

Mitsubishi International Corporation and Subsidiaries

(A Wholly Owned Subsidiary of
Mitsubishi Corporation (Americas))

Consolidated Financial Statements as of and
for the Years Ended March 31, 2020 and 2019, and
Independent Auditors' Report

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Statements of Financial Position as of March 31, 2020 and 2019	3-4
Statements of Profit and Loss for the Years Ended March 31, 2020 and 2019	5
Statements of Comprehensive Income (Loss) for the Years Ended March 31, 2020 and 2019	6
Statements of Changes in Equity for the Years Ended March 31, 2020 and 2019	7
Statements of Cash Flows for the Years Ended March 31, 2020 and 2019	8-9
Notes to Consolidated Financial Statements as of and for the Years Ended March 31, 2020 and 2019	10-60

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mitsubishi International Corporation
New York, New York

We have audited the accompanying consolidated financial statements of Mitsubishi International Corporation and its subsidiaries (the "Company") (a wholly owned subsidiary of Mitsubishi Corporation (Americas)), which comprise the consolidated statements of financial position as of March 31, 2020 and 2019, and the related consolidated statements of profit and loss, comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Deloitte & Touche LLP

July 8, 2020

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 AND 2019
(In thousands US dollars, except for share data)

ASSETS	Notes	2020	2019
CURRENT ASSETS:			
Cash and cash equivalents	12	\$ 193,130	\$ 229,976
Notes and loans receivable:	8, 10, 12, 18		
Parent and group companies		472,746	478,705
Customers		69,115	197,568
Trade and other receivables:	8, 10, 12, 18		
Customers (after allowance for uncollectible accounts of \$1,517 in 2020 and \$1,905 in 2019)		506,753	431,803
Parent and group companies		141,060	309,494
Other		19,116	28,718
Lease receivable	19	3,843	-
Income tax receivable	14	17,189	13,969
Merchandise inventories	5, 12	1,144,663	747,913
Leased inventories	5, 12	2,377,846	1,993,812
Advance payments to suppliers		2,033	46,833
Other financial assets	12	552,601	180,937
Other current assets		4,084	6,768
Total current assets		5,504,179	4,666,496
NON-CURRENT ASSETS:			
Noncurrent loans receivable from Parent and group companies	8, 10, 12, 18	1,340,866	1,826,941
Other noncurrent financial assets	8, 12	34,811	57,783
Investments accounted for using the equity method	1	5,067	7,693
Other investments	12	5,250	18,020
Noncurrent lease receivable	19	9,980	-
Property and equipment	6	8,413	9,556
Right-of-use assets	19	12,544	-
Intangible assets	7	2,865	2,061
Deferred tax assets	14	17,687	13,157
Other noncurrent assets		843	1,842
Total noncurrent assets		1,438,326	1,937,053
TOTAL ASSETS		\$6,942,505	\$6,603,549

(Continued)

mitsubishi international corporation and subsidiaries
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 AND 2019
(In thousands US dollars, except for share data)

LIABILITIES AND EQUITY	Notes	2020	2019
CURRENT LIABILITIES:			
Current borrowings:	9, 12		
Parent and group companies		\$ 1,106,359	\$ 865,798
Other		1,220,001	1,616,970
Current maturities of noncurrent borrowings	9, 12	150,000	150,000
Trade and other payables and accrued expenses:	12, 18		
Parent and group companies		155,256	163,016
Trade creditors		349,914	331,095
Lease liabilities	19	8,276	-
Income tax payables	14	25,922	20,251
Advances from customers		1,534	2,052
Commodity financing arrangement		235,712	195,764
Other financial liabilities	12	402,556	149,658
Other current liabilities	8, 11	3,163	2,875
Metal lease liabilities	12	1,494,895	1,064,190
Total current liabilities		5,153,588	4,561,669
NON-CURRENT LIABILITIES:			
Noncurrent borrowings	9, 12	410,000	710,000
Other noncurrent financial liabilities	8, 12	34,550	40,601
Noncurrent lease liabilities	19	18,648	-
Other noncurrent liabilities	11	46,830	38,581
Total noncurrent liabilities		510,028	789,182
Total liabilities		5,663,616	5,350,851
EQUITY:			
Stockholder's Equity:			
Common stock without par value (authorized—750,000 shares issued and outstanding—710,719 shares)		931,940	931,940
Retained earnings		348,058	326,181
Accumulated other comprehensive income (loss):			
Other investments designated as FVOCI	12	4,615	5,795
Cash flow hedges	8	2,558	(4,558)
Exchange differences on translating foreign affiliates	17	(8,282)	(6,660)
Total accumulated other comprehensive loss		(1,109)	(5,423)
Total stockholder's equity		1,278,889	1,252,698
TOTAL LIABILITIES AND EQUITY		\$ 6,942,505	\$ 6,603,549

See notes to the consolidated financial statements.

(Concluded)

mitsubishi international corporation and subsidiaries
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

consolidated statements of profit and loss
for the years ended march 31, 2020 and 2019
(In thousands US dollars)

	Notes	2020	2019
REVENUES	10	\$ 3,734,932	\$ 4,062,082
COST OF REVENUE FROM OPERATING ACTIVITIES	5, 12, 19	(3,548,860)	(3,885,084)
GROSS PROFIT		186,072	176,998
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	11, 15, 19	(62,964)	(79,766)
FINANCE INCOME	19	78,841	93,178
FINANCE COSTS	19	(79,163)	(96,970)
GAIN ON INVESTMENTS	12	2,032	2,544
SUNDRY LOSS (NET OF INCOME OF \$1,702 IN 2020 AND \$2,661 IN 2019)	8, 12, 16	(624)	(1,107)
INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		300	376
INCOME BEFORE INCOME TAX PROVISION		124,494	95,253
INCOME TAX PROVISION	14	(24,579)	(23,189)
NET INCOME		\$ 99,915	\$ 72,064

See notes to the consolidated financial statements.

mitsubishi international corporation and subsidiaries
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
(In thousands US dollars)

	Note	2020	2019
NET INCOME		\$ 99,915	\$ 72,064
OTHER COMPREHENSIVE (LOSS) INCOME —Net of tax	17		
Items that will not be reclassified to net income:			
(Losses) gains on other investments designated as FVOCI		(200)	257
Share of other comprehensive loss of affiliated company		(347)	(103)
Remeasurement of defined benefit pension plans		(8,378)	(763)
Total		(8,925)	(609)
Items that may be reclassified to net income:			
Exchange differences on translating foreign affiliated company		(1,622)	(1,416)
Cash flow hedges	8	7,116	9,365
Total		5,494	7,949
Total other comprehensive (loss) income—net of tax		(3,431)	7,340
COMPREHENSIVE INCOME		\$ 96,484	\$ 79,404

See notes to the consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
(In thousands US dollars)

	2020	2019
COMMON STOCK:		
Balances—beginning and end of year	\$ 931,940	\$ 931,940
Retained earnings:		
Balances—beginning of year	326,181	255,741
Net income	99,915	72,064
Dividend	(72,064)	-
Transfer from other components of equity	(7,745)	(472)
Other changes	1,771	(1,152)
Balances—end of year	348,058	326,181
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Balances—beginning of year	(5,423)	(13,235)
(Losses) gains on other investments designated as FVOCI—net of tax	(200)	257
Share of other comprehensive loss of affiliated company	(347)	(103)
Cash flow hedges	7,116	9,365
Exchange differences on translating foreign affiliates	(1,622)	(1,416)
Remeasurement of defined benefit pension plans—net of tax	(8,378)	(763)
Transfer to Retained earnings	7,745	472
Balances—end of year	(1,109)	(5,423)
TOTAL STOCKHOLDER'S EQUITY	\$ 1,278,889	\$ 1,252,698

See notes to the consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
(In thousands US dollars)

	2020	2019
OPERATING ACTIVITIES:		
Net income	\$ 99,915	\$ 72,064
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,683	3,137
Gain on investments	(2,032)	(2,544)
Inventory write-down	1,386	13
Gain on lease modification	(120)	-
Provision for doubtful accounts	(993)	9,344
Provision for accrued pension liabilities	1,524	1,630
Income taxes	24,579	23,189
Finance income	(78,841)	(93,178)
Finance cost	79,163	96,970
Dividends income	-	(99)
Equity in earnings of affiliates	(300)	(376)
Unrealized (gain) loss and foreign exchange (gain) loss on derivatives, inventories and metal lease liabilities	(114,417)	3,498
Changes in operating assets and liabilities:		
Notes receivable	128,459	(194,311)
Trade and other receivables	104,387	(20,864)
Merchandise inventories and precious metal inventory	(530,573)	243,063
Advance payments to suppliers	44,800	210,223
Other financial and non-financial assets	7,651	15,021
Other noncurrent financial and non-financial assets	21,817	(56,150)
Commodity financing arrangement	39,948	(5,352)
Trade and other payables and accrued expenses	14,080	12,219
Advances from customers	(518)	(229,023)
Other financial and current liabilities	189,823	(37,664)
Other noncurrent financial and non-financial liabilities	(12,822)	24,541
	34,599	75,351
Cash generated from operating activities:		
Interest received	53,351	63,648
Interest paid	(80,050)	(94,880)
Income tax (paid) received	(30,265)	76,363
Dividends received	957	1,180
Net cash (used in) provided by operating activities	(21,408)	121,662

(Continued)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019
(In thousands US dollars)

	2020	2019
INVESTING ACTIVITIES:		
Proceeds from sales of other investments	\$ 14,518	\$ 3,404
Purchases of other investments	-	(11)
Proceeds from sales of property and equipment	25	25
Purchases of property and equipment	(1,261)	(727)
Purchases of intangible assets	(1,782)	(563)
Collection of loans receivable from parent and group companies	812,892	398,310
Increase in loans receivable to parent and group companies	(441,121)	(1,123,285)
Net cash provided by (used in) investing activities	383,271	(722,847)
FINANCING ACTIVITIES:		
Proceeds from issuance of current borrowings	3,504,094	3,165,610
Repayment of current borrowings	(3,711,718)	(2,691,770)
Proceeds from issuance of noncurrent borrowings	50,000	-
Repayment of noncurrent borrowings	(150,000)	(130,000)
Repayment of lease liabilities	(19,021)	-
Dividends payment to the Parent	(72,064)	-
Net cash (used in) provided by financing activities	(398,709)	343,840
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,846)	(257,345)
CASH AND CASH EQUIVALENTS—Beginning of year	229,976	487,321
CASH AND CASH EQUIVALENTS—End of year	\$ 193,130	\$ 229,976
NON-CASH ITEMS IN INVESTING AND FINANCING ACTIVITIES:		
Loans receivable novation (Note 9)	\$ 681,000	\$ -
Settlement of loans receivable from the Parent and group company in exchange for borrowings	150,000	300,000
Refinancing loans receivable	239,000	366,310

See notes to the consolidated financial statements.

(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES

(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

(In thousand US dollars, except as noted)

1. GENERAL INFORMATION

Mitsubishi International Corporation and subsidiaries (collectively, the "Company" or MIC) is incorporated in the United States. It is a wholly owned subsidiary of Mitsubishi Corporation (Americas) (MCA), which in turn is a wholly owned subsidiary of Mitsubishi Corporation (MC), Tokyo, Japan (collectively, the "Parent"). The Parent is the ultimate controlling party. The address of its registered office and principal place of business is 655 Third Avenue, New York.

The Company is engaged in various business activities, such as trading activities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through its business networks. The Company's operations are principally in the following areas: mineral resources, petroleum and chemicals, industrial infrastructure, urban development, power solution, industrial material and consumer industry, each having a diverse customer base. The Company also has trading relationships such as sales and purchases of goods with the Parent and the subsidiaries of the Parent (collectively, the "Parent and group companies").

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to the Parent through dividends. The Company's overall strategy remains unchanged over the reported years. The capital structure of the Company consists of net debt (borrowings as detailed in Note 9 offset by cash and cash equivalents) and equity of the Company (comprising issued capital and retained earnings).

On April 1, 2012, MC established MCA as a wholly owned subsidiary, and transferred MIC's stock held by MC to MCA. MCA has been established to strengthen regional coordination and to consolidate management of group companies in North America.

On December 18, 2018, the Company completed liquidation of MCX Exploration (USA), LLC ("MCX"), a wholly owned subsidiary of the Company. MCX did not represent a separate major line of business or geographical area of operation. Therefore, the Company did not present the liquidation as discontinued operation as MCX was not material to the Company's consolidated statement of profit and loss.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus disease ("COVID-19") outbreak a pandemic. In response to the outbreak many states have implemented measures to combat the outbreak, such as travel restrictions and shelter in place orders. COVID-19 has already had a significant impact on the global economy and financial markets, and it may affect our customers' businesses and operations. The extent to which COVID-19 will impact the Company's results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat its impact, among others.

2. BASIS OF PREPARATION

2.1 Compliance with International Financial Reporting Standards—These consolidated financial statements have been prepared on an accrual basis in accordance with the International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations (collectively IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Basis of Measurement—The consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3, “Significant accounting policies.”

2.3 Significant Accounting Judgments, Estimates, and Assumptions—In preparing the consolidated financial statements, management is required to make judgments, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual and next financial year results may differ materially from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Significant judgment and estimates are required in the determination of the allowances for credit losses (Note 3.5), deferred tax assets (Note 14), assumptions used in the calculation of pension and other long-term employee benefit accruals (Note 11), legal and other accruals for contingent liabilities (Note 20), the determination of the carrying value of property and equipment (Note 6) and intangible assets (Note 7), and fair value measurement of financial instruments and inventories (Note 12).

2.4 Functional Currency and Presentation Currency—Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The consolidated financial statements are presented in thousands of US dollars unless otherwise stated, which is the Company’s presentational currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation—The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect the amount of return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above. Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company’s interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company. If control over a

subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets, liabilities and the previous carrying amount of non-controlling interest of the subsidiary, is recognized in net profit. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, *Financial Instruments*.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany accounts and transactions have been eliminated. Consolidation of an entity is assessed pursuant to the IFRS 10, *Consolidated Financial Statements*.

3.2 Affiliated Companies—The equity method of accounting is used for investments in affiliated companies. An affiliated company is an entity which is not controlled by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over the entity. However, one of the entities in which the Company holds less than 20% has been accounted for on the equity method due to significant influence achieved by combined interests held by MC or other affiliates. The Company applies equity method of accounting for the investment in Mitsubishi do Brasil S.A. which the Company holds 12.57% interest.

Under the equity method, the investment in an affiliated company is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the net assets of an affiliated company after the date of acquisition. The Company's share of the net income (loss) of an affiliated company is recognized in the Company's net profit. The Company's share of the other comprehensive income or loss of the affiliated company is recognized in the Company's other comprehensive income (loss). When the Company's share of losses of an affiliated company equals or exceeds its interest in the affiliated company, the Company discontinues recognizing its share of further losses. After the Company's interest, including any long-term interests that, in substance, form part of the Company's net investment in the affiliated company is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the affiliated company. All significant intercompany profits have been eliminated in proportion to interests in affiliated companies.

An affiliated company is accounted for using the equity method from the date they become an affiliated company. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of affiliated companies is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where equity method investments are disposed of and significant influence is lost, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9, *Financial Instruments*. The difference between the previous carrying amount and fair value of the remaining investments is recognized in "Gain on Investments" in the consolidated statements of profit and loss. The amount previously recognized as other comprehensive income by

affiliated companies is accounted for by determining whether or not they should be reclassified into net profit as if related assets or liabilities had been directly disposed of.

3.3 Reporting Date—Most of the Company's subsidiaries and affiliated companies maintain their fiscal year end at March 31, while one subsidiary, MCX which was liquidated in December 2018, maintains its fiscal year end at December 31. It is impracticable to unify the fiscal year end for this subsidiary, and it is also impracticable for this entity to provide the provisional settlement of accounts at the end of the reporting period of MIC due to characteristics of the business, operations or other practical factors. Adjustments will be made to the consolidated financial statements of the Company for the effects of transactions or events that occurred between the end of the reporting period of this subsidiary and that of the consolidated financial statements if those transactions or events are deemed significant.

3.4 Foreign Currency Translations and Transactions—Items in the consolidated financial statements denominated in foreign currencies are recorded at the exchange rate in effect at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables during the period, are recognized in "Sundry loss—net" in the consolidated statements of profit and loss in such period. The difference arising from the retranslation of monetary items is recognized in "Sundry loss—net" in the consolidated statements of profit and loss.

Net assets of foreign affiliated companies have been translated at current exchange rates at the statement of financial position date. Cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss) in the consolidated statements of changes in equity. In the event of partial disposal of foreign affiliated companies, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into net profit and loss.

3.5 Financial Instruments—The Company applies IFRS 9, *Financial Instruments* (revised in July 2014), to the accounting treatment of financial instruments.

i) Nonderivative Financial Assets—The Company recognizes trade and other receivables on the date they arise. The Company recognizes all other financial assets at the transaction date on which the Company became a party to the contract concerning such financial instruments.

The Company recognizes financial assets at its fair value. Financial assets not recorded at fair value through profit or loss, also includes transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Nonderivative financial assets are classified and measured as follows:

Financial Assets Measured at Amortized Cost—Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

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

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial Assets Measured at Fair Value through Other Comprehensive Income ("FVOCI")—A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVOCI;

Other Financial Assets Measured at Fair Value—Financial assets other than those measured at amortized cost or at fair value through other comprehensive income are measured at fair value, and changes in their fair value are recognized as profit or loss ("FVPL"). However, the Company elects to designate some equity instruments as changes in their fair value are recognized as other comprehensive income if the investments are not held for trading. A financial asset is classified as held for trading if:

- (a) It has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- (c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of equity instruments measured at FVOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in net profit or loss. Dividend income from equity instruments measured at FVOCI is recognized in "Sundry loss—net" in the consolidated statements of profit and loss at the time when the right to receive payment of the dividend is established.

- ii) Derecognition of Financial Assets**—The Company derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred.
- iii) Cash and Cash Equivalents**—Cash and cash equivalents are short-term (original maturities of three months or less), highly liquid investments, including certificate of deposit that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- iv) Nonderivative Financial Liabilities**—The Company initially recognizes debt securities issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or a shorter period (where appropriate) to the net carrying amount on initial recognition.

- v) Equity—Comprehensive Income (Loss)**—In accordance with IASB International Accounting Standards (IAS) 1, *Presentation of Financial Statements*, the Company has included amounts for comprehensive income (loss) (which consists of net profit or loss and other comprehensive income or loss) in the consolidated statements of changes in equity and the consolidated statements of comprehensive income (loss). Other comprehensive income (loss) consists of all changes to stockholder's equity other than those resulting from net profit or loss and shareholder transactions. For the Company, other comprehensive income (loss) consists of exchange differences on translating foreign affiliated company, remeasurement of defined benefit pension plans, cash flow hedges, share of other comprehensive (loss) income of affiliated company and gains on other investments designated as FVOCI, on a net of tax basis, where applicable. Accumulated other comprehensive income (loss), which is primarily the cumulative amount of other comprehensive income (loss), is a separate component of total stockholder's equity.
- vi) Derivatives Instruments**—The Company recognizes all derivative instruments as assets or liabilities at fair value as at the date on which they become party to the relevant agreements. Subsequent to initial recognition, derivative instruments are measured at fair value.

The Company uses derivative instruments to manage exposures to foreign currency, bunker price, commodity premium and interest rate risks. Interest rate swaps are utilized to hedge interest rate exposures. Commodity swaps and futures are utilized to hedge fluctuation of bunker price and commodity premium.

In addition, the Company has foreign exchange forward contracts that have been entered into principally to manage exposure to transaction and translation risk associated with certain assets, obligations and commitments denominated in foreign currencies. Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in "Sundry loss—net" in the consolidated statements of profit and loss.

In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities (principally aluminum, copper, precious metals, coffee and cocoa, each of which is traded on a terminal market). Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in "Revenues" and "Cost of revenues from operating activities" in the consolidated statements of profit and loss.

vii) Offsetting of Financial Assets and Liabilities—If the Company currently has a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the consolidated statements of financial position.

viii) Impairment— The Company has applied IFRS 9 (revised in July 2014), *Financial Instruments*, beginning on April 1, 2018. The Company recognizes loss allowances for Expected Credit Losses (ECL) on the financial instruments that are measured at amortized cost and debt instruments that are measured at FVOCI.

ECL is a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR).

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL, except for trade receivables. The Company measures ECL for all trade receivables at lifetime ECL.

The Company measures ECL for financial instruments using a provision matrix, except when a financial instrument is in default. When a financial instrument is in default, the Company measures ECL using present value of the difference between the cash flows due to the Company under the contract and the expected (probability-weighted) cash flows due to the Company.

When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk ratings;
- remaining term to maturity

Credit-impaired financial assets—A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether financial assets are credit-impaired at each reporting date.

A financial instrument is considered credit impaired if the counterparty has not yet legally bankrupted but has negative equity and there is no possibility of recovery.

Definition of default—The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is measured based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk.

The Company considers an event of default to be the same with credit-impaired as it is consistent with the Company's credit risk management policy. IFRS 9 includes a rebuttable presumption that a financial asset has defaulted when contractual payments are more than 90 days past due.

Significant increase in credit risk—The Company monitors all financial instruments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and the Company expert's credit assessment.

The Company maintains an internal credit rating system using "G", "N" and "W" to present increasing level of credit risks with "G" representing lowest credit risk and "W" representing highest credit risk. Various factors are evaluated when assessing the internal credit rating of a counterparty including past due status of the related financial assets. IFRS 9 included a presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

An entity may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. To determine whether a financial instrument has low credit risk, the Company uses internal credit rating. Better internal credit rating lowers the credit risk.

The Company's accounting policy is to use the practical expedient and measures lifetime ECL for all trade receivables without significant financing component using a provision matrix. As a result, there is no distinction between Stage 1 and Stage 2 of the impairment model for trade receivables. Most, if not all, of the loans are granted to Group companies and they are covered by letter of guarantee from MC, as such, they are subject to limited risk of default.

Incorporation of forward-looking information—The Company uses forward-looking information that is available without undue cost or effort in determining whether credit risk of a financial instrument has increased significantly since initial recognition. The Company incorporates external and internal forward looking information including economic data and forecasts published by governmental bodies and monetary authorities to its internal credit ratings.

Measurement of ECL—The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD);

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default occurring over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is calculated based on market data as well as past experience of the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from any collateral or other credit enhancement.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

Write-off—If the Company believes that there is no reasonable expectations of recovering a financial asset, the gross carrying amount of the financial asset shall be directly written-off (i.e. derecognition) at an amount equal to credit loss, and reverse the loss allowance at an amount of the credit loss or the balance of the loss allowance before reversal, whichever smaller, and offset the loss from write-off with reversal gains. Furthermore, loss allowance shall be recalculated based on the expected credit loss on the gross carrying amount of the financial asset after the write-off.

Modification of financial assets—A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing receivable would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached). If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Company assesses at the reporting date whether there has been a significant increase in the credit risk of the financial asset.

Notes and loans receivable and Trade and other receivables in the consolidated statements of financial position are reported net of loss allowances.

3.6 Inventories—In accordance with IAS 2.3, *Inventories*, the Company applies “broker-trader” principles for certain of its merchandise, such as precious metals, crude oil, copper and aluminum, and leased inventories, which are initially measured at fair value, less cost to sell and subsequently remeasured at fair value less cost to sell at

the end of each reporting period with changes recognized in profit or loss. The rest of the inventories are recognized at the lower of cost on the moving average method or net realizable value. Net realizable value is presented in the amount of estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company enters into contract to borrow precious metal ("Lease-in transaction") from counterparty and is required to return the same quality and quantity of the precious metal to the counterparty on the date mutually agreed by both parties. The Company also lends precious metal ("Lease-out transaction") to counterparty and the counterparty is required to return the same quality and quantity of the precious metal to the Company on the date mutually agreed by both parties in exchange for a lease fee which reflects interest and credit risk. The precious metal in Lease-out transaction is not derecognized since the Company retains title to the precious metal, the risk and rewards of ownership. The Company presents in the consolidated statements of financial position assets and liabilities related to its leased precious metal positions. The balances are recorded in "Leased inventories", and "Metal lease liabilities". The Company has renamed liabilities related to its leased precious metal positions from Lease liabilities to Metal lease liabilities on the consolidated financial statements due to the adoption of IFRS 16, *Leases*.

Commodity financing arrangements are recognized in the consolidated statements of financial position as assets and liabilities. The balances are recorded in "Merchandise inventories" and "Commodity financing arrangement".

3.7 Property and Equipment

Recognition and Measurement—Property and equipment are recorded at cost, net of accumulated depreciation.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located. If the useful life of property and equipment varies from component to component, each component is recognized as a separate item of property and equipment.

Depreciation—Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation is determined principally on a straight-line basis over the estimated useful lives of the property. Leasehold improvements are amortized on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter.

The useful lives used in computing depreciation are based on the Company's estimate of the service life of the classes of property are as follows:

	Years
Leasehold improvements	2–17
Building, structures, and rail car	10–35
Machinery and equipment	5
Furniture, fixtures, and vehicles	3–7

The above depreciation method was adopted as it most closely reflects the pattern in which the asset's future economic benefits are expected to be consumed. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance and repair costs are expensed as incurred.

Derecognition—The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in "Sundry loss—net" in the consolidated statements of profit and loss when the item is derecognized.

3.8 Intangible Assets—The Company capitalizes purchased software as intangible assets. Intangible assets are amortized on the straight-line basis over the estimated useful life. The useful life used in computing amortization is based on the Company's estimate of the service life of the classes of intangible assets as follows:

	Years
Capitalized software costs	5

3.9 Leases—The Company applied IFRS 16, *Leases*, retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application on April 1, 2019. IFRS 16 introduced under lessee accounting new requirements on the recognition and measurement of all leases and provided exemptions for short-term leases and leases for which the underlying asset is of low value. The Company has elected, a practical expedient under IFRS 16, not to reassess whether existing contracts contain leases at the date of initial application and apply this standard to existing contracts that were identified as containing a lease applying IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease*. In addition, the Company elected not to apply recognition and measurement requirements to leases for which the lease term ends within 12 months of the date of initial application. Under the new requirements as a lessee, the Company has recognized right-of-use assets and lease liabilities for all leases except when the Company elected to apply practical expedient for short-term leases (defined as leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value.

Company as a Lessor—The Company acts as a sub-lessor in certain leasing transactions with including related parties and other parties, which are classified as finance leases. Amounts due from lessees under finance leases are recognized as "Lease receivable" and "Noncurrent lease receivable" in the consolidated statements of financial position at the amount of net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which it is attributed.

Company as a Lessee—The Company recognizes "Right-of-use assets", "Lease liabilities" and "Noncurrent lease liabilities" in the consolidated statements of financial position for all leases as a lessee except short-term leases and leases for which the underlying asset is of low value.

3.10 Impairment of Nonfinancial Assets—If there are any events or changes in circumstances indicating that the carrying amount of the Company's nonfinancial assets, excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment.

Assessment for impairment is performed with respect to each asset, cash-generating unit, or group of cash-generating units at the end of each reporting period. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in net profit or loss.

The recoverable amount of the asset, cash-generating unit, or group of cash-generating units is the higher of the value in use or the fair value, less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pretax discount rate reflecting the risks specific to the asset or the cash-generating unit. In cases where cash flows are generated by multiple assets, the smallest unit that generates cash flows more or less independently from cash flows of other assets or group of assets is referred to as a cash-generating unit.

An impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. Reversal of impairment loss is recognized up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

3.11 Postemployment Benefits

Defined Benefit Plans—Obligations related to defined benefit plans are recognized in the amount of benefit obligations under such plans, net of the fair value of plan assets, in the consolidated statements of financial position. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. The Company remeasures benefit obligations using information provided by qualified actuaries in each period.

Increase/decrease in benefit obligations for employees' past services due to the revision of the pension plan is recognized in "Selling, general, and administrative expense" in the consolidated statements of profit and loss.

The Company recognizes the increase/decrease in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income (loss) and is accumulated in "Other components of equity" and immediately reclassifies them to "Retained earnings."

Defined Contribution Plans—Defined contribution plans are postemployment benefit plans in which the employer makes a certain amount of contributions to fund postemployment benefits and does not bear more obligations than the amount contributed. The obligations to make contributions under defined contribution plans are recognized in "Selling, general, and administrative expense" in the consolidated statements of profit and loss in the period during which services are provided by employees.

3.12 Provisions—Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

3.13 Current Assets and Liabilities Not Expected to be Realized or Settled within Twelve Months—Assets and liabilities are classified as current even when they are not expected to be realized or settled within twelve months after the reporting period, as long as they are expected to be realized or settled in the normal operating cycle of the Company's business.

Advance payments to suppliers and advances from customers primarily are attributable to long-term contracts in progress engaged by the Company's machinery business for which the related operating cycles are longer than one year. Refer to note 3.14 paragraph *Inventory, Advance payments and Advance receipts* for the accounting treatments of Advance payments and Advance receipts. The Company also engages in long-term precious metal lease contracts to generate profit from fluctuation in prices, earn margins from physical transaction, and / or earn lease fee from leasing opportunities.

The balances of the assets and liabilities expected to be realized or settled more than twelve months after March 31, 2020 and 2019 are as follows:

	March 31,	
	2020	2019
Current assets comprised of:		
Trade and other receivables—Other	\$ -	\$ 108
Leased inventories	20,200	12,568

3.14 Revenue—The Company has applied IFRS 15, Revenue from Contracts with Customers, beginning on April 1, 2018 using retrospective method with cumulative effect of initially applying this standard recognized at the date of initial application under IFRS 15.C3(b). IFRS 15 introduced a 5-step approach to revenue recognition.

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

The Company generates revenue from trading transactions including sales of metals, oil and gas, chemicals, food products and general consumer merchandise as well as leasing of precious metal. Revenue from a trading transaction is recognized when the control of the goods/services is transferred to a customer, usually at the point of delivery based on Incoterms (International Commercial Terms) or at the completion of each contractual performance obligation. Due date for each invoice varies depending on the nature of each transaction, industrial practices and terms in the

contract. Any difference in timing between satisfaction of performance obligation and payment under the contract will result in recognition of either a receivable or a contract liability.

As defined within IFRS 15, control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. When a performance obligation is not satisfied over time, it is satisfied at a point in time. The Company transfers control of goods/services to the customers at a point in time for most, if not all, trading transactions.

The following are indicators of when the control is transferred to a customer.

- (a) The entity has a present right to payment for the asset
- (b) The customer has legal title to the asset
- (c) The entity has transferred physical possession of the asset
- (d) The customer has the significant risks and rewards of ownership of the asset
- (e) The customer has accepted the asset

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration—If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer.

Financing component—Some trading transactions contain a component of short term financing to a customer. The duration of such financing arrangement is less than one year. The Company has applied a practical expedient under IFRS 15 by not adjusting the promised amount of consideration for the effect of the financing component for those financing arrangements with duration of one year or less.

Streams of Revenue

- (a) *Sales of Commodities and Merchandise*—The Company acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between the bids and ask prices for commodities.
- (b) *Rendering of Services*—The Company performs services related to trading activities. The service activities include financial and logistics services, information and communications, technical support as well as purchase or sale of commodities and other merchandise on customer's behalf for a commission.
- (c) *Leasing of Precious Metals*—The Company leases out precious metal inventory in exchange for consideration.

Principal vs Agent considerations—The Company engages in trading transactions taking the role of either a principal or an agent of a principal or both. IFRS 15 requires an entity to determine whether it is a principal or an agent in a transaction based on whether the entity controls the goods/services before transferring the goods/services to a customer. The Company presents revenue on a gross basis in the consolidated statements of profit and loss for trading transactions in which the Company is the principal. The Company presents revenue on a net basis for trading transactions in which the Company is an agent of the principal.

- *Transactions Performed as a Principal*—The Company enters into contracts to sell commodities and other merchandise to customers. The commodities and other merchandise may come from existing inventory on hand or they may come from purchase contracts that are executed at the same time as the sales contracts for purpose of limiting inventory risk. In either situation the Company acts as the primary obligor for the acceptance of the goods and has the discretion in pricing of the goods. Therefore, the Company considers itself to be the principal in these transactions.
- *Transactions Performed as an Agent*—The Company enters into contracts with customers to purchase or sell, on their behalf, commodities and other merchandise, and charges a commission for this service. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. The Company does not control the goods/services before they are transferred to customers. Hence, the Company is an agent in these transactions because it does not have the ability to direct the use of the goods/services or obtain benefits from the goods/services.

Inventory, Advance payments and Advance receipts—For certain trading transactions, the Company acts as a purchasing agent for the customers. The Company makes purchase and shipment arrangements for the customers and also makes payments to the supplier on behalf of the customer. The Company may hold legal title to the goods for a certain period, however the Company, as an agent, does not have the control of the goods before the goods are delivered to the customer. Therefore, the payments made by the Company to the supplier is considered to be a payment made on behalf of the customer and is included in “Other financial assets - current”. The Company may also act as a sales agent in a trading transaction, the advance receipt from its contractual customer shall be recognized as a financial liability to the principal.

The presentation of Revenues on the consolidated statements of profit and loss has been changed to aggregate all Revenues into one line item. Refer to note 10 for a breakdown of Revenues.

3.15 Income Taxes—Income tax expenses consist of current and deferred taxes. They are recognized in net profit or loss, excluding items recognized directly in other comprehensive income (loss).

Deferred taxes are recognized for temporary differences between the consolidated financial statement and income tax bases of assets and liabilities.

For taxable temporary differences concerning subsidiaries and affiliated companies deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries and affiliated companies are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable to reduce future taxable income. The recoverability of deferred tax assets is reviewed at the end of each period and the Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

3.16 Fair Value Measurements—Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information, such as quoted market price and valuation methodologies, such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1—Quoted prices (unadjusted) in active markets in which transactions take place with sufficient frequency and volume on an ongoing basis for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

(iii) Level 3—Unobservable inputs for the assets or liabilities which reflect the assumptions that market participants would use when pricing the assets or liabilities. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The Company is currently assessing the possible impacts of the application of the following new and revised major IFRSs that have been issued, but are not yet effective:

Standards and Interpretations	Title	Date of Mandatory Application (Fiscal Year of Commencement Thereafter)	Reporting Periods of Application by the Company (The reporting period ending)
IFRS 17	<i>Insurance Contracts</i>	January 1, 2021	March 31, 2022

IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure for insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for periods beginning on or after January 1, 2021. Early adoption is permitted. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

The impact of all other IFRSs not yet adopted is not expected to be material.

5. INVENTORIES

The breakdown of Merchandise inventories as of March 31, 2020 and 2019 was as follows:

	2020	2019
Measured at fair value, less cost to sell	\$ 954,765	\$614,924
Measured at lower of cost or net realizable value	189,898	132,989
Total	\$ 1,144,663	\$747,913

The amount of inventories recognized as "Cost of revenues from operating activities" for the years ended March 31, 2020 and 2019, was \$3,558,716 and \$3,790,229, respectively.

The amount of write-down of inventories recognized as expenses for the years ended March 31, 2020 and 2019, was \$1,386 and \$13, respectively.

The breakdown of Leased inventories as of March 31, 2020 and 2019 was as follows:

	2020	2019
Measured at fair value	\$ 2,259,886	\$ 1,961,533
Measured at lower of cost or net realizable value	117,960	32,279
Total	\$ 2,377,846	\$ 1,993,812

Assets arising from commodity financing arrangements recorded in "Merchandise inventories" are \$237,515 and \$194,090 as of March 31, 2020 and 2019, respectively.

6. PROPERTY AND EQUIPMENT

The following is a breakdown of the changes in gross carrying amount and accumulated depreciation of property and equipment for the years ended March 31, 2020 and 2019.

Cost	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Total
Balances—April 1, 2018	\$ 14,816	\$ 5,483	\$ 2,070	\$ 7,470	\$ 29,839
Additions	284	-	80	363	727
Sales	(450)	-	-	(239)	(689)
Retirement	-	-	-	(1,632)	(1,632)
Balances—March 31, 2019	14,650	5,483	2,150	5,962	28,245
Additions	2	-	-	1,259	1,261
Sales	-	-	-	(25)	(25)
Retirement	(45)	(1)	-	(907)	(953)
Transfer	-	-	(127)	127	-
Balances—March 31, 2020	\$ 14,607	\$ 5,482	\$ 2,023	\$ 6,416	\$ 28,528

Accumulated Depreciation	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Total
Balances—April 1, 2018	\$ (9,087)	\$(1,601)	\$(1,903)	\$(6,004)	\$ (18,595)
Depreciation expense	(1,525)	(127)	(83)	(574)	(2,309)
Sales	450	-	-	217	667
Retirement	-	-	-	1,548	1,548
Balances—March 31, 2019	(10,162)	(1,728)	(1,986)	(4,813)	(18,689)
Depreciation expense	(1,547)	(128)	(56)	(591)	(2,322)
Sales	-	-	-	10	10
Retirement	36	-	-	850	886
Transfer	-	-	124	(124)	-
Balances—March 31, 2020	\$ (11,673)	\$(1,856)	\$(1,918)	\$(4,668)	\$ (20,115)

Net book value:					
As of March 31, 2019	\$ 4,488	\$ 3,755	\$ 164	\$ 1,149	\$ 9,556
As of March 31, 2020	\$ 2,934	\$ 3,626	\$ 105	\$ 1,748	\$ 8,413

7. INTANGIBLE ASSETS

The following is a breakdown of the changes in gross carrying amount and accumulated amortization of intangible assets for the years ended March 31, 2020 and 2019.

Cost	2020	2019
Balances—beginning of year	\$ 12,604	\$ 13,431
Additions	1,782	563
Retirement	(2,436)	(1,390)
Balances—end of year	\$ 11,950	\$ 12,604
Accumulated Amortization	2020	2019
Balances—beginning of year	\$(10,543)	\$(11,099)
Amortization expense	(930)	(828)
Retirement	2,388	1,384
Balances—end of year	\$ (9,085)	\$(10,543)
Net book value	\$ 2,865	\$ 2,061

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company is exposed to market risk from changes in interest rates, foreign exchange rates, and commodity prices. To manage the exposure to those risks, the Company generally identifies its net exposure and utilizes transactions which can mitigate market risks. Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks. The types of derivatives used by the Company are primarily interest rate swaps, commodity swaps, commodity forward and futures contracts.

Commodity Forward and Futures—The Company is exposed to price fluctuations of various commodities used in its trading activities. The Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities. The Company utilizes commodity futures contracts that qualify as cash flow hedges to hedge certain commodity premium fluctuation risk. The effective portion of changes in the fair values of the commodity futures contracts that are designated as cash flow hedges is deferred and recognized in other comprehensive (loss) income and accumulated in "Cash flow hedges" in equity. Ineffective portions of changes in the fair values of commodity futures contracts that are designated as cash flow hedge is recognized directly in consolidated statements of profit and loss.

Commodity Swaps—The Company is exposed to fluctuation in Ethylene price and bunker price, which is part of shipping cost. The Company entered into commodity swaps that qualify as cash flow hedges to hedge the risk of Ethylene price and bunker price fluctuation. The effective portion of changes in the fair values of commodity swaps is deferred and recognized in the "Cash flow hedges" in equity. Ineffective portions of changes in the fair values of the commodity swaps is recognized directly in consolidated statements of profit and loss.

Financial Swaps—The Company’s financing, investing, and cash management activities are exposed to market risk from changes in interest rates and currency exchange rates. The Company designated interest rate swaps used to convert certain fixed-rate assets to floating-rate assets as fair value hedge to hedge changes in U.S. LIBOR interest rates, and the changes in the fair value of these swaps are included in “Sundry loss—net” in the accompanying consolidated statements of profit and loss.

For all derivatives designated as fair value hedges and cash flow hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. Whenever practical, the Company designates specific exposures to qualify for hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and hedged items match or are closely aligned or quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting.

Impact of Fair Value Hedges on the Consolidated Statements of Financial

Position—The following are the fair values (on a gross basis) and nominal amounts of derivative instruments designated as fair value hedge as of March 31, 2020 and 2019 as well as the changes in fair values for the years ended March 31, 2020 and 2019.

Derivative Designated as Fair Value Hedge	Account in the Consolidated Statements of Financial Position	March 31,	
		2020	2019
Interest rate swap (Interest rate risks)	Other financial assets	\$ 2	\$ 150
	Other noncurrent financial assets	1	383
	Other financial liabilities	17	-
	Other noncurrent financial liabilities	2,178	371
Other Information			
	Change in fair value	\$ (2,354)	\$ (1,338)
	Nominal amounts	86,799	134,667

The following are the carrying amounts and accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items designated as fair value hedge as of March 31, 2020 and 2019 as well as the changes in values for the years ended March 31, 2020 and 2019.

Hedged Item	Account in the Consolidated Statements of Financial Position	March 31,	
		2020	2019
Loans receivable (Interest rate risks)	Notes and loans receivable—Parent and group companies	\$ 11,015	\$56,850
	Noncurrent loans receivable from Parent and group companies	77,977	77,655
Other Information			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ 2,193	\$ (162)
	Change in value	2,355	1,338

Impact of Fair Value Hedges on the Consolidated Statements of Profit and Loss—

The following are the gains or losses related to hedging activities designated as fair value hedge for the years ended March 31, 2020 and 2019.

Derivative Designated as Fair Value Hedge	Account in the Consolidated Statements of Profit and Loss	2020	2019
Interest rate swap (Interest rate risks)	Sundry loss	\$ 1	\$ -

Impact of Cash Flow Hedges on the Consolidated Statements of Financial Position—The following are the fair values (on a gross basis), balances in the cash flow hedge reserve and nominal amounts of derivative instruments designated as cash flow hedge as of March 31, 2020 and 2019 as well as the changes in fair values for the years ended March 31, 2020 and 2019.

Derivative Designated as Cash Flow Hedge	Account in the Consolidated Statements of Financial Position	March 31,	
		2020	2019
Commodity swap	Other financial assets	\$ -	\$ 273
(Bunker price fluctuation risks)	AOCI—cash flow hedges	-	293
Other Information			
	Change in fair value in OCI (before tax effect of 19 in 2020 and -142 in 2019)	\$ (75)	\$ 566
	Nominal amounts	-	4,200 MT
Derivative Designated as Cash Flow Hedge	Account in the Consolidated Statements of Financial Position	March 31,	
		2020	2019
Commodity swap	Other financial liabilities	\$ -	\$ 81
(Ethylene price fluctuation risks)	AOCI—cash flow hedges	-	(61)
Other Information			
	Change in fair value in OCI (before tax effect of 102 in 2020 and -62 in 2019)	\$ (409)	\$ 249
	Nominal amounts	-	5,000,000 LBS
Derivative Designated as Cash Flow Hedge	Account in the Consolidated Statements of Financial Position	March 31,	
		2020	2019
Commodity futures	Other financial assets	\$ 9,129	\$ 951
(Commodity premium fluctuation risks)	Other noncurrent financial assets	-	2,153
	Other financial liabilities	5,718	7,266
	Other noncurrent financial liabilities	-	2,237
	AOCI—cash flow hedges	2,558	(4,790)
Other Information			
	Change in fair value in OCI (before tax effect of -381 in 2020 and 5,385 in 2019)	\$ 1,523	\$ (21,541)
	Nominal amounts	4,800,000 BBL	12,656,000 BBL

The following is the change in value of the hedged item designated as cash flow hedge for the years ended March 31, 2020 and 2019.

Hedged Item	Off Balance Sheet Item	March 31,	
		2020	2019
Bunker price fluctuation risks of shipping agreement	Change in value	\$ 75	\$ (566)
Ethylene price fluctuation risks	Change in value	\$ 409	\$ (249)
Commodity premium fluctuation risks	Change in value	\$ (1,523)	\$ 21,541

Impact of Cash Flow Hedges on the Consolidated Statements of Comprehensive Income (Loss)—

Cash flow hedge	2020	2019
Amount of gain (loss) recognized in OCI	\$ 779	\$ (15,544)
Amount of gain reclassified from AOCI to consolidated statements of profit and loss	5,936	5,098
Amount of gain reclassified to Inventory	401	19,811
Other Comprehensive (Loss) Income	\$ 7,116	\$ 9,365

9. BORROWINGS

Borrowings (current liabilities) as of March 31, 2020 and 2019 consisted of the following:

	2020	2019
Loans from Parent and group companies	\$ 1,106,359	\$ 865,798
Loans from financial institutions	350,001	50,000
Commercial paper	870,000	1,566,970
Total short-term borrowings	\$ 2,326,360	\$ 2,482,768

The following interest rates on current borrowings represent weighted-average rates on outstanding balances as of March 31, 2020 and 2019.

	Interest Rate	
	2020	2019
Loans from Parent and group companies	0.8 %	2.6 %
Loans from financial institutions	1.4	2.8
Commercial paper	1.7	2.6

As of March 31, 2020 and 2019, noncurrent borrowings bore interest at both fixed rates and floating rates. Borrowings (noncurrent liabilities) as of March 31, 2020 and 2019 is composed of the following:

	2020	2019
Financial institutions—maturing through 2028—at fixed rates, principally 1.10% to 2.30% as of March 31, 2020 and floating rates 2.74% to 3.25% as of March 31, 2019	\$ 560,000	\$ 860,000
Total noncurrent liabilities	560,000	860,000
Less current maturities	(150,000)	(150,000)
Noncurrent borrowings, less current maturities	\$ 410,000	\$ 710,000

The Company has certain financial debt covenants which have been complied with as of March 31, 2020 and 2019.

The Company and MC entered into a keepwell agreement dated January 27, 2003, which is governed by the laws of the State of New York. The following is a summary of certain terms of the Company's keepwell agreement:

- MC has agreed to make cash payments to the Company in amounts sufficient, together with other revenues of the Company, to cause the consolidated tangible net worth of the Company to be positive at all times.
- MC will maintain direct or indirect ownership of all the voting capital stock of the Company and will not pledge or grant any security interest in, or encumber, any such capital stock.
- MC will cause the Company to maintain sufficient liquidity to punctually meet the debt obligations issued by the Company in order to facilitate the raising of funds.

MC has indicated that due to its superior creditworthiness, it is committed, and will continue, to fulfill obligations under the keepwell agreement until at least the fiscal year ending March 31, 2021.

The Company is a party to a joint revolving credit agreement whose termination date was April 4, 2020 together with MC in the amount of 1 Billion US Dollars, of which 200 Million US Dollars shall be dedicated and specifically available to the Company on a same day basis. There were no amounts outstanding as of March 31, 2020 and 2019. On April 2, 2020, the joint revolving credit agreement was restated to extend one year.

Changes in liabilities arising from financing activities

	April 1, 2018	Cash Flows	Non-Cash changes	March 31, 2019
Current borrowings:				
Parent and group companies	\$ 1,907,528	\$ (743,116)	\$ (298,614)	\$ 865,798
Financial institutions	-	50,000	-	50,000
Commercial Paper	400,014	1,166,956	-	1,566,970
Current maturities of				
noncurrent borrowings	130,000	(130,000)	150,000	150,000
Noncurrent borrowings	860,000	-	(150,000)	710,000

	April 1, 2019	Cash Flows	Non-Cash changes	March 31, 2020
Current borrowings:				
Parent and group companies	\$ 865,798	\$ 389,345	\$ (148,784)	\$ 1,106,359
Financial institutions	50,000	100,001	200,000	350,001
Commercial Paper	1,566,970	(696,970)	-	870,000
Lease liabilities	-	(19,021)	27,297	8,276
Current maturities of				
noncurrent borrowings	150,000	(150,000)	150,000	150,000
Noncurrent borrowings	710,000	50,000	(350,000)	410,000
Noncurrent lease liabilities	-	-	18,648	18,648

The majority of non-cash changes in "Current borrowings: Parent and group companies" is related to novation of borrowings. The Company serves as a regional treasury center for group companies in the United States. To enhance capital efficiency, the Company, the Parent and group companies may enter into novation agreements for loans and borrowings. A novation agreement is a contract between parties in which one of the parties transfers over all of its rights and obligations to another party.

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

10.1 Disaggregation of revenue—A breakdown of the revenue from contracts with customers as well as contracts that are outside the scope of IFRS 15 for the years ended March 31, 2020 and 2019 are as follows.

Type of Contracts	Sales of Goods/ Providing services	2020	2019
Contracts with Customers within the scope of IFRS 15	Sales of Goods	\$ 1,361,428	\$ 1,516,449
	Providing services	32,529	35,753
Other	-	2,340,975	2,509,880
Total		\$ 3,734,932	\$ 4,062,082

On March 5, 2019, IFRS Interpretation Committee, the interpretative body of the International Accounting Standards Board, concluded that IFRS 9 should be applied to the specific contracts to buy or sell non-financial item at fixed future price, as the consequence of discussion about physical settlement of contracts to buy or sell a non-financial item.

Other revenue includes revenue from transactions in the scope of IFRS 9 “Financial Instruments” (including the gross amount of revenue recognized from contracts to sell a non-financial item that can be settled net in cash or another financial instruments, or by exchanging financial instruments at the time of delivery). Most performance obligations from contracts with customers have original expected duration of one year or less. The Company has applied a practical expedient under IFRS 15.121 and remaining performance obligation is not disclosed.

10.2 Receivables and contract liabilities related to contracts with customers—A breakdown of receivables and contract liabilities related to contracts with customers included in the following accounts in the consolidated statements of financial position as of March 31, 2020 and 2019 are as follows.

	2020	2019
Notes and loans receivable:		
Customers	\$ 68,911	\$ 197,209
Trade and other receivables:		
Customers	506,753	431,803
Parent and group companies	141,060	309,494
Other	19,116	28,718
Advances from customers	1,534	2,052

Revenue recognized in the reporting period that was included in the Advances from customers at the beginning of the period are \$2,052 and \$4,025 for the years ended March 31, 2020 and 2019.

10.3 Impact of application of IFRS 15—In some transactions, the conclusion on whether the Company is acting as a principal or an agent has changed due to the application of the control model under IFRS 15. The impacts of the change on the Company's Revenue and Cost of Revenue on the consolidated statements of profit and loss are increases of both amounts by approximately \$1 Billion for the year ended March 31, 2019.

10.4 Impairment gain (loss) from contracts with customers—Impairment gains (losses) recognized on receivables arising from contracts with customers are \$1,046 and \$(9,338) for the years ended March 31, 2020 and 2019.

11. EMPLOYEE BENEFITS

The Company sponsors a defined benefit pension plan that covers substantially all of their employees. The benefit for this plan is based upon years of service, compensation at the time of severance and other factors. The plan is non-contributory and is designed to comply with the requirement of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plan is administered by the Retirement Plan Committee, which is appointed by the Board of Directors of the Company and primarily responsible for making investment policy. Participation to the defined benefit pension plan has been frozen since April 1, 2014. The Company also provides postretirement medical benefits for eligible retired employees. Additionally, the Company provides certain nonqualified supplemental executive defined benefit pension plans to provide supplemental retirement benefit primarily to certain high-level employees. The Company used a March 31 year-end measurement date for the plans.

The following table provides key information pertaining to the Company's defined benefit pension and other postretirement benefit plans as at March 31, 2020:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 87,262	\$ 20,799
Service cost	-	71
Interest cost	3,367	802
Experience gain	(887)	(184)
Actuarial gain arising from change in demographic assumptions	(968)	(355)
Actuarial loss arising from change in financial assumptions	5,680	1,453
Contributions by plan participants	-	171
Benefits paid	(3,791)	(1,189)
Curtailment and settlement	(3,255)	-
Other	-	59
Projected benefit obligation—end of year	87,408	21,627
Change in plan assets:		
Fair value of plan assets—beginning of year	69,016	-
Interest income	2,716	-
Net return on plan assets in excess of interest income	(6,434)	-
Contributions by plan participants	-	171
Contributions by employer	3,128	959
Benefits paid	(3,791)	(1,189)
Curtailment and settlement	(3,255)	-
Other	-	59
Fair value of plan assets—end of year	61,380	-
Reconciliation of funded status—end of year—funded status	\$(26,028)	\$(21,627)

The following table provides key information pertaining to the Company's defined benefit pension and other postretirement benefit plans as at March 31, 2019:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 87,146	\$ 20,648
Service cost	-	87
Interest cost	3,492	825
Experience gain	(1,089)	(238)
Actuarial gain arising from change in demographic assumptions	(209)	(64)
Actuarial loss arising from change in financial assumptions	1,628	378
Contributions by plan participants	-	178
Benefits paid	(3,706)	(1,068)
Other	-	53
Projected benefit obligation—end of year	87,262	20,799
Change in plan assets:		
Fair value of plan assets—beginning of year	68,405	-
Interest income	2,774	-
Net return on plan assets in excess of interest income	(612)	-
Contributions by plan participants	-	178
Contributions by employer	2,155	837
Benefits paid	(3,706)	(1,068)
Other	-	53
Fair value of plan assets—end of year	69,016	-
Reconciliation of funded status—end of year—funded status	\$(18,246)	\$(20,799)

The amount of employee benefits expense included in the consolidated statements of profit and loss was \$1,524 and \$1,630 for the years ended March 31, 2020 and 2019, respectively.

Amounts recognized in the consolidated statements of financial position as of March 31, 2020 and 2019 consist of the following:

	2020		2019	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Other current liabilities	\$ (70)	\$ (1,046)	\$ (70)	\$ (985)
Other noncurrent liabilities	(25,958)	(20,581)	(18,176)	(19,814)
Total accrued pension liability	\$(26,028)	\$(21,627)	\$(18,246)	\$(20,799)

Investment Policy—Plan Assets—The Company's investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio, including investments, such as equity instruments, debt securities, and alternative assets. Considering the funded status of the pension plans and surrounding economic environment for investments, the Company's investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies for the purpose of risk control and thereby pursues efficient risk management.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Company has investigated the business condition of the investee companies and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, public debt instruments, and corporate bonds. Prior to investing, the Company has investigated the quality of the issue, including rating, interest rate, and repayment dates, and has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. The Company's policy is to allocate pension plan funds within a range of percentages for each major asset category as follows:

	Percentage Range
Equity securities	50–70%
Debt securities/fixed income	30–50%

The Company may direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above to accomplish the investment objectives for the pension plan assets.

Fair Value of Plan Assets by Type—A breakdown of the Company's pension plan assets as of March 31, 2020 and 2019 are as follows:

	2020	2019
Plan assets that do not have a quoted market price in an active market:		
Equity instruments:		
US stocks	\$ 31,160	\$ 35,033
International stocks	5,842	7,079
Debt instruments—US bonds	14,768	14,316
Life insurance company general accounts	9,610	12,588
Total plan assets	\$ 61,380	\$ 69,016

The life insurance company general accounts consist of investments such as privately placed debt securities, mortgage loans and real estate.

The debt and equity instruments are invested through mutual fund and pooled separate accounts, respectively. The mutual fund is valued at daily closing price as reported by the fund based on the net asset value. The pooled separate accounts are valued at unit value

reported by investment manager based on accumulated values of underlying investments. Life insurance company general accounts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Significant Actuarial Assumptions—The following weighted-average assumptions were used to determine benefit obligations for the defined benefit pension plans and the other postretirement benefit plans at March 31, 2020 and 2019:

	2020		2019	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	3.25%–3.40%	3.40%	3.85%–3.95%	3.95%
Initial health care cost trend rate		4.75%–8.65%		4.75%–9.20%
Ultimate health care cost trend rate		4.75%		4.75%
Year in which ultimate rate is reached		2018–2027		2018–2027

Analysis of Sensitivity to Significant Actuarial Assumptions—The discount rate was determined by projecting the plan’s expected future benefit payments as defined for the defined benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date, and solving for the single equivalent discount rate that resulted in the same defined benefit obligation. A one-percentage-point change in the discount rate would have the following effects:

	2020		2019	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on defined benefit obligation	\$10,000 decrease	\$12,000 increase	\$10,000 decrease	\$12,000 increase

This analysis assumes that all other variables remain fixed, however, in fact, the discount rate does not always change independently.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2020		2019	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on other postretirement benefit obligation	\$2,835 increase	\$2,332 decrease	\$2,547 increase	\$2,107 decrease

This analysis assumes that all other variables remain fixed, however, in fact, the health care cost trend rate does not always change independently.

Contributions—The Company’s funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. The Company expects to contribute approximately \$70 to its defined benefit pension plans during the year ending March 31, 2021.

Estimated Future Benefit Payments—Benefit payments for the defined benefit pension plans and other postretirement benefits plans for the next 10 years are expected to be as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
2021	\$ 4,149	\$1,046
2022	4,388	1,078
2023	4,564	1,104
2024	4,706	1,156
2025	4,797	1,189
2026–2030	24,677	6,189

The weighted average duration of the benefit obligation for Defined Benefit Pension Plans and Other Postretirement Benefits Plans as of March 31, 2020 are 12.91 years and 12.80 years, respectively. The weighted average duration of the benefit obligation for Defined Benefit Pension Plans and Other Postretirement Benefits Plans as of March 31, 2019 are 13.11 years and 12.70 years, respectively.

Defined Contribution Plan—The Company has a defined contribution plan. The expense related to the defined contribution plan was \$1,445 and \$1,393 for the years ended March 31, 2020 and 2019, respectively, and recognized in “Selling, general, and administrative expense” in the consolidated statements of profit and loss.

12. FAIR VALUE MEASUREMENTS

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of March 31, 2020 and 2019.

March 31, 2020	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVPL	\$ -	\$ -	\$ 1,899	\$ -	\$ 1,899
Financial assets measured at FVOCI	-	-	3,351	-	3,351
Merchandise inventories	-	954,765	-	-	954,765
Leased inventories	-	2,259,886	-	-	2,259,886
Commodity derivatives receivable	578,111	273,094	-	(346,128)	505,077
Currency and interest rate swap	-	939	-	-	939
Other noncurrent financial assets	334	-	381	-	715
Total	\$ 578,445	\$ 3,488,684	\$ 5,631	\$ (346,128)	\$ 3,726,632
Liabilities:					
Metal lease liabilities					
- Embedded Derivative	\$ -	\$ 141,538	\$ -	\$ -	\$ 141,538
Commodity derivatives payable	350,852	218,044	-	(346,128)	222,768
Currency and interest rate swap	-	2,279	-	-	2,279
Total	\$ 350,852	\$ 361,861	\$ -	\$ (346,128)	\$ 366,585
March 31, 2019	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVPL	\$ -	\$ -	\$ 13,733	\$ -	\$ 13,733
Financial assets measured at FVOCI	601	-	3,686	-	4,287
Merchandise inventories	-	614,924	-	-	614,924
Leased inventories	-	1,961,533	-	-	1,961,533
Commodity derivatives receivable	152,660	49,510	-	(67,158)	135,012
Currency and interest rate swap	-	543	-	-	543
Other noncurrent financial assets	358	-	381	-	739
Total	\$ 153,619	\$ 2,626,510	\$ 17,800	\$ (67,158)	\$ 2,730,771
Liabilities:					
Metal lease liabilities					
- Embedded Derivative	\$ -	\$ 2,030	\$ -	\$ -	\$ 2,030
Commodity derivatives payable	151,805	70,191	-	(67,158)	154,838
Currency and interest rate swap	-	375	-	-	375
Total	\$ 151,805	\$ 72,596	\$ -	\$ (67,158)	\$ 157,243

Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. There were no transfers between different levels during the years presented.

"Metal lease liabilities—Embedded Derivative" is recognized in "Metal lease liabilities" in the consolidated statements of financial position.

Commodity derivative receivable and payable as well as Currency and interest rate swap are recognized in "Other financial assets", "Other noncurrent financial assets", "Other financial liabilities", or "Other noncurrent financial liabilities" in the consolidated statements of financial position.

Gain (loss) on derivatives not designated as hedging instruments for the years ended March 31, 2020 and 2019 are as follows. Please refer to Note 8 for gains and losses on hedges.

Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2020	2019
Commodity—Nonferrous metal	Revenues and Cost of revenue from operating activities	\$ 62,590	\$ 29,722
Commodity—Precious metal	Revenues and Cost of revenue from operating activities	17,335	(25,201)
Commodity—Petroleum	Revenues and Cost of revenue from operating activities	(22,362)	51,047

Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2020	2019
Foreign exchange forward	Sundry loss	\$ 936	\$ 6
Interest rate swap	Sundry loss	(91)	(618)
	Finance income	69	652
	Finance costs	66	1

The following table presents the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis for the years ended March 31, 2020 and 2019.

	Balance—Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance—End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2020							
Financial assets measured at FVPL	\$ 13,733	\$ 2,032	\$ -	\$ -	\$ (13,866)	\$ 1,899	\$ 1,861
Financial assets measured at FVOCI	3,686	-	(335)	-	-	3,351	(335)
Other noncurrent financial assets—measured at FVPL	381	-	-	-	-	381	-
Total	\$ 17,800	\$ 2,032	\$ (335)	\$ -	\$ (13,866)	\$ 5,631	\$ 1,526

	Balance—Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance—End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2019							
Financial assets measured at FVPL	\$ 13,873	\$ 2,544	\$ -	\$ 116	\$ (2,800)	\$ 13,733	\$ 1,703
Financial assets measured at FVOCI	3,889	-	286	-	(489)	3,686	286
Other noncurrent financial assets—measured at FVPL	-	-	-	381	-	381	-
Total	\$ 17,762	\$ 2,544	\$ 286	\$ 497	\$ (3,289)	\$ 17,800	\$ 1,989

Gain (loss) on other investments included in net income is recognized in “Gain on investments” in the consolidated statements of profit and loss. The net gains or net losses on items at fair value through profit or loss include dividend income. The amount recognized as other comprehensive (loss) income for other investments measured at FVOCI is included in “(Losses) gains on other investments designated as FVOCI” in the consolidated statements of comprehensive income (loss).

The following table represents the amounts recorded for the years ended March 31, 2020 and 2019:

	2020	2019
Gains on investments:		
Financial assets measured at FVPL	\$2,032	\$2,544
Total gains on investments	\$2,032	\$2,544

Financial assets measured at FVPL or FVOCI—Financial assets classified in Level 1 are marketable equity securities valued at the quoted market price in an active market and Level 3 are non-marketable equity securities primarily valued by net asset value per share of investees. The fair values of other investments classified in Level 3 are processed by personnel in the accounting department of the Company, with information on the net asset value per share of the investees, information on the future cash flows of the investees, or independent third party appraisals, depending on the accessibility to the information.

Merchandise inventories—Merchandise inventories are precious metals, nonferrous metals and crude oil held for trading purposes, and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

Leased inventories and Metal lease liabilities—Leased inventories and Metal lease liabilities are related to precious metals lease and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices. The metal lease liabilities contain embedded derivative portion of metal lease contracts.

Commodity derivative (payable and receivable) and Currency and interest rate swap—Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted prices. Derivatives classified in Level 2 are comprised principally of financial swaps and commodity derivative contracts traded in over-the-counter markets, which are valued by pricing models using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

The carrying amount of cash and cash equivalents approximates fair value.

The estimated fair values of the Company's financial instruments measured at amortized cost are summarized as follows:

The carrying amounts of time deposits, current notes and loans receivable, trade and other receivables, lease receivable, other financial assets (excluding derivatives), noncurrent loans receivable from Parent and group companies, other noncurrent financial assets (excluding derivatives), noncurrent lease receivable, current borrowings (including commercial paper and current maturities of noncurrent borrowings), Trade and other payables (including short-term notes), Commodity financing arrangement, other financial liabilities (excluding derivatives), and other noncurrent financial liabilities (excluding derivatives) approximate fair value because of their short-term maturities. Other noncurrent financial liabilities are primarily deposit liabilities and derivatives. The carrying amount of deposit liabilities are \$19,530 and \$29,135 as of March 31, 2020 and 2019, which approximates fair value. Other financial assets are primarily guarantee deposits,

payments for others and derivatives. The carrying amounts of guarantee deposits are \$24,713 and \$31,011 as of March 31, 2020 and 2019, respectively. The carrying amount of payments for others are \$25,046 and \$23,670 as of March 31, 2020 and 2019.

For noncurrent borrowing, the fair values are based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying value of long-term debt approximates fair value due to the variable rates of these liabilities. The carrying value of long-term receivables approximates fair value as the interest rates of these assets are based on current rates.

Other Investments—The following is a breakdown of the carrying amounts of other investments as of March 31, 2020 and 2019.

	2020	2019
FVPL	\$ 1,899	\$13,733
FVOCI	3,351	4,287
Total	\$ 5,250	\$18,020

The following is a breakdown of the fair values of other investments measured at FVOCI as of March 31, 2020 and 2019.

	2020	2019
Marketable	\$ -	\$ 601
Nonmarketable	3,351	3,686
Total	\$3,351	\$4,287

Marketable security consisted of the investment in Intercontinental Exchange, Inc.

Nonmarketable securities consisted of the following:

Security Name	2020	2019
Jamco America, Inc.	\$3,087	\$3,422
Other	264	264
Total	\$3,351	\$3,686

The amount of dividend income from other investments measured at FVOCI held at March 31, 2019 and 2018 that are recognized for the years ended March 31, 2020 and 2019 are nil and \$14, respectively.

With respect to other investments measured at FVOCI derecognized as a result of sale, the fair value at the time of derecognition for the years ended March 31, 2020 and 2019 is as follows.

	2020	2019
Fair value at the time of derecognition	\$670	\$603

Offsetting Financial Assets and Financial Liabilities—The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties. In general, the terms of the agreements provide that in the event of an early termination the counter parties have the right to offset amounts owed or owing under that and any other agreement with the same counter party.

The amount of financial assets and financial liabilities for which the Company has offset and presented in the consolidated statements of financial position as well as amount not offset in the consolidated statements of financial position that are subject to an enforceable master netting agreement or similar agreement as of March 31, 2020 and 2019 are as follows:

March 31, 2020

Financial Assets	Gross Amount of Assets (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Consolidated Statements of Financial Position	Amount not offset in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Payables	
Derivatives	\$ 852,144	\$ (346,128)	\$ 506,016	\$ (53,082)	\$ (186,471)	\$ 266,463
Total	\$ 852,144	\$ (346,128)	\$ 506,016	\$ (53,082)	\$ (186,471)	\$ 266,463

The “Derivatives” above comprises of \$502,842 of Other financial assets, and \$3,174 of Other noncurrent financial assets in the consolidated statements of financial position. The “Cash Collateral Payables” above is futures margin or cash collateral associated with derivative transactions.

Financial Liabilities	Gross Amount of Liabilities (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Consolidated Statements of Financial Position	Amount not offset in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Receivables	
Derivatives	\$571,175	\$ (346,128)	\$ 225,047	\$ (53,082)	\$ (2,412)	\$ 169,553
Total	\$571,175	\$ (346,128)	\$ 225,047	\$ (53,082)	\$ (2,412)	\$ 169,553

The “Derivatives” above comprises of \$211,818 of Other financial liabilities, and \$13,229 of Other noncurrent financial liabilities in the consolidated statements of financial position. The “Cash Collateral Receivables” above is futures margin or cash collateral associated with derivative transactions.

March 31, 2019

Financial Assets	Gross Amount of Assets (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Consolidated Statements of Financial Position	Amount not offset in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Payables	
Derivatives	\$ 202,713	\$(67,158)	\$ 135,555	\$(25,961)	\$ (1,708)	\$107,886
Total	\$ 202,713	\$(67,158)	\$ 135,555	\$(25,961)	\$ (1,708)	\$107,886

The "Derivatives" above comprises of \$126,256 of Other financial assets, and \$9,299 of Other noncurrent financial assets in the consolidated statements of financial position. The "Cash Collateral Payables" above is futures margin or cash collateral associated with derivative transactions.

Financial Liabilities	Gross Amount of Liabilities (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Consolidated Statements of Financial Position	Amount not offset in the Consolidated Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Receivables	
Derivatives	\$ 222,371	\$(67,158)	\$ 155,213	\$(25,961)	\$ (4,692)	\$ 124,560
Total	\$ 222,371	\$(67,158)	\$ 155,213	\$(25,961)	\$ (4,692)	\$ 124,560

The "Derivatives" above comprises of \$147,099 of Other financial liabilities, and \$8,114 of Other noncurrent financial liabilities in the consolidated statements of financial position. The "Cash Collateral Receivables" above is futures margin or cash collateral associated with derivative transactions.

13. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

Interest Rate Risk Management—The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used to convert fixed-rate assets to floating-rate assets.

The Company had gross interest-bearing liabilities of \$2,913,284 and \$3,342,768 as of March 31, 2020 and 2019, respectively. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loan receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, that are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

Assuming that the interest rate increased/decreased by 1% as of March 31, 2020 and 2019, their impacts on net income and total equity would not be material.

Commodity Price Risk Management—The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management procedures. Although these contracts are not designated as hedging instruments, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

As of March 31, 2020 and 2019, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity were immaterial.

Ethylene Price and Bunker Price Risk Management—The Company is exposed to fluctuations in Ethylene price and bunker price in its operation. To hedge Ethylene price and bunker price fluctuation risk, the Company enters into commodity swap contracts. These contracts are designated as hedging instruments and the Company applies hedge accounting. The Company believes that such contracts effectively hedge the impact of fluctuation in Ethylene price and bunker price. Ineffective portion of the hedge would not be material.

Commodity Premium Risk Management—The Company is exposed to fluctuations in commodity premium in its operation. To hedge commodity premium fluctuation risk of purchase/sale contracts, the Company enters into commodity future contracts. These contracts are designated as hedging instruments and the Company applies hedge accounting. The Company believes that such contracts effectively hedge the impact of fluctuation in commodity premium and ineffective portion of the hedge would not be material.

Credit Risk Management—The Company has exposure to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company credit losses. To manage the credit risk, the Company has maintained credit and transaction limits for each customer with an internal rating system. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company has considered the customers' financial position could offer the relevant and sufficient information on the assessment of the Company's credit risk because the Company has estimated its credit risk has been insignificant relatively, compared to its market risk.

The Company has no exposure to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The following is a rollforward of loss allowances calculated based on ECL model under IFRS 9 for the years ended March 31, 2020 and 2019.

Loss allowances—Lifetime ECL	2020	2019
Balances—beginning of year	\$ 12,442	\$ 3,098
Changes in allowance due to change in credit risk and AR balance	(1,041)	9,344
Write-offs	(20)	-
Balances—end of year	\$ 11,381	\$ 12,442

The carrying amounts of Notes and loans receivable, Trade and other receivables, Lease receivable, Other financial assets (excluding derivatives), Noncurrent loans receivable from parent and group companies, Noncurrent lease receivable and Other noncurrent financial assets (excluding derivatives) in the consolidated statements of financial position approximate the maximum exposure to credit risk.

Collateral held as security and other credit enhancements—The Company holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. These collaterals or credit enhancements reduce the amount of loss allowance that the Company has to recognize. The main types of credit enhancements are listed below.

Type of credit enhancements

- Letter of credit: A letter of credit is provided to the Company that would allow the Company to draw fund from a reputable bank if the customer fails to pay.
- Letter of guarantee: A customer who lacks resources or credit usually needs to provide letter of guarantee in order to transact with the Company. The letter of guarantee is usually issued from the parent company of the customer.

Below is a breakdown of gross carrying amounts of Notes and loans receivables, Trade and other receivables, Lease receivable, Other financial assets (excluding derivatives), Noncurrent loans receivable from parent and group companies, Noncurrent lease receivable and Other noncurrent financial assets (excluding derivatives) by credit ratings as of March 31, 2020 and 2019.

Credit Rating	2020	2019
G	\$ 2,209,570	\$ 2,885,426
N	232,952	278,944
W	213,734	224,466
Total gross carrying amount	2,656,256	3,388,836
Loss allowance	11,381	12,442
Carrying amount	\$ 2,644,875	\$ 3,376,394

Liquidity Risk Management—The Company’s basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, according to market conditions at the time. The Company has a strong reputation in capital markets and with regard to indirect financing, the Company maintains a good relationship with a broad range of financial institutions. This diversity allows the Company to procure funds on terms that are cost competitive.

The breakdown of financial liabilities and metal lease liabilities by due date as of March 31, 2020 and 2019 are as follows:

March 31, 2020	Due In 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years	Total
Borrowings	\$ 2,476,360	\$ 230,000	\$180,000	\$ 2,886,360
Derivatives	211,818	12,969	260	225,047
Lease liabilities	8,276	9,097	9,551	26,924
Metal Lease liabilities	1,494,895	-	-	1,494,895

March 31, 2019	Due In 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years	Total
Borrowings	\$ 2,632,768	\$ 530,000	\$180,000	\$ 3,342,768
Derivatives	147,099	8,110	4	155,213
Metal Lease liabilities	1,064,190	-	-	1,064,190

For details on the nature of metal lease liabilities, refer to Note 3.6.

The Company is a party to a joint revolving credit agreement together with the Parent, as detailed in Note 9.

14. INCOME TAXES

The provision for income taxes for the years ended March 31, 2020 and 2019 relating to continuing operations, consists of the following:

	2020	2019
Current:		
In respect of the current year	\$ 27,861	\$ 20,582
In respect of prior years	1,227	(718)
Total current	29,088	19,864
Deferred:		
In respect of the current year	1,805	3,781
In respect of prior years	(6,314)	(220)
Write-downs (reversals of previous write-downs) of deferred tax assets	-	(236)
Total deferred	(4,509)	3,325
Total tax provision	\$ 24,579	\$ 23,189

The difference between the actual income tax expense and income tax expense computed by applying the US federal statutory rate to pretax income (which includes equity in earnings of affiliates) for the years ended March 31, 2020 and 2019, is explained as follows:

	2020	2019
US federal statutory rate	21.00 %	21.00 %
Change in the recoverability of deferred tax assets	0.13	(0.25)
State taxes (net of Federal tax benefit)	0.06	4.75
Expenses not deductible for income tax purposes	0.10	0.19
Dividend not included on book	-	0.28
Book and tax basis difference of investments in affiliates	-	0.69
Refund of tax credit from MCA	(0.21)	-
Federal Tax True-up	(0.32)	(1.43)
Foreign derived intangible income deduction	(1.51)	-
Others	0.49	(0.89)
Average effective tax rate	19.74 %	24.34 %

Deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets	\$ 30,296	\$ 31,083
Deferred tax liabilities	(12,609)	(17,926)
Total net deferred tax assets	\$ 17,687	\$ 13,157

The following table presents the changes in deferred tax for the years ended March 31, 2020 and 2019.

Year Ended March 31, 2020	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Pension	\$ 9,830	\$ (641)	\$ 2,793	\$ 11,982
Bad debt write-off	3,109	(265)	-	2,844
Office sublease loss write-off	1,193	(1,055)	-	138
Net operating loss carryforward and alternative minimum tax credit carryforwards	6,097	(1,174)	-	4,923
Depreciation, amortization, and depletion	(251)	(141)	-	(392)
Investments	(5,074)	(545)	181	(5,438)
Hedge Transaction	1,519	-	(2,372)	(853)
Undistributed retained earnings from affiliated companies	(34)	-	-	(34)
Foreign exchange gain/loss	(254)	96	-	(158)
Application of IFRS 16 (Beginning balance adj.)	(581)	-	-	(581)
Other	(2,978)	8,234	-	5,256
Total	\$ 12,576	\$ 4,509	\$ 602	\$ 17,687

Year Ended March 31, 2019	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Pension	\$ 9,850	\$ (274)	\$ 254	\$ 9,830
Bad debt write-off	241	2,339	-	2,580
Office sublease loss write-off	1,531	(338)	-	1,193
Net operating loss carryforward and alternative minimum tax credit carryforwards	3,965	2,132	-	6,097
Depreciation, amortization, and depletion	(299)	48	-	(251)
Investments	(4,463)	(622)	11	(5,074)
Hedge Transaction	4,641	-	(3,122)	1,519
Undistributed retained earnings from affiliated companies	(33)	(1)	-	(34)
Foreign exchange gain/loss	(195)	(59)	-	(254)
Application of IFRS 9 (Beginning balance adj.)	529	-	-	529
Other	3,572	(6,550)	-	(2,978)
Total	\$ 19,339	\$ (3,325)	\$(2,857)	\$ 13,157

As required by IAS 12, *Income Taxes*, the Company periodically evaluates the likelihood of the realization of deferred tax assets and reduces the carrying amount of these deferred tax assets to the extent that the Company believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience, expectations of future income, the carryforward periods available for tax reporting periods, and other relevant factors.

In assessing the realizability of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax asset to be recovered. The underlying assumptions used in forecasting future taxable income require significant judgment and take into account the Company's recent performance.

The amount of deductible temporary differences in domestic jurisdictions regarding unrealized capital loss of certain investments for which no deferred tax asset realized was \$1,533 and \$1,533 as of March 31, 2020 and 2019, respectively. The Company's capital losses are only deductible against capital gains and the Company does not anticipate having the ability to generate sufficient capital gains in the future to realize such capital losses. The deductible temporary differences have no expiration date.

Deferred tax assets have not been recognized for the Company's US state NOL carryforwards of \$2,324 expiring in the periods beginning in 2030 through 2038 as of March 31, 2020 and nil as of March 31, 2019, respectively, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

As of March 31, 2020 and 2019, taxable (deductible) temporary differences in relation to investments in associates for which deferred tax liabilities (assets) have not been recognized are (\$8,282) and (\$6,660), respectively.

The Company did not have any unrecognized tax benefits in the accompanying consolidated statement of financial position as of March 31, 2020 and 2019.

The Company files income tax returns in the various states, and Canada jurisdiction. The Company believes it is filing in all jurisdictions deemed necessary and appropriate.

From a federal tax return perspective, the Company is a member of the consolidated tax returns filed through MCA from April 1, 2012. Under the tax allocation agreement with MCA, the Company is required to pay to MCA as its share of the federal income tax liability of the MCA Consolidated Group, an amount equal to the federal income tax liability that would have been payable by the Company for such year if it had filed a separate income tax return for such year. Such payment shall be reduced by foreign tax and general business credits generated by the Company within such tax year.

MCA and its US subsidiaries file income tax returns with US federal, states and foreign jurisdictions. The Company is subject to US federal income tax examinations, as a member of the MCA consolidated tax filing, by tax authorities for the year ended March 31, 2017 and subsequent years.

The Company does not expect any significant changes to the estimated amount of unrecognized tax benefits through the next 12 months.

15. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are recorded according to their functions due to different economic activities and businesses of the Company. The nature of Selling, general and administrative expenses for the years ended March 31, 2020 and 2019, are as follows:

	2020	2019
Personnel expenses	\$(37,415)	\$(38,143)
Facilities expenses	(5,519)	(5,683)
Information and communication expenses	(7,428)	(8,219)
Transportation and entertainment expenses	(4,337)	(6,081)
Miscellaneous expenses	(8,265)	(21,640)
Total	\$(62,964)	\$(79,766)

The amount of depreciation and amortization expenses included in Facilities expenses and Information and communication expenses for the years ended March 31, 2020 and 2019, was \$(5,280) and \$(3,011), respectively.

16. SUNDRY LOSS—NET

Sundry loss—net for the years ended March 31, 2020 and 2019, consisted of the following:

	2020	2019
Foreign exchange loss—net	\$ (966)	\$ (131)
Gain (loss) from financial derivative	846	(612)
Other—net	(504)	(364)
Total	\$ (624)	\$ (1,107)

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) for the years ended March 31, 2020 and 2019, are as follows:

2020	Before Tax	Tax	After Tax
Other investments designated as FVOCI:			
Balances—beginning of year	\$ 1,856	\$ (464)	\$ 1,392
Other comprehensive loss	(284)	84	(200)
Transfer to retained earnings	(509)	114	(395)
Net current period other comprehensive loss	(793)	198	(595)
Balances—end of year	\$ 1,063	\$ (266)	\$ 797
Share of other comprehensive loss of affiliated company:			
Balances—beginning of year	\$ 4,403	\$ -	\$ 4,403
Other comprehensive loss	(347)	-	(347)
Transfer to retained earnings	(238)	-	(238)
Net current period other comprehensive loss	(585)	-	(585)
Balances—end of year	\$ 3,818	\$ -	\$ 3,818
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	\$ -	\$ -	\$ -
Other comprehensive loss	(11,171)	2,793	(8,378)
Transfer to retained earnings	11,171	(2,793)	8,378
Net current period other comprehensive income	-	-	-
Balances—end of year	\$ -	\$ -	\$ -
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	\$ (6,660)	\$ -	\$ (6,660)
Other comprehensive loss	(1,622)	-	(1,622)
Net current period other comprehensive loss	(1,622)	-	(1,622)
Balances—end of year	\$ (8,282)	\$ -	\$ (8,282)
Cash flow hedges:			
Balances—beginning of year	\$ (6,077)	\$ 1,519	\$ (4,558)
Other comprehensive income	9,488	(2,372)	7,116
Net current period other comprehensive income	9,488	(2,372)	7,116
Balances—end of year	\$ 3,411	\$ (853)	\$ 2,558

2019	Before Tax	Tax	After Tax
Other investments designated as FVOCI:			
Balances—beginning of year	\$ 1,901	\$ (475)	\$ 1,426
Other comprehensive income	343	(86)	257
Transfer to retained earnings	(388)	97	(291)
Net current period other comprehensive loss	(45)	11	(34)
Balances—end of year	\$ 1,856	\$ (464)	\$ 1,392
Share of other comprehensive loss of affiliated company:			
Balances—beginning of year	\$ 4,506	\$ -	\$ 4,506
Other comprehensive loss	(103)	-	(103)
Net current period other comprehensive loss	(103)	-	(103)
Balances—end of year	\$ 4,403	\$ -	\$ 4,403
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	\$ -	\$ -	\$ -
Other comprehensive loss	(1,017)	254	(763)
Transfer to retained earnings	1,017	(254)	763
Net current period other comprehensive income	-	-	-
Balances—end of year	\$ -	\$ -	\$ -
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	\$ (5,244)	\$ -	\$ (5,244)
Other comprehensive loss	(1,416)	-	(1,416)
Net current period other comprehensive loss	(1,416)	-	(1,416)
Balances—end of year	\$ (6,660)	\$ -	\$ (6,660)
Cash flow hedges:			
Balances—beginning of year	\$ (18,564)	\$ 4,641	\$ (13,923)
Other comprehensive income	12,487	(3,122)	9,365
Net current period other comprehensive income	12,487	(3,122)	9,365
Balances—end of year	\$ (6,077)	\$ 1,519	\$ (4,558)

18. TRANSACTIONS WITH RELATED PARTIES

Revenues and goods purchased/services received from the Parent and group companies as well as affiliated companies are as follows:

	2020	2019
Revenues:		
Parent and group companies	\$ 646,172	\$ 582,615
Affiliated companies	5,360	2,170
Goods purchased/services received—Parent and group companies	3,221,995	3,710,381

The Company received a significant portion of finance income from the Parent and group companies. For the years ended March 31, 2020 and 2019, finance income from the Parent and group companies was \$59,504 and \$67,525, respectively.

Assets and liabilities of the Company with the Parent and group companies as well as affiliated companies are as follows:

	March 31,	
	2020	2019
Assets:		
Trade and other receivables:		
Parent and group companies	\$ 141,060	\$ 270,278
Affiliated companies	-	39,216
Notes and loans receivables—Parent and group companies	1,813,612	2,305,646
Lease receivable	7,430	-
Other financial assets	46,123	15,862
Other current assets	924	78
Other noncurrent financial assets	353	56
Liabilities:		
Trade and other payables:		
Parent and group companies	155,178	162,963
Affiliated companies	78	53
Borrowings—Parent and group companies	1,106,359	865,798
Other financial liabilities	48,886	7,066
Lease liabilities	204	-
Metal lease liabilities	1,250,805	860,931
Other noncurrent financial liabilities	937	77

Under the Company's by-laws, from time to time, dividends will be declared with the sole discretion of the Company's Board of Directors, and will pay up to the Company's prior year net income. Such decision will depend upon earnings, market prospects, and future investment opportunities. During the years ended March 31, 2020 and 2019, the Company declared cash dividends of \$72,064, and \$0, respectively.

19. LEASES

At the date of initial application of IFRS 16, the Company recognized \$22 million in "Right-of-use assets", \$18 million in "Lease liabilities", \$17 million in "Noncurrent lease liabilities", \$4 million in "Lease receivable" and \$9 million in "Noncurrent lease receivable" in the consolidated statements of financial position as well as \$2 million in the beginning balance of Retained earnings. The discount rate applied to lease liabilities at initial application of IFRS 16 is 3.2%. As a lessee, the Company has leases for office space, tanks and vessels under noncancelable lease terms expiring through 2033 with renewal options provided under various conditions. The lease term is calculated from the commencement date, the date that a lessor makes an underlying asset available for use. During the year ended March 31, 2020, the Company modified certain lease and sublease agreements, which caused increases of \$5 million in "Right-of-use assets", \$11 million in "Noncurrent lease liabilities", \$5 million in "Noncurrent lease receivable" and a decrease of \$1 million in "Lease liabilities" in the consolidated statements of financial position. Refer to Note 13 for the maturity analysis of lease liabilities as of March 31, 2020.

The following table presents the information about leases as lessee for the year ended March 31, 2020.

Depreciation of right-of-use assets:	
Buildings and structures	\$ 4,109
Vessels	10,322
Total	\$ 14,431
Finance cost on lease liabilities	\$ 918
Income from subleasing right-of-use assets	\$ 382
Expenses relating to short-term leases and leases of low-value assets	4,540
Total cash outflow for leases	23,561
Additions to right-of-use assets	10,243
Carrying amount of right-of-use assets—end of year	
Buildings and structures	\$ 10,824
Vessels	1,720
Total	\$ 12,544

Maturity analysis of lease receivable as of March 31, 2020 is as follows:

Less than 1 year	\$ 4,182
1 year to 2 year	4,167
2 year to 3 year	1,172
3 year to 4 year	573
4 year to 5 year	573
Remaining years	4,487
<hr/>	
Gross Lease receivable	\$ 15,154
Unearned finance income	(1,331)
<hr/>	
Total lease receivable	\$ 13,823
<hr/>	

The total amount of finance income on the net investments in the leases is the same as the total amount of income from subleasing right-of-use assets.

20. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Guarantees—Guarantees arise during the ordinary course of business from relationships with customers and equity affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract by the guaranteed party triggers the obligation of the Company. Such nonperformance usually relates to loans. The Company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates and other unaffiliated companies. The Company did not have outstanding guarantee obligations at March 31, 2020 and 2019.

Legal Matters—The Company and its subsidiaries are parties to litigation and other unasserted claims arising in the ordinary course of business. Although some of the matters are still in preliminary stages and definitive conclusions cannot be made as to those matters, the Company is of the opinion that, based on information presently available, none of the litigation or claims will have a material adverse effect on the consolidated financial statements of the Company.

21. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after March 31, 2020, up through July 8, 2020 the date that the consolidated financial statements were available to be issued and it has been determined that there were no subsequent events requiring adjustment to or disclosure in the consolidated financial statements other than noted in note 9.

22. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's president and authorized for issue on July 8, 2020.

* * * * *