Consolidated Financial Statements

Mitsui E&S Holdings Co., Ltd.
and Consolidated Subsidiaries

For the Years ended March 31,
2020 and 2019
Together with Independent
Auditor's Report

MITSUI E&S

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ASSETS

Current Assets	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2020	2019	2020
Cash and time deposits (Notes 1(r) , 2(d) and 5)	¥ 118,405	¥ 100,857	$ 1,087,981
Receivables			
Trade	282,368	225,765	2,594,579
Others	17,556	12,976	161,316
Less allowance for doubtful accounts	(1,185)	(1,453)	(10,888)
Merchandise and finished goods	4,714	4,968	43,315
Raw materials and supplies	5,505	8,440	50,583
Work in progress	46,166	42,294	424,203
Short-term loans	9,594	41,039	88,156
Others (Note 6)	32,704	33,074	300,505
Total current assets	515,827	467,960	4,739,750
Property, Plant and Equipment (Note 2(d))			
Land (Note 2(c))	90,262	245,737	829,385
Buildings and structures	134,796	198,162	1,238,592
Machinery, equipment and vehicles	149,074	186,539	1,369,788
Lease assets	19,265	14,198	177,019
Construction in progress	4,616	4,185	42,415
	398,013	648,821	3,657,199
Less accumulated depreciation	(238,454)	(306,781)	(2,191,068)
Net property, plant and equipment	159,559	342,040	1,466,131
Intangible Assets			
Intangible assets	28,242	29,491	259,506
Investments and Other Assets			
Investment securities (Notes 2(a) , 2(d) and 8)	57,944	83,212	532,426
Long-term loans (Note 2(d))	41,038	46,170	377,084
Net defined benefit assets (Note 10)	6,500	733	59,726
Deferred tax assets (Note 12)	14,220	10,833	130,663
Others (Notes 2(a) and 2(d))	17,478	19,320	160,599
Less allowance for doubtful accounts	(428)	(658)	(3,933)
Total investments and other assets	136,752	159,610	1,256,565
Total assets	¥ 840,380	¥ 999,101	$ 7,721,952

The accompanying notes to the consolidated financial statements are integral parts of these statements.

LIABILITIES AND NET ASSETS

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Current Liabilities	2020	2019	2020
Short-term borrowings (Notes 2(e) and 18)	¥ 34,670	¥ 3,535	¥ 318,570
Current portion of long-term indebtedness (Notes 2(d) , 2(f) and 19)	45,245	49,062	415,740
Lease obligations	5,394	1,745	49,564
Trade payables (Note 2(b))	238,242	190,956	2,189,121
Advances from customers	83,984	92,604	771,699
Accrued expenses	23,864	23,275	219,278
Accrued income taxes (Note 12)	7,803	11,846	71,699
Provision for losses on construction contracts (Note 1(l))	98,506	60,972	905,136
Provision for construction warranties (Note 1(k))	11,389	10,782	104,649
Provision for repairs (Note 1(m))	10,573	6	97,152
Asset retirement obligations	11	3	101
Others	22,075	19,954	202,839
Total current liabilities	581,756	464,740	5,345,548
Long-term Liabilities			
Long-term indebtedness (Notes 2(d), 2(f) and 19)	94,019	152,020	863,907
Lease obligations	7,789	6,521	71,570
Liability for severance and retirement benefits			
For directors and corporate auditors	24	463	220
Provision for business restructuring (Note 1(o))	3,375	-	31,012
Net defined benefit liabilities (Note 10)	11,685	13,104	107,369
Deferred tax liabilities			
On revaluation reserve for land (Notes 2(c) and 12)	17,030	17,076	156,483
Others (Note 12)	1,570	49,332	14,426
Asset retirement obligations	1,795	1,879	16,494
Others	15,981	13,726	146,844
Total long-term liabilities	153,268	254,121	1,408,325
Total liabilities	735,024	718,861	6,753,873
Net Assets (Note 17)			
Common stock			
Authorized - 150,000,000 shares			
Issued - 83,098,717 shares	44,385	44,385	407,838
Capital surplus	18,487	18,747	169,870
Retained earnings	(18,676)	67,813	(171,607)
Treasury stock	(4,726)	(4,759)	(43,425)
Net unrealized holding gains (losses) on securities (Note 8)	(30)	3,366	(276)
Unrealized losses on hedging derivatives	(10,275)	(6,066)	(94,413)
Revaluation reserve for land (Note 2(c))	37,708	37,808	346,485
Foreign currency translation adjustments	(1,815)	740	(16,677)
Remeasurements of defined benefit plans (Note 10)	(680)	(2,488)	(6,248)
Subscription rights to shares	176	206	1,617
Non-controlling interests	40,802	120,488	374,915
Total net assets	105,356	280,240	968,079
Total liabilities and net assets	¥ 840,380	¥ 999,101	$ 7,721,952

Consolidated Statements of Operations

For the Years Ended March 31, 2020 and 2019

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
	2020	2019	2020
Net Sales	¥ 786,478	¥ 656,504	$ 7,226,665
Cost of Sales (Note 3(a))	800,626	663,305	7,356,666
Gross loss	(14,148)	(6,801)	(130,001)
Selling, General and Administrative Expenses (Note 3(a))	47,931	52,902	440,421
Operating loss	(62,079)	(59,703)	(570,422)
Other Income (Expenses)			
Interest and dividend income	7,052	8,048	64,798
Interest expenses	(3,143)	(2,909)	(28,880)
Commission expenses	(2,235)	(535)	(20,537)
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	2,274	5,675	20,895
Foreign currency exchange losses	(1,623)	(1,257)	(14,913)
Gain (loss) on valuation of derivatives	(806)	100	(7,406)
Gain on disposal of non-current assets	2,673	11,932	24,561
Gain on sales of investment securities (Note 8)	4,891	2,558	44,942
Gain on sales of subsidiaries and affiliates' stocks	4,716	101	43,334
Gain on liquidation of subsidiaries and affiliates	509	-	4,677
Insurance income	394	-	3,620
Compensation income	215	-	1,976
Loss on disposal of non-current assets	(361)	(625)	(3,317)
Loss on impairment of non-current assets (Note 3(b))	(1,045)	(7,015)	(9,602)
Loss on disaster	(765)	-	(7,029)
Loss on sales of investment securities (Note 8)	(736)	(332)	(6,763)
Loss on sales of subsidiaries and affiliates' stocks	(22,492)	-	(206,671)
Loss on valuation of investment securities	(725)	(404)	(6,662)
Loss on valuation of shares of subsidiaries and affiliates	(44)	-	(404)
Business restructuring cost	(3,375)	-	(31,012)
Loss on partial abolition of retirement benefit plan	(266)	-	(2,444)
Extraordinary repair expenses (Note 3(c))	(16,691)	-	(153,368)
Loss on reduction of non-current assets	-	(577)	-
Loss on litigation	-	(170)	-
Loss on compensation for damage	-	(200)	-
Others, net	103	79	946
Total	(31,480)	14,469	(289,258)
Loss before income taxes	(93,559)	(45,234)	(859,680)
Income Taxes (Note 12)			
Current	6,681	9,170	61,389
Deferred	(5,210)	8,468	(47,873)
	1,470	17,638	13,507
Loss	(95,030)	(62,872)	(873,197)
Profit (loss) attributable to non-controlling interests	(8,820)	6,728	(81,044)
Loss attributable to owners of parent	¥ (86,210)	¥ (69,600)	$ (792,153)
Amounts Per Share of Common Stock (Notes 1(a) and 17)			
Earnings per share	¥ (1,066.47)	¥ (861.09)	$ (9.799)
Diluted earnings per share	¥ -	¥ -	$ -
Dividends, applicable to the year	¥ -	¥ -	$ -

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2020 and 2019

	Japanese Yen (millions)				U.S.Dollars (thousands)(Note 1(a))	
	2020		2019		2020	
Loss	¥	(95,030)	¥	(62,872)	$	(873,197)
Other comprehensive income (Note 4)						
Net unrealized holding losses on securities		(3,974)		(4,287)		(36,516)
Unrealized losses on hedging derivatives		(1,236)		(1,322)		(11,357)
Foreign currency translation adjustments		(3,121)		(5,807)		(28,678)
Remeasurements of Defined Benefit Plans		1,578		(1,325)		14,500
Share of other comprehensive income of affiliates accounted for using equity method		(3,214)		593		(29,532)
Total		(9,967)		(12,148)		(91,583)
Comprehensive income	¥	(104,997)	¥	(75,020)	$	(964,780)
Comprehensive income attributable to owners of parent	¥	(94,562)	¥	(79,516)	$	(868,896)
Comprehensive income attributable to non-controlling interests	¥	(10,435)	¥	4,496	$	(95,884)

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2020 and 2019

	Thousands	Japanese Yen (millions)											
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2018	83,099	¥ 44,385	¥ 18,800	¥135,354	¥ (4,759)	¥ 7,478	¥ (6,786)	¥ 39,912	¥ 6,093	¥ (1,317)	¥ 217	¥117,460	¥356,837
Cumulative effects of changes in accounting policies				50									50
Restated balance		44,385	18,800	135,404	(4,759)	7,478	(6,786)	39,912	6,093	(1,317)	217	117,460	356,887
Loss attributable to owners of parent				(69,600)									(69,600)
Change of scope of consolidation				250									250
Change of scope of equity method				(345)									(345)
Purchases of treasury stock					(14)								(14)
Disposal of treasury stock			(4)		14								10
Transfer from revaluation reserve for land				2,104									2,104
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(49)										(49)
Net changes of items other than those in Shareholders' equity						(4,112)	720	(2,104)	(5,353)	(1,171)	(11)	3,028	(9,003)
Balance as of April 1, 2019	83,099	¥ 44,385	¥ 18,747	¥ 67,813	¥ (4,759)	¥ 3,366	¥ (6,066)	¥ 37,808	¥ 740	¥ (2,488)	¥ 206	¥120,488	¥280,240
Cumulative effects of changes in accounting policies				(452)									(452)
Restated balance		44,385	18,747	67,361	(4,759)	3,366	(6,066)	37,808	740	(2,488)	206	120,488	279,788
Loss attributable to owners of parent				(86,210)									(86,210)
Change of scope of equity method				73									73
Purchases of treasury stock					(6)								(6)
Disposal of treasury stock			(9)		39								30
Transfer from revaluation reserve for land				100									100
Change in treasury stock of parent arising from transactions with non-controlling shareholders			(251)										(251)
Net changes of items other than those in Shareholders' equity						(3,396)	(4,209)	(100)	(2,555)	1,808	(30)	(79,686)	(88,168)
Balance as of March 31, 2020	83,099	¥ 44,385	¥ 18,487	¥ (18,676)	¥ (4,726)	¥ (30)	¥ (10,275)	¥ 37,708	¥ (1,815)	¥ (680)	¥ 176	¥ 40,802	¥105,356

	U.S.Dollars (thousands) (Note 1(a))											
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains(losses) on securities	Unrealized gains(losses) on hedging derivatives	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of April 1, 2019	$407,838	$172,259	$623,109	$ (43,728)	$ 30,929	$ (55,738)	$347,404	$ 6,800	$ (22,861)	$ 1,893	$1,107,121	$2,575,026
Cumulative effects of changes in accounting policies			(4,153)									(4,153)
Restated balance	407,838	172,259	618,956	(43,728)	30,929	(55,738)	347,404	6,800	(22,861)	1,893	1,107,121	2,570,873
Loss attributable to owners of parent			(792,153)									(792,153)
Change of scope of equity method			671									671
Purchases of treasury stock				(55)								(55)
Disposal of treasury stock		(83)		358								275
Transfer from revaluation reserve for land			919									919
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(2,306)										(2,306)
Net changes of items other than those in Shareholders' equity					(31,205)	(38,675)	(919)	(23,477)	16,613	(276)	(732,206)	(810,145)
Balance as of March 31, 2020	$407,838	$169,870	$(171,607)	$(43,425)	$ (276)	$ (94,413)	$346,485	$ (16,677)	$ (6,248)	$ 1,617	$374,915	$968,079

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	Japanese Yen (millions)		U.S.Dollars (thousands)(Note 1(a))
Cash Flows from Operating Activities :	2020	2019	2020
Loss before income taxes	¥ (93,559)	¥ (45,234)	$ (859,680)
Adjustments to reconcile Loss before income taxes to net cash provided by (used in) operating activities			
Depreciation and amortization	15,390	14,496	141,413
Loss on impairment of non-current assets	1,045	7,015	9,602
Amortization of goodwill	1,054	1,177	9,685
Increase (decrease) of allowance for doubtful accounts	46	(622)	423
Increase in net defined benefit liablities	2,589	587	23,789
Decrease (increase) in net defined benefit assets	(1,872)	759	(17,201)
Increase in provision for losses on construction contracts	37,553	50,644	345,061
Increase (decrease) in provision for repairs	10,568	(43)	97,106
Interest and dividend income	(7,052)	(8,048)	(64,798)
Interest expenses	3,143	2,909	28,880
Equity in earnings of unconsolidated subsidiaries and affiliates accounted for using equity method	(2,274)	(5,675)	(20,895)
Foreign currency exchange losses (gain), net	(1,532)	41	(14,077)
Gain on sales of investment securities, net	(4,155)	(2,226)	(38,179)
Loss (gain) on sales of subsidiaries and affiliates' stocks	17,776	(101)	163,337
Loss on valuation of investment securities	725	404	6,662
Gain on liquidation of subsidiaries and affiliates	(509)	-	(4,677)
Gain on disposal of non-current assets, net	(2,312)	(11,307)	(21,244)
Loss on reduction of non-current assets	-	577	-
Loss on disaster	765	-	7,029
Loss on litigation	-	170	-
Insurance income	(394)	-	(3,620)
Loss on compensation for damage	-	200	-
Changes in assets and liabilities :			
Decrease (increase) in			
Trade receivables	(79,230)	52,437	(728,016)
Inventories	(4,994)	(10,555)	(45,888)
Other assets	2,078	1,393	19,094
Increase (decrease) in			
Trade payables	64,210	21,779	590,002
Other liabilities	5,823	(2,099)	53,505
Others, net	4,134	(4,623)	37,986
Sub-total	(30,984)	64,055	(284,701)
Interest and dividend received	8,941	15,207	82,156
Interest paid	(3,172)	(2,995)	(29,146)
Payments for loss on disaster	(765)	-	(7,029)
Proceeds from insurance income	394	-	3,620
Payments for loss on litigation	-	(170)	-
Income taxes paid	(11,627)	(9,920)	(106,837)
Net cash provided by (used in) operating activities	¥ (37,213)	¥ 66,177	$ (341,937)

	Japanese Yen (millions)				U.S.Dollars (thousands)(Note 1(a))	
Cash Flows from Investing Activities :		2020		2019		2020
Net decrease in time deposits		519		153		4,769
Capital expenditure		(15,627)		(18,289)		(143,591)
Proceeds from sales of non-current assets		5,303		19,887		48,727
Purchases of investment securities		(5)		(4)		(46)
Proceeds from sales of investment securities		14,112		6,866		129,670
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		39,507		-		363,016
Purchase of shares of subsidiaries and affiliates		(51)		(7,056)		(469)
Proceeds from sales of shares of subsidiaries and affiliates		1,638		523		15,051
Payments for investments in capital of subsidiaries and affiliates		(530)		-		(4,870)
Disbursements of loans receivable		(16,217)		(88,857)		(149,012)
Collection of loans receivable		53,792		86,997		494,276
Others, net		1,684		(351)		15,474
Net cash provided by (used in) investing activities	¥	84,125	¥	(131)	$	772,995
Cash Flows from Financing Activities :						
Net increase (decrease) in short-term borrowings		31,231		(7,837)		286,971
Proceeds from long-term borrowings		2,337		20,195		21,474
Repayments of long-term borrowings		(44,196)		(61,934)		(406,101)
Repayments of lease obligations		(3,005)		(1,909)		(27,612)
Repayments on bonds		(10,000)		-		(91,886)
Cash dividends		(2)		(4)		(18)
Dividends paid to non-controlling interests		(3,044)		(1,755)		(27,970)
Proceeds from share issuance to non-controlling shareholders		-		4		-
Others, net		(146)		(101)		(1,343)
Net cash provided by (used in) financing activities	¥	(26,825)	¥	(53,341)	$	(246,485)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(772)		(2,726)		(7,094)
Net increase in Cash and Cash Equivalents		19,315		9,979		177,479
Increase (decrease) due to changes in scope of consolidation		(32)		1,117		(294)
Cash and Cash Equivalents at Beginning of Year		97,408		86,312		895,047
Cash and Cash Equivalents at End of Year (Notes 1(r) and 5)	¥	116,691	¥	97,408	$	1,072,232

Notes to Consolidated Financial Statements

1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by the Mitsui E&S Group (the "Group"), which consists of Mitsui E&S Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Subsidiaries") in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions set forth in the "Japanese Financial Instruments and Exchange Act" and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the overseas Subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile ("Local GAAP") and significant differences between Japanese GAAP and Local GAAP are adjusted in consolidation. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Group prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the "Financial Instruments and Exchange Act". Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Translation of Foreign Currency Accounts

Under Japanese accounting standard for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the current statements of income.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect at each balance sheet date, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at each balance sheet date.

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Group, over which the Company has power of control through majority voting rights or existence of certain conditions requiring control by the Company.

Material inter-company balances, transactions and profits have been eliminated in consolidation.

The assets and liabilities of the Subsidiaries, including the portion attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in all significant unconsolidated subsidiaries and affiliates are accounted for using equity method.

Goodwill is generally amortized over certain periods on the straight-line method.

Fiscal years of some of the Subsidiaries end on the 31st of December. The Company consolidates these subsidiaries' financial statements as of each subsidiary's latest fiscal year and significant transactions occurred between each subsidiary's fiscal year-end and the Company's fiscal year-end are adjusted on consolidation.

(d) Securities

The Company and the domestic Subsidiaries examined the intent of holding each security and classified those securities as securities held for trading purposes ("trading securities"), debt securities intended to be held to maturity ("held-to-maturity debt securities"), equity securities issued by subsidiaries and affiliated companies, and all other securities that are not classified in any of the above categories ("available-for-sale securities"). The Company and the domestic Subsidiaries did not have trading securities or held-to-maturity debt securities.

Equity securities issued by the Subsidiaries and affiliated companies, which are not accounted for using equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. The fair market value is calculated using mainly the average price of securities one month before the consolidated balance sheet date. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities without fair market value available are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies which are not accounted for using equity method, and available-for-sale securities decline significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market values of these securities are not readily available, they should be written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Derivative Transaction and Hedge Accounting

Japanese accounting standard for financial instruments requires the Company and the domestic Subsidiaries to measure derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the instruments are applied to hedged items.

In cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, the forward foreign exchange contracts and hedging items are accounted for in the following manner.

1) If forward foreign exchange contracts are entered into to hedge existing foreign currency receivables or payables,
   i. the difference, if any, between the Japanese yen amount of the hedged foreign currency receivables or payables converted by the contracted forward foreign exchange rate and the book value of the receivables or payables is recognized in the statement of income of the fiscal year in which such contracts are entered into, and
   ii. the difference between the Japanese yen amount converted by the contracted forward foreign exchange rate and the Japanese yen amount by spot rate at the trade date of the contract is allocated to every fiscal period over the term of the contract.

2) If forward foreign exchange contracts are entered into to hedge a future transaction (be contracted but not stated in financial statements) denominated in foreign currency, recognition of gains and losses resulting from fair value of the forward foreign exchange contracts are deferred until the contracts are applied to the hedged item.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was allocated.

(f) Inventories
Merchandise, finished goods, raw materials and supplies are stated at cost determined mainly by the moving-average method (except steels for new shipbuilding, which are by identified cost method) (Balance sheet value reflects downturn in profitability). Work in progress is stated using identified cost method (Balance sheet value reflects downturn in profitability). Construction costs, which are accumulated in inventory, consist of direct materials, labor, other items directly attributable to each contract and an allocable portion of general manufacturing and construction overheads.

(g) Property, Plant and Equipment and Depreciation
Depreciation of plant and equipment is mainly computed using the straight-line method over their estimated useful lives. Ordinary maintenance and repairs are charged to the profit and loss account as incurred.

(h) Intangible Assets
Intangible assets primarily consist of software, customer-related assets and goodwill. Software for own use is depreciated using the straight-line method over the estimated useful life (five years). Customer-related assets is also amortized using the straight-line method based on effected period (mainly eighteen years). Goodwill is generally amortized using the straight-line method over a reasonable period in which the economic benefits are expected to be realized.

(i) Finance Lease Transactions without Transfer of Ownership
Lessee:
The method of amortization of the lease assets related to finance lease transactions without transfer of ownership is by the straight-line method corresponding to lease period. The residual value is the guaranteed residual value in case such value is set forth in the lease contract but otherwise is zero value.

Lessor:
Revenues and costs of sales on finance lease transactions, other than those that transfer ownership of the leased property to the lessee, are recognized when lease payments are received.

(j) Allowance for Doubtful Accounts
In order to provide for credit losses, non-recoverable amount is recorded based on write-off ratio for general accounts. For doubtful accounts, collectability is examined and recoverable amount is estimated individually.

(k) Provision for Construction Warranties
Provision for construction warranties for ships and other products is provided based on the estimated amounts calculated by using mainly the average proportion of construction warranties against amounts of construction revenue for past two years.

(l) Provision for Losses on Construction Contracts
Provision for losses on construction contracts, etc., is provided based on an estimate of the total losses which can probably occur for the next fiscal year and beyond with respect to construction projects, etc., on which eventual losses are deemed inevitable and amounts thereof can reasonably be estimated.

(m) Provision for Repairs
Provision for repairs is provided based on the estimated amounts for foreseeable periodic repair expenses deemed to correspond to normal wear and tear of equipment as of the end of the consolidated fiscal year to be paid in the subsequent period.

(n) Liability for Severance and Retirement Benefits for Directors and Corporate Auditors
Amount is recorded based on internal regulations in order to prepare for payment of retirement benefit of directors and corporate auditors.

(o) Provision for Business Restructuring
Provision for business restructuring is provided based on an estimate of the total costs or losses which are expected to be incurred with the business restructuring.

(p) Employees' Severance and Retirement Benefits

In calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits over the period to the end of this consolidated fiscal year. Actuarial gains and losses are recognized in the Consolidated Statements of Operations commencing with the following year using the straight-line method mainly for five or ten years. Prior service costs are recognized in the Consolidated Statements of Operations using the straight-line method mainly for one or five years.
After being adjusted for tax effect, unrecognized actuarial gains and losses, unrecognized prior service costs are added to "Remeasurements of defined benefit plans", an item within "Accumulated other comprehensive income (net assets)".

(q) Revenue Recognition

Revenue and costs associated with construction contracts

1) Construction of its certainty of achievement on the progressed portion until the fiscal year end can be recognized:
   The percentage-of-completion method
   (The progress of work is mainly measured by the percentage of cost method)
2) Construction other than above:
   The completed-contract method

Revenues and costs of sales on finance lease transactions are recognized when lease payments are received.

(r) Cash and Cash Equivalents

In preparing the Consolidated Statements of Cash Flows, Cash and Cash Equivalents consists of cash on hand, readily available deposits including short-term loans and short-term highly liquid investments with maturities not exceeding three months at the time of purchase which involve only an insignificant risk in their movements of value.

(s) Income Taxes

Deferred income tax is recognized from temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system)
With regard to the transition to group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, the Company and certain domestic Subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of the tax act before the amendment based on the treatment of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Tax Force No. 39, March 31, 2020), instead of applying the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

(t) Change in Accounting Policy

(Application of ASC 606 "Revenue from Contracts with Customers")
The subsidiaries adopting the U.S. GAAP of the Group have applied ASC 606, "Revenue from Contracts with Customers," from this fiscal year. Upon the application of this accounting standard, they have employed the method where the cumulative effect of applying the standard is recognized on the date of initial application, which is permitted as a transitional measure.
Consequently, the balance of retained earnings at the beginning of the year decreased by ¥452 million ($4,153 thousand) compared with the case where the previous accounting standard would be applied. The impact of the application of the said accounting standard on the consolidated financial statements of the Company is minor.

(u) Accounting Standards and Guidance Issued but not yet Applied

(Accounting Standard for Revenue Recognition etc.)
- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Outline:
   The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and Topic 606 is effective for fiscal years beginning after December 15, 2017. Given these circumstances, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them with the implementation guidance thereon.
   The basic policy of the ASBJ in developing accounting standards for revenue recognition is thought to set such accounting standards by adopting basic principles of IFRS 15 as a starting point, from the viewpoint of comparability among financial statements, which is one of benefits of ensuring consistency with IFRS 15, and to additionally provide for alternative accounting treatments to the extent that it would not impair comparability, if there is an item to be taken into consideration in practices that have been conducted in Japan.
2) Planned date of application:
   To be applied from the beginning of the fiscal year ending March 31, 2022.
3) Impact of application of the accounting standards:
   The impacts of the application of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition" on the Group's consolidated financial statements are currently being evaluated.

(Accounting Standard for Fair Value Measurement etc.)
- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Outline:
In light of the situation in which the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) established detailed guidance on fair value measurement with almost the same content (IFRS 13 "Fair Value Measurement" in International Financial Reporting Standards (IFRS), and Accounting Standards Codification Topic 820 "Fair Value Measurement" in the U.S. GAAP), the ASBJ has worked to ensure consistency of the Japanese GAAP with international accounting standards mainly for guidance and disclosures on fair value of financial instruments and published "Accounting Standard for Fair Value Measurement" and others.
The basic policy of the ASBJ in developing accounting standards for fair value measurement is thought to incorporate basically all the provisions of IFRS 13 from the viewpoint of increasing comparability of financial statements among companies in Japan and overseas by using the unified measurement method, and to establish other treatments of individual items to the extent that consideration is given to practices that have been conducted to date in Japan and comparability among financial statements is not impaired largely.
2) Planned date of application:
To be applied from the beginning of the fiscal year ending March 31, 2022.
3) Impact of application of the accounting standards:
The impacts of the application of the standards and guidances such as "Accounting Standard for Fair Value Measurement" on the Group's consolidated financial statements have not yet been determined at this stage.

(Accounting Standard for Disclosure of Accounting Estimates)
"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)
1) Outline:
With regard to "sources of estimation uncertainty," which is required to be disclosed in Paragraph 125 of International Accounting Standard (IAS) 1 ("IAS 1") published by the International Accounting Standards Board (IASB) in 2003, as the ASBJ received requests to consider also requiring disclosure of these sources as information that is highly useful to financial statement users, as note information in the Japanese GAAP, the ASBJ has developed and published the Accounting Standard for Disclosure of Accounting Estimates (the "Accounting Standard").
The basic policy of the ASBJ in developing the Accounting Standard is thought to present the principle (purpose of disclosure), instead of enhancing individual notes, and to let entities determine specific information to be disclosed according to the disclosure purpose, and to refer to the provision of Paragraph 125 of IAS 1 in the development.
2) Planned date of application:
To be applied from the end of the fiscal year ending March 31, 2021.

(Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)
"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)
1) Outline:
Following the recommendation to consider enhancing note information on "principle and proceedings for accounting treatment used in the case where provisions of relevant accounting standards, etc. are not clear," the ASBJ has made necessary revisions and published the revised standard as the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.
In striving to enhance note information on "principle and proceedings for accounting treatment used in the case where provisions of relevant accounting standards, etc. are not clear," the provision of annotations on corporate accounting principles (note 1 to 2) shall be taken over so that traditional practices in the case where provisions of relevant accounting standards, etc. are clear are not affected.
2) Planned date of application:
To be applied from the end of the fiscal year ending March 31, 2021.

(v) Reclassifications

Certain reclassifications have been made in the financial statement of the previous fiscal year to conform to the classification used in this fiscal year. These reclassifications had no effect on previously reported profit or net assets.

(w) Changes in Presentation

Consolidated Balance Sheets

"Provision for repairs", which was included in "Others" under "Current liabilities" in the year ended March 31, 2019, has been presented individually from the year ended March 31, 2020 since its materiality in amount has increased. Consolidated financial statements for the year ended March 31, 2019 have been reclassified in order to reflect this change in presentation.
As a result, in the consolidated balance sheets as of March 31, 2019, ¥19,960 million previously presented in "Others" under "Current liabilities" has been reclassified as ¥6 million in "Provision for repairs" and ¥19,954 million in "Others".

Consolidated Statements of Operations

"Commission expenses", which was included in "Others, net" under "Other income (expenses)" in the year ended March 31, 2019, has been presented individually from the year ended March 31, 2020 since its materiality in amount has increased. Consolidated financial statements for the year ended March 31, 2019 have been reclassified in order to reflect this change in presentation.
As a result, in the consolidated statements of operations for the year ended March 31, 2019, ¥(456) million previously presented in "Others, net" under "Other income (expenses)" has been reclassified as ¥(535) million in "Commission expenses" and ¥79 million in "Others, net".

Consolidated Statements of Cash Flows

"Increase in provision for losses on construction contracts" and "Increase (decrease) in provision for repairs", which were included in "Increase (decrease) in Other liabilities" under "Cash Flows from Operating Activities" in the year ended March 31, 2019, have been presented individually from the year ended March 31, 2020 since their materiality in amount has increased. Consolidated financial statements for the year ended March 31, 2019 have been reclassified in order to reflect this change in presentation. As a result, in the consolidated statements of cash flows for the year ended March 31, 2019, ¥48,502 million previously presented in "Increase (decrease) in Other liabilities" under "Cash Flows from Operating Activities" has been reclassified as ¥50,644 million in "Increase in provision for losses on construction contracts", ¥(43) million in "Increase (decrease) in provision for repairs", and ¥(2,099) million in "Increase (decrease) in Other liabilities".
In addition, "Purchases of treasury stock", which was presented individually in "Cash Flows from Financing Activities" in the year ended March 31, 2019, has been included in "Others, net" from the year ended March 31, 2020 since its materiality in amount has decreased. Consolidated financial statements for the year ended March 31, 2019 have been reclassified in order to reflect this change in presentation.
As a result, in the consolidated statements of cash flows for the year ended March 31, 2019, ¥(15) million previously presented in "Purchases of treasury stock" under "Cash Flows from Financing Activities" has been reclassified as "Others, net".

(x) Additional information

The growing spread of infections of the novel coronavirus disease (COVID-19) is an event that widely affects the economy and corporate activities, and the Group is also anticipated to experience delays in procurement of equipment and in business negotiations in overseas transactions. However, since it is difficult to reasonably forecast how the outbreak of COVID-19 will develop and when it will settle down, the Group made accounting estimates for the year ended March 31, 2020 based on an assumption that the COVID-19 pandemic would settle down in the middle of the following year ending March 31, 2021, in light of information, etc. from external information sources.

2. Consolidated Balance Sheets

(a) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2020 and 2019 were ¥52,898 million ($486,061 thousand) and ¥56,012 million, respectively. Investments in unconsolidated subsidiaries and affiliates included in other assets as of March 31, 2020 and 2019 were ¥7,182 million ($65,993 thousand) and ¥6,969 million, respectively.

(b) Contingent Liabilities

1) Contingent liabilities of the Group as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Guarantees of bank loans and other indebtedness	¥ 78,589	¥ 32,240	$ 722,126

2) Others

Three companies, namely MODEC MANAGEMENT SERVICE PTE. LTD. and MODEC (GHANA) LTD., consolidated subsidiaries of MODEC, Inc., and T.E.N. GHANA MV25 B.V., an affiliate accounted for using equity method of the said company, received a document giving notice of additional levies in November 2019, as a result of tax examinations for 2012 to 2018 made by Ghana's authorities. However, the Group believes that the three companies that received the indication have appropriately filed tax return in accordance with the local tax law, and has submitted written counterargument against the additional levies to the authorities. Therefore, impacts of this indication have not been reflected in the consolidated financial statements for the year ended March 31, 2020, and the Company recognizes that this will have no major impact on its operating results in the future.

(c) Revaluation Reserve for Land

The land used for business operations is revaluated based on real estate tax value on March 31, 2000 and March 31, 2002 respectively, in accordance with Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land (the "Law") effective March 31, 1998. The related unrealized gain, net of income taxes was recorded as "Revaluation reserve for land" in Net assets and the deferred income tax effects were recorded as Deferred tax liabilities on "Revaluation reserve for land" in Long-term liabilities.
According to the Law, revaluation of the land is not permitted at any time after the above revaluation even in cases where the fair value of the land declines. Such unrecorded revaluation losses are ¥37,725 million ($346,642 thousand) and ¥39,079 million as of March 31, 2020 and 2019, respectively.

(d) Pledged Assets

Assets pledged as collateral for long-term indebtedness as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2020	2019	2020
Land	¥ 2,513	¥ 2,399	$ 23,091
Buildings and structures	497	172	4,568
Machinery, equipment and vehicles	9,332	7,919	85,748
Investment securities	638	1,103	5,862
Cash and time deposits	294	425	2,702
Long-term loans	1,077	814	9,896
Long-term deposits	1,449	1,457	13,314
Total	¥ 15,800	¥ 14,289	$ 145,181

Short-term borrowings and long-term indebtedness secured by the above pledged assets as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2020	2019	2020
Short-term borrowings	¥ 200	¥ -	$ 1,838
Long-term indebtedness	11,215	10,228	103,050
Total	¥ 11,415	¥ 10,228	$ 104,888

(e) Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at the Group as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Total overdraft facilities and lending commitments	¥ 112,000	¥ 65,824	$ 1,029,128
Less amounts currently executed	27,570	3,452	253,331
Unexecuted balance	¥ 84,430	¥ 62,372	$ 775,797

(f) Financial Covenants

Long-term borrowings include those based on syndicated loan contracts and commitment line contracts entered into between the Company and financial institutions, which are subject to financial covenants. Main covenants are as follows:
Syndicated loans (Long-term borrowings, current portion of long-term borrowings):

- At the end of each fiscal year, total shareholders' equity in the consolidated balance sheets must be maintained above a defined level.
- Ratings by rating agencies must be maintained above a defined level.

Commitment line contracts (short-term borrowings):

- At the end of each fiscal period (including quarter period), total shareholders' equity in the consolidated balance sheets must be maintained above a defined level.

The balance of short-term borrowings and long-term borrowings based on such contracts as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2020	2019	2020
Short-term borrowings	¥ 27,560	¥ -	$ 253,239
Long-term borrowings	1,500	15,481	13,783
Total	¥ 29,060	¥ 15,481	$ 267,022

(Note) Long-term borrowings include the current portion.

3. Consolidated Statements of Operations

(a) Research and Development

Costs relating to research and development activities are charged to the profit and loss account as incurred. The amounts for the years ended March 31, 2020 and 2019 were ¥2,754 million ($25,306 thousand) and ¥3,200 million, respectively.

(b) Loss on Impairment of non-current assets

The Group adopted the accounting standard for impairment of non-current assets. The non-current assets are grouped by each segment. Idle non-current assets are grouped individually. The book value of the non-current assets is reduced to the collectable amount.
The loss on impairment of non-current assets for the years ended March 31, 2020 and 2019 were comprised of the following.

2020

Location	: Oita City, Oita Prefecture etc.
Major use	: Idle assets
Asset category	: Land
Amount	: ¥12 million ($110 thousand)
Reason	: Decline in market value

Location	: Indonesia and Ichihara City, Chiba Prefecture etc.
Major use	: Business assets
Asset category	: Land, Building etc.
Amount	: ¥1,033 million ($9,492 thousand)
Reason	: Deterioration of business environment

2019

Location	: Oita City, Oita Prefecture etc.
Major use	: Idle assets
Asset category	: Land
Amount	: ¥28 million ($252 thousand)
Reason	: Decline in market value

Location	: Ichihara City, Chiba Prefecture etc.
Major use	: Business assets
Asset category	: Land, Building etc.
Amount	: ¥5,833 million ($52,554 thousand)
Reason	: Deterioration of business environment

Location	: Akishima City, Tokyo
Major use	: Assets to be disposed
Asset category	: Building etc.
Amount	: ¥195 million ($1,757 thousand)
Reason	: Determination of disposal

Location	: Germany
Major use	: -
Asset category	: Goodwill
Amount	: ¥959 million ($8,641 thousand)
Reason	: Decline in MES Germany Beteiligungs GmbH's expected income

(c) Details of Extraordinary repair expense are as follows:

FPSO Cidade do Rio de Janeiro MV14 (the "FPSO"), of which charter services were provided by MODEC, Inc. (company whose fiscal year ends in December), a consolidated subsidiary of the Company, off the coast of Brazil, discontinued the oil production, and removal from the mining area was being pursued. However, in the year ended March 31, 2020, cracks were found on the exterior of the FPSO's hull during the removal work. As a result of consultations with the Brazilian Navy, the classification society and others, the Group has agreed to repair the cracks and remove naturally occurring radioactive materials, coral, etc. attached to the FPSO at a shipbuilding yard in Brazil in order to towing to a scrap-yard outside the country. Mainly because the cause for the cracks is under investigation, sharing of the repair expenses and related expenses with ESPADARTE MV14 B.V., which owns the FPSO, the amount of insurance claim, and others have not been determined. Therefore, in the year ended March 31, 2020, MODEC, Inc. and its consolidated subsidiaries MODEC INTERNATIONAL, INC. and MODEC SERVICOS DE PETROLEO DO BRASIL LTDA., must share almost all of the estimated expenses. Due to this event, the repair expenses and related expenses were recorded in Extraordinary repair expenses in the consolidated statements of operations for the year ended March 31, 2020.

4. Comprehensive Income

Each component of other comprehensive income for the years ended of March 31, 2020 and 2019 were the following:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Net unrealized holding losses on securities:			
Amount of generation at this fiscal term	¥ (2,182)	¥ (4,611)	$ (20,050)
Amount of rearrangement adjustment	(4,574)	(1,529)	(42,029)
Before adjusting the tax effect	(6,756)	(6,140)	(62,079)
Tax effect	2,782	1,853	25,563
Net unrealized holding losses on securities	(3,974)	(4,287)	(36,516)
Unrealized gains (losses) on hedging derivatives:			
Amount of generation at this fiscal term	(2,194)	(1,966)	(20,160)
Amount of rearrangement adjustment	917	556	8,426
Before adjusting the tax effect	(1,277)	(1,410)	(11,734)
Tax effect	41	88	377
Unrealized losses on hedging derivatives	(1,236)	(1,322)	(11,357)
Foreign currency translation adjustments:			
Amount of generation at this fiscal term	(2,643)	(5,776)	(24,285)
Amount of rearrangement adjustment	(539)	(34)	(4,953)
Before adjusting the tax effect	(3,182)	(5,810)	(29,238)
Tax effect	61	3	560
Foreign currency translation adjustments	(3,121)	(5,807)	(28,678)
Remeasurements of Defined Benefit Plans:			
Amount of generation at this fiscal term	1,046	(3,699)	9,611
Amount of rearrangement adjustment	1,264	2,012	11,615
Before adjusting the tax effect	2,310	(1,687)	21,226
Tax effect	(732)	362	(6,726)
Remeasurements of Defined Benefit Plans	1,578	(1,325)	14,500
Share of other comprehensive income of affiliates accounted for using equity method:			
Amount of generation at this fiscal term	(3,925)	(269)	(36,065)
Amount of rearrangement adjustment	711	862	6,533
Share of other comprehensive income of affiliates accounted for using equity method	(3,214)	593	(29,532)
Total	¥ (9,967)	¥ (12,148)	$ (91,583)

5. Cash Flow Statement

Reconciliation of cash and time deposits shown in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Cash and time deposits	¥ 118,405	¥ 100,857	$ 1,087,981
Time deposits with maturities exceeding 3 months	(1,714)	(3,449)	(15,749)
Cash and cash equivalents	¥ 116,691	¥ 97,408	$ 1,072,232

The following tables summarize breakdown of assets and liabilities of subsidiaries excluded from the scope of consolidation due to the sale of its shares for the year ended March 31, 2020.
Breakdown of assets and liabilities of Showa Aircraft Industry Co., Ltd. and its subsidiaries from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net proceeds from the sale of shares were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	14,412	$	132,427
Non-current assets		148,049		1,360,369
Current liabilities		(9,253)		(85,023)
Non-current liabilities		(61,484)		(564,955)
Treasury stock		(379)		(3,482)
Others		563		5,173
Non-controlling interests		(32,251)		(296,342)
Expenses for sales of shares		213		1,957
Loss on sales of subsidiaries and affiliates' stocks		(21,692)		(199,320)
Sales prices of shares		38,178		350,804
Special dividends		6,649		61,095
Expenses for sales of shares		(213)		(1,957)
Cash and cash equivalents		(4,859)		(44,648)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥	39,755	$	365,294

Breakdown of assets and liabilities of Mitsui E&S Plant Engineering Inc. from the scope of consolidation due to the sale of its shares and the relationship between the sale price of the shares and net proceeds from the sale of shares were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	10,951	$	100,625
Non-current assets		1,423		13,075
Current liabilities		(9,505)		(87,338)
Non-current liabilities		(271)		(2,490)
Others		(18)		(166)
Expenses for sales of shares		268		2,463
Profit on sales of subsidiaries and affiliates' stocks		3,652		33,557
Sales prices of shares		6,500		59,726
Expenses for sales of shares		(268)		(2,463)
Cash and cash equivalents		(6,093)		(55,986)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	¥	139	$	1,277

Amounts for assets and liabilities for other companies from the scope of consolidation due to the sale of its shares are not significant, and have therefore been omitted.

6. Leases

(a) Lessee

i) Unexpired lease payments of operating lease transactions as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2020		2019		2020	
Due within one year	¥	2,111	¥	1,900	$	19,397
Due after one year		3,454		4,277		31,738
Total	¥	5,565	¥	6,177	$	51,135

(b) Lessor

i) Unexpired lease receivables of operating lease transactions as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)				U.S.Dollars (thousands)	
	2020		2019		2020	
Due within one year	¥	1,050	¥	1,229	$	9,648
Due after one year		6,053		6,804		55,619
Total	¥	7,103	¥	8,033	$	65,267

7. Financial Instruments

(a) Articles concerning status of financial instruments

1) Policies for financial instruments

The Group restricts the fund management to short-term financial instruments. The Group transfers funds to each other through an inter-company cash management systems (CMS).

Regarding the funding, the Group raises the short-term working capital through bank loans and the issuance of commercial paper (CP), and raises the long term capital investment through bank loans and the issuance of bonds. Derivative financial instruments are utilized to hedge the risks described hereinafter and not for speculative transactions as a matter of policy.

2) Substances and risks of financial instruments

Trade receivables are exposed to credit risks of customers. Trade receivables in foreign currency, which the Company and certain Subsidiaries receive from foreign operations, are exposed to currency fluctuation risks. Forward foreign exchange contracts are applied to these hedged items in principle. Investment securities, mainly of companies with business relationships, are exposed to market fluctuation risks. Short-term and long-term loans for operating funds and capital expenditures of SPC's, which are established for charter project of FPSO or for generating electricity, are exposed to credit risks of customers.

Almost all of the trade payables are due within one year. Foreign currency trade payables for overseas procurement are exposed to currency fluctuation risks, but those trade payables are controlled not to exceed the balance of trade receivables in the same foreign currencies.

Short-term borrowings are mainly for the purpose of funding commercial transactions. Long-term borrowings and bonds are mainly for the purpose of funding capital investments. Although the portions of those debts with floating interest rates are exposed to interest rate fluctuation risks, interest rate swap contracts are applied to hedge the risks.

Derivative transactions are the above mentioned forward foreign exchange contracts, as well as interest rate swap contracts. They are for the purpose of hedging currency fluctuation risks and rising interest rate risks.

As to details on hedging instruments, hedged items, hedging policy and hedge effectiveness testing, please refer to "1. Significant Accounting and Reporting Policies (e) Derivative Transaction and Hedge Accounting."

3) Risk management in financial instruments

i) Management of credit risks (Risks for breach of contracts)

The Group monitors due dates and balances of trade receivables and regularly investigates the credit standings of main customers for early detection and reduction of default risks according to internal regulation. Certain Subsidiaries reduce their balance of loan receivables by arranging project finance or through cooperation with business partners such as general trading companies.

As to derivative transactions, credit risks are minimized by dealing solely with top-ranked financial institutions.

ii) Management of market risks (Exchange rate or interest rate fluctuation risks)

The Company and certain Subsidiaries utilize forward foreign exchange contracts, interest rate swap contracts, and interest rate and currency swap contracts. Forward foreign exchange contracts are for the purpose of hedging currency fluctuation risks arising from foreign currency receivables and payables in principle, and the others are utilized for the purpose of hedging interest rate fluctuation risks arising from short-term and long-term borrowings and bonds.

Holding position of investment securities are continuously reviewed by researching fair market value and financial status of important customers regularly and taking into account of market condition and relationship with customers.

Execution and management of derivative transactions are based on each company's internal regulation restricting scope of authority.

As to derivative transactions, the Group utilizes them to offset risks within the range of trade demand.

iii) Management of liquidity risks of raising funds (Default risks)

The Finance & Accounting department of the Group makes and updates finance plans, and maintains a certain level of liquidity on hand to minimize liquidity risks.

4) Supplementary explanation about fair value of financial instruments

Fair value of financial instruments includes not only fair market value based on market price but also reasonably estimated value if market price is not available. Reasonably estimated fair value may fluctuate because it depends on an estimation process which is based on certain preconditions.

The contract amounts for derivatives stated in the following "(b) Articles concerning fair value of financial instruments," do not indicate the market risks of derivatives.

(b) Articles concerning fair value of financial instruments

Consolidated balance sheet amounts, fair value of financial instruments and the differences between them for the fiscal years ended March 31, 2020 and 2019 were as follows. Financial instruments in which the fair value is considered to be extremely difficult to recognize are not included in the list below.

2020	Japanese Yen (millions)		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 118,405	¥ 118,405	¥ -
(2) Trade receivables	282,368		
Less allowance for doubtful accounts *1	(858)		
	281,510	281,511	1
(3) Short-term loans	9,594		
Less allowance for doubtful accounts *1	(1)		
	9,593	9,593	-
(4) Investment securities			
Available-for-sale securities	2,002	2,002	-
(5) Long-term loans	41,038		
Less allowance for doubtful accounts *1	(2)		
	41,036	42,894	1,858
Total assets	¥ 452,546	¥ 454,405	¥ 1,859
(1) Trade payables	¥ 238,242	¥ 238,242	¥ -
(2) Short-term borrowings	34,670	34,670	-
(3) Current portion of long-term borrowings	40,245	40,312	67
(4) Current portion of bonds	5,000	5,003	3
(5) Accrued income taxes	7,803	7,803	-
(6) Bonds	35,000	35,073	73
(7) Long-term borrowings	59,019	59,613	594
Total liabilities	¥ 419,979	¥ 420,716	¥ 737
Derivative transactions *2			
i. Derivative transactions for which hedge accounting has not been applied	¥ 1,547	¥ 1,547	¥ -
ii. Derivative transactions for which hedge accounting has been applied	(1,475)	(1,475)	-
Total derivative transactions	¥ 72	¥ 72	¥ -

2019	Japanese Yen (millions)					
	Book value		Fair value		Difference	
(1) Cash and time deposits	¥	100,857	¥	100,857	¥	-
(2) Trade receivables		225,765				
Less allowance for doubtful accounts *1		(1,005)				
		224,760		224,760		0
(3) Short-term loans		41,039		41,039		-
Less allowance for doubtful accounts *1		(0)				
		41,039		41,039		-
(4) Investment securities						
Available-for-sale securities		20,365		20,365		-
(5) Long-term loans		46,170				
Less allowance for doubtful accounts *1		(426)				
		45,744		45,958		214
Total assets	¥	432,765	¥	432,979	¥	214
(1) Trade payables	¥	190,956	¥	190,956	¥	-
(2) Short-term borrowings		3,535		3,535		-
(3) Current portion of long-term borrowings		39,062		39,100		38
(4) Current portion of bonds		10,000		10,011		11
(5) Accrued income taxes		11,846		11,846		-
(6) Bonds		40,000		40,135		135
(7) Long-term borrowings		112,020		112,263		243
Total liabilities	¥	407,419	¥	407,846	¥	427
Derivative transactions *2						
i. Derivative transactions for which hedge accounting has not been applied	¥	2,462	¥	2,462	¥	-
ii. Derivative transactions for which hedge accounting has been applied		(278)		(278)		-
Total derivative transactions	¥	2,184	¥	2,184	¥	-

2020	U.S. Dollars (thousands)					
	Book value		Fair value		Difference	
(1) Cash and time deposits	$	1,087,981	$	1,087,981	$	-
(2) Trade receivables		2,594,579				
Less allowance for doubtful accounts *1		(7,885)				
		2,586,694		2,586,703		9
(3) Short-term loans		88,156				-
Less allowance for doubtful accounts *1		(9)				
		88,147		88,147		-
(4) Investment securities						
Available-for-sale securities		18,396		18,396		-
(5) Long-term loans		377,084				
Less allowance for doubtful accounts *1		(18)				
		377,066		394,138		17,072
Total assets	$	4,158,284	$	4,175,365	$	17,081
(1) Trade payables	$	2,189,121	$	2,189,121	$	-
(2) Short-term borrowings		318,570		318,570		-
(3) Current portion of long-term borrowings		369,797		370,412		615
(4) Current portion of bonds		45,943		45,971		28
(5) Accrued income taxes		71,699		71,699		-
(6) Bonds		321,602		322,273		671
(7) Long-term borrowings		542,305		547,763		5,458
Total liabilities	$	3,859,037	$	3,865,809	$	6,772
Derivative transactions *2						
i. Derivative transactions for which hedge accounting has not been applied	$	14,215	$	14,215	$	-
ii. Derivative transactions for which hedge accounting has been applied		(13,553)		(13,553)		-
Total derivative transactions	$	662	$	662	$	-

*1 Allowance for doubtful accounts is deducted from each account.

*2 Net credit or debt arising from derivative transactions is indicated by the offset amount and which is indicated as ( ) in case of the offset amount is debt.

(note 1) Articles concerning calculation method of fair value, marketable securities and derivative transactions.

Assets

(1) Cash and time deposits, (3) Short-term loans

Fair value of these accounts is stated at the book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.

(2) Trade receivables

Fair value of these accounts is stated at the present value discounted over the maturity term of each receivable divided into certain classified term.

(4) Investment securities
Fair value of these accounts is based on available market price.
(Please see "8. Investment Securities".)
(5) Long-term loans
Fair value of these accounts is stated at the present value using future cash flows discounted by the premium added rate on the appropriate index like yield on government bonds.

Liabilities
(1) Trade payables, (5) Accrued income taxes
Fair value of these accounts is stated at book value because these accounts are settled in the short term, so they are considered to be close to the balance sheet amounts.
(2) Short-term borrowings, (3) Current portion of long-term borrowings, (7) Long-term borrowings
Fair value of borrowings at fixed interest rates is calculated using the total amount of the principal and interest discounted by the interest rate on condition that the borrowing is newly executed at the date of fair value evaluation.
Fair value of borrowings at variable interest rates is stated at balance sheet amounts because variable interest rates reflects the latest market conditions and the Company's credit standings is considered to be almost same as when funds were borrowed, so fair value is considered to be close to the balance sheet amounts.
Some borrowings at variable interest rates are subjected to exceptional treatment of interest swaps or batch treatment of interest rate and currency swaps that fulfill special treatment requirements. Those fair values are calculated using the total amount of the principal and interest as accounted for as a single item with those swaps, discounted by the reasonably estimated interest rates which would be applied if a similar borrowing were executed.
(4) Current portion of bonds, (6) Bonds
These fair values consist of both the fair value based on fair market value for bonds that have market prices, and the present value that has been discounted using an interest rate for which a credit spread has been added to a risk-free interest rate over the remaining term of each bond for bonds without market prices.

Derivative transactions
Please refer to "9. Derivative Transactions."

(note 2) Financial instruments in which the fair value is considered to be extremely difficult to recognize are as follows.

	Japanese Yen (millions)		U.S.Dollars (thousands)
	Book value		Book value
	2020	2019	2020
(1) Unlisted equity securities	¥ 55,658	¥ 62,636	$ 511,421
(2) Trust property	284	211	2,610
Total	¥ 55,942	¥ 62,847	$ 514,031

As to these financial instruments, there's no available fair market price and it is considered to cost a great deal to estimate future cash flows. So these financial instruments are not included in investment securities because it is considered to be extremely difficult to recognize fair value.

(note 3) The expected redemption amount of monetary credit and securities with maturity after the fiscal years ended March 31, 2020 and 2019 were as follows.

2020	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 118,349	¥ -	¥ -	¥ -
Trade receivables	281,999	369	-	-
Short-term loans	9,594	-	-	-
Long-term loans	-	2,968	15,373	22,697
Total	¥ 409,942	¥ 3,337	¥ 15,373	¥ 22,697

2019	Japanese Yen (millions)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 100,789	¥ -	¥ -	¥ -
Trade receivables	225,743	22	-	-
Short-term loans	41,039	-	-	-
Long-term loans	-	4,111	14,952	27,107
Total	¥ 367,571	¥ 4,133	¥ 14,952	¥ 27,107

2020	U.S. Dollars (thousands)			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	$ 1,087,467	$ -	$ -	$ -
Trade receivables	2,591,188	3,391	-	-
Short-term loans	88,156	-	-	-
Long-term loans	-	27,272	141,257	208,555
Total	$ 3,766,811	$ 30,663	$ 141,257	$ 208,555

(note 4) The expected redemption amount of bonds and borrowings after the fiscal years ended March 31, 2020 and 2019 were as follows.

2020	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 34,670	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,000	15,000	15,000	5,000	-	-
Long-term borrowings	40,245	21,011	14,099	10,839	2,973	10,097
Total	¥ 79,915	¥ 36,011	¥ 29,099	¥ 15,839	¥ 2,973	¥ 10,097

2019	Japanese Yen (millions)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 3,535	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	10,000	5,000	15,000	15,000	5,000	-
Long-term borrowings	39,062	44,367	23,073	19,578	10,987	14,015
Total	¥ 52,597	¥ 49,367	¥ 38,073	¥ 34,578	¥ 15,987	¥ 14,015

2020	U.S. Dollars (thousands)					
	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 318,570	$ -	$ -	$ -	$ -	$ -
Bonds	45,943	137,830	137,829	45,943	-	-
Long-term borrowings	369,797	193,062	129,551	99,596	27,318	92,778
Total	$ 734,310	$ 330,892	$ 267,380	$ 145,539	$ 27,318	$ 92,778

8. Investment Securities

(a) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2020 and 2019:

2020	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 497	¥ 1,123	¥ 626
Sub Total	497	1,123	626
Securities with book values not exceeding acquisition costs:			
Equity securities	1,849	879	(970)
Sub Total	1,849	879	(970)
Total	¥ 2,346	¥ 2,002	¥ (344)

2019	Japanese Yen (millions)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 8,369	¥ 14,712	¥ 6,343
Sub Total	8,369	14,712	6,343
Securities with book values not exceeding acquisition costs:			
Equity securities	6,746	5,653	(1,093)
Sub Total	6,746	5,653	(1,093)
Total	¥ 15,115	¥ 20,365	¥ 5,250

2020	U. S. Dollars (thousands)		
	Acquisition cost	Book value	Difference
Available-for-sale securities:			
Securities with book values exceeding acquisition costs:			
Equity securities	$ 4,567	$ 10,319	$ 5,752
Sub Total	4,567	10,319	5,752
Securities with book values not exceeding acquisition costs:			
Equity securities	16,990	8,077	(8,913)
Sub Total	16,990	8,077	(8,913)
Total	$ 21,557	$ 18,396	$ (3,161)

(b) Proceeds from sales of available-for-sale securities and realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S. Dollars (thousands)
	2020	2019	2020
Proceeds from sales of available-for-sale securities			
Securities	¥ 14,112	¥ 6,867	$ 129,670
Realized gains on sales of available-for-sale securities			
Securities	¥ 4,891	¥ 2,558	$ 44,942
Realized losses on sales of available-for-sale securities			
Securities	¥ 736	¥ 363	$ 6,763

(c) Securities for which impairment loss was recognized

For the year ended March 31, 2019, loss on impairment of ¥403 million ($3,631 thousand) for available-for-sale securities was recognized.
For the year ended March 31, 2020, loss on impairment of ¥725 million ($6,662 thousand) for available-for-sale securities was recognized.
When the fair value of a security at the fiscal year-end declines by more than 50% compared to the acquisition cost, the full amount is recognized as loss on impairment. When the decline is around 30% to 50%, loss on impairment is recognized for the amount deemed necessary, taking into consideration the recoverability etc.

9. Derivative Transactions

Derivative transactions of the Group for market value information as of March 31, 2020 and 2019 were as follows:

(a) Derivative transactions for which hedge accounting has not been applied

2020	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 955	¥ -	¥ 29	¥ 29
STG Pounds	317	-	(3)	(3)
Euro	6,240	-	(85)	(85)
Japanese Yen	284	-	(2)	(2)
Swiss Franc	2,515	-	(10)	(10)
Chinese Yuan	631	-	2	2
Singapore Dollars	753	-	(2)	(2)
Norwegian Krone	56	-	(0)	(0)
Brazilian Real	1,429	-	54	54
Canadian Dollar	184	-	62	62
Mexican Peso	4,378	601	(45)	(45)
To sell U.S. Dollars	1,722	-	(27)	(27)
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	¥ 14,800	¥ 4,788	¥ 1,574	¥ 1,574
	¥ 34,264	¥ 5,839	¥ 1,547	¥ 1,547

2019	Japanese Yen (millions)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Market trades				
Forward contracts				
To buy U.S. Dollars	¥ 1,326	¥ -	¥ (5)	¥ (5)
To sell U.S. Dollars	3,574	-	8	8
Off-market trades				
Forward contracts				
To buy U.S. Dollars	¥ 2,440	¥ 3	¥ 24	¥ 24
Japanese Yen	61	-	2	2
Swiss Franc	30	-	2	2
To sell U.S. Dollars	23,790	-	229	229
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	¥ 17,913	¥ 14,801	¥ 2,202	¥ 2,202
	¥ 49,134	¥ 14,804	¥ 2,462	¥ 2,462

2020	U.S. Dollars (thousands)			
	Contract amount		Fair value	Unrealized gain (loss)
	Total	Due after one year		
Currency related derivatives				
Off-market trades				
Forward contracts				
To buy U.S. Dollars	$ 8,775	$ -	$ 266	$ 266
STG Pounds	2,913	-	(28)	(28)
Euro	57,337	-	(781)	(781)
Japanese Yen	2,610	-	(18)	(18)
Swiss Franc	23,109	-	(92)	(92)
Chinese Yuan	5,798	-	18	18
Singapore Dollars	6,919	-	(18)	(18)
Norwegian Krone	514	-	(0)	(0)
Brazilian Real	13,131	-	496	496
Canadian Dollar	1,691	-	570	570
Mexican Peso	40,228	5,523	(413)	(413)
To sell U.S. Dollars	15,823	-	(248)	(248)
Currency swap				
To receive Japanese Yen, pay U.S. Dollars	$ 135,992	$ 43,995	$ 14,463	$ 14,463
	$ 314,840	$ 49,518	$ 14,215	$ 14,215

(b) Derivative transactions for which hedge accounting has been applied

2020	Hedged items	Japanese Yen (millions)		
		Contract amount		Fair value
		Total	Due after one year	
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 4,857	¥ 2,550	¥ 665
Euro		11,328	136	(137)
STG Pounds		3,731	625	68
Indonesian Rupiah		12,379	-	(1,720)
Singapore Dollars		1,810	-	1
Norwegian Krone		728	-	10
Japanese Yen		610	-	(10)
Swiss Franc		2,432	-	24
Brazilian Real		1,846	-	(34)
Canadian Dollar		859	-	(54)
Mexican Peso		4,378	600	62
To sell U.S. Dollars	Trade receivables	19,157	-	137
STG Pounds		7,509	4,320	(223)
Euro		30	-	(0)
Swedish Krona		23	-	(0)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Loan receivables	330	-	7
		¥ 72,007	¥ 8,231	¥ (1,204)
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	¥ 14,587	¥ 4,747	¥ (271)
Exceptional treatment *2: To receive float, pay fix	Long-term borrowings	23,904	17,746	-
		¥ 38,491	¥ 22,493	¥ (271)

2019	Hedged items	Japanese Yen (millions) Contract amount Total	Due after one year	Fair value
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	¥ 4,735	¥ 2,555	¥ 638
Euro		12,358	843	(126)
STG Pounds		2,162	1,141	(73)
Indonesian Rupiah		21,828	2,326	(421)
Singapore Dollars		1,854	539	(39)
Swiss Franc		21	-	0
To sell U.S. Dollars	Trade receivables	26,264	1,062	(223)
STG Pounds		12,208	6,744	600
		¥ 81,430	¥ 15,210	¥ 356
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	¥ 17,588	¥ 14,648	¥ (634)
Exceptional treatment *2: To receive float, pay fix	Long-term borrowings	37,979	27,233	-
Interest rate and currency swap				
Batch treatment *2:				
To receive float, pay fix To receive U.S. Dollars, pay Japanese Yen	Long-term borrowings	3,929	1,964	-
		¥ 59,496	¥ 43,845	¥ (634)

2020	Hedged items	U.S. Dollars (thousands) Contract amount Total	Due after one year	Fair value
Deferral hedge accounting				
Currency related derivatives				
Forward contracts				
To buy U.S. Dollars	Trade payables	$ 44,629	$ 23,431	$ 6,110
Euro		104,089	1,250	(1,259)
STG Pounds		34,283	5,743	625
Indonesian Rupiah		113,746	-	(15,805)
Singapore Dollars		16,632	-	9
Norwegian Krone		6,689	-	92
Japanese Yen		5,605	-	(92)
Swiss Franc		22,347	-	221
Brazilian Real		16,962	-	(312)
Canadian Dollar		7,893	-	(496)
Mexican Peso		40,228	5,513	570
To sell U.S. Dollars	Trade receivables	176,027	-	1,259
STG Pounds		68,998	39,695	(2,049)
Euro		276	-	(0)
Swedish Krona		211	-	(0)
Alternative method *1				
Currency related derivatives				
Forward contracts				
To sell U.S. Dollars	Loan receivables	3,032	-	64
		$ 661,647	$ 75,632	$ (11,063)
Interest swap				
Basic treatment: To receive float, pay fix	Long-term borrowings	$ 134,035	$ 43,618	$ (2,490)
Exceptional treatment *2: To receive float, pay fix	Long-term borrowings	219,645	163,062	-
		$ 353,680	$ 206,680	$ (2,490)

*1 When certain conditions are met, translation of foreign currency receivables is based on yen amount fixed by forward contract. The fair value is included in that of the hedged items (trade payables or loan receivables), which is shown in "7. Financial Instruments".

*2 As interest swap subject to exceptional treatment of interest swap and batch treatment of interest swap are accounted for as a single item with underlying long-term borrowings, which are hedged items, their fair value is included in that of long-term borrowings.

10. Liability for Severance and Retirement Benefits

(a) Overview of adopting severance and retirement benefits plans

The Group has system of funded and unfunded severance and retirement benefits, and defined contribution pension plans.
Severance and retirement benefits (all funded) pay out lump-sum payment or annual pension based on salary and length of service.
Part of funded severance and retirement benefits is entrusted.
Lump-sum payment (part of which becomes funded as a result of benefit trust although the system is unfunded) is paid out based on salary and length of service as retirement benefits.
Some of the domestic Subsidiaries have adopted a "simpler method" to calculate liability for severance and retirement benefits for employees.

(b) Breakdown of information concerning severance and retirement benefits

i) Movements of severance and retirement benefit obligation:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Balance at beginning of year	¥ 49,687	¥ 48,565	$ 456,556
Current service costs	2,183	2,710	20,059
Interest costs	209	302	1,920
Actuarial differences on pension plan obligation	1,060	416	9,740
Benefits paid	(2,888)	(3,035)	(26,537)
Change of scope of consolidation	(7,424)	166	(68,216)
Others	(489)	563	(4,493)
Balance at end of year	¥ 42,338	¥ 49,687	$ 389,029

ii) Movements of pension assets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Balance at beginning of year	¥ 37,316	¥ 41,867	$ 342,883
Expected return on pension assets	19	17	175
Actuarial differences on pension assets	3,220	(3,278)	29,587
Contribution to pension plans	106	73	974
Benefits paid	(1,571)	(1,336)	(14,435)
Change of scope of consolidation	(2,025)	-	(18,607)
Others	87	(27)	799
Balance at end of year	¥ 37,152	¥ 37,316	$ 341,376

iii) Reconciliation of projected retirement benefit obligation and net defined benefit assets / liabilities recorded in the consolidated balance sheets:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Retirement benefit obligation (funded non-contributory)	¥ 39,891	¥ 42,182	$ 366,544
Less fair value of pension assets	(37,152)	(37,316)	(341,376)
Retirement benefit obligation (Unfunded termination and retirement allowance plan)	2,447	7,505	22,484
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ 5,186	¥ 12,371	$ 47,652
Defined benefit liabilities	11,685	13,104	107,369
Defined benefit assets	(6,499)	(733)	(59,717)
Net defined benefit assets / liabilities recorded in the consolidated balance sheets	¥ 5,186	¥ 12,371	$ 47,652

iv) Severance and retirement benefit expenses:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Current service costs	¥ 2,183	¥ 2,710	$ 20,059
Interest costs	209	302	1,920
Expected return on pension assets	(19)	(17)	(175)
Amortization of actuarial differences	543	2,684	4,989
Amortization of prior service costs	8	(1)	74
Others	(171)	(504)	(1,571)
Severance and retirement benefit expenses	¥ 2,753	¥ 5,174	$ 25,296

v) Remeasurements of defined benefit plans (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Prior service costs	¥ 34	¥ 8	$ 312
Actuarial differences	2,526	(1,263)	23,211
Others	(250)	(432)	(2,297)
Total	¥ 2,310	¥ (1,687)	$ 21,226

vi) Unrecognized actuarial differences (before deducted tax effects):

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Unrecognized prior service costs	¥ 108	¥ (128)	$ 992
Unrecognized actuarial differences	148	2,943	1,360
Others	1,262	1,006	11,596
Total	¥ 1,518	¥ 3,821	$ 13,948

vii) The major categories of pension assets:

	Percentage of composition	
	2020	2019
Bonds	4%	4%
Securities	43%	73%
Cash and deposits	30%	18%
Others	23%	5%
Total	100%	100%

viii) The principal actuarial assumptions at reporting date are summarized below:

	2020	2019
Discount rate	0.0% - 0.8%	0.0% - 0.9%
Expected rate of return on pension plan assets	Not applicable	Not applicable
Expected rate of pay raises	Primarily 1.6% - 2.4%	Primarily 1.7% - 3.6%

To determine the expected rate of return on pension plan assets, allocation of pension assets expected in present and future, and long-term rate of return on portfolio assets expected in present and future are considered.

(c) Defined contribution pension plan

The contribution paid to the defined contribution pension plan is summarized below:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Contribution paid to the defined contribution pension plan	¥ 90	¥ 166	$ 827

11. Stock options

(a) The stock options outstanding at March 31, 2020 are as follows:

	FY2015 Stock option	FY2014 Stock option
Persons granted	Directors of the Company: 9 (including executive officers additional post) Executive officers of the Company: 13 (excluding directors additional post) Deputy directors of the Company: 17	Directors of the Company: 14 Deputy directors of the Company: 21
Class and number of shares	Common stock 49,700 shares	Common stock 36,600 shares
Grant date	August 21, 2015	August 22, 2014
Vesting conditions	It continues in the position of Director, Executive officer or Deputy director until (June 30, 2016 or March 31, 2016) on data of vested after (August 21, 2015) on date of grant.	It continues in the position of Director or Deputy director until (June 30, 2015 or March 31, 2015) on data of vested after (August 22, 2014) on date of grant.
Service period	(Directors of the Company) From July 1, 2015 to June 30, 2016 (Executive officers of the Company) From April 1, 2015 to March 31, 2016 (Deputy directors of the Company) From April 1, 2015 to March 31, 2016	(Directors of the Company) From July 1, 2014 to June 30, 2015 (Deputy directors of the Company) (continuously - appointed) From July 1, 2014 to March 31, 2015 (Deputy directors of the Company) (newly - appointed) From April 1, 2014 to March 31, 2015
Exercise period	From August 22, 2015 to August 21, 2045	From August 23, 2014 to August 22, 2044

	FY2013 Stock option
Persons granted	Directors of the Company: 14 Deputy directors of the Company: 19
Class and number of shares	Common stock 62,400 shares
Grant date	August 23, 2013
Vesting conditions	It continues in the position of Director or Deputy director until (June 30, 2014) on data of vested after (August 23, 2013) on data of grant.
Service period	From July 1, 2013 to June 30, 2014
Exercise period	From August 24, 2013 to August 23, 2043

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares has been converted into those after the share consolidation.

(b) The numbers of and changes in stock options during the year ended March 31, 2020 are as follows:

	FY2015 Stock option	FY2014 Stock option	FY2013 Stock option
Non-vested:			
Outstanding at March 31, 2019	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Vested	-	-	-
Outstanding of non-vested at March 31, 2020	-	-	-
Vested:			
Outstanding at March 31, 2019	47,000	34,400	42,100
Vested	-	-	-
Exercised	4,500	5,600	8,000
Forfeited	-	-	-
Outstanding of non-vested at March 31, 2020	42,500	28,800	34,100
Exercise price - Yen (U.S. Dollars)	¥ 1 ($0.009)	¥ 1 ($0.009)	¥ 1 ($0.009)
Average share price at exercise - Yen (U.S. Dollars)	¥ 931 ($8.555)	¥ 856 ($7.865)	¥ 971 ($8.922)
Fair value price at grant date - Yen (U.S. Dollars)	¥ 1,690 ($15.529)	¥ 1,910 ($17.550)	¥ 1,440 ($13.232)

(note) Effective October 1, 2017, the Company consolidated every 10 shares of its common stock into 1 share. The number of shares has been converted into those after the share consolidation.

(c) Calculation method for the number of rights vested

Only actual forfeited number of the vested stock option is used for calculation for the number of rights vested, since it is difficult to reasonably estimate the number of options that will forfeited in the future.

12. Income Taxes

The Company and the domestic Subsidiaries are subject to a number of income taxes, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.6% for the year ended March 31, 2020 and 2019.

The significant differences between the statutory tax rate and the Group's effective tax rate for financial statement purposes for the year ended March 31, 2020 and 2019 are not presented, because loss before income taxes was recorded during these periods.

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liabilities	¥ 8,941	¥ 11,662	$ 82,156
Elimination of intercompany profit of non-current assets	2,323	2,203	21,345
Tax loss carryforwards	33,401	28,121	306,910
Loss on revaluation of inventories	410	345	3,767
Accrued expenses	2,341	5,813	21,511
Provision for construction warranties	2,059	1,922	18,919
Allowance for doubtful accounts	392	481	3,602
Provision for losses on construction contracts	31,172	18,594	286,428
Loss on impairment of non-current assets	8,760	8,757	80,493
Loss on valuation of marketable and investment securities	288	270	2,646
Provision for repairs	3,296	20	30,286
Difference arising from trust for employees' retirement benefit	6,958	2,415	63,935
Investments in subsidiaries and affiliates	11,534	15,877	105,982
Others	14,808	5,908	136,065
Gross deferred tax assets	126,683	102,389	1,164,045
Valuation allowance for tax loss carryforwards	(32,184)	(27,924)	(295,727)
Valuation allowance for the total of deductible temporary differences, etc.	(72,312)	(52,494)	(664,449)
Less valuation allowance	(104,495)	(80,418)	(960,167)
Total deferred tax assets	¥ 22,188	¥ 21,971	$ 203,878
Deferred tax liabilities:			
Net unrealized holding gains on securities	(112)	(2,899)	(1,029)
Accelerated depreciation on non-current assets	(137)	(464)	(1,259)
Reserve for advanced depreciation of non-current assets	(698)	(2,474)	(6,414)
Gain on contribution of securities to trust for employees' retirement benefit	(1,386)	(1,276)	(12,735)
Difference arising on percentage-of-completion	(360)	(2,083)	(3,308)
Undistributed earnings of foreign subsidiaries	(364)	(320)	(3,345)
Unrealized gain on assets and liabilities of consolidated subsidiaries	(2,055)	(47,789)	(18,882)
Others	(4,426)	(3,165)	(40,669)
Total deferred tax liabilities	¥ (9,538)	¥ (60,470)	$ (87,641)
Net deferred tax assets	¥ 12,650	¥ (38,499)	$ 116,237

(note 1) Increase in valuation allowance of ¥24,078 million ($221,244 thousand) is mainly attributable to the allowance for the provision for losses on construction contracts.

(note 2) Changes in presentation:
"Provision for repairs" and "Difference arising from trust for employees' retirement benefit" which were included in "Others" under Gross deferred tax assets in the year ended March 31, 2019, have been presented individually from the year ended March 31, 2020 since their materiality in amount have increased. Note to the significant components of deferred tax assets and liabilities as of March 31, 2019 has been reclassified in order to reflect this change in presentation.

For the year ended March 31, 2020 and 2019, tax loss carryforwards and corresponding deferred tax assets by expiration date were the following:

2020	Japanese Yen (millions)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	¥ 973	¥ 379	¥ 104	¥ 101	¥ 105	¥ 31,738	¥ 33,401
Less valuation allowance	¥ (65)	¥ (335)	¥ (58)	¥ (53)	¥ (75)	¥ (31,598)	¥ (32,184)
Deferred tax assets	¥ 908	¥ 44	¥ 46	¥ 48	¥ 31	¥ 140	¥ 1,218

2019	Japanese Yen (millions)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	¥ 465	¥ 109	¥ 140	¥ 118	¥ 113	¥ 27,176	¥ 28,121
Less valuation allowance	¥ (465)	¥ (90)	¥ (95)	¥ (74)	¥ (68)	¥ (27,132)	¥ (27,924)
Deferred tax assets	¥ 0	¥ 19	¥ 45	¥ 44	¥ 45	¥ 44	¥ 197

2020	U.S.Dollars (thousands)						
	Within 1 year	Over 1 year ~ within 2 years	Over 2 years ~ within 3 years	Over 3 years ~ within 4 years	Over 4 years~ within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	$ 8,941	$ 3,482	$ 956	$ 928	$ 965	$ 291,630	$ 306,910
Less valuation allowance	$ (597)	$ (3,078)	$ (533)	$ (487)	$ (689)	$ (290,344)	$ (295,727)
Deferred tax assets	$ 8,343	$ 404	$ 423	$ 441	$ 285	$ 1,286	$ 11,192

(a) Tax loss carryforwards are calculated by multiplying the statutory tax rate.

13. Business Combination

Business divestiture

(Transfer of shares of Showa Aircraft Industry Co., Ltd.)

1. Overview of business divestiture
   1) Name of the successor entity
      BCPE Planet Cayman L.P.
   2) Description of divested businesses
      Manufacturing and sales of transportation equipment related products, rental of real estate including office buildings and commercial facilities, operation of hotels, golf courses and sports facilities and product sales, and others
   3) Main reason for business divestiture
      As part of the Business Revival Plan announced in May 2019, the Company has proceeded with the sale of various assets to promote the reinforcement of financial position and profit structure and the reform of business structure. Under the situation, the Company has judged that it can promote development of customers and distribution channels in overseas markets, enhancement of product lineup, strengthening of earnings power, more efficient management, etc. to achieve the acceleration of further growth and increase in the corporate value of Showa Aircraft Industry Co., Ltd. by transferring the transportation equipment related business, the real estate rental business and other businesses to BCPE Planet Cayman L.P. and making use of the said company's global network and know-how on business management, and decided to transfer all the shares to the said company.
   4) Date of business divestiture
      March 17, 2020
   5) Other matters regarding the overview of the transaction including legal form
      Share transfer in which consideration received is only property including cash
2. Overview of accounting treatment performed
   1) Amount of transfer profit or loss
      Loss on sales of subsidiaries and affiliates' stocks: ¥ 21,692 million ($ 199,320 thousands)
   2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	14,412	$	132,427
Non-current assets		148,049		1,360,369
Total assets	¥	162,461	$	1,492,796
Current liabilities	¥	9,253	$	85,023
Long-term liabilities		61,484		564,955
Total liabilities	¥	70,737	$	649,978

   3) Accounting treatment
      Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as loss on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).
3. Name of the reportable segment in which the divested businesses were included
   Others
4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for the year ended March 31, 2020
   Net sales : ¥ 18,858 million ($ 173,279 thousands)
   Operating income : ¥ 2,088 million ($ 19,186 thousands)

(Transfer of shares of Mitsui E&S Plant Engineering Inc.)

1. Overview of business divestiture
   1) Name of the successor entity
      JFE Engineering Corporation
   2) Description of divested businesses
      Estimation, planning, design, procurement, construction work, maintenance, equipment diagnosis, etc. of plants and equipment
   3) Main reason for business divestiture
      As part of the Business Revival Plan announced in May 2019, while withdrawing from overseas local works in the chemical plant business and considering collaboration with companies outside the Group and other means, the Company has judged that it will contribute to the acceleration of further growth and increase in the corporate value of Mitsui E&S Plant Engineering Inc. to further strengthen both domestic and overseas businesses with JFE Engineering Corporation, which has solid networks and operating bases in Japan and overseas, as a new partner, and decided to transfer all the shares to the said company.
   4) Date of business divestiture
      March 31, 2020
   5) Other matters regarding the overview of the transaction including legal form
      Share transfer in which consideration received is only property including cash
2. Overview of accounting treatment performed
   1) Amount of transfer profit or loss
      Gain on sales of subsidiaries and affiliates' stocks: ¥ 3,652 million ($ 33,557 thousand)
   2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

	Japanese Yen (millions)		U.S.Dollars (thousands)	
Current assets	¥	10,951	$	100,625
Non-current assets		1,423		13,075
Total assets	¥	12,374	$	113,700
Current liabilities	¥	9,505	$	87,338
Long-term liabilities		271		2,490
Total liabilities	¥	9,776	$	89,828

3) Accounting treatment

Difference between the consolidated book value of the transferred shares and the amount of sale was recorded as gain on sales of subsidiaries and affiliates' stocks in Other Income (Expenses).

3. Name of the reportable segment in which the divested businesses were included

Engineering

4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for the year ended March 31, 2020

Net sales : ¥ 19,473 million ($ 178,930 thousand)

Operating income : ¥ 1,403 million ($ 12,892 thousand)

(Sale of the solar power generation business)

1. Overview of business divestiture

1) Name of the successor entity

Mitsui Fudosan Co., Ltd.

2) Description of divested businesses

The solar power generation business of the Company

3) Main reason for business divestiture

The Company incurred additional losses on large overseas civil engineering and construction works for coal fired power generation in the Engineering business and as a result, net assets have been impaired significantly. It is necessary to expand and promptly implement measures to recover its own capital and secure fund, and the Company is striving to add projects to sell assets and businesses and accelerate the implementation. As one of measures to this end, the Company has decided to transfer the solar power generation business in the Oita Plant.

4) Date of business divestiture

March 31, 2020

5) Other matters regarding the overview of the transaction including legal form

Share transfer in which consideration received is only property including cash

2. Overview of accounting treatment performed

1) Amount of transfer profit or loss

Gain on disposal of non-current assets: ¥ 2,082 million ($ 19,131 thousand)

2) Appropriate book values of assets and liabilities related to transferred businesses, and their breakdown

The Company has refrained from disclosing the book values and their main breakdown due to the arrangement with the transferee.

3) Accounting treatment

Considering that investments related to the transferred solar power generation business were liquidated, the Company recognized the difference between the fair value of property received as consideration in exchange for the transfer and the amount equivalent to shareholders' equity related to the transferred business, as transfer profit or loss.

3. Name of the reportable segment in which the divested businesses were included

Others

4. Approximate amounts of profits and losses related to the divested businesses recorded in the consolidated statements of operations for the year ended March 31, 2020

Net sales : ¥ 483 million ($ 4,438 thousand)

Operating income : ¥ 252 million ($ 2,316 thousand)

14. Investment and Rental Property

(a) Articles concerning situation of investment and rental property

The Company and certain Subsidiaries own rental office building, commercial facilities, and houses (including land) in Oita, Chiba, Okayama and other areas. Idle land is also owned in Oita, Wakayama and other areas.

(b) Articles concerning fair value of investment and rental property

The book value of investment and rental properties stated in the consolidated balance sheets, the increase or decrease in this fiscal year, and fair value are shown below.

2020	Japanese Yen (millions)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2019	Increase (Decrease)	Ending balance as of March 31, 2020	As of March 31, 2020
Facilities for lease	¥ 105,249	¥ (89,743)	¥ 15,506	¥ 10,177
Idle assets (Land)	9,593	(8,562)	1,031	1,393
Total	¥ 114,842	¥ (98,305)	¥ 16,537	¥ 11,570

	U.S. Dollars (thousands)			
	Book value			Fair value
Usage	Beginning balance as of April 1, 2019	Increase (Decrease)	Ending balance as of March 31, 2020	As of March 31, 2020
Facilities for lease	$ 967,095	$ (824,616)	$ 142,479	$ 93,513
Idle assets (Land)	88,147	(78,674)	9,473	12,800
Total	$ 1,055,242	$ (903,290)	$ 151,952	$ 106,313

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to new acquisitions (¥1,378 million/ $12,662 thousand), and the decrease in rental properties is mainly due to depreciation (¥1,090 million/ $10,016 thousand) and deconsolidation of certain subsidiaries (¥98,492 million/ $905,008 thousand).

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

2020

Usage	Japanese Yen (millions)							
	Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	¥	6,007	¥	3,062	¥	2,945	¥	1
Idle assets (Land)		-		-		-		(38)
Total	¥	6,007	¥	3,062	¥	2,945	¥	(37)

Usage	U.S. Dollars (thousands)							
	Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	$	55,196	$	28,136	$	27,060	$	9
Idle assets (Land)		-		-		-		(349)
Total	$	55,196	$	28,136	$	27,060	$	(340)

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include gain/loss on disposal of non-current assets, loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

2019

Usage	Japanese Yen (millions)							
	Book value						Fair value	
	Beginning balance as of April 1, 2018		Increase (Decrease)		Ending balance as of March 31, 2019		As of March 31, 2019	
Facilities for lease	¥	99,138	¥	6,111	¥	105,249	¥	104,611
Idle assets (Land)		12,829		(3,236)		9,593		20,943
Total	¥	111,967	¥	2,875	¥	114,842	¥	125,554

(note 1) Book value stated in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses.

(note 2) The increase in rental properties in this fiscal year is mainly due to new acquisitions (¥4,461 million), and the decrease in rental properties is mainly due to depreciation (¥1,369 million) and sales of rental properties (¥223 million).
In addition, reclassification amounts (¥3,213 million) are included both in the increase of rental properties and in the decrease of idle assets.

(note 3) Fair value at the end of this fiscal year is mainly estimated based on the "Real estate appraising standard" with an adjustment using a certain indicator.

The profit and loss from investment and rental properties in this fiscal year are shown below.

2019

Usage	Japanese Yen (millions)							
	Rental income		Rental expenses		Difference		Others (Profit or Loss on sales of assets, etc.)	
Facilities for lease	¥	7,566	¥	4,247	¥	3,319	¥	1,075
Idle assets (Land)		-		-		-		(49)
Total	¥	7,566	¥	4,247	¥	3,319	¥	1,026

(note 1) Rental expenses include depreciation, repair, insurance and taxes-and-dues. Rental income is recognized as revenue from operations, and rental expenses are recognized as operating expenses.

(note 2) Others include gain/loss on disposal of non-current assets, loss on impairment of non-current assets and taxes-and-dues, which are recognized as other income (expenses).

15. Segment Information

(a) Overview of Reportable Segment

Reportable Segment is composed of the segment by products and services belonging to the operating companies and subject to be reviewed periodically by the Board of Directors to decide the allocation of management resources and to evaluate the performance.
Under the Company (a pure holding company), the Group develops the operation with each operating company making strategies of its products and services in both Japan and abroad comprehensively.
Reportable Segment is classified into 4 segments: Ship, Ocean Development, Machinery and Engineering. Main products and services of each Reportable Segment are as follows.

Ship: commercial ships, naval ships, high speed passenger/vehicle ferries, offshore structures, underwater TV vehicles, steel structures

Ocean Development: FPSOs (floating production storage offloading vessels)

Machinery: marine and stationary diesel engines, marine equipment, gas engines, steam turbines, blowers, process compressors, gas turbines, cogeneration system, regulating system, container cranes, industrial cranes, container terminal management systems, HWM manipulators, equipment of radar sensing for underground and construction, bridges, port structures, induction heaters

Engineering: renewable energy power generation plants, power generation business, overseas civil works, chemical plants, waste treatment plants, water treatment plants, resources recycling plants, PCB disposal plants

Mitsui E&S Plant Engineering Inc., which engages in chemical plants in "Engineering", was excluded from the scope of consolidation since the Company sold all of its shares on March 31, 2020. Actual results to the exclusion date for "Sales," "Operating income (loss)," "Depreciation and amortization," and "Increase in property, plant and equipment and intangible assets" of this company are included in the segment information.

(b) Calculation method used for Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

The accounting method used for Reportable Segment is almost same as the method stated in "Significant Accounting and Reporting Policies."
Operating income and loss in Reportable Segment is based on the one in Consolidated Statements of Operations.
Inter segment profit and transfer are based on the market price.

Change in Calculation method used for Sales, and Operating income and loss for each Reportable Segment:
As noted in "1. Significant Accounting and Reporting Policies, (t) Change in Accounting Policy", the subsidiaries adopting the U.S. GAAP of the Group have applied ASC 606, "Revenue from Contracts with Customers," from this fiscal year.
The impact of the application of the said accounting standard on the segment operating income and loss is minor.

(c) Information about Sales, Operating income and loss, Assets, Liabilities and other items for each Reportable Segment

Reportable Segment information for the years ended March 31, 2020 and 2019 were as follows:

2020	Japanese Yen (millions)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 115,112	¥ 332,898	¥ 200,449	¥ 69,622	¥ 718,081	¥ 68,397	¥ 786,478	¥ -	¥ 786,478
Inter segment	4,464	-	7,129	781	12,374	10,372	22,746	(22,746)	-
Total	¥ 119,576	¥ 332,898	¥ 207,578	¥ 70,403	¥ 730,455	¥ 78,769	¥ 809,224	¥ (22,746)	¥ 786,478
Operating income (loss)	¥ (2,860)	¥ (4,920)	¥ 13,324	¥ (71,424)	¥ (65,880)	¥ 3,801	¥ (62,079)	¥ -	¥ (62,079)
Assets	¥ 108,235	¥ 358,763	¥ 187,532	¥ 43,384	¥ 697,914	¥ 45,466	¥ 743,380	¥ 97,000	¥ 840,380
Depreciation and amortization	¥ 3,223	¥ 3,266	¥ 4,701	¥ 618	¥ 11,808	¥ 2,972	¥ 14,780	¥ 610	¥ 15,390
Amortization of goodwill	¥ 734	¥ 256	¥ -	¥ 11	¥ 1,001	¥ 53	¥ 1,054	¥ -	¥ 1,054
Year-end balance of goodwill	¥ 8,444	¥ 1,521	¥ -	¥ -	¥ 9,965	¥ 96	¥ 10,061	¥ -	¥ 10,061
Loss on impairment of non-current assets	¥ 431	¥ -	¥ 605	¥ 4	¥ 1,040	¥ -	¥ 1,040	¥ 5	¥ 1,045
Increase in property, plant and equipment and intangible assets	¥ 4,323	¥ 7,499	¥ 7,393	¥ 806	¥ 20,021	¥ (82,616)	¥ (62,595)	¥ 160	¥ (62,435)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Information and communication equipment related business, Systems development, Transport equipment related business, Real estate lease business and others.
Showa Aircraft Industry Co., Ltd., which engages in transport equipment related business and real estate lease business, was excluded from the scope of consolidation since the Company sold all of its shares the Company had held on March 17, 2020. Actual results to the exclusion date for "Sales," "Operating income (loss)," "Depreciation and amortization," and "Increase in property, plant and equipment and intangible assets" of this company are included in the segment information.

(note 2) Adjustments are as follows:
(1) Adjustments of ¥97,000 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥104,877 million that are not allocated to any Reportable Segment.
(2) Adjustments of ¥610 million recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of ¥620 million.
(3) Adjustments of ¥5 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.
(4) Adjustments of ¥160 million recorded for increase in property, plant and equipment and intangible assets include increase in assets related to the administration divisions. ¥(1,879) million and ¥(85,214) million are included in "Engineering" and "Others", respectively, due to the impact of exclusion from consolidation.

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2019	Japanese Yen (millions)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	¥ 96,880	¥ 222,458	¥ 186,935	¥ 68,973	¥ 575,246	¥ 81,258	¥ 656,504	¥ -	¥ 656,504
Inter segment	4,619	-	9,102	562	14,283	9,147	23,430	(23,430)	-
Total	101,499	222,458	196,037	69,535	589,529	90,405	679,934	(23,430)	656,504
Operating income (loss)	¥ (8,112)	¥ 14,895	¥ 10,212	¥ (79,671)	¥ (62,676)	¥ 2,973	¥ (59,703)	¥ -	¥ (59,703)
Assets	¥ 109,078	¥ 293,215	¥ 179,678	¥ 38,854	¥ 620,825	¥ 260,473	¥ 881,298	¥ 117,803	¥ 999,101
Depreciation and amortization	¥ 3,351	¥ 2,084	¥ 4,335	¥ 728	¥ 10,498	¥ 3,420	¥ 13,918	¥ 578	¥ 14,496
Amortization of goodwill	¥ 841	¥ 258	¥ -	¥ 22	¥ 1,121	¥ 56	¥ 1,177	¥ -	¥ 1,177
Year-end balance of goodwill	¥ 9,563	¥ 1,790	¥ -	¥ 112	¥ 11,465	¥ 151	¥ 11,616	¥ -	¥ 11,616
Loss on impairment of non-current assets	¥ 6,218	¥ -	¥ 29	¥ 556	¥ 6,803	¥ 195	¥ 6,998	¥ 17	¥ 7,015
Increase in property, plant and equipment and intangible assets	¥ 2,621	¥ 3,150	¥ 6,674	¥ 703	¥ 13,148	¥ 6,073	¥ 19,221	¥ (366)	¥ 18,855

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Transport equipment related business, Systems development, Real estate lease business and others.

(note 2) Adjustments are as follows:

(1) Adjustments of ¥117,803 million recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of ¥125,295 million that are not allocated to any Reportable Segment.

(2) Adjustments of ¥578 million recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of ¥587 million.

(3) Adjustments of ¥17 million recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of ¥(366) million recorded for increase in property, plant and equipment and intangible assets result from the reclassification of a part of assets, which used to be classified as the assets related to the administration divisions, to Reportable Segments.

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

2020	U.S. Dollars (thousands)								
	Ship	Ocean Development	Machinery	Engineering	Sub total	Others	Total	Adjustments	Consolidated
Net Sales:									
Outside customers	$1,057,723	$3,058,881	$1,841,854	$ 639,732	$6,598,190	$ 628,475	$7,226,665	$ -	$7,226,665
Inter segment	41,018	-	65,506	7,176	113,700	95,305	209,005	(209,005)	-
Total	$1,098,741	$3,058,881	$1,907,360	$ 646,908	$6,711,890	$ 723,780	$7,435,670	$ (209,005)	$7,226,665
Operating income (loss)	$ (26,279)	$ (45,208)	$ 122,429	$ (656,290)	$ (605,348)	$ 34,926	$ (570,422)	$ -	$ (570,422)
Assets	$ 994,533	$3,296,545	$1,723,164	$ 398,640	$6,412,882	$ 417,771	$6,830,653	$ 891,299	$7,721,952
Depreciation and amortization	$ 29,615	$ 30,010	$ 43,196	$ 5,679	$ 108,500	$ 27,308	$ 135,808	$ 5,605	$ 141,413
Amortization of goodwill	$ 6,745	$ 2,352	$ -	$ 101	$ 9,198	$ 487	$ 9,685	$ -	$ 9,685
Year-end balance of goodwill	$ 77,589	$ 13,976	$ -	$ -	$ 91,565	$ 882	$ 92,447	$ -	$ 92,447
Loss on impairment of non-current assets	$ 3,960	$ -	$ 5,559	$ 37	$ 9,556	$ -	$ 9,556	$ 46	$ 9,602
Increase in property, plant and equipment and intangible assets	$ 39,722	$ 68,906	$ 67,932	$ 7,406	$ 183,966	$ (759,129)	$ (575,163)	$ 1,470	$ (573,693)

(note 1) "Others" is the segment which is not included in Reportable Segment and includes Stationary diesel power generation plants, Information and communication equipment related business, Systems development, Transport equipment related business, Real estate lease business and others.
Showa Aircraft Industry Co., Ltd., which engages in transport equipment related business and real estate lease business, was excluded from the scope of consolidation since the Company sold all of its shares the Company had held on March 17, 2020. Actual results to the exclusion date for "Sales," "Operating income (loss)," "Depreciation and amortization," and "Increase in property, plant and equipment and intangible assets" of this company are included in the segment information.

(note 2) Adjustments are as follows:

(1) Adjustments of $891,299 thousand recorded for assets include primarily comprised of surplus funds (cash and time deposits), long-term investment (investment securities) and assets related to the administration divisions of the Company of $963,677 thousand that are not allocated to any Reportable Segment.

(2) Adjustments of $5,605 thousand recorded for depreciation and amortization include depreciation for property, plant and equipment, and amortization for intangible assets related to the administration divisions of $5,697 thousand.

(3) Adjustments of $46 thousand recorded for loss on impairment of non-current assets are the impairment loss for Corporate.

(4) Adjustments of $1,470 thousand recorded for increase in property, plant and equipment and intangible assets include increase in assets related to the administration divisions. $(17,265) thousand and $(783,001) thousand are included in "Engineering" and "Others", respectively, due to the impact of exclusion from consolidation.

(note 3) Operating income (loss) is adjusted with operating loss in Consolidated Statements of Operations.

[Related information]

(d) Information by products and services

Information by products and services is the same as Reportable Segment and the description is omitted.

(e) Information by geographical area

1) Sales

2020	Japanese Yen (millions)				
	Japan	Brazil	Africa	Others	Total
Net sales	¥ 313,832	¥ 215,619	¥ 81,439	¥ 175,588	¥ 786,478

2019	Japanese Yen (millions)				
	Japan	Brazil	Africa	Others	Total
Net sales	¥ 280,294	¥ 143,723	¥ 84,934	¥ 147,553	¥ 656,504

2020	U.S. Dollars (thousands)				
	Japan	Brazil	Africa	Others	Total
Net sales	$ 2,883,690	$ 1,981,246	$ 748,314	$ 1,613,415	$ 7,226,665

*Sales amount is based on the place of customer and classified by country or geographical area.

2) Property, plant and equipment

2020	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 140,538	¥ 19,021	¥ 159,559

2019	Japanese Yen (millions)		
	Japan	Others	Total
Property, plant and equipment	¥ 324,066	¥ 17,974	¥ 342,040

2020	U.S. Dollars (thousands)		
	Japan	Others	Total
Property, plant and equipment	$ 1,291,354	$ 174,777	$ 1,466,131

(f) Information by major customer

Information by major customer for both 2020 and 2019 is not described because there is no customer with the sales amount exceeds 10% of the sales amount in Consolidated Statements of Operations.

[Information about gain on bargain purchase for each Reportable Segment]

2020

Not applicable.

2019

Not applicable.

16. Related Party Transactions

Transactions between the Subsidiaries and related parties for the fiscal years ended March 31, 2020 and 2019 were as follows:

2020:

Affiliate of the Company	Contents of transactions	Japanese Yen (millions)	U.S.Dollars (thousands)
TARTARUGA MV29 B.V.	The equipment capital lending	¥ 40,098	$ 368,446
SEPIA MV30 B.V.	Construction of FPSO	67,496	620,197
SEPIA MV30 B.V.	Guarantee Obligation	27,076	248,792
LIBRA MV31 B.V.	Construction of FPSO	68,392	628,430
LIBRA MV31 B.V.	Guarantee Obligation	20,635	189,608
BUZIOS5 MV32 B.V.	Construction of FPSO	32,789	301,286
AREA1 MV34 B.V.	Guarantee Obligation	15,281	140,412

2020:

Affiliate of the Company	Account title	Japanese Yen (millions)	U.S.Dollars (thousands)
SEPIA MV30 B.V.	Receivables	¥ 34,597	$ 317,899
LIBRA MV31 B.V.	Receivables	44,566	409,501
BUZIOS5 MV32 B.V.	Receivables	30,815	283,148

2019:

Affiliate of the Company	Contents of transactions	Japanese Yen (millions)	U.S.Dollars (thousands)
CARIOCA MV27 B.V.	The equipment capital collection	¥ 36,204	$ 326,192
TARTARUGA MV29 B.V.	The equipment capital lending	71,453	643,779
TARTARUGA MV29 B.V.	The equipment capital collection	31,869	287,134
SEPIA MV30 B.V.	Construction of FPSO	47,129	424,624
LIBRA MV31 B.V.	Construction of FPSO	37,557	338,382

2019:

Affiliate of the Company	Account title	Japanese Yen (millions)	U.S.Dollars (thousands)
TARTARUGA MV29 B.V.	Short-term loans	¥ 40,098	$ 361,276
SEPIA MV30 B.V.	Receivables	22,381	201,649
LIBRA MV31 B.V.	Receivables	25,483	229,597

1. The transaction amount does not include foreign currency exchange gains and losses, while outstanding balance at the year-end includes foreign currency exchange gains and losses. The transaction amount and outstanding balance at the year-end do not include sales tax.
2. Policies for determining terms and conditions are as follows:
   (1) FPSO/FSO construction and operation trade are deliberately determined in consideration by each project plan.
   (2) The equipment capital lending is deliberately determined in consideration by each project plan.
   (3) Guarantee Obligation is deliberately determined in consideration by each project plan.

17. Net Assets and Per Share Data

Under the Japanese Corporate Law ("the Law") and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half the price of the new shares as additional paid-in capital, which is included in capital surplus.

In cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution in the shareholders' meeting or could be capitalized by a resolution in the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

18. Short-Term Borrowings

Short-term borrowings represent notes payable to banks due within twelve months. The average interest rate for the year ended March 31, 2020 is 2.42%.

19. Long-Term Indebtedness

Long-term indebtedness as of March 31, 2020 and 2019 were summarized below:

	Japanese Yen (millions)		U.S.Dollars (thousands)
	2020	2019	2020
Secured by mortgages on plant and equipment-			
loans from Japanese banks, due on various dates through 2026	¥ 11,214	¥ 10,228	$ 103,041
Unsecured or non-guaranteed-			
1.14% bonds, due December 12, 2019	-	5,000	-
0.63% bonds, due December 12, 2019	-	5,000	-
0.62% bonds, due September 14, 2020	5,000	5,000	45,943
0.46% bonds, due September 15, 2021	10,000	10,000	91,887
1.03% bonds, due December 10, 2021	5,000	5,000	45,943
1.01% bonds, due September 14, 2022	5,000	5,000	45,943
0.62% bonds, due December 15, 2022	10,000	10,000	91,887
0.70% bonds, due September 15, 2023	5,000	5,000	45,943
loans from banks, insurance companies and trading companies due on various dates through 2028	88,050	140,854	809,060
	139,264	201,082	1,279,647
Less: Current portion included in current liabilities	(45,245)	(49,062)	(415,740)
	¥ 94,019	¥ 152,020	$ 863,907

The aggregate annual maturities of long-term indebtedness are summarized below:

Year ended March 31,	Japanese Yen (millions)	U.S.Dollars (thousands)
2021	¥ 45,245	$ 415,740
2022	36,011	330,892
2023	29,099	267,380
2024	15,839	145,539
2025 and thereafter	13,070	120,096
	¥ 139,264	$ 1,279,647

20. Subsequent events

(Transfer of shares of Subsidiaries, etc.)

The Company resolved, at the Board of Directors meeting held on April 23, 2020, to transfer equity interests owned by Mitsui E&S Engineering Co., Ltd., a consolidated subsidiary of the Company, in Green Power Ichihara Co., Ltd. ("Green Power Ichihara"), a consolidated subsidiary of the said company, and in Junkan-Shigen Co., Ltd. ("Junkan-Shigen"), an affiliate accounted for using equity method of the said company, to TAKEEI CORPORATION.

1) Reason for the transfer

The Company incurred additional losses on large overseas civil engineering and construction works for coal fired power generation in the Engineering business and as a result, net assets have been impaired significantly. It is necessary to expand and promptly implement measures to recover its own capital and secure fund, and the Company is striving to add projects to sell assets and businesses and accelerate the implementation. As one of measures to this end, the Company has decided to transfer the equity interests in Green Power Ichihara and Junkan-Shigen.

2) Overview of transferred subsidiaries, etc.

- Green Power Ichihara

i)	Name	Green Power Ichihara Co., Ltd.
ii)	Address	1, Yawatakaigan-dori, Ichihara City, Chiba
iii)	Title and name of the representative	Kazuyuki Kato, President and Representative Director
iv)	Description of business	Biomass power generation business
v)	Capital stock	¥495 million ($4,548 thousand)

vi) Date of establishment April 5, 2004

- Junkan-Shigen

i)	Name	Junkan-Shigen Co., Ltd.
ii)	Address	1-6-11, Oji, Kita-ku, Tokyo
iii)	Title and name of the representative	Toshiyuki Wada, President and Representative Director
iv)	Description of business	Power generation fuel storage/sale business
v)	Capital stock	¥165 million ($1,516 thousand)
vi)	Date of establishment	August 26, 2004

3) Number of shares transferred and amount of consideration

The amount of transfer is a total of approximately ¥4.3 billion ($39,511 thousand) for Green Power Ichihara and Junkan-Shigen.

- Green Power Ichihara

i)	Number of shares owned before the transfer	69,498 shares (ratio of voting rights ownership: 70.2%)
ii)	Number of shares transferred	69,498 shares (ratio of voting rights ownership: 70.2%)
iii)	Number of shares owned after the transfer	0 shares (ratio of voting rights ownership: 0.0%)

- Junkan-Shigen

i)	Number of shares owned before the transfer	900 shares (ratio of voting rights ownership: 30.0%)
ii)	Number of shares transferred	900 shares (ratio of voting rights ownership: 30.0%)
iii)	Number of shares owned after the transfer	0 shares (ratio of voting rights ownership: 0.0%)

4) Schedule for the transfer

i)	Date of resolution of the Board of Directors	April 23, 2020
ii)	Date of entering into the agreement	April 23, 2020
iii)	Date of implementing the share transfer	April 30, 2020

5) Impact of this event on profit or loss

The Company plans to record approximately ¥2.3 billion ($21,134 thousand) of gain on sales of subsidiaries and affiliates' stocks in Other Income (Expenses) in the year ending March 31, 2021.

6) Name of reportable segment in which the consolidated subsidiary and the affiliate were included

Engineering

(Transfer of non-current assets and reversal of deferred tax liabilities)

The Company entered into a transfer agreement as of April 30, 2020 to transfer part of land in Chiba Works held by the Company.

1) Reason for the transfer

As one of measures in the Group Business Revival Plan, the Company decided to transfer land for business use that it holds in Ichihara City, Chiba. After the transfer, the Company will rent the transferred land.

2) Details of the transferred asset

i)	Name:	Chiba Works
ii)	Address:	1, Yawatakaigan-dori, Ichihara City, Chiba
iii)	Land:	637,803 m^2 out of 858,998 m^2 (total)

3) Overview of the transferee

Although the transferee is a general operating company in Japan, the Company has refrained from disclosing the details due to the arrangement with the transferee.

There are no noteworthy capital, personal and business relationships between the transferee and the Company, and the transferee does not fall under a related party of the Company. In addition, the Company has confirmed that the transferee is not an antisocial organization.

4) Schedule for the transfer

i)	Entering into the transfer agreement	April 30, 2020
ii)	Delivery date	April 30, 2020

5) Reversal of deferred tax liabilities

This land was revalued in accordance with the "Act on Revaluation of Land", and the Company plans to reverse deferred tax liabilities along with the transfer.

6) Impact of this event on profit or loss

The Company plans to record ¥134 million ($1,231 thousand) of loss on disposal of non-current assets and (¥4,478) million (($41,147) thousand) of income taxes – deferred (profit) in the year ending March 31, 2021.

(Transfer of shares of a consolidated subsidiary)

The Company and Sumitomo Mitsui Construction Co., Ltd. ("SMC") entered into a Memorandum of Understanding on May 13, 2020 to transfer 70% of shares of Mitsui E&S Steel Structures Engineering Co., Ltd. ("MSE"), a consolidated subsidiary of the Company, to SMC. Subsequent to that, discussions and negotiations regarding the details were proceeded, and upon reaching an agreement on these details, the aforementioned parties entered into a share transfer agreement on August 6, 2020.

In conjunction with this share transfer, MSE and DPS Bridge Works Co., Ltd. ("DPS"), a subsidiary of MSE, will each become an affiliate accounted for using equity method of the Company.

1) Reason for the transfer

The Company announced the Business Revival Plan in May 2019, reviewed a part of the plan in November 2019, and has been pushing forward the reform of business structure.

As for the social infrastructure business (bridge, bridge maintenance and coast businesses), the Company integrated related businesses of the Group under the control of MSE as of April 1, 2020, and explored possibilities of collaboration and alliance with partners from whom further synergy can be expected.

Under this situation, the Company entered into the share transfer agreement, judging that having track records, experience and know-how held by SMC in the social infrastructure field utilized for the business operation of MSE and DPS leads to growth and strengthened competitiveness of both companies, and consequently contributes to increase in each company's corporate value.

2) Overview of transferred subsidiaries, etc.

- MSE

i)	Name	Mitsui E&S Steel Structures Engineering Co., Ltd.
ii)	Address	6-1 Nakase 2-chome, Mihama-ku, Chiba
iii)	Title and name of the representative	Atsushi Matsuda, President and Representative Director
iv)	Description of business	Bridge business, bridge maintenance business, coast business, and others

v) Capital stock ¥400 million ($3,675 thousand) (As of July 31, 2020)
vi) Date of establishment February 20, 1974

- DPS

i)	Name	DPS Bridge Works Co., Ltd.
ii)	Address	6-2, Kitaichijo Nishi, Chuo-ku, Sapporo City, Hokkaido
iii)	Title and name of the representative	Yoshiyuki Inada, President and Representative Director
iv)	Description of business	Bridge business, bridge maintenance business, and others
v)	Capital stock	¥300 million ($2,757 thousand) (As of April 1, 2020)
vi)	Date of establishment	September 13, 1956

3) Number of shares transferred and amount of consideration

i)	Number of shares owned before the transfer	58,219 shares (ratio of voting rights ownership: 100.0%)
ii)	Number of shares transferred	40,753 shares (ratio of voting rights ownership: 70.0%)
iii)	Number of shares owned after the transfer	17,466 shares (ratio of voting rights ownership: 30.0%)
iv)	Transfer price	¥1,000 million ($9,189 thousand)*[1]

*[1] As a separate transaction, loans from the Company that are constituting interest-bearing debts of MSE and DPS are planned to be repaid through the execution of loan from SMC.

4) Schedule for the transfer

i)	Date of entering into the agreement	August 6, 2020
ii)	Date of implementing the share transfer	October 1, 2020 (planned)

5) Name of reportable segment in which the consolidated subsidiary and the others were included
Others

(Commencement of discussions regarding transfer of naval ship business of Mitsui E&S Shipbuilding Co., Ltd.)

1) Overview
The Company and Mitsubishi Heavy Industries, Ltd. ("MHI") entered into memorandum of understanding on June 12, 2020 on the commencement of discussions regarding the transfer of the naval ship business of Mitsui E&S Shipbuilding Co., Ltd. ("Mitsui E&S Shipbuilding"), a consolidated subsidiary of the Company.
Through the transfer, MHI looks to expand its products and technology, further contribute to the defense of Japan, and thereby improve its corporate value. Meanwhile, the Company believes that this will further advance the joint business development of the shipbuilding business based on the Business Revival Plan and enable one part of the Company's strengths to be further utilized. As a result, the Company believes it will be possible to achieve sustainable growth in both companies' naval ship business.
It is planned that construction and repairs at the shipyard Tamano Works relating to the business to be transferred will continue even after the transfer.
Looking forward, the Company, Mitsui E&S Shipbuilding, and MHI will conduct detailed study to verify the specific details and scope of the business to be transferred, the method of the transfer, and other matters, and it planned that a final agreement will be concluded around the end of December 2020 and the transfer will be completed in October 2021.
2) Name of reportable segment in which the consolidated subsidiary is included
Ship

(Commencement of discussions regarding partial transfer of shares of consolidated subsidiary)

1) Overview
At a meeting of the Board of Directors held on July 31, 2020, the Company resolved to enter into a Memorandum of Understanding with TSUNEISHI SHIPBUILDING Co., Ltd. ("Tsuneishi Shipbuilding") to begin discussions on the partial transfer of shares of Mitsui E&S Shipbuilding Co., Ltd. ("Mitsui E&S Shipbuilding"), a consolidated subsidiary of the Company which operates a commercial vessel business as its primary business, and entered into that Memorandum of Understanding the same day.
On May 7, 2018, Mitsui E&S Shipbuilding entered into a business alliance agreement for the commercial vessel business field with Tsuneishi Shipbuilding and since that time, both parties have cooperated to expand orders, etc. through strengthening design and development capabilities and cost competitiveness.
Through this transaction, Tsuneishi Shipbuilding and Mitsui E&S Shipbuilding will further deepen the business alliance forged up until now, enabling the strengthening of competitiveness as companies operating globally competitive shipbuilding businesses through mutual utilization of each other's product sales capability, design capability, R&D capability and global production capability. The Company believes that by doing so, both companies will realize sustainable growth in the commercial vessel business.
In addition, the Company announced on June 12, 2020, its intention to begin discussions with Mitsubishi Heavy Industries, Ltd. on the transfer of Mitsui E&S Shipbuilding's naval ship business. Accordingly, this transaction shall target the shares of Mitsui E&S Shipbuilding, comprising the commercial vessel business and some subsidiaries, but it will exclude the naval ship business. Through this transaction, the Company envisages the transfer of the minority interests of the aforementioned shares, and after this transaction, it plans to maintain the role of parent company of Mitsui E&S Shipbuilding.
Looking forward, the Company, Mitsui E&S Shipbuilding, and Tsuneishi Shipbuilding will conduct detailed study to verify the specific details and scope of the business to be transferred, the method of the transaction, and other matters, and it planned that a final agreement will be concluded around the end of December 2020 and the transaction will be completed in October 2021.
2) Name of reportable segment in which the consolidated subsidiary is included
Ship

Independent auditor's report

To the Board of Directors of Mitsui E&S Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mitsui E&S Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshihide Takehisa

Designated Engagement Partner

Certified Public Accountant

Makoto Yamada

Designated Engagement Partner

Certified Public Accountant

Yoshiaki Takeda

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 7, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

MITSUI E&S

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