

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2018	\$681,621	\$3,203,721	\$15,077,531	\$255,505	\$19,218,378
Additions	31,207	72,468	422,523	343,829	870,027
Disposals	(3,306)	(21,279)	(523,496)	(1,144)	(549,225)
Disposals of subsidiaries	(6,711)	(13,154)	(117,567)	-	(137,432)
Currency translation adjustments	4,730	57,982	526,000	4,783	593,495
Other	12,145	54,685	260,405	(314,604)	12,631
March 31, 2019	\$719,686	\$3,354,423	\$15,645,396	\$288,369	\$20,007,874

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Accumulated depreciation and impairment losses

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2017	¥(4,359)	¥(180,091)	¥(1,064,262)	¥(3)	¥(1,248,715)
Depreciation	-	(14,253)	(90,702)	-	(104,955)
Impairment losses	(1,209)	(344)	(573)	-	(2,126)
Disposals	841	26,421	32,198	-	59,460
Disposals of subsidiaries	256	558	11,057	-	11,871
Currency translation adjustments	40	3,135	48,965	-	52,140
Other	122	1,085	3,367	(10)	4,564
March 31, 2018	¥(4,309)	¥(163,489)	¥(1,059,950)	¥(13)	¥(1,227,761)
Depreciation	-	(15,359)	(82,493)	-	(97,852)
Impairment losses	(194)	(1,211)	(15,943)	(71)	(17,419)
Disposals	103	1,408	43,102	6	44,619
Disposals of subsidiaries	-	200	694	-	894
Currency translation adjustments	(32)	(1,875)	(36,677)	1	(38,583)
Other	91	8,292	32,860	77	41,320
March 31, 2019	¥(4,341)	¥(172,034)	¥(1,118,407)	¥-	¥(1,294,782)

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2018	\$(38,820)	\$(1,472,874)	\$(9,549,099)	\$(117)	\$(11,060,910)
Depreciation	-	(138,370)	(743,180)	-	(881,550)
Impairment losses	(1,748)	(10,910)	(143,631)	(639)	(156,928)
Disposals	928	12,685	388,306	54	401,973
Disposals of subsidiaries	-	1,802	6,252	-	8,054
Currency translation adjustments	(288)	(16,892)	(330,423)	9	(347,594)
Other	819	74,703	296,037	693	372,252
March 31, 2019	\$(39,109)	\$(1,549,856)	\$(10,075,738)	\$-	\$(11,664,703)

Carrying amount

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2018	¥71,351	¥192,124	¥613,656	¥28,348	¥905,479
March 31, 2019	¥75,544	¥200,307	¥618,232	¥32,009	¥926,092

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2019	\$680,577	\$1,804,567	\$5,569,658	\$288,369	\$8,343,171

Changes in costs within "Other" included transfers from construction in progress to other property, plant and equipment.

Depreciation of property, plant and equipment is included in "Cost of goods sold" and "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income.

For the years ended March 31, 2019 and 2018, the Company and certain of its consolidated subsidiaries recognised impairment

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

losses on facilities, real estate and industrial plants of ¥17,419 million (\$156,928 thousand) and ¥2,126 million, respectively, based on the related recoverable amounts due to decreases in estimated future cash flows and other factors.

In terms of operating segments, the major impairment losses of ¥17,009 million (\$153,234 thousand) were included in the Energy & Metals segment for the year ended March 31, 2019.

Impairment losses are included in "Impairment losses" in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**8. Intangible Assets**

Changes in cost, accumulated amortisation and impairment losses of intangible assets for the years ended March 31, 2019 and 2018 were as follows:

Cost

	<i>Millions of yen</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2017	¥179,267	¥40,712	¥190,865	¥71,277	¥482,121
Acquisitions arising from business combinations	18,635	38	13,675	-	32,348
Additions	1,665	9,364	-	201	11,230
Disposals	(43)	(3,470)	-	(2)	(3,515)
Currency translation adjustments	(7,469)	(2)	(8,021)	(4,865)	(20,357)
Other	(2,357)	398	(7,497)	(1,870)	(11,326)
March 31, 2018	¥189,698	¥47,040	¥189,022	¥64,741	¥490,501
Acquisitions arising from business combinations	45,151	1,138	39,192	282	85,763
Additions	852	6,814	-	135	7,801
Disposals	(1,244)	(2,510)	-	(1,325)	(5,079)
Currency translation adjustments	4,992	13	5,403	3,817	14,225
Other	(4,573)	1,827	(6,719)	2,583	(6,882)
March 31, 2019	¥234,876	¥54,322	¥226,898	¥70,233	¥586,329

	<i>Thousands of U.S. dollars</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2018	\$1,708,991	\$423,784	\$1,702,901	\$583,252	\$4,418,928
Acquisitions arising from business combinations	406,766	10,252	353,081	2,541	772,640
Additions	7,676	61,387	-	1,216	70,279
Disposals	(11,207)	(22,613)	-	(11,937)	(45,757)
Currency translation adjustments	44,973	117	48,676	34,387	128,153
Other	(41,199)	16,460	(60,532)	23,271	(62,000)
March 31, 2019	\$2,116,000	\$489,387	\$2,044,126	\$632,730	\$5,282,243

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Accumulated amortisation and impairment losses

	<i>Millions of yen</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2017	¥(44,863)	¥(20,094)	¥(64,207)	¥(63,623)	¥(192,787)
Amortisation expenses	(9,083)	(5,480)	-	(511)	(15,074)
Impairment losses	(535)	(3)	(1,872)	(220)	(2,630)
Disposals	19	3,065	-	2	3,086
Currency translation adjustments	2,007	9	3,342	4,675	10,033
Other	(75)	(222)	120	631	454
March 31, 2018	¥(52,530)	¥(22,725)	¥(62,617)	¥(59,046)	¥(196,918)
Amortisation expenses	(8,713)	(6,292)	-	(399)	(15,404)
Impairment losses	-	(55)	-	(33)	(88)
Disposals	990	2,426	-	1,323	4,739
Currency translation adjustments	(625)	43	(2,304)	(3,725)	(6,611)
Other	1,960	(61)	7,315	(1,320)	7,894
March 31, 2019	¥(58,918)	¥(26,664)	¥(57,606)	¥(63,200)	¥(206,388)

*Thousands of U.S. dollars*

	<i>Thousands of U.S. dollars</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2018	\$(473,243)	\$(204,730)	\$(564,117)	\$(531,946)	\$(1,774,036)
Amortisation expenses	(78,495)	(56,685)	-	(3,595)	(138,775)
Impairment losses	-	(495)	-	(297)	(792)
Disposals	8,919	21,856	-	11,919	42,694
Currency translation adjustments	(5,631)	387	(20,757)	(33,558)	(59,559)
Other	17,657	(549)	65,901	(11,892)	71,117
March 31, 2019	\$(530,793)	\$(240,216)	\$(518,973)	\$(569,369)	\$(1,859,351)

Carrying amount

	<i>Millions of yen</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2018	¥137,168	¥24,315	¥126,405	¥5,695	¥293,583
March 31, 2019	¥175,958	¥27,658	¥169,292	¥7,033	¥379,941

*Thousands of U.S. dollars*

	<i>Thousands of U.S. dollars</i>				
	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2019	\$1,585,207	\$249,171	\$1,525,153	\$63,361	\$3,422,892

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Acquisitions arising from business combination in the year ended March 31, 2019 were primarily attributable to ARTE. For details, see Note 5. "Business Combinations".

Of the intangible assets stated above, the carrying amounts of intangible assets with indefinite useful lives at March 31, 2019 and 2018 were ¥58,322 million (\$525,423 thousand) and ¥51,718 million, respectively. Major intangible assets with indefinite useful lives were trademarks, which were included in "Franchises and customer relationships". As the trademarks with indefinite business terms will basically exist as long as the Company continues to exist, it has been determined that there is no foreseeable limit to the period of inflow of future economic benefits and thus they are classified as intangible assets with indefinite useful lives. The carrying amounts of intangible assets with indefinite useful lives at March 31, 2019 and 2018 included trademarks recognised as a result of the acquisition of Gavilon in the amounts of ¥41,621 million (\$374,964 thousand) and ¥39,840 million, respectively.

Of the intangible assets stated above, the carrying amounts of major intangible assets with finite useful lives at March 31, 2019 and 2018, which were included in "Franchises and customer relationships", and their carrying amounts were as follows: customer relationship assets related to the trading and distribution business of grains and fertilizers were ¥21,765 million (\$196,081 thousand) and ¥23,086 million, and franchises and customer relationship assets related to the mobile phone sales distribution business were ¥24,104 million (\$217,153 thousand) and ¥25,753 million, respectively. Also, in the year ended March 31, 2019, ARTE was acquired by business combination, and customer relationship assets related to the internet service business, etc. were recorded by measuring within intangible assets at fair value, the carrying amount of which was ¥41,606 million (\$374,829 thousand) at March 31, 2019. The assets are amortised over 8-34 years on a straight-line basis.

Amortisation of intangible assets is included in "Cost of goods sold" and "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income.

For the years ended March 31, 2019 and 2018, the Company and certain of its consolidated subsidiaries recognised impairment losses on intangible assets of ¥88 million (\$792 thousand) and ¥2,630 million, respectively, based on the relevant recoverable amounts due to decreases in estimated future cash flows and other factors.

Impairment losses are included in "Impairment losses" in the Consolidated Statement of Comprehensive Income.

The carrying amounts of "Goodwill" at March 31, 2019 and 2018 included goodwill for Gavilon in the amounts of ¥69,405 million (\$625,270 thousand) and ¥66,434 million, respectively.

Effective from the year ended March 31, 2018, the Group conducts and monitors the business operations of Gavilon's grain business and Columbia Grain (which are engaged in the grain business in North America) in an integrated manner. The Group also conducts and monitors the business operations of Gavilon's fertilizer business and Helena Agri-Enterprises (which are engaged in the agricultural materials business in North America) in an integrated manner.

Effective from the year ended March 31, 2018, following the reorganisation of the reporting structure aimed at the integrated management of the grain business as well as the fertilizer/agricultural materials businesses, Gavilon's grain business and Columbia Grain are treated as a single group of cash-generating units, and Gavilon's fertilizer business and Helena Agri-Enterprises are also treated as a single group of cash-generating units.

Accordingly, effective from the year ended March 31, 2018, goodwill with respect to Gavilon was reallocated to the reorganised groups of cash-generating units and is now tested for impairment as part of the respective group of cash-generating units.

The carrying amounts of "Goodwill" allocated to the group of cash-generating units of the grain business ("Grain CGU Group") at March 31, 2019 and 2018 were ¥35,890 million (\$323,333 thousand) and ¥34,354 million, respectively, and were included in Food in terms of operating segment.

The carrying amounts of "Goodwill" allocated to the group of cash-generating units of the agricultural materials business ("Agricultural Materials CGU Group") at March 31, 2019 and 2018 were ¥33,515 million (\$301,937 thousand) and ¥32,080 million, respectively, and were included in Chemical & Forest Products in terms of operating segment.

The recoverable amounts used in impairment testing of goodwill of the Grain CGU Group and the Agricultural Materials CGU Group were calculated based on value in use which was measured by discounting the estimated future cash flows based on the revised business plan approved by the management.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The business plan represents the management's estimate of a range of economic conditions including such significant assumptions as quantity, price and margin with respect to each group of cash-generating units, based on past experience, which was also consistent with external evidence. The business plan in the Grain CGU Group and the Agricultural Materials CGU Group uses the most recent 10-year forecasts in order to average market conditions. For the period beyond 10 years, the Company calculated the terminal value based on a steady growth rate of 2.1% and 2.0% for the years ended March 31, 2019 and 2018, respectively. The growth rate was determined by considering such factors as the market to which each CGU Group belongs and the long-term average growth rate in the U.S.A.

The discount rate used in the value in use calculations at March 31, 2019 and 2018 was 8.0% and 8.5%, respectively, which reflects current market assessments of the time value of money and risks specific to the assets.

The carrying amount of "Goodwill" at March 31, 2019 included goodwill recognised in association with the acquisition of ARTE by business combination in the amount of ¥39,031 million (\$351,631 thousand).

The CGU to which the goodwill of ARTE was allocated included the relevant of assets of the ARTE business and the recoverable amount of the CGU was based on fair value less costs of disposal. Such fair value was categorised as Level 3, and was calculated based on the market price of ARTE shares by factoring in a control premium.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**9. Associates and Joint Ventures**

**For the year ended March 31, 2019**

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥1,005,591 million (\$9,059,378 thousand) and ¥103,390 million (\$931,441 thousand), respectively. The share of comprehensive income consisted of ¥95,615 million (\$861,396 thousand) in profit for the year and ¥7,775 million (\$70,045 thousand) in other comprehensive income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥727,121 million (\$6,550,640 thousand) and ¥(10,132) million (\$91,279) thousand, respectively. The share of comprehensive income consisted of ¥(10,337) million (\$93,126) thousand in profit for the year and ¥205 million (\$1,847 thousand) in other comprehensive income.

An impairment loss of ¥30,079 million (\$270,982 thousand) was recognised in Food in terms of operating segment for investments in a joint venture of the grain export business including soybeans on the U.S. West Coast, due to the need to revise its future business plan and the forecast of the reduction in its projected future cash flow based on a downturn in the business. Also, an impairment loss of ¥22,916 million (\$206,450 thousand) was recognised in Power Business & Plant in terms of operating segment for investments in a joint venture of a power generation business in Singapore, due to the forecast of the decrease in its projected future cash flow stemming from the decline in power prices, etc. Such impairment losses were calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the recoverable amounts in Food and Power Business & Plant were ¥50,442 million (\$454,432 thousand) and ¥14,247 million (\$128,351 thousand), respectively. The weighted average capital costs used in value in use calculations in Food and Power Business & Plant were 8.6% and 8.1%, respectively, and reflected current market assessments of the time value of money and risks specific to the assets. Such impairment losses were included in "Share of profits of associates and joint ventures" in the Consolidated Statement of Comprehensive Income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥12,575 million (\$113,288 thousand) (¥1,003 million (\$9,036 thousand) increase for the current year) and ¥6,819 million (\$61,432 thousand) (¥4,261 million (\$38,387 thousand) increase for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

**For the year ended March 31, 2018**

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥994,926 million and ¥100,344 million, respectively. The share of comprehensive income consisted of ¥99,815 million in profit for the year and ¥529 million in other comprehensive income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥769,243 million and ¥49,816 million, respectively. The share of comprehensive income consisted of ¥48,688 million in profit for the year and ¥1,128 million in other comprehensive income.

Unrecognised share of losses of associates and joint ventures accounted for under the equity method were ¥11,572 million (a ¥4,960 million increase for the current year) and ¥2,558 million (a ¥6,384 million decrease for the current year), respectively.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**10. Income Taxes**

The Company files a consolidated income tax return in Japan.

Total income taxes recognised for the years ended March 31, 2019 and 2018 were attributable to the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Current tax	¥(46,002)	¥(24,109)	\$(414,432)
Deferred tax	(3,533)	(14,320)	(31,829)
Total	<u>¥(49,535)</u>	<u>¥(38,429)</u>	<u>\$(446,261)</u>

The Company is mainly subject to income tax, inhabitants tax and enterprise tax, which is recognised as a deductible expense, and the applicable income tax rate calculated on the basis of these taxes for the years ended March 31, 2019 and 2018 was approximately 31.0%. However, the income tax rates of foreign subsidiaries are calculated on the basis of general local tax rates.

A reconciliation of the applicable tax rates to the effective tax rates expressed as a percentage of profit before tax for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Applicable tax rate	31.0 %	31.0 %
Tax effect on income and expenses not taxable and deductible for tax purposes	(2.9)%	(3.3)%
Difference in tax rate of foreign subsidiaries	(1.6)%	(0.3)%
Tax effect on share of profits of associates and joint ventures and retained earnings of subsidiaries	(8.7)%	(12.0)%
Reassessment of the recoverability of deferred tax assets	(2.3)%	4.1 %
Other	1.7 %	(4.4)%
Effective tax rate	<u>17.2 %</u>	<u>15.1 %</u>

Changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Balance at beginning of year (Deferred tax assets-net)	¥(50,711)	¥(17,414)	\$(456,856)
Deferred tax income or expense recognised in profit or loss	(3,533)	(14,320)	(31,829)
Deferred tax income or expense recognised in other comprehensive income	3,569	(14,174)	32,153
Changes in acquisitions and divestitures	(11,302)	(4,803)	(101,819)
Balance at end of year (Deferred tax assets-net)	<u>¥(61,977)</u>	<u>¥(50,711)</u>	<u>\$(558,351)</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Significant components of deferred tax assets and deferred tax liabilities at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Deferred tax assets:</b>			
Allowance for doubtful accounts	¥4,605	¥2,660	\$41,487
Inventories	474	684	4,270
Property, plant and equipment and investment property	7,123	12,257	64,171
Employees' retirement benefits	26,368	24,429	237,550
Unrealised profit on intercompany transactions	3,186	2,624	28,703
Net operating loss carryforwards	97,825	106,218	881,306
Other	42,221	32,642	380,369
Total deferred tax assets	<u>¥181,802</u>	<u>¥181,514</u>	<u>\$1,637,856</u>
<b>Deferred tax liabilities:</b>			
Property, plant and equipment and investment property	¥81,708	¥81,546	\$736,108
Investment securities and other investments	27,736	29,082	249,874
Intangible assets	38,594	26,276	347,694
Undistributed earnings	49,943	52,964	449,937
Other	45,798	42,357	412,594
Total deferred tax liabilities	<u>¥243,779</u>	<u>¥232,225</u>	<u>\$2,196,207</u>
Deferred tax assets-net	<u>¥(61,977)</u>	<u>¥(50,711)</u>	<u>\$(558,351)</u>

Deferred tax assets and deferred tax liabilities in the Consolidated Statement of Financial Position at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Deferred tax assets	¥45,806	¥45,233	\$412,667
Deferred tax liabilities	107,783	95,944	971,018
Deferred tax assets-net	<u>¥(61,977)</u>	<u>¥(50,711)</u>	<u>\$(558,351)</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The amount of deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognised at March 31, 2019 and 2018 were ¥759,776 million (\$6,844,829 thousand) and ¥759,507 million, respectively. Within these amounts, tax loss carryforwards classified by expiry date at March 31, 2019 and 2018 were as follows:

Expiry date	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Not later than one year	¥10,815	¥6,177	\$97,432
Later than one year and not later than five years	29,543	36,927	266,153
Later than five years	25,517	35,539	229,883
Indefinite carryforward periods	34,375	37,483	309,685
Total	<u>¥100,250</u>	<u>¥116,126</u>	<u>\$903,153</u>

Deferred tax assets of ¥64,113 million were recognised at March 31, 2018 by certain subsidiaries that have recorded losses in the years ended March 31, 2018 or 2017 in the tax jurisdiction to which the deferred tax assets relate, and the utilisation of the deferred tax assets is dependent on future taxable profits. Deferred tax assets of ¥25,989 million (\$234,135 thousand) were recognised at March 31, 2019 by certain subsidiaries that have recorded losses in the years ended March 31, 2019 or 2018 in the tax jurisdiction to which the deferred tax assets relate, and the utilisation of the deferred tax assets is dependent on future taxable profits. Each company's management carefully has assessed the probability that taxable profit will be available against which the unused tax losses or deductible temporary differences may be utilised based on tax planning.

The aggregate amounts of temporary differences relating to investments in subsidiaries and associates and equity interests in joint ventures for which deferred tax liabilities were not recognised at March 31, 2019 and 2018 were ¥969,413 million (\$8,733,450 thousand) and ¥840,005 million, respectively. Determination of the amounts of the related unrecognised deferred tax liabilities is not practical.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

11. **Leases**

**Lessor**

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases.

Gross investment in the lease and present value of the total of future minimum lease payments receivable under finance leases at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable
Not later than one year	¥9,242	¥8,992	¥3,160	¥2,925	\$83,261	\$81,009
Later than one year and not later than five years	9,220	7,669	18,723	16,568	83,063	69,090
Later than five years	—	—	59	2	—	—
Total	<u>¥18,462</u>	<u>¥16,661</u>	<u>¥21,942</u>	<u>¥19,495</u>	<u>\$166,324</u>	<u>\$150,099</u>
Less: Unearned finance income	1,801		2,446		16,225	
Net investment in the lease	<u>¥16,661</u>		<u>¥19,496</u>		<u>\$150,099</u>	
Less: Present value of unguaranteed residual value	0		1		0	
Present value of minimum lease payments receivable	<u>¥16,661</u>		<u>¥19,495</u>		<u>\$150,099</u>	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, etc. under operating leases.

The total of future minimum lease payments receivable under non-cancellable operating leases at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Not later than one year	¥28,050	¥26,117	\$252,703
Later than one year and not later than five years	63,182	65,117	569,207
Later than five years	9,633	16,082	86,784
Total	<u>¥100,865</u>	<u>¥107,316</u>	<u>\$908,694</u>

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**Lessee**

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases. At March 31, 2019 and 2018, the net carrying amounts mainly included in "Property, plant and equipment" in the Consolidated Statement of Financial Position, were ¥29,149 million (\$262,604 thousand) and ¥24,279 million, respectively.

The total of future minimum lease payments and the present value under finance leases at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	¥9,511	¥8,790	¥8,506	¥8,040	\$85,685	\$79,189
Later than one year and not later than five years	20,003	18,564	16,668	15,901	180,207	167,243
Later than five years	3,702	3,337	1,944	1,716	33,351	30,063
Total	<u>¥33,216</u>	<u>¥30,691</u>	<u>¥27,118</u>	<u>¥25,657</u>	<u>\$299,243</u>	<u>\$276,495</u>
Less: Financial charges	<u>2,525</u>		<u>1,461</u>		<u>22,748</u>	
Present value of minimum lease payments	<u>¥30,691</u>		<u>¥25,657</u>		<u>\$276,495</u>	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, buildings and structures, etc. under operating leases. Lease payments were ¥64,891 million (\$584,604 thousand) and ¥54,854 million for the years ended March 31, 2019 and 2018, respectively. Payments for services of ¥2,224 million (\$20,036 thousand) and ¥5,380 million, respectively, were included in the lease payments.

The total of future minimum lease payments under non-cancelable operating leases at March 31, 2019 and 2018 were as follows. The total of future minimum lease payments receivable at March 31, 2019 and 2018 had not been offset by the future minimum sublease rentals of ¥58,278 million (\$525,027 thousand) and ¥89,045 million, respectively, under non-cancelable subleases.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Not later than one year	¥50,284	¥42,872	\$453,009
Later than one year and not later than five years	99,139	82,300	893,144
Later than five years	73,430	67,271	661,532
Total	<u>¥222,853</u>	<u>¥192,443</u>	<u>\$2,007,685</u>

Future minimum lease payments of ¥11,560 million (\$104,144 thousand) and ¥10,021 million at March 31, 2019 and 2018, respectively, included future payments for services.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**12. Employee Benefits**

**(1) Post-employment benefits**

The Company and certain of its consolidated subsidiaries have cash balance plans based on the Japanese Defined Benefit Corporate Pension Plan Act and other defined benefit pension plans. These plans cover substantially all employees other than directors. In addition to the pension plans, the Company and certain of its consolidated subsidiaries have lump sum retirement plans to be paid upon retirement or severance based on the years of service and compensation level.

The Company, pursuant to the Japanese Defined Benefit Corporate Pension Plan Act and other laws, has the obligation to make contributions to the Marubeni Corporate Pension Fund (the "Fund"), which pays out pension benefits. The Director of the Fund has the fiduciary duty to comply with laws, the dispositions of the Minister of Health, Labour and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the Board of Representatives, and to faithfully perform duties for the Fund including the management and operation of the contributions. Additionally, a code of conduct has been articulated, which prohibits the Director of the Fund from entering into asset management agreements for the purpose of benefiting a third party and from acts that constitute conflicts of interest.

The pension plan is operated by the Fund, which is legally independent from the Company. The Board of Representatives comprises an equal number of Representatives elected from the management side (Assigned Representatives) and Representatives elected from the employee side (Mutually Elected Representatives), while the chair of the Board of Representatives (the "Chairman") is elected from the management side.

Proceedings of the Board of Representatives are decided by a majority vote of the members attending. In the case of a tied vote, the Chairman has the power to decide the vote. However, with regard to particularly important matters, the bylaws provide that the decision be made by a majority that exceeds the above.

The Representatives hold exclusive power to decide important matters including investment policy. The actual management of the assets is conducted by investment managers on the basis of an entrustment contract, and the Representatives are prohibited by law from giving instructions, such as instructions on specific investments.

The Company is required to make contributions to the Fund, and the contributions are reviewed regularly to the extent allowed by law. While it is under obligation to make contributions stipulated by the Fund into the future, the Company, in addition to these contributions, also funds a retirement benefit trust on a voluntary basis.

With regard to the lump sum retirement plan, the Company is under obligation to pay benefits directly to the beneficiaries. Although the Company is not under any legal obligation regarding the funding of this plan, fund assets exist, which have been voluntarily contributed by the Company to the retirement benefit trust.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in the present value of defined benefit obligation and the fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Balance at beginning of year of net defined benefit liability	¥78,040	¥82,759	\$703,063
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	331,318	332,170	2,984,847
Current service cost	12,319	12,445	110,982
Past service cost	(1,999)	104	(18,009)
Interest expense	5,136	5,143	46,270
Remeasurements	7,684	2,630	69,225
Effect of changes in foreign exchange rates	2,883	(3,381)	25,973
Employees' contributions	337	256	3,036
Benefits paid	(16,946)	(18,051)	(152,667)
Effects of business combinations, divestitures and others	598	2	5,388
Balance at end of year	341,330	331,318	3,075,045
Changes in the fair value of plan assets:			
Balance at beginning of year	253,278	249,411	2,281,784
Interest income	3,914	3,931	35,261
Remeasurements	(760)	10,870	(6,847)
Effect of changes in foreign exchange rates	1,850	(2,134)	16,667
Employees' contributions	337	256	3,036
Employer's contributions	8,558	6,334	77,099
Benefits paid	(14,565)	(15,390)	(131,216)
Effects of business combinations, divestitures and others	-	-	-
Balance at end of year	252,612	253,278	2,275,784
Balance at end of year of net defined benefit liability	¥88,718	¥78,040	\$799,261

Actuarial assumptions used for the present value calculation of defined benefit obligations at March 31, 2019 and 2018 were mainly as follows:

	March 31, 2019	March 31, 2018
Discount rate	0.6%	0.8%
Rates of salary increase	4.8%	4.7%

Sensitivity analyses are conducted at the year end based on reasonably estimable changes in assumptions. Although sensitivity analyses assume that the actuarial assumptions other than those that are subject to the analyses are held constant, in reality, it is possible for the sensitivity analyses to be impacted by other actuarial assumptions.

If, for example, the discount rate fell by 0.5%, and the other assumptions were held constant, defined benefit plan liability at March 31, 2019 and 2018 would increase by ¥15,249 million (\$137,378 thousand) and ¥15,040 million, respectively. The rate of salary increase is not expected to change in the future.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Fair value of plan assets by class at March 31, 2019 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥11,607	¥—	¥11,607
Equity securities:			
Japanese companies	29,184	—	29,184
Pooled funds	1,764	66,260	68,024
Debt securities:			
Bonds denominated in Japanese yen	—	3,246	3,246
Bonds denominated in foreign currencies	4,987	13,047	18,034
Pooled funds	—	99,746	99,746
Life insurance company general accounts	—	20,478	20,478
Other	2,474	(181)	2,293
Total plan assets	¥50,016	¥202,596	¥252,612

Class of plan assets	<i>Thousands of U.S. dollars</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	\$104,568	\$—	\$104,568
Equity securities:			
Japanese companies	262,919	—	262,919
Pooled funds	15,892	596,937	612,829
Debt securities:			
Bonds denominated in Japanese yen	—	29,243	29,243
Bonds denominated in foreign currencies	44,928	117,540	162,468
Pooled funds	—	898,613	898,613
Life insurance company general accounts	—	184,486	184,486
Other	22,288	(1,630)	20,658
Total plan assets	\$450,595	\$1,825,189	\$2,275,784

Fair value of plan assets by class at March 31, 2018 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥75,096	¥—	¥75,096
Equity securities:			
Japanese companies	36,568	—	36,568
Pooled funds	1,610	35,609	37,219
Debt securities:			
Bonds denominated in Japanese yen	—	2,655	2,655
Bonds denominated in foreign currencies	2,713	9,129	11,842
Pooled funds	—	67,820	67,820
Life insurance company general accounts	—	16,741	16,741
Other	2,367	2,970	5,337
Total plan assets	¥118,354	¥134,924	¥253,278

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

In making investment decisions, the main objective is to secure the necessary return over the long term to cover pension and retirement benefit payments. The primary investment policy is to analyse the risk/return characteristics by asset class and to invest in a diversified portfolio taking into consideration the correlation among asset classes.

The Company sets an asset mix policy with investments in equity securities, debt securities and other assets. Based on this policy, the Company selects multiple investment managers who execute the strategy. When selecting an investment manager, the Company gives consideration to management philosophy and content, investment management policy and investment style, investment control systems including information collection mechanisms and decision-making processes, compliance systems, investment experience and the track record of the investment manager as well as the professionals in charge of managing pension assets.

Plan assets are invested 30%, 60% and 10% in equity securities, debt securities and other, respectively, at March 31, 2019.

The investments in each asset class executed by investment managers are outlined as follows:

Equity securities are selected mainly from stocks that are listed on securities exchanges. Prior to investing, the Company investigates the business conditions of the investee companies and appropriately diversifies investments in consideration of the type of industry, investees and other relevant factors. Debt securities are selected mainly from government bonds, public debt instruments and corporate bonds. Prior to investing, the Company investigates the quality of the issuing conditions, including issuers, rating, interest rate and repayment dates, and appropriately diversifies the investments. Pooled funds are selected using strategies consistent with the equity and debt securities described above. For investments in life insurance company general accounts, contracts with insurance companies include a guaranteed interest rate and a return of capital. With respect to foreign investments vehicles, the Company investigates the stability of the underlying governments and economies, the market characteristics, such as settlement systems, and the taxation systems. For each such investment, the Company selects the appropriate investment country and currency.

The performance of certain plan assets by the cash balance plan is matched with the related pension benefits to a certain extent.

Funding of the Marubeni Corporate Pension Fund is conducted by taking into account various factors including limits on deductible expenses under the tax rules, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services to be rendered by employees in the future as well as services already rendered.

In accordance with the Japanese Defined Benefit Corporate Pension Plan Act, the bylaws of the Marubeni Corporate Pension Fund provide for the re-calculation of the contribution amount at five-year intervals with the year end as the base date for the purpose of maintaining balanced finances into the future.

The re-calculation process reviews the basic rates relating to the contribution (the guaranteed rate of return, expected rate of mortality, expected withdrawal rate, expected salary increase, expected new enrolment rate, etc.) and verifies the adequacy of the contribution amount.

Additionally, the Company, in order to ensure sufficient funding of the pension plan, may also contribute marketable equity securities and cash to the retirement benefit trust in the amount of the unfunded portion of defined benefit obligation.

The amount of contributions expected to be paid to plan assets for the year ending March 31, 2020 is approximately ¥8,600 million (\$77,477 thousand).

The weighted average durations of defined benefit obligations at March 31, 2019 and 2018 were 14.3 years and 14.4 years, respectively.

**(2) Employee benefit cost**

The aggregate amounts of employee benefit cost included under "Selling, general and administrative expenses" in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2019 and 2018 were ¥304,800 million (\$2,745,946 thousand) and ¥303,328 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**13. Provisions**

Changes in provisions for the year ended March 31, 2019 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	Decommissioning	Other	Total	Decommissioning	Other	Total
	Obligations	Provisions		Obligations	Provisions	
Balance at beginning of year	¥70,001	¥26,073	¥96,074	\$630,640	\$234,892	\$865,532
Increase for the year	9,299	11,438	20,737	83,775	103,045	186,820
Decrease for the year	(8,825)	(10,442)	(19,267)	(79,505)	(94,072)	(173,577)
Interest expense	1,875	18	1,893	16,892	162	17,054
Other	1,687	(258)	1,429	15,198	(2,324)	12,874
Balance at end of year	¥74,037	¥26,829	¥100,866	\$667,000	\$241,703	\$908,703

"Other" includes changes due to foreign currency fluctuations.

Decommissioning obligations mainly relate to the costs of dismantlement and removal of development facilities for natural resources owned by consolidated subsidiaries engaged in oil and gas producing activities. Generally, costs relating to the dismantlement and removal of facilities are expected to be paid after 10 years or more after the initial recognition of said decommissioning obligations.

Other provisions include provisions for litigation and provisions for onerous contracts.

Decommissioning obligations and other provisions are included in "Other current liabilities" and "Other non-current liabilities" in the Consolidated Statement of Financial Position.

**14. Issued Capital Stock and Reserves**

The number of shares authorised and issued at March 31, 2019 and 2018 were as follows:

	<i>Number of shares</i>	
	March 31, 2019	March 31, 2018
Class of share	Ordinary shares	Ordinary shares
Authorised	4,300,000,000	4,300,000,000
Issued:		
Balance at beginning of year	1,737,940,900	1,737,940,900
Change for the year	-	-
Balance at end of year	1,737,940,900	1,737,940,900

Notes: (1) Common stock has no par value.

(2) Issued stock is fully paid.

Treasury stock held by the Company and by its subsidiaries or associates at March 31, 2019 and 2018 was as follows:

Name	March 31, 2019		March 31, 2018		March 31, 2019
	<i>Shareholding</i>		<i>Shareholding</i>		<i>Shareholding</i>
	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
The Company	2,412,420	¥1,359	2,406,660	¥1,354	\$12,244
Subsidiaries and associates	177,593	25	177,659	25	225
Total	2,590,013	¥1,384	2,584,319	¥1,379	\$12,469

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the amount of issued capital.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**15. Other Equity Instruments**

In August 2016, the Company obtained financing from domestic financial institutions through perpetual subordinated loans (the "Loans") in order to bolster its balance sheet.

As the Loans are classified as equity instruments in accordance with IFRSs, ¥243,589 million (\$2,194,495 thousand) (after deducting transaction costs of ¥6,411 million (\$57,757 thousand)) was recorded in "Other equity instruments" in the "Equity" section of the Consolidated Statement of Financial Position.

Accrued interest on the Loans has not been recognised as a distribution to owners of other equity instruments at March 31, 2019 because such interest payment was discretionary and it was not determined at that date. The potential amount payable was ¥459 million (\$4,135 thousand).

**Overview of the Loans**

(i) Total amount of financing obtained	¥250 billion (Tranche A: ¥100 billion, Tranche B: ¥150 billion)
(ii) Due date of final repayment	No specific maturity has been set. However, by giving prior notice the Company has the option to make early repayments of the principal of Tranche A on August 16, 2021 and subsequent interest payment dates and the principal of Tranche B on August 16, 2023 and subsequent interest payment dates.
(iii) Restrictions on interest	The Company is able to suspend and defer interest payments at its discretion by giving prior notice. However, if dividends on common stock, etc. are distributed, feasible and reasonable efforts will be made to pay any such suspended interest and associated additional interest.
(iv) Subordination clause	If a subordination event (e.g., liquidation) provided for in the contract occurs, the order of repayment of the Loans will be subordinated to all senior creditors.
(v) Applicable interest rate	Tranche A: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2041 Tranche B: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2043

**16. Dividends**

Dividends on common stock recognised as distributions to shareholders of common stock for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	<i>(U.S. dollars)</i> March 31, 2019
Year-end dividend	¥32,107	¥23,430	\$289,252
(Dividends per share)	(18.5)	(13.5)	(0.17)
Interim dividend	29,504	21,694	265,802
(Dividends per share)	(17.0)	(12.5)	(0.15)

Dividends on common stock which were approved by resolution of the Board of Directors after the year end but which have not been recognised as distributions to shareholders of common stock for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	<i>(U.S. dollars)</i> March 31, 2019
Year-end dividend	¥29,504	¥32,107	\$265,802
(Dividends per share)	(17.0)	(18.5)	(0.15)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**17. Revenue**

The Companies are involved in various forms of transactions including: transactions to provide goods or services to customers and to settle such transactions; and transactions in which the consideration is settled directly between the buyer and the seller, with the Companies receiving commission fees from the buyer, the seller or both.

The Companies separately present revenue arising from these transactions based on the contracts with customers as either "Sales of goods" or "Commissions on services and trading margins". Revenue is included in "Sales of goods" as principal transactions where the Companies control the goods or services before the transfer thereof to customers, and in all other cases the net amount, after deduction of amounts due to third parties from the transaction consideration, is included in "Commissions on services and trading margins" as agent transactions.

See Note 4. "Segment Information" for a breakdown of revenue.

**Sales of goods**

For sales of goods where the Companies arrange shipping, revenue is recognised when the delivery obligations specified in the contract have been fulfilled, such as when a bill of lading, warehouse receipt, delivery order, etc., is delivered to the buyer, or when the inspection of goods is completed, and there are substantially no further obligations to perform, and the customer has certainty of the receipt of goods. In most transactions based on sales contracts of goods, performance obligations are satisfied at a point in time. Amounts due are settled normally within three months from the time the transaction is completed (i.e., the time at which the performance obligations are satisfied), in some cases payment is received before the performance obligations are satisfied and, accordingly, they are recorded as contract liabilities. The amount of revenue that includes variable consideration or repurchase obligations is immaterial.

For construction contracts that create or enhance the value of customers' assets, the Companies recognise contract revenue progressively over several accounting periods by measuring the progress towards satisfaction of the performance obligations in the contract. Progress towards satisfaction of the performance obligations is generally measured based on the percentage of contract costs incurred by the end of each reporting period compared to the expected total contract costs. If such progress cannot be reasonably measured, the Companies recognise revenue to the extent of incurred costs. Revenue arising from construction contracts is immaterial and is presented within "Sales of goods".

**Commissions on services and trading margins**

Commissions on services and trading margins are mainly commissions receivable when the Companies are agents in transactions. The Companies recognise revenue upon the completion of service which is judged to give rise to the right to consideration from customers based on contracts and related legislation, legal precedents, customary business practices, etc. Amounts due are settled normally within three months from the time the transaction is completed (i.e., the time at which the performance obligations are satisfied), in some cases payment is received before the performance obligations are satisfied and recorded as a contract liability.

**Revenue recognised from other sources**

Other than IFRS 15 *Revenue from Contracts with Customers*, the Companies primarily recognised interest and dividend income as well as revenue related to some commodity contracts, etc. in accordance with IFRS 9 *Financial Instruments*, and recognised revenue with respect to lease contracts in accordance with IAS 17 *Leases*.

Revenue recognised from other sources in the year ended March 31, 2019 was ¥2,923,464 million (\$26,337,514 thousand). Revenue recognised from other sources was mainly revenue from the sale of goods, etc. by consolidated subsidiaries engaged in grain business in the Food group in the amount of ¥2,681,048 million (\$24,153,586 thousand). As these transactions had been executed for the purpose of generating profits from the sales of goods and short-term fluctuations in market prices by concluding forward contracts, they were accounted for as derivatives in accordance with IFRS 9 *Financial Instruments* and excluded from the scope of IFRS 15 *Revenue from Contracts with Customers*. Among such transactions, for those involving sales of goods subject to physical settlement, revenue was recorded in gross amount.

**Determining the transaction price and the amounts allocated to performance obligations**

In the determination of the transaction price, the Companies include the effects of variable consideration due to sales discounts, rebates, etc. If consideration for goods or services, etc. had been expected to be paid within a period of one year or less since the transfer of such goods or services, etc., no adjustments were made with respect to the effects of a significant financing component. Variable consideration is estimated by using the expected value based on past experience or the most likely amount in a range of

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

possible consideration amounts, and revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

In cases where there are multiple performance obligations identified in a contract, the transaction price is allocated to each performance obligation in proportion to the standalone selling prices.

**Contract balances**

The breakdown of contract balances in the Companies was as follows. In the Consolidated Statement of Financial Position, receivables arising from contracts with customers were included in "Notes, trade accounts and loans receivable" in both Current assets and Non-current assets, and contract liabilities were included in "Other current liabilities". The amount of contract assets was immaterial. Contract liabilities at April 1, 2018 were mostly reclassified to revenue in the year ended March 31, 2019, and the amount carried forward to subsequent fiscal years was immaterial.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	April 1, 2018	March 31, 2019
Receivables arising from contracts with customers	¥586,150	¥639,200	\$5,280,631
Contract liabilities	86,446	79,858	778,793

**Transaction price allocated to remaining performance obligations**

For contracts with a term expected to exceed one year, the Companies allocated transaction prices to unsatisfied (or partially unsatisfied) performance obligations at March 31, 2019 in the amount of ¥92,125 million (\$829,955 thousand), and are expected to recognise ¥27,861 million (\$251,000 thousand) as revenue in the year ending March 31, 2020. These amounts do not include transaction prices regarding remaining performance obligations with an original expected duration of one year or less, and remaining performance obligations for which revenue is recognised in the amount to which the Companies have a right to invoice under contracts such as those in which the Companies bill a fixed amount for each hour of service provided.

**18. Other-net**

"Other-net" in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥47,602 million (\$428,847 thousand) and other expenses of ¥36,860 million (\$332,072 thousand) for the year ended March 31, 2019. Net exchange differences recognised in profit or loss classified as "Other-net" in the Consolidated Statement of Comprehensive Income were net losses of ¥5,954 million (\$53,640 thousand). Also, the Companies recognised gains of ¥13,593 million (\$122,459 thousand) arising from the sale of a portion of the domestic power generation business.

"Other-net" in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥26,497 million and other expenses of ¥61,560 million for the year ended March 31, 2018. Net exchange differences recognised in profit or loss classified as "Other-net" in the Consolidated Statement of Comprehensive Income were net gains of ¥4,824 million. Also, the Companies recognised losses incurred from infrastructure projects overseas.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**19. Other Comprehensive Income**

Each component of other comprehensive income, including non-controlling interests and related tax effects, for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>					
	March 31, 2019			March 31, 2018		
	Before tax amount	Tax (expense) or benefit	Net of tax amount	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	¥(23,808)	¥6,073	¥(17,735)	¥28,662	¥(8,098)	¥20,564
Change for the year	¥(23,808)	¥6,073	¥(17,735)	¥28,662	¥(8,098)	¥20,564
Foreign currency translation adjustments:						
Gains (losses) arising for the year	¥50,762	¥1,464	¥52,226	¥(93,467)	¥(111)	¥(93,578)
Reclassification to profit or loss for the year	2,969	64	3,033	4,494	(231)	4,263
Change for the year	¥53,731	¥1,528	¥55,259	¥(88,973)	¥(342)	¥(89,315)
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	¥479	¥911	¥1,390	¥(12,462)	¥3,650	¥(8,812)
Reclassification to profit or loss for the year	10,016	(941)	9,075	9,195	(814)	8,381
Change for the year	¥10,495	¥(30)	¥10,465	¥(3,267)	¥2,836	¥(431)
Remeasurements of defined benefit pension plan:						
Gains (losses) arising for the year	¥(10,129)	¥2,419	¥(7,710)	¥7,473	¥(3,860)	¥3,613
Change for the year	¥(10,129)	¥2,419	¥(7,710)	¥7,473	¥(3,860)	¥3,613
Other comprehensive income (loss)	¥30,289	¥9,990	¥40,279	¥(56,105)	¥(9,464)	¥(65,569)

	<i>Thousands of U.S. dollars</i>		
	March 31, 2019		
	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:			
Gains (losses) arising for the year	\$(214,487)	\$54,712	\$(159,775)
Change for the year	\$(214,487)	\$54,712	\$(159,775)
Foreign currency translation adjustments:			
Gains (losses) arising for the year	\$457,316	\$13,189	\$470,505
Reclassification to profit or loss for the year	26,748	576	27,324
Change for the year	\$484,064	\$13,765	\$497,829
Gains (losses) on cash flow hedges:			
Gains (losses) arising for the year	\$4,315	\$8,207	\$12,522
Reclassification to profit or loss for the year	90,234	(8,477)	81,757
Change for the year	\$94,549	\$(270)	\$94,279
Remeasurements of defined benefit plan:			
Gains (losses) arising for the year	\$(91,252)	\$21,793	\$(69,459)
Change for the year	\$(91,252)	\$21,793	\$(69,459)
Other comprehensive income (loss)	\$272,874	\$90,000	\$362,874

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**20. Earnings per Share**

Basic and diluted earnings per share attributable to shareholders of the parent for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Numerator:</b>			
Profit for the year attributable to owners of the parent	¥230,891	¥211,259	\$2,080,099
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (basic)			
Amount not attributable to shareholders of the parent	4,015	4,000	36,171
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (basic)	226,876	207,259	2,043,928
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (diluted)			
Adjustment concerning stock acquisition rights	(1)	(1)	(9)
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	¥226,875	¥207,258	\$2,043,919
	<i>Number of shares</i>		
	March 31, 2019	March 31, 2018	
<b>Denominator:</b>			
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (basic)	1,735,354,008	1,735,359,061	
Effect of dilution			
Adjustment concerning stock acquisition rights	1,503,080	849,138	
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	1,736,857,088	1,736,208,198	
	<i>Yen</i>		<i>U.S. dollars</i>
<b>Earnings per share attributable to shareholders of the parent</b>	March 31, 2019	March 31, 2018	March 31, 2019
Basic	¥130.74	¥119.43	\$1.18
Diluted	¥130.62	¥119.37	\$1.18

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**21. Cash Flow Information**

(1) Non-cash transactions related to investing activities and financing activities

There were no material non-cash transactions related to investing activities and financing activities for the years ended March 31, 2019 and 2018.

(2) Changes in liabilities and assets arising from financing activities

Changes in liabilities and assets arising from financing activities for the year ended March 31, 2019 were composed of the following.

	<i>Millions of yen</i>		
	Bonds and borrowings	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):			
Changes from financing cash flows	¥(275,940)	¥(69,128)	¥(345,068)
Changes arising from obtaining or losing control of subsidiaries or other businesses	35,301	3,790	39,091
The effect of changes in foreign exchange rates	39,295	4,739	44,034
Changes in fair values	1,173	(2,565)	(1,392)
Increase arising from use of trade financing	25,518	—	25,518
Others	326	3,566	3,892

	<i>Thousands of U.S. dollars</i>		
	Bonds and borrowings	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):			
Changes from financing cash flows	\$(2,485,946)	\$(622,774)	\$(3,108,720)
Changes arising from obtaining or losing control of subsidiaries or other businesses	318,027	34,144	352,171
The effect of changes in foreign exchange rates	354,009	42,694	396,703
Changes in fair values	10,568	(23,109)	(12,541)
Increase arising from use of trade financing	229,892	—	229,892
Others	2,937	32,126	35,063

Changes in liabilities and assets arising from financing activities for the year ended March 31, 2018 were composed of the following.

	<i>Millions of yen</i>		
	Bonds and borrowings	Other	Total
Changes in liabilities and assets arising from financing activities (figures in parentheses indicate decrease in liabilities):			
Changes from financing cash flows	¥(189,508)	¥(26,094)	¥(215,602)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(14,424)	(3,639)	(18,063)
The effect of changes in foreign exchange rates	(57,714)	(5,630)	(63,344)
Changes in fair values	(6,651)	6,823	172
Increase arising from use of trade financing	3,920	—	3,920
Others	943	5,270	6,213

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**22. Share-based Payment**

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. Under the plan, each stock option entitles stock acquisition right holders to acquire 100 shares of common stock at an exercise price equal to ¥1 (\$0.01) per share.

Stock acquisition right holders shall be able to exercise their stock acquisition rights for 33 years after the allotment date, on and after (i) the day when three years have elapsed from the allotment date or (ii) the day following the date on which they cease to be a director or executive officer of the Company, whichever is earlier.

A summary of the Company's stock option activity is as follows:

	Year ended March 31, 2019		Year ended March 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	1,004,700	¥1 (\$0.01)	472,400	¥1
Granted	640,600	¥1 (\$0.01)	532,300	¥1
Forfeited	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding at end of year	1,645,300	¥1 (\$0.01)	1,004,700	¥1
Exercisable at end of year	339,900	¥1 (\$0.01)	40,900	¥1

The exercise price and weighted average remaining contractual life at March 31, 2019 were ¥1 (\$0.01) and 31.3 years.

The weighted average fair values of stock options under the Company's stock option plan at the respective measurement dates for the years ended March 31, 2019 and 2018 were ¥741 (\$6.68) and ¥671, respectively.

The fair value of the stock options was measured using the Black-Scholes model. The expected volatility is measured based on the historical share prices of the Company for a period corresponding to the expected option life. The assumptions used for measuring the fair value are as follows:

	Year ended March 31, 2019		Year ended March 31, 2018	
	Portion allocated on April 11, 2018	Portion allocated on July 9, 2018	Portion allocated on April 17, 2017	Portion allocated on July 10, 2017
Stock price at the measurement date	¥789 (\$7.11)	¥839 (\$7.56)	¥655	¥740
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)	¥1	¥1
Expected volatility (%)	29.0	29.1	29.6	29.9
Expected option life (years)	3.0	3.0	3.0	3.0
Expected dividend yield (%)	3.3	3.7	3.1	3.1
Risk-free interest rate (%)	(0.1)	(0.1)	(0.2)	(0.1)

Stock compensation expenses recorded for the years ended March 31, 2019 and 2018 were ¥474 million (\$4,270 thousand) and ¥348 million, respectively.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**23. Financial Instruments and Related Disclosures**

**(1) Policy for managing capital**

The fundamental policy of the Companies is to maintain an optimal mix of funding in line with the requirements of the asset portfolio. Funding sources include indirect financial procurement firstly from banks and other financial institutions, as well as direct procurement through the issuance of bonds, commercial paper and other means. The Companies utilise such management indicators as net DE ratio (Note 1) and risk assets (Note 2) and strengthen the financial base to build and maintain a strong financial foundation that will serve as the platform for growth.

Note 1 Net DE ratio = Net interest bearing debt / Total equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents, and time deposits from the total bonds and borrowings (current and non-current).

Note 2 The Company defines risk assets as the exposure of its portfolio to the maximum possible loss that could be incurred on a consolidated basis, measured using the Value at Risk method. The Company conducts computer simulations on all group assets including the assets of the consolidated subsidiaries that take into account the risk attributes of each type of exposure such as country risk, industry risk, credit rating of the customers, and scheduled due dates of receivables.

In "GC2021"—the three-year mid-term management strategy launched in the year ending March 31, 2020—management regularly monitors the net DE ratio with the aim of achieving the target of approximately 0.8 times by March 31, 2020.

The Companies are not subject to any significant capital restrictions (with the exception of general restrictions pursuant to laws such as the Companies Act of Japan).

**(2) Policy for managing risks**

The Companies conduct business activities in various countries including Japan and are, thus, subject to the effects of interest rate risks, exchange rate risks, credit risks, commodity price risks, liquidity risks and stock price fluctuation risks described below. The Companies evaluate these risks through monitoring on a regular basis and manage these risks under an identical risk management policy, regardless of the application of hedge accounting, in order to hedge all or part of these risks. In principle, the hedged items and the hedging instruments are based on the same underlying and have an economic relationship. Additionally, the hedge ratio is on a one-to-one basis so that the risk exposure of the hedged items is effectively reduced.

**(i) Management of interest rate risks**

Since the Companies have raised certain funds at floating interest rates, they are exposed to the risk of an increase in interest expense in the event of a hike in market interest rates. The majority of liabilities at floating rates correspond to notes, trade accounts and loans receivable, which are positively affected by changes in interest rates. Interest insensitive assets such as certain fixed assets and investment securities will also possibly produce an increase in dividends and other income because of a rise in market interest rates. The Companies cannot completely avoid interest rate risks, however, risk exposure is limited by the portfolio of assets and liabilities held.

In addition, among the liabilities used to fund interest insensitive assets, such as certain fixed assets and investment securities, that portion with floating rates is categorised as "unhedged" based on the Group's asset-liability management. Monitoring market movements in interest rates, the Group utilises interest rate swaps and takes other measures to mitigate the risk of interest rate fluctuations.

**Interest rate sensitivity**

The following table illustrates the impact of a 1% rise in interest rates on profit before tax of the Companies at March 31, 2019 and 2018 assuming that all other variables are held constant.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Effect on profit before tax	¥(10,750)	¥(12,881)	\$(96,847)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(ii) Management of foreign currency risks

The Companies conduct transactions in a variety of currencies and are, thus, subject to the effects of exchange rate fluctuation risks associated with business activities conducted in foreign currencies and with net investments in foreign operations. In order to hedge the risks associated with business activities, i.e., the risk of changes in cash flows of foreign currency denominated receivables, payables, firm commitments and forecast transactions, and the risk of changes in fair value of foreign currency denominated receivables, payables and firm commitments; as well as the exchange rate fluctuation risk of net investments in foreign operations, the Companies utilise forward-exchange contracts, foreign currency denominated bonds and borrowings, and other means to mitigate these risks associated with exchange rate fluctuations.

Foreign exchange sensitivity

The following table illustrates the impact of an appreciation of the Japanese yen by ¥1 against the US\$ and AU\$ on profit before tax and equity of the Companies, assuming that all other variables are held constant at March 31, 2019 and 2018. A depreciation of the Japanese yen by ¥1 against the US\$ and AU\$, assuming that all other variables are held constant, would result in the opposite impact on profit before tax and equity of the Companies of the amounts shown in the following table. Currencies other than the US\$ and AU\$, there are no foreign currencies that pose a significant exchange rate fluctuation risk.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<i>&lt;U.S. dollars&gt;</i>			
Effect on profit before tax	¥(331)	¥49	\$(2,982)
Effect on foreign currency translation adjustments (before tax)	(13,074)	(12,113)	(117,784)
<i>&lt;Australian dollars&gt;</i>			
Effect on profit before tax	43	48	387
Effect on foreign currency translation adjustments (before tax)	(1,933)	(1,913)	(17,414)

(iii) Management of credit risks

The Companies carry out general trading business, which comprise export, import, domestic and offshore trading in a wide variety of fields including industrial, agricultural and consumer products, and which also involves all levels of activities from planning, investment, and research and development through production, distribution and marketing. In addition, the Companies operate in substantially all geographic areas of the world, and their customers are diversified. Accordingly, the management of the Companies believes there is no significant concentration of credit risk among its customers or in its investments. The Companies make credit enhancements as necessary, such as taking out insurance and obtaining collateral of machinery and equipment, etc. For derivative transactions, risk management policy and administrative guidelines have been established in accordance with internal regulations; subject to sufficient identification of the counterparty's credit status on an individual basis, a transaction limit is set in terms of amount and reviewed periodically.

The carrying amount of the financial assets of the Companies after impairment represent the maximum exposure to credit risk that does not take into account collateral and other credit enhancements.

Allowance for doubtful accounts for a debt instrument financial asset measured at amortised cost and Debt instrument financial asset measured at FVTOCI is recognised, after estimating the recoverable amount, either: collectively in cases where there has not been a significant increase in the credit risk for financial instruments since initial recognition; or individually in cases where there has been a significant increase in the credit risk for financial instruments since initial recognition. Credit risk is managed by using an internal credit rating determined according to the customer's credit status; a rating is assigned to companies on an individual basis and reviewed periodically. In the calculation of expected credit losses, the ratio of allowance calculated with respect to each credit rating and each credit period is applied to the past record of default with respect to each credit rating that factors in future economic fluctuations and changes in the fundamentals.

Situations where there has been a significant increase in credit risk include situations where payment is contractually considerably overdue and situations where contractual terms have been relaxed in conjunction with the increase in the credit risk of the obligor. If the credit risk is deemed to be low as at the end of each reporting period, credit risk is presumed not to have significantly increased since initial recognition.

If one or more events that have an adverse impact on the estimated future cash flows of a financial asset have occurred and, for example, there are major concerns over the financial position of the issuer or obligor or concessions have been made

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(e.g., debt forgiveness, substantial relaxation of repayment terms) in conjunction with the increase in the credit risk of the obligor or issuer, such financial asset is regarded as a credit-impaired financial asset. If part or all of the credit-impaired financial asset is not reasonably expected to be recovered, such part is derecognised and deducted directly from the carrying amount of the financial asset.

(a) Quantitative and qualitative information on amounts arising from expected credit losses

Changes in allowance for doubtful accounts for trade accounts and loans receivable measured at amortised cost were as follows:

*Millions of yen*

	Trade accounts receivable			Loans receivable			Total
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2018	¥6,116	¥36,411	¥42,527	¥965	¥—	¥5,900	¥49,392
Provision for the year	2,654	8,351	11,005	673	—	4,321	15,999
Charge-offs	(1,325)	(8,125)	(9,450)	—	—	(161)	(9,611)
Others	(1,117)	(4,147)	(5,264)	(353)	—	978	(4,639)
March 31, 2019	¥6,328	¥32,490	¥38,818	¥1,285	¥—	¥11,038	¥51,141

*Thousands of U.S. dollars*

	Trade accounts receivable			Loans receivable			Total
	Lifetime expected credit losses	Credit-impaired financial assets	Subtotal	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	
March 31, 2018	\$55,099	\$328,027	\$383,126	\$8,694	\$—	\$53,153	\$444,973
Provision for the year	23,910	75,234	99,144	6,063	—	38,928	144,135
Charge-offs	(11,937)	(73,198)	(85,135)	—	—	(1,450)	(86,585)
Others	(10,063)	(37,360)	(47,423)	(3,180)	—	8,810	(41,793)
March 31, 2019	\$57,009	\$292,703	\$349,712	\$11,577	\$—	\$99,441	\$460,730

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

(b) Maximum exposures to credit risk

The breakdown of maximum exposures to credit risk was as follows:

*Millions of yen*

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March 31, 2019

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	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Trade accounts receivable	¥--	¥1,305,127	¥37,916	¥1,343,043
Loans receivable	116,566	—	13,056	129,622

*Thousands of U.S. dollars*

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March 31, 2019

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	12-month expected credit losses	Lifetime expected credit losses	Credit- impaired financial assets	Total
Trade accounts receivable	\$—	\$11,757,901	\$341,585	\$12,099,486
Loans receivable	1,050,144	—	117,622	1,167,766

The amount of collateral and other credit enhancements for credit-impaired financial assets at March 31, 2019 was ¥5,475 million (\$49,324 thousand).

(iv) Management of commodity price risks

The Companies are subject to the effects of fluctuation risk of oil and gas, coal, aluminum, copper, and agricultural product prices. The Companies match buy and sell orders and use commodity derivatives including commodity futures, commodity forward contracts, commodity swaps and commodity options to mitigate the fluctuation risks of commodity prices. Additionally, certain commodity derivatives are entered into for trading purposes within pre-determined limits and loss limits.

Commodity price sensitivity

The fluctuation risk of commodity prices on inventories, and purchase and sales contracts at the end of year is substantially diminished through commodity derivatives and other means. Additionally, the impact of changes in the fair value of commodity derivatives for trading purposes is not significant.

(v) Management of liquidity risk

The Companies are subject to the effects of liquidity risk including the dramatic decline in liquidity of held assets due to financial market turmoil. The Companies maintain a sufficient level of liquidity, mainly in the form of cash and deposits, in addition to cash flows from operating activities and the establishment of commitment lines with financial institutions.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The following table illustrates the results of a liquidity analysis conducted on the derivatives of the Companies at March 31, 2019 and 2018. Derivatives that are settled net with other contracts are represented as gross amounts.

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Not later than one year	More than one year	Not later than one year	More than one year	Not later than one year	More than one year
<b>Revenue</b>						
Interest rate	¥5,394	¥17,751	¥5,731	¥19,388	\$48,595	\$159,919
Foreign currency	2,616	1,067	7,057	1,023	23,568	9,613
Commodity	124,498	7,099	92,081	6,895	1,121,604	63,955
Other	245	1,015	—	1,265	2,207	9,144
<b>Expense</b>						
Interest rate	(25)	(761)	(55)	(1,926)	(225)	(6,856)
Foreign currency	(2,070)	(1,266)	(6,485)	(2,277)	(18,649)	(11,405)
Commodity	(97,367)	(4,036)	(81,797)	(3,043)	(877,180)	(36,360)
Other	—	0	—	(445)	—	0

For the liquidity analysis of non-derivative financial liabilities, see (3) Fair value of financial instruments.

(vi) Management of stock price fluctuation risk

The Companies hold equity instruments (stocks) mainly for the purpose of strengthening relationships with business partners and are, thus, subject to the effects of stock price fluctuations. The Companies regularly review their holding of stocks, and by disposing of stocks that are no longer considered worthwhile holding, mitigate the risk of fluctuations in stock prices.

Sensitivity to stock price fluctuations

In terms of equity instruments (stocks) in active markets, if quoted prices drop 5% across the board at the year end, the negative impact (before tax) on "Gains (losses) on financial assets measured at fair value through other comprehensive income" of the Companies for the years ended March 31, 2019 and 2018 would be ¥(8,255) million (\$ (74,369) thousand) and ¥(8,712) million, respectively; while the impact on profit or loss would be minimal.

(3) Fair value of financial instruments

(i) Fair value measurement methods

The estimated fair value of the financial instruments of the Companies has been determined using available market information or other appropriate valuation methodologies.

The following methodologies and assumptions are used by the Companies in estimating the fair value disclosures of financial instruments:

**Cash and cash equivalents, and time deposits:** Cash and cash equivalents, and time deposits are measured at amortised cost, and their carrying amount in the Consolidated Statement of Financial Position approximate fair value due to the relative short-term maturities.

**Investment securities and other investments:** The fair value of investment securities in active markets is measured on the basis of quoted prices at the year end.

The fair value of equity instrument financial assets in markets that are not active and debt instrument financial assets classified as Financial assets measured at FVTOCI or FVTPL is measured on the basis of discounted future cash flows, third-party valuations and other valuation methods.

The fair value of debt instrument financial assets measured at amortised cost is estimated using discounted future cash flows based on the market interest rates at the year end applicable to debt instrument financial assets with identical remaining periods and similar credit ratings.

**Notes, trade accounts and loans receivable, and notes and trade accounts payable:** The fair value of notes, trade accounts

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

and loans receivable, and notes and trade accounts payable is estimated using discounted future cash flows based mainly on the interest rates at the year end applicable to notes, trade accounts and loans receivable, and notes and trade accounts payable with identical remaining periods and similar credit ratings.

**Bonds and borrowings:** The fair value of bonds and borrowings is estimated using discounted future cash flows based on the interest rates at the year end applicable to similar loan agreements with identical remaining periods.

**Other financial assets and liabilities:** Other financial assets and other financial liabilities include derivative assets and derivative liabilities as well as non-derivative assets and non-derivative liabilities.

The carrying amounts of derivative assets and derivative liabilities reflected in the Consolidated Statement of Financial Position represent fair value.

Non-derivative assets mainly consist of other receivables from customers, and have been measured at amortised cost, with the exception of Financial assets measured at FVTPL.

Non-derivative liabilities mainly consist of other payables to customers and payables relating to consideration for notes, trade accounts and loans receivable that have been transferred without satisfying the criteria for derecognition of financial assets, and have been measured at amortised cost.

The carrying amounts of non-derivative assets and non-derivative liabilities measured at amortised cost reflected in the Consolidated Statement of Financial Position approximate fair value.

**Interest rate swap agreements:** The fair value of interest rate swap agreements is estimated using discounted future cash flows based on the swap rates at the year end applicable to similar interest rate swap agreements with identical remaining periods.

**Forward exchange contracts:** The fair value forward exchange contracts is estimated based on quoted prices at the year end.

**Commodity futures and forward contracts:** The fair value of commodity futures and forward contracts is estimated based on quoted prices at the year end.

(ii) Notes, trade accounts and loans receivable

The carrying amounts of notes, trade accounts and loans receivable at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Notes receivable	¥54,355	¥70,425	\$489,685
Trade accounts receivable	1,288,688	1,312,735	11,609,802
Loans receivable	129,622	120,283	1,167,766
Allowance for doubtful accounts	(51,141)	(49,392)	(460,730)
Total	<u>¥1,421,524</u>	<u>¥1,454,051</u>	<u>\$12,806,523</u>

Notes, trade accounts and loans receivable subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset, while all other notes, trade accounts and loans receivable are substantially measured at amortised cost.

Notes, trade accounts and loans receivable measured at FVTPL were ¥18,680 million (\$168,288 thousand) and ¥49,974 million at March 31, 2019 and 2018, respectively.

The fair values of notes, trade accounts and loans receivable measured at amortised cost were ¥1,402,911 million (\$12,638,838 thousand) and ¥1,404,106 million at March 31, 2019 and 2018, respectively.

Notes, trade accounts and loans receivable that were transferred without meeting the criteria for derecognition and therefore continued to be recognised by the Company at March 31, 2019 and 2018 were ¥103,456 million (\$932,036 thousand) and ¥107,373 million, respectively, and have been included in "Notes, trade accounts and loans receivable". Correspondingly amounts received from such transfers of ¥40,622 million (\$365,964 thousand) and ¥59,233 million, respectively, have been included in "Other current financial liabilities". In terms of these notes, trade accounts, and loans receivable, the Companies have been judged to substantially retain all the risks and rewards of ownership of the transferred assets, as the Companies assume payment obligations in the event of default by the drawer or the obligor.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Of the amounts above, notes, trade accounts and loans receivable for which the transferee has the right to recourse to the transferred assets only were ¥90,864 million (\$818,595 thousand) and ¥89,453 million, and the carrying amount of the related liabilities were ¥28,037 million (\$252,586 thousand) and ¥41,321 million at March 31, 2019 and 2018, respectively. These carrying amounts approximate their respective fair values.

Additionally, certain notes, trade accounts and loans receivable transferred continue to be recognised as assets to the extent of continuing involvement, due to the Companies assuming partial payment obligations in the event of a default by the obligor or due to the Companies having been determined to retain control over the said notes, trade accounts and loans receivable. At March 31, 2019 and 2018, the carrying amounts prior to transfer of the said notes, trade accounts and loans receivable were ¥369 million (\$3,324 thousand) and ¥419 million, respectively, and the carrying amounts of assets continued to be recognised by the Companies due to continuing involvement and the related liabilities in the same amounts were ¥59 million (\$532 thousand) and ¥73 million, respectively.

Changes in allowance for doubtful accounts for the year ended March 31, 2018 were as follows:

	<i>Millions of yen</i>
	March 31, 2018
Balance at beginning of year	¥35,767
Provision for the year	20,041
Charge-offs	(2,972)
Others	(3,444)
Balance at end of year	¥49,392

Notes, trade accounts and loans receivable for which impairment was recognised at March 31, 2018 was ¥46,946 million and their corresponding allowances for doubtful accounts was ¥38,664 million. The Companies have determined that the difference between the carrying amounts of the notes, trade accounts and loans receivable and their respective allowances will be recoverable through the collection of collateral and other means.

The Companies, as part of their accounts receivable management policy, consider financing receivables 90 days past due as delinquent and strengthen procedures over collection. Notes, trade accounts and loans receivable that were past due but not impaired at March 31, 2018 were as follows:

	<i>Millions of yen</i>
	March 31, 2018
Not later than 90 days	¥49,443
Later than 90 days	20,063
Total	¥69,506

(iii) Investment securities and other investments

The carrying amounts of investment securities and other investments at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Investment securities</b>			
Debt instrument financial assets measured at amortised cost	¥151	¥0	\$1,360
Total	¥151	¥0	\$1,360
<b>Other investments</b>			
Financial assets measured at FVTPL (equity and debt instruments)	¥4,596	¥4,601	\$41,405
Equity instrument financial assets measured at FVTOCI	285,241	315,091	2,569,739
Debt instrument financial assets measured at amortised cost	2,915	2,936	26,262
Total	¥292,752	¥322,628	\$2,637,406

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Debt in the form of other investments subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset.

Other investments measured at FVTPL mainly consisted of government and corporate bonds, etc. at March 31, 2019 and 2018.

Investment securities and other investments measured at amortised cost approximated their fair values at March 31, 2019 and 2018.

Equity instruments measured at fair value within other investments held by the Company and certain of its consolidated subsidiaries, included investments made mainly for the purpose of maintaining and strengthening relationships with business partners which have been classified as subsequently measured at FVTOCI. Said financial assets as FVTOCI mainly consisted of common stock and details of their fair values at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
With quoted prices in active markets	¥165,105	¥174,230	\$1,487,433
Without quoted prices in active markets	120,136	140,861	1,082,306
Total	<u>¥285,241</u>	<u>¥315,091</u>	<u>\$2,569,739</u>

Major issuers of other investments measured at FVTOCI with quoted prices in active markets at March 31, 2019 and 2018 were as follows:

Stocks	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
NISSHIN SEIFUN GROUP INC.	¥15,963	¥13,254	\$143,811
GOLDWIN INC.	15,500	6,134	139,640
YAMAZAKI BAKING CO., LTD.	14,666	18,030	132,126
AEON CO., LTD.	10,494	8,602	94,541
INPEX CORPORATION	9,805	12,225	88,333
Okamoto Industries, Inc.	8,062	7,874	72,631
Dai-ichi Life Holdings, Inc.	6,729	8,498	60,622
Tokio Marine Holdings, Inc.	4,888	4,316	44,036
SAPPORO HOLDINGS LIMITED	3,986	5,113	35,910
Sompo Holdings, Inc.	3,296	3,444	29,694

Other investments measured at FVTOCI that do not have quoted prices in active markets comprised investments in resources, materials, machinery and lifestyle related businesses. At March 31, 2019 and 2018, investments in resources related businesses were ¥69,633 million (\$627,324 thousand) and ¥79,354 million, respectively, while investments in other areas were ¥50,503 million (\$454,982 thousand) and ¥61,507 million, respectively.

Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2019 was ¥37,336 million (\$336,360 thousand), of which dividend income on investments held at March 31, 2019 was ¥30,522 million (\$274,973 thousand). Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2018 was ¥21,254 million, of which dividend income on investments held at March 31, 2018 was ¥20,731 million.

Gains and losses on Financial assets measured at FVTOCI relating to other investments measured at FVTOCI recognised within Equity in the Consolidated Statement of Financial Position that relate to the portion of investments that were derecognised or of which the decline in fair value compared with its acquisition cost is significant and other than temporary for the year have been reclassified to retained earnings. Amounts of reclassified items (after tax) for the years ended March 31, 2019 and 2018 were ¥6,910 million (\$62,253 thousand) (losses) and ¥7,593 million (losses), respectively.

Other investments measured at FVTOCI that were disposed of due to revisions of business strategies and other reasons for the years ended March 31, 2019 and 2018 were as follows:

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Fair value at derecognition	¥46,943	¥26,357	\$422,910
Cumulative gains (losses) at derecognition	(8,697)	(12,992)	(78,351)
Dividend income on the derecognised investments	6,814	523	61,387

(iv) Notes and trade accounts payable

The carrying amounts of notes and trade accounts payable at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Notes payable	¥251,463	¥307,604	\$2,265,432
Trade accounts payable	1,033,299	1,083,131	9,309,000
Total	¥1,284,762	¥1,390,735	\$11,574,432

Notes and trade accounts payable are measured at amortised cost.

The carrying amounts of notes and trade accounts payable approximated their fair value at March 31, 2019 and 2018.

The future contract due dates of notes and trade accounts payable at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Not later than one year	¥1,273,196	¥1,374,022	\$11,470,234
Later than one year	11,566	16,713	104,198

(v) Bonds and borrowings

The carrying amounts of bonds and borrowings at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Bonds	¥331,945	¥325,364	\$2,990,496
Borrowings	2,036,432	2,217,340	18,346,234
Total	¥2,368,377	¥2,542,704	\$21,336,730

Bonds and borrowings are measured at amortised cost.

The carrying amounts of bonds and borrowings approximated their fair values at March 31, 2019. The fair values of bonds and borrowings at March 31, 2018 were ¥2,542,717 million, and were categorised as Level 3.

The future contract due dates of bonds and borrowings at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Not later than one year	¥527,941	¥652,211	\$4,756,225
Later than one year and not later than five years	1,312,353	1,313,033	11,823,000
Later than five years	699,582	717,655	6,302,541

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Details of bonds and borrowings at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
0.23% - 2.55% unsecured bonds payable in Japanese yen with final maturity in 2037	¥268,000	¥318,000	\$2,414,414
3.75% Unsecured bonds payable in U.S. dollars with maturity in 2023	55,321	-	498,387
Short-term borrowings principally at rates from 0.14% to 6.00%	217,054	276,723	1,955,441
Long-term borrowings due serially through 2033 principally at rates from 0.00% to 4.01%	1,819,378	1,940,617	16,390,793
(Current portion of long-term borrowings)	(221,302)	(284,938)	(1,993,712)
Other	8,624	7,364	77,695
Total	<u>¥2,368,377</u>	<u>¥2,542,704</u>	<u>\$21,336,730</u>

Note: The applicable interest rates, the year of final maturity or the final repayment deadline as at March 31, 2019 are presented.

(vi) Finance income (expenses)

Each component of finance income (expenses) for the years ended March 31, 2019 and 2018 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
<b>Interest income:</b>			
Debt instrument financial assets measured at amortised cost	¥15,950	¥13,526	\$143,694
Total	<u>¥15,950</u>	<u>¥13,526</u>	<u>\$143,694</u>
<b>Interest expenses:</b>			
Financial liabilities measured at amortised cost	¥(49,503)	¥(38,441)	\$(445,973)
Other	2,696	3,493	24,288
Total	<u>¥(46,807)</u>	<u>¥(34,948)</u>	<u>\$(421,685)</u>
<b>Dividend income:</b>			
Financial assets measured at FVTPL (equity and debt)	¥0	¥0	\$0
Equity instrument financial assets measured at FVTOCI	37,336	21,254	336,360
Total	<u>¥37,336</u>	<u>¥21,254</u>	<u>\$336,360</u>
<b>Gains (losses) on investment securities:</b>			
Financial assets measured at FVTPL (equity and debt)	¥608	¥1,080	\$5,478
Other	27,909	24,067	251,432
Total	<u>¥28,517</u>	<u>¥25,147</u>	<u>\$256,910</u>

"Other" within "Interest expenses" mainly included gains and losses from derivative transactions.

"Other" within "Gains (losses) on investment securities" mainly included gains (losses) on disposal of investments and impairment losses with respect to associates and joint ventures, gains (losses) on remeasurement of fair value of the equity interest held before the acquisition date associated with obtaining control over subsidiary (see Note 5. "Business Combinations") and joint ventures and gains (losses) accompanying the loss of control of subsidiaries. For the years ended March 31, 2019 and 2018, gains (losses) on disposal of subsidiaries and other were ¥2,075 million (\$18,694 thousand) (gains) and ¥5,350 million

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**Notes to Consolidated Financial Statements (continued)**

(gains), respectively. Included in the amounts, gains (losses) on the remeasurement to fair value of residual interests in the former subsidiaries at the date of loss of control for the years ended March 31, 2019 and 2018 were ¥152 million (\$1,369 thousand) (losses) and ¥1,483 million (gains), respectively.

In respect of "Other" within "Gains (losses) on investment securities" in the year ended March 31, 2018, the Company recognised gains on sale in the amount of ¥11,177 million associated with the sale of its offshore wind farm business in the U.K.

(vii) Fair value measurements

The Companies measure certain assets and liabilities at fair value. The inputs used in the fair value measurement are categorised into three levels based upon the observability of the inputs in markets.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Companies can access at the measurement date

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

Level 3: Unobservable inputs for the assets or liabilities

The financial assets and liabilities measured at fair value by the Companies on a recurring basis at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>								<i>Thousands of U.S. dollars</i>			
	March 31, 2019				March 31, 2018				March 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>												
Non-derivative Financial assets measured at FVTPL:												
Notes, trade accounts and loans receivable	¥--	¥18,680	¥--	¥18,680	¥--	¥49,974	¥--	¥49,974	\$--	\$168,288	\$--	\$168,288
Other Investments (equity)	--	--	2	2	--	--	10	10	--	--	18	18
Other Investments (debt)	--	--	4,594	4,594	--	--	4,591	4,591	--	--	41,387	41,387
Other financial assets	--	--	15,214	15,214	--	--	13,152	13,152	--	--	137,063	137,063
Non-derivative Financial assets measured at FVTOCI:												
Other Investments (equity)	165,105	--	120,136	285,241	174,230	--	140,861	315,091	1,487,433	--	1,082,306	2,569,739
Derivative instruments:												
Interest rate contracts	--	23,642	--	23,642	--	22,872	--	22,872	--	212,991	--	212,991
Forward exchange contracts	--	3,650	--	3,650	--	8,080	--	8,080	--	32,883	--	32,883
Commodity contracts	10,654	88,610	2,276	93,540	1,779	65,438	1,470	68,687	95,982	726,216	20,505	842,703
Other	--	--	1,260	1,260	--	--	1,265	1,265	--	--	11,351	11,351
Liabilities:												
Derivative instruments:												
Interest rate contracts	--	(153)	--	(153)	--	(602)	--	(602)	--	(1,378)	--	(1,378)
Forward exchange contracts	--	(3,303)	--	(3,303)	--	(8,762)	--	(8,762)	--	(29,757)	--	(29,757)
Commodity contracts	(3,958)	(52,790)	(2,662)	(59,410)	(3,875)	(50,135)	(541)	(54,551)	(35,658)	(475,585)	(23,982)	(535,225)
Other	--	--	0	0	--	--	(445)	(445)	--	--	0	0

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Other investments categorised as Level 1 mainly consist of marketable equity securities in active markets. Derivative instruments categorised as Level 1 consist of derivatives related to commodity contracts. These assets are measured at quoted prices in active markets without adjustment.

Notes, trade accounts and loans receivable categorised as Level 2 consist of notes and trade accounts receivable that are settled at future market prices. Derivative instruments categorised as Level 2 mainly consist of interest rate swaps, forward exchange contracts and derivatives related to commodity contracts. These assets and liabilities are mainly measured based on quoted prices of identical assets not categorised as Level 1 in markets that are not active or similar assets or liabilities in active markets, and measurement is based mainly on a market approach using observable inputs, such as prices in commodity markets, foreign exchange rates and interest rates.

Other investments categorised as Level 3 mainly consist of equity securities in inactive markets; and derivative instruments categorised as Level 3 mainly consist of derivatives related to commodity contracts. These assets and liabilities are measured mainly based on an income approach using inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available due to a lack of similar assets or liabilities in active markets or distortive market prices resulting from dramatic liquidity decreases and such like.

Significant unobservable inputs used in the fair value measurement of investments whose fair values are measured on a recurring basis categorised as Level 3 are discount rates. Fair value decreases (increases) as the discount rate rises (declines). At March 31, 2019 and 2018, discount rates used in fair value measurement by the Companies range from 7.2% to 12.4% and 7.0% to 11.6%, respectively.

The Companies recognise transfers of assets and liabilities between Levels of the fair value hierarchy at the end of each quarterly period.

During the years ended March 31, 2019 and 2018, there were no transfers between Levels 1 and 2.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis by the Companies for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>					
	Non-derivative Financial assets measured at FVTPL			Non-derivative Financial assets measured at FVTOCI		Derivative instruments
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
<b>March 31, 2019</b>						
Balance at beginning of year	¥—	¥4,601	¥13,152	¥140,861	¥929	¥820
Gains (losses) in profit or loss	—	609	6,703	—	4,489	460
Gains (losses) in other comprehensive income	—	—	—	(7,190)	—	—
Purchases	—	1,355	—	2,930	—	—
Sales/Redemptions	—	(2,001)	(5,231)	(8,153)	—	—
Settlements	—	—	—	—	(2,292)	—
Transfers	—	—	—	(8,936)	(3,550)	—
Effects of acquisition and divestitures	—	—	—	186	—	—
Net transfers in and/or (out) of Level 3	—	—	—	—	—	—
Other	—	32	590	438	38	(20)
Balance at end of year	¥—	¥4,596	¥15,214	¥120,136	¥(386)	¥1,260
Gains (losses) in assets and liabilities held at end of year	¥—	¥(63)	¥6,703	¥—	¥(393)	¥(5)

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

*Thousands of U.S. dollars*

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
<b>March 31, 2019</b>						
Balance at beginning of year	\$-	\$41,450	\$118,486	\$1,269,018	\$8,369	\$7,387
Gains (losses) in profit or loss	-	5,486	60,387	-	40,441	4,144
Gains (losses) in other comprehensive income	-	-	-	(64,775)	-	-
Purchases	-	12,207	-	26,396	-	-
Sales/Redemptions	-	(18,027)	(47,126)	(73,450)	-	-
Settlements	-	-	-	-	(20,649)	-
Transfers	-	-	-	(80,505)	(31,982)	-
Effects of acquisition and divestitures	-	-	-	1,676	-	-
Net transfers in and/or (out) of Level 3	-	-	-	-	-	-
Other	-	289	5,316	3,946	344	(180)
Balance at end of year	\$-	\$41,405	\$137,063	\$1,082,306	\$3,477	\$11,351
Gains (losses) in assets and liabilities held at end of year	\$-	\$(568)	\$60,387	\$-	\$(3,541)	\$(45)

*Millions of yen*

	Non-derivative Financial assets measured at FVTPL		Non-derivative Financial assets measured at FVTOCI		Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
<b>March 31, 2018</b>						
Balance at beginning of year	¥11,543	¥2,832	¥12,882	¥143,691	¥658	¥0
Gains (losses) in profit or loss	(307)	1,015	6,710	-	2,358	(586)
Gains (losses) in other comprehensive income	-	-	-	6,032	-	-
Purchases	-	357	164	938	-	1,386
Sales/Redemptions	(11,170)	(2,123)	(5,879)	(3,472)	-	-
Settlements	-	-	-	-	(2,186)	-
Transfers	-	2,555	-	(1,970)	(283)	-
Effects of acquisition and divestitures	-	-	-	(257)	-	-
Net transfers in and/or (out) of Level 3	-	-	-	-	-	-
Other	(66)	(35)	(725)	(4,101)	382	20
Balance at end of year	¥-	¥4,601	¥13,152	¥140,861	¥929	¥820
Gains (losses) in assets and liabilities held at end of year	¥-	¥1,061	¥6,874	¥-	¥960	¥(586)

Among gains and losses on the assets and liabilities above, gains and losses on notes, trade accounts and loans receivable are included in "Other-net", gains and losses on other investments are included in "Gains (losses) on investment securities", gains and losses on other financial assets are included in "Commissions on services and trading margins", and gains and losses on derivatives are mainly included in "Cost of goods sold" or "Other-net" in the Consolidated Statement of Comprehensive Income.

Additionally, "Other" above mainly consists of "Foreign currency translation adjustments" in the Consolidated Statement

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

of Comprehensive Income.

The relevant division of the Company, upon determining the valuation method of the applicable assets and liabilities, measures the fair value of assets and liabilities categorised as Level 3, according to valuation policies and procedures stipulated by the Company. Additionally, appropriate third-party valuations are obtained, as necessary. The results of fair value measurements are then reviewed by the Corporate Staff Group, which is independent from the division responsible for the fair value measurement.

If the inputs used to measure "Other investments measured at FVTOCI" among the assets categorised as Level 3 were to be changed, there were no significant changes of the fair value at March 31, 2019 and 2018.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(4) Offsetting financial assets and financial liabilities**

At March 31, 2019 and 2018, among the financial assets and financial liabilities recognised with the same counterparty, the financial instruments offset in accordance with the criteria for offsetting financial assets and financial liabilities and the financial instruments not offset as a result of not meeting some or all of the offsetting criteria despite being subject to an enforceable master netting arrangement or similar agreement, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>March 31, 2019</b>
Gross amounts of recognised financial assets	¥144,775	¥132,224	\$1,304,280
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(48,150)	(36,962)	(433,784)
Net amount presented in the Consolidated Statement of Financial Position	96,625	95,262	870,496
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(55,831)	(65,183)	(502,982)
Net amount	<b>¥40,794</b>	<b>¥30,079</b>	<b>\$367,514</b>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>March 31, 2019</b>	<b>March 31, 2018</b>	<b>March 31, 2019</b>
Gross amounts of recognised financial liabilities	¥137,386	¥139,803	\$1,237,712
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(48,150)	(36,962)	(433,784)
Net amount presented in the Consolidated Statement of Financial Position	89,236	102,841	803,928
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(55,831)	(65,183)	(502,982)
Net amount	<b>¥33,405</b>	<b>¥37,658</b>	<b>\$300,946</b>

Generally, the set-off rights on financial instruments that do not meet some or all of the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfil its obligations due to bankruptcy and other reasons.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**(5) Derivative instruments and hedging activities**

**Fair value hedges**

The Company and certain of its consolidated subsidiaries mainly designate, as fair value hedges, commodity futures and forward contracts, which hedge volatility risk of the fair value of inventories and firm commitments on commodity transactions; and interest rate swaps, which convert fixed interest rates on liabilities to floating interest rates.

For the years ended March 31, 2019 and 2018, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts recognised in profit or loss due to firm commitments becoming ineligible as hedged items were immaterial.

**Cash flow hedges**

The Company and certain of its consolidated subsidiaries mainly designate, as cash flow hedges, forward exchange contracts, which hedge the cash flows of foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions; interest rate swaps, which convert floating interest rates on liabilities to fixed interest rates; and commodity futures and forward contracts, which hedge the cash flows of forecasted transactions on commodity transactions.

For the years ended March 31, 2019 and 2018, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts of gains (losses) on cash flow hedges reclassified to profit or loss because the forecast transactions no longer were expected to occur were immaterial.

**Hedges of net investments in foreign operations**

The Company and certain of its consolidated subsidiaries mainly use foreign currency denominated bonds and borrowings, and forward exchange contracts to hedge foreign exchange fluctuation risks of net investments in foreign operations.

For the years ended March 31, 2019 and 2018, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness.

At March 31, 2019 and 2018, the carrying amounts of hedging instruments to which the Company and certain of its consolidated subsidiaries applied hedge accounting by risk category for each type of hedge were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Financial Position
	March 31, 2019		March 31, 2018		March 31, 2019		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Fair value hedges:							
Interest rate risk	¥23,642	¥(99)	¥22,864	¥(532)	\$212,991	\$(892)	
Foreign exchange risk	-	-	-	-	-	-	(Note 1)
Commodity price risk	6,991	(7,711)	2,994	(1,873)	62,982	(69,468)	
Total	<u>¥30,633</u>	<u>¥(7,810)</u>	<u>¥25,858</u>	<u>¥(2,405)</u>	<u>\$275,973</u>	<u>\$(70,360)</u>	
Cash flow hedges:							
Interest rate risk	¥0	¥(54)	¥8	¥(70)	\$0	\$(487)	
Foreign exchange risk	1,730	(2,600)	884	(8,036)	15,585	(23,423)	(Note 2)
Commodity price risk	8,505	(4,688)	6,262	(2,040)	76,622	(42,234)	
Total	<u>¥10,235</u>	<u>¥(7,342)</u>	<u>¥7,154</u>	<u>¥(10,146)</u>	<u>\$92,207</u>	<u>\$(66,144)</u>	
Hedges of net investments in foreign operations	<u>¥168</u>	<u>¥(289,476)</u>	<u>¥4,555</u>	<u>¥(276,947)</u>	<u>\$1,514</u>	<u>\$(2,607,892)</u>	(Note 3)
Total financial instruments to which hedge accounting was applied	<u>¥41,036</u>	<u>¥(304,628)</u>	<u>¥37,567</u>	<u>¥(289,498)</u>	<u>\$369,694</u>	<u>\$(2,744,396)</u>	

Notes: (1) "Other current financial assets", "Other non-current financial assets", "Other current financial liabilities" and "Other non-

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

current financial liabilities”

- (2) “Other current financial assets”, “Other non-current financial assets”, “Notes and trade accounts payable”, “Other current financial liabilities” and “Other non-current financial liabilities”
- (3) “Other current financial assets”, “Bonds and borrowings” and “Other current financial liabilities”

In addition to the above, the fair values of derivative assets and liabilities to which hedge accounting was not applied at March 31, 2019 and 2018 were ¥81,056 million (\$730,234 thousand) and ¥48,312 million (\$435,243 thousand), and ¥63,337 million and ¥53,536 million, respectively.

At March 31, 2019 and 2018, the profile of the timing of the nominal amount and the average price or rate of the main hedging instruments were as follows:

			Not later than one year	Later than one year and not later than five years	Later than five years	Total	
Fair value hedges	Interest rate swaps, fixed to floating	—	¥86,000	¥470,895	¥191,699	¥748,594	
Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	\$122	\$2	\$—	\$124
			Average rate (Yen/U.S. dollars)	¥109.66	¥104.74	¥—	¥109.59
		Buy U.S. dollars/Sell yen	Nominal amount (Millions of U.S. dollars)	\$862	\$93	\$160	\$1,115
			Average rate (Yen/U.S. dollars)	¥109.25	¥100.58	¥84.67	¥105.00
Hedges of net investments in foreign operations	Bonds and borrowings (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$470	\$1,341	\$791	\$2,602
			Average rate (Yen/U.S. dollars)	¥108.14	¥108.75	¥109.79	¥108.95
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$5,000	\$—	\$—	\$5,000
			Average rate (Yen/U.S. dollars)	¥107.21	¥—	¥—	¥107.21

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association’s 3-month or 6-month Japanese yen TIBOR.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2018

				Not later than one year	Later than one year and not later than five years	Later than five years	Total
Fair value hedges	Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	¥84,600	¥446,500	¥221,524	¥752,624
Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	\$140	\$—	\$—	\$140
			Average rate (Yen/U.S. dollars)	¥107.42	¥—	¥—	¥107.42
		Buy U.S. dollars/Sell yen	Nominal amount (Millions of U.S. dollars)	\$1,098	\$153	\$185	\$1,436
			Average rate (Yen/U.S. dollars)	¥108.09	¥104.68	¥85.20	¥104.78
Hedges of net investments in foreign operations	Borrowings (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$1,329	\$880	\$395	\$2,604
		—	Average rate (Yen/U.S. dollars)	¥98.09	¥106.20	¥107.56	¥102.26
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	\$5,000	\$—	\$—	\$5,000
		—	Average rate (Yen/U.S. dollars)	¥109.11	¥—	¥—	¥109.11

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

At March 31, 2019 and 2018, the carrying amounts of hedged items which the Company and certain of its consolidated subsidiaries categorised as fair value hedges and the accumulated amounts of fair value hedge adjustments on the hedged items included in the carrying amounts of hedged items recognised in the Consolidated Statement of Financial Position were as follows:

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

March 31, 2019

	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥—	¥(888,137)	¥—	¥(23,543)	(Note 1)
Foreign exchange risk	—	—	—	—	—
Commodity price risk	6,451	(1,879)	4,090	(1,533)	(Note 2)

	<i>Thousands of U.S. dollars</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	\$—	\$(8,001,234)	\$—	\$(212,099)	(Note 1)
Foreign exchange risk	—	—	—	—	—
Commodity price risk	58,117	(16,928)	36,847	(13,811)	(Note 2)

March 31, 2018

	<i>Millions of yen</i>				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥—	¥(890,994)	¥—	¥(22,370)	(Note 1)
Foreign exchange risk	3	—	3	—	(Note 3)
Commodity price risk	38,656	(40,401)	36,365	(39,926)	(Note 2)

Notes: (1) "Bonds and borrowings"

(2) "Other current financial assets" and "Other current financial liabilities"

(3) "Other current financial assets"

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The amounts which the Company and certain of its consolidated subsidiaries recognise in the Consolidated Statement of Comprehensive Income on cash flow hedges and hedges of net investments in foreign operations (before tax) for the years ended March 31, 2019 and 2018 were as follows:

Year ended March 31, 2019

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
<b>Cash flow hedges:</b>					
Interest rate risk	¥80	¥54	\$721	\$487	Interest expenses
Foreign exchange risk	(5,185)	3,792	(46,712)	34,162	Cost of goods sold
Commodity price risk	5,606	460	50,504	4,144	Cost of goods sold
Total	¥501	¥4,306	\$4,513	\$38,793	
Hedges of net investments in foreign operations:	¥ (10,973)	¥1,646	\$ (98,856)	\$14,829	Other-net and gains (losses) on investment securities

Year ended March 31, 2018

	<i>Millions of yen</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
<b>Cash flow hedges:</b>			
Interest rate risk	¥0	¥94	Interest expenses
Foreign exchange risk	1,651	1,171	Other-net
Commodity price risk	(8,312)	(219)	Cost of goods sold
Total	¥(6,661)	¥1,046	
Hedges of net investments in foreign operations:	¥6,184	¥1,536	Other-net and gains (losses) on investment securities

For the years ended March 31, 2019 and 2018, for hedges of net positions, there were no significant hedging gains or losses recognised as an individual account in the Consolidated Statement of Comprehensive Income.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Changes in other components of equity arising from cash flow hedges and hedges of net investments in foreign operations for the years ended March 31, 2019 and 2018 were as follows:

Year ended March 31, 2019

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥ (27,997)	¥ (10,293)	¥ (3,984)	¥ (187,311)
Changes for the year	739	(4,429)	5,017	(12,985)
Reclassification to profit or loss for the year	5,522	3,302	238	1,622
Transfer to non-financial assets or non-financial liabilities	—	(1,725)	—	—
Balance at end of year	¥ (21,736)	¥ (13,145)	¥ 1,271	¥ (198,674)

	<i>Thousands of U.S. dollars</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	\$ (252,225)	\$ (92,730)	\$ (35,892)	\$ (1,687,487)
Changes for the year	6,657	(39,900)	45,198	(116,982)
Reclassification to profit or loss for the year	49,748	29,748	2,144	14,613
Transfer to non-financial assets or non-financial liabilities	—	(15,541)	—	—
Balance at end of year	\$ (195,820)	\$ (118,423)	\$ 11,450	\$ (1,789,856)

Year ended March 31, 2018

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(33,382)	¥(9,278)	¥2,038	¥(194,600)
Changes for the year	(2,802)	(548)	(5,470)	5,781
Reclassification to profit or loss for the year	8,187	727	(552)	1,508
Transfer to non-financial assets or non-financial liabilities	—	(1,194)	—	—
Balance at end of year	¥(27,997)	¥(10,293)	¥(3,984)	¥(187,311)

“Reclassification to profit or loss for the year” mainly represented the amounts transferred because the hedged items affected profit or loss.

There were no significant items excluded from the designation as the hedging instrument, such as the time value of option contracts, forward elements of forward contracts included in hedging instruments and foreign currency basis spreads of financial instruments.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Derivative assets included in "Other current financial assets" and "Other non-current financial assets" in the Consolidated Statement of Financial Position at March 31, 2019 and 2018 were ¥90,752 million (\$817,586 thousand) and ¥31,340 million (\$282,342 thousand), and ¥70,882 million and ¥30,022 million, respectively.

Additionally, at March 31, 2019 and 2018, non-derivative assets in "Other current financial assets" and "Other non-current financial assets" included Debt instrument financial assets measured at FVTPL in the amounts of ¥15,214 million (\$137,063 thousand) and ¥13,152 million, respectively.

Derivative liabilities included in "Other current financial liabilities" and "Other non-current financial liabilities" in the Consolidated Statement of Financial Position at March 31, 2019 and 2018 were ¥58,504 million (\$527,063 thousand) and ¥4,362 million (\$39,297 thousand), and ¥59,597 million and ¥4,763 million, respectively.

**24. Pledged Assets**

The assets pledged as collateral for the Companies' loans and such like at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Cash and cash equivalents, and time deposits	¥—	¥941	\$—
Notes, trade accounts and loans receivable	71	68	640
Inventories	656	49,879	5,910
Investments in associates and joint ventures	35,137	27,861	316,549
Property, plant and equipment (after deducting accumulated depreciation)	35,826	37,856	322,757
Other	17,159	24,656	154,585
Total	<u>¥88,849</u>	<u>¥141,261</u>	<u>\$800,441</u>

The Companies pledge collateral under conventional conditions in standard borrowing arrangements, etc.

In addition to the above, import bills included in notes payable at March 31, 2019 and 2018 were secured by trust receipts on inventories.

The standard terms provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Companies' transactions, it would not be practical to determine the total amount of inventories and/or proceeds from the sales of such inventories covered by outstanding trust receipts.

As is customary in Japan, security, if requested by a lending bank, must be given and, regardless of the existence of such security, the bank has the right to offset cash deposits against any debt or obligations that become due and, in the case of default or certain other specified events, against all debt payable to the bank. To date, no such rights have been exercised with respect to the Companies.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**25. Structured Entities**

The Company and certain of its consolidated subsidiaries are involved in structured entities through investments and financing, but do not include certain of such structured entities engaged in financing, leasing, etc. in their scope of consolidation. Total assets of these unconsolidated structured entities at March 31, 2019 and 2018 were ¥262,059 million (\$2,360,892 thousand) and ¥264,580 million, respectively. These structured entities mainly procure funds through bank loans.

Carrying amounts of assets and liabilities recognised in the Consolidated Statement of Financial Position relating to the involvement in these unconsolidated structured entities and maximum exposures to assets, liabilities and lease contracts at March 31, 2019 and 2018 were as follows:

Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2019	March 31, 2018	March 31, 2019
Carrying amount of assets	¥1,349	¥374	\$12,153
Carrying amount of liabilities	12,759	15,211	114,946
Maximum exposures	88,862	92,979	800,559

The carrying amount of assets mainly consisted of "Other investments" in the year ended March 31, 2019 and "Investments in associates and joint ventures" in the year ended March 31, 2018. The carrying amount of liabilities mainly consists of "Notes and trade accounts payable" in Non-current liabilities. The sum of the carrying amount of assets and the carrying amount of liabilities is different from maximum exposures primarily due to lease contracts.

Maximum exposures represent the maximum potential amounts of losses precipitated through the decline in the price of assets held and lease contracts. Therefore, such amounts bear no relationship to the anticipated amounts of losses through the involvement in the structured entities.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**26. Related Party Transactions**

The Consolidated Financial Statements of the Company include following subsidiaries.

For the year ended March 31, 2019

Operating Segment	Company name	Main businesses	Area/Country	Holding ratio
Food	WELLFAM FOODS CORPORATION	Production, processing and sale of meat, etc.	Tokyo/Japan	100.00%
	Yamaboshiya Co., Ltd.	Wholesale of confectionery, etc. to mass retailers, convenience stores, etc.	Osaka/Japan	75.62%
	Marubeni Nisshin Feed Co., Ltd.	Manufacture and sale of feed	Tokyo/Japan	60.00%
	Gavilon Agriculture Investment, Inc.	Company overseeing the Gavilon Group (engaged in the business of consolidation and distribution of grains, fertilizers, etc.)	Nebraska/U.S.A.	100.00%
Consumer Products	MX Mobiling Co., Ltd.	Sale of mobile phone and related products	Tokyo/Japan	100.00%
	Japan REIT Advisors Co., Ltd.	Asset management of investment corporations	Tokyo/Japan	100.00%
	MARUBENI INTEX CO., LTD.	Sale of industrial materials, lifestyle material-related textile goods and lifestyle products	Osaka/Japan	100.00%
	MARUBENI INFORMATION SYSTEMS CO., LTD.	Comprehensive IT solution provider (e.g., computers, networks, information systems)	Tokyo/Japan	100.00%
	ARTERIA Networks Corporation	Provider of various communication services targeted at companies and condominiums	Tokyo/Japan	50.00%
Chemical & Forest Products	Marubeni Pulp & Paper Co., Ltd.	Sale of paper products	Tokyo/Japan	100.00%
	MARUBENI CHEMIX CORPORATION	Domestic sale and foreign trade of organic chemicals and fine chemicals	Tokyo/Japan	100.00%
	Marubeni Plax Corporation	Domestic sale and foreign trade of various plastic products and raw materials	Tokyo/Japan	100.00%
	Helena Agri-Enterprises, LLC	Sale of agricultural materials and provision of various services	Tennessee/U.S.A.	100.00%
Energy & Metals	MARUBENI ENERGY CORPORATION	Sale of petroleum and petrochemical products, management and leasing of oil terminals and service stations	Tokyo/Japan	66.60%
	Marubeni Coal Pty. Ltd.	Investment in coal business in Australia	Brisbane/Australia	100.00%
	Marubeni LP Holding B.V.	Investment in copper business in Chile	Amsterdam/Netherlands	100.00%
	Marubeni Oil & Gas (USA) LLC	Exploration, development, production and sales of crude oil and natural gas in the U.S. Gulf of Mexico	Texas/U.S.A.	100.00%
Power Business & Plant	Aguas Decima S.A.	Water/sewage utility	Valdivia/Chile	100.00%
	Axia Power Holdings B.V.	Overseas power assets holding company	Amsterdam/Netherlands	100.00%

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

Transportation & Industrial Machinery	MARUBENI TECHNO-SYSTEMS CORPORATION	Export, import and domestic sale of various industrial machinery	Tokyo/Japan	100.00%
	MAC Trailer Leasing, Inc.	Leasing and rental of refrigerator/freezer trailers	New Jersey/U.S.A.	100.00%
	MAI Holding LLC	Investment in automobile retail finance business	California/U.S.A.	100.00%
	Marubeni Aviation Holding Cooperatief U.A.	Investment in aircraft operating lease business	Amsterdam/Netherlands	100.00%

In addition to the above, the financial statements of the other 259 consolidated subsidiaries are included.

Total amounts of compensation to members of the board and corporate auditors of the Company for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	March 31, 2019	March 31, 2018	March 31, 2019	
Cash compensation	¥681	¥574	\$6,135	
Stock compensation-type stock options	111	98	1,000	
Total	¥792	¥672	\$7,135	

The outstanding balances of receivables from and payables to the primary/major related parties of the Companies at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables
Associates	¥144,029	¥19,372	¥121,340	¥34,911	\$1,297,559	\$174,523
Joint Ventures	11,475	35,967	21,521	23,063	103,378	324,027

Revenue and purchases of goods with the main related parties of the Companies for the years ended March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2019		March 31, 2018		March 31, 2019	
	Purchases	Revenue	Purchases	Revenue	Purchases	Revenue
Associates	¥107,751	¥92,156	¥108,712	¥91,715	\$970,730	\$830,234
Joint Ventures	33,902	75,675	81,983	69,555	305,423	681,757

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**27. Commitments and Contingent Liabilities**

The Company and certain of its consolidated subsidiaries enter into long-term purchase contracts for certain goods and products in energy, chemical and forest products industries at either fixed or variable prices. The Company and certain of its consolidated subsidiaries generally enter into sales contracts for such purchase contracts with customers. The total amounts of the long-term purchase contracts were approximately ¥1,208,000 million (\$10,882,883 thousand) and ¥714,000 million at March 31, 2019 and 2018, respectively.

The Company and certain of its consolidated subsidiaries had commitments to make additional investments or loans in the aggregate amounts of approximately ¥187,000 million (\$1,684,685 thousand) and ¥182,000 million at March 31, 2019 and 2018, respectively, of which capital expenditures in property, plant and equipment and intangible assets were approximately ¥36,000 million (\$324,324 thousand) and ¥31,000 million, respectively, while commitments to joint ventures were approximately ¥85,000 million (\$765,766 thousand) and ¥46,000 million, respectively.

The Company and certain of its consolidated subsidiaries provide various types of guarantees for the obligations of their associates and customers in the ordinary course of business. The guarantees mainly relate to the repayment of borrowings to third parties. Should the guaranteed associates and customers fail to fulfil their obligations, the Company and certain of its consolidated subsidiaries would be required to fulfil the obligations under these guarantees.

Outstanding guarantees were ¥277,444 million (\$2,499,495 thousand) and ¥260,973 million, including ¥232,855 million (\$2,097,793 thousand) and ¥192,551 million to associates and joint ventures, at March 31, 2019 and 2018, respectively. Outstanding guarantees (total of guarantee payable) represent the maximum potential amount of future payments under the contracts without any consideration of the likelihood of such obligations being incurred.

Therefore, such amounts do not represent the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Some guarantees are secured by counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties.

The amounts of counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties were ¥3,489 million (\$31,432 thousand) and ¥5,934 million, including ¥444 million (\$4,000 thousand) and ¥3,302 million relating to the associates and joint ventures at March 31, 2019 and 2018, respectively.

The Company manages the risk of fulfilment of obligations under the guarantees by setting the appropriate line of credit and by undertaking provisional measures in accordance with the credit risk rank to which each guaranteed customer belongs. The Company determines the rank of each customer before entering into the guarantee agreements according to the customer's credit risk which is estimated and reviewed based on the customer's financial information.

The likelihood of such obligations being incurred under the guarantees which would have a material effect in the Consolidated Financial Statements were estimated to be remote at March 31, 2019 and 2018, respectively. A provision for loss on guarantees was recognised for the amount that was considered probable at March 31, 2018, while a provision measured at the amount equivalent to the 12-month expected credit losses was recognised at March 31, 2019.

The Companies conduct business activities on a global scale and are involved in transactions which are subject to the oversight by various types of authorities, both in Japan and abroad. Such business activities are exposed to risk and, from time to time, may involve legal actions, claims or other disputes.

After the Supreme Court of Indonesia ("Supreme Court") ruled in favour of the Company in a lawsuit on March 17, 2011 (hereinafter referred to as the "Previous Case"\*), lawsuits were filed against the Company in South Jakarta and Gunung Sugih (hereinafter collectively referred to as the "Two Current Cases"), in which substantially the same claims were made as in the Previous Case, including a claim for compensation for damages. As the lower courts partially ruled in favour of the plaintiffs, the Company appealed to the Supreme Court. The Supreme Court handed down a ruling on the South Jakarta case on May 17, 2017, and the Gunung Sugih case on September 14, 2017, respectively.

\* The Company had receivables owed by PT. Indolampung Perkasa and PT. Sweet Indolampung—both of which belong to the Indonesian enterprise group Sugar Group—and requested payment from such receivables. However, in response, Sugar Group companies including the aforementioned two debtors (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta) sued the defendants including the Company for damages and sought affirmation of the invalidity of the Company's receivables and security interests.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

The Supreme Court's decision on the South Jakarta case is as summarised below.

South Jakarta case:

To find four out of the six defendants, including the Company and Marubeni Europe PLC, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., five companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta).

The Supreme Court's decision on the Gunung Sugih case is as summarised below.

Gunung Sugih case:

To find five out of the seven defendants, including the Company, jointly liable for damages in a total amount of \$250 million to the plaintiffs, i.e., four companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram and PT. Indolampung Distillery).

The Two Current Cases were brought before the courts again by the Sugar Group against the defendants including the Company, making substantially the same claims as in the Previous Case. The decision above is deemed to contradict with the ruling on the Previous Case by the Supreme Court itself, in which Sugar Group's claims were rejected. Pursuant to Indonesian Supreme Court legislation, the Company filed an application for judicial review (retrial) with respect to the South Jakarta case on October 24, 2017 and the Gunung Sugih case on February 6, 2018, respectively. Of such applications, a notice related to the Gunung Sugih case was posted on the website of the Supreme Court as of October 8, 2018, stating that the Company's application for judicial review (retrial) was rejected (with the note, however, that any information posted on the website shall not be regarded as an official record of the Supreme Court), whereas the Company has not received any decision from the Supreme Court regarding such rejection and, furthermore, no reason for such rejection has been posted on the website of the Supreme Court at the approval date of the Consolidated Financial Statements.

At the approval date of the Consolidated Financial Statements, there was no information available requiring the Company to revise its existing position based on the determination that there is a high possibility that the ruling by the Supreme Court on the aforementioned cases will be overturned, and thus, the Company did not recognise any provisions for litigation in regard to the aforementioned cases at March 31, 2019.

In addition to the above, although there are certain outstanding litigations such as those relating to compensation for damages and collection of receivables regarding infrastructure projects overseas at March 31, 2019, the outcome of these cannot be determined at this time except the projects for which the Company has recognised losses. The Company provides no further disclosures on these litigations since the Company believes that such disclosures would prejudice seriously the outcome of the proceedings.

**Marubeni Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements (continued)**

**28. Subsequent Events**

**(1) Bonds**

The Company issued bonds as follows.

<USD-denominated unsecured bonds, second issue>

(i) Total amount of bonds issued	\$500 million
(ii) Interest rate	3.56% per annum
(iii) Issue price	100% of par value
(iv) Closing date	April 26, 2019
(v) Maturity date	April 26, 2024
(vi) Redemption method	Bullet (redemption in full at maturity)
(vii) Use of proceeds	The net proceeds of the issue of the bonds will be used for general corporate purposes

**(2) New Lawsuit**

The companies belonging to the Sugar Group ("Sugar Group") denied the validity of the finances provided for Sugar Group by the Company and accompanying security interests which were confirmed by the Supreme Court on March 17, 2011\*. In response, the Company filed a lawsuit against Sugar Group with Central Jakarta District Court, Indonesia, on April 26, 2017 to seek damages of approximately \$1.6 billion to, among others, the reputation of the Company caused by Sugar Group's torts ("This Case").

In response to the Company's claim in This Case, on April 30, 2019 Sugar Group filed a counterclaim against the Company through the court procedure of This Case to seek damages of \$7.75 billion in the aggregate on the grounds that the Company's filing of This Case itself allegedly constitutes our tort against Sugar Group ("Counterclaim").

The Company has estimated that there is a low possibility that losses might be incurred as a result of this Counterclaim.

(\* See Note 27. "Commitments and Contingent Liabilities", "Previous Case".

**29. Approval of Consolidated Financial Statements**

The Consolidated Financial Statements were approved by the Board of Directors on June 21, 2019.

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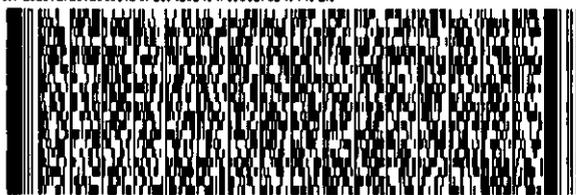
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