Consolidated Financial Statements

Fiscal year ended
March 31, 2019

CTC
Challenging Tomorrow's Changes

ITOCHU Techno-Solutions Corporation

Consolidated Statement of Financial Position

ITOCHU Techno-Solutions Corporation and Subsidiaries
As of March 31, 2018 and 2019

		(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Notes	March 31, 2018	March 31, 2019	March 31, 2019
Assets				
Current assets				
Cash and cash equivalents	7	51,003	58,878	530,391
Trade and other receivables	8, 30	130,370	132,348	1,192,224
Inventories	9	25,577	28,907	260,405
Current tax assets		79	78	707
Other current financial assets	13, 30	23,333	20,089	180,970
Other current assets		42,427	58,021	522,672
Total current assets		272,792	298,325	2,687,371
Non-current assets				
Property, plant and equipment	10, 17	34,857	34,488	310,682
Goodwill	11	4,470	4,233	38,131
Intangible assets	11, 17	10,538	8,937	80,514
Investments accounted for using the equity method	5, 12	724	1,568	14,127
Other non-current financial assets	13, 30	14,888	16,233	146,236
Deferred tax assets	14	12,817	12,467	112,313
Other non-current assets		2,793	2,681	24,154
Total non-current assets		81,090	80,611	726,161
Total assets	5	353,882	378,936	3,413,532

	Notes	(Millions of Yen) March 31, 2018	(Millions of Yen) March 31, 2019	(Thousands of U.S. Dollars) March 31, 2019
Liabilities and equity				
Current liabilities				
Trade and other payables	15, 30	48,572	53,901	485,550
Other current financial liabilities	16, 29, 30	5,992	5,479	49,361
Income taxes payable		8,089	9,964	89,761
Liabilities for employee benefits		17,633	19,047	171,582
Provisions	19	707	1,333	12,014
Other current liabilities		44,934	45,677	411,470
Total current liabilities		125,929	135,403	1,219,741
Non-current liabilities				
Non-current financial liabilities	16, 29, 30	10,912	12,243	110,292
Liabilities for employee benefits	18	4,149	4,016	36,178
Provisions	19	1,716	1,825	16,445
Deferred tax liabilities	14	324	341	3,078
Total non-current liabilities		17,103	18,427	165,995
Total liabilities		143,032	153,830	1,385,736
Equity				
Common stock	21	21,763	21,763	196,050
Capital surplus	21	33,152	33,193	299,014
Treasury stock	21	(9,621)	(9,622)	(86,681)
Retained earnings	21	160,544	174,460	1,571,578
Other components of equity		730	906	8,161
Total shareholders' equity		206,569	220,701	1,988,123
Non-controlling interests		4,281	4,404	39,672
Total equity		210,850	225,105	2,027,795
Total liabilities and equity		353,882	378,936	3,413,532

See notes to the consolidated financial statements

Consolidated Statement of Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2018 and 2019

	Notes	(Millions of Yen) Year ended March 31, 2018	(Millions of Yen) Year ended March 31, 2019	(Thousands of U.S. Dollars) Year ended March 31, 2019
Revenue	5, 23	429,625	451,957	4,071,321
Cost of sales		(328,024)	(344,248)	(3,101,054)
Gross profit		101,601	107,709	970,267
Other income and expenses				
Selling, general and administrative expenses	24	(69,165)	(71,795)	(646,743)
Other income	24	371	558	5,034
Other expenses	24	(185)	(574)	(5,172)
Total other income and expenses		(68,978)	(71,810)	(646,882)
Operating income		32,622	35,898	323,384
Financial income	5, 26	574	284	2,566
Financial costs	5, 26	(811)	(285)	(2,572)
Share of profit of associates accounted for using the equity method	5, 12	6	388	3,497
Gains on sales and remeasurement of investments in subsidiaries and associates	5, 6	1,337	-	-
Profit before tax	5	33,729	36,286	326,876
Income tax expense	14	(9,954)	(11,407)	(102,764)
Net profit		23,774	24,878	224,111
Net profit attributable to:				
CTC's shareholders		23,581	24,616	221,753
Non-controlling interests		192	261	2,357

Earnings per share attributable to CTC's shareholders		(Yen)	(Yen)	(U.S. Dollars)
Basic earnings per share for the year	27	102.04	106.55	0.95
Diluted earnings per share for the year	27	-	-	-

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2018 and 2019

	Notes	(Millions of Yen) Year ended March 31, 2018	(Millions of Yen) Year ended March 31, 2019	(Thousands of U.S. Dollars) Year ended March 31, 2019
Net profit		23,774	24,878	224,111
Other comprehensive income, net of tax effect				
Items that will not be reclassified to profit or loss:				
Changes in net fair value of financial assets measured through other comprehensive income	28	430	108	976
Remeasurement of defined benefit plans	28	252	295	2,657
Share of other comprehensive income of associates accounted for using the equity method	12, 28	1	(2)	(22)
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	28	465	26	238
Cash flow hedges	28	(42)	53	481
Share of other comprehensive income of associates accounted for using the equity method	12, 28	(26)	1	15
Total other comprehensive income for the year, net of tax effect		1,080	482	4,346
Total comprehensive income		24,855	25,361	228,457
Total comprehensive income attributable to:				
CTC's shareholders		24,535	25,086	225,980
Non-controlling interests		320	275	2,477

See notes to the consolidated financial statements.

Consolidated Statement of Changes In Equity

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2018 and 2019

(Millions of Yen)

	Notes	Shareholders' equity					
						Other components of equity	
		Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2017		21,763	33,076	(9,231)	146,537	(582)	621
Net profit		-	-	-	23,581	-	-
Other comprehensive income, net of tax effect		-	-	-	-	311	432
Total comprehensive income		-	-	-	23,581	311	432
Payment of dividends	22	-	-	-	(9,827)	-	-
Purchase of treasury stock		-	-	(390)	-	-	-
Disposal of treasury stock		-	-	-	-	-	-
Share-based payment transactions	20	-	36	-	-	-	-
Changes in interests in subsidiaries		-	40	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	252	-	-
Total transactions with owners		-	76	(390)	(9,574)	-	-
March 31, 2018		21,763	33,152	(9,621)	160,544	(270)	1,053

(Millions of Yen)

	Shareholders' equity			Non-controlling interests	Total equity
	Other components of equity		Total shareholders' equity		
	Cash flow hedges	Remeasurement of defined benefit plans			
April 1, 2017	(9)	-	192,175	3,525	195,701
Net profit	-	-	23,581	192	23,774
Other comprehensive income, net of tax effect	(42)	252	953	127	1,080
Total comprehensive income	(42)	252	24,535	320	24,855
Payment of dividends	-	-	(9,827)	(87)	(9,914)
Purchase of treasury stock	-	-	(390)	-	(390)
Disposal of treasury stock	-	-	-	-	-
Share-based payment transactions	-	-	36	-	36
Changes in interests in subsidiaries	-	-	40	521	562
Transfer to retained earnings from other components of equity	-	(252)	-	-	-
Total transactions with owners	-	(252)	(10,141)	434	(9,706)
March 31, 2018	(52)	-	206,569	4,281	210,850

(Millions of Yen)

	Notes	Shareholders' equity: Common stock	Shareholders' equity: Capital surplus	Shareholders' equity: Treasury stock	Shareholders' equity: Retained earnings	Other components of equity: Exchange differences on translating foreign operations	Other components of equity: Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2018		21,763	33,152	(9,621)	160,544	(270)	1,053
Cumulative effect of change in accounting policy		-	-	-	46	-	-
Restated balance		21,763	33,152	(9,621)	160,591	(270)	1,053
Net profit		-	-	-	24,616	-	-
Other comprehensive income, net of tax effect		-	-	-	-	14	105
Total comprehensive income		-	-	-	24,616	14	105
Payment of dividends	22	-	-	-	(11,041)	-	-
Purchase of treasury stock		-	-	(0)	-	-	-
Disposal of treasury stock		-	0	0	-	-	-
Share-based payment transactions	20	-	47	-	-	-	-
Changes in interests in subsidiaries		-	(6)	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	293	-	1
Total transactions with owners		-	41	(0)	(10,747)	-	1
March 31, 2019		21,763	33,193	(9,622)	174,460	(256)	1,160

(Millions of Yen)

	Shareholders' equity: Other components of equity: Cash flow hedges	Shareholders' equity: Other components of equity: Remeasurement of defined benefit plans	Shareholders' equity: Total shareholders' equity	Non-controlling interests	Total equity
April 1, 2018	(52)	-	206,569	4,281	210,850
Cumulative effect of change in accounting policy	-	-	46	-	46
Restated balance	(52)	-	206,616	4,281	210,897
Net profit	-	-	24,616	261	24,878
Other comprehensive income, net of tax effect	53	295	469	13	482
Total comprehensive income	53	295	25,086	275	25,361
Payment of dividends	-	-	(11,041)	(158)	(11,199)
Purchase of treasury stock	-	-	(0)	-	(0)
Disposal of treasury stock	-	-	0	-	0
Share-based payment transactions	-	-	47	-	47
Changes in interests in subsidiaries	-	-	(6)	6	-
Transfer to retained earnings from other components of equity	-	(295)	-	-	-
Total transactions with owners	-	(295)	(11,000)	(152)	(11,152)
March 31, 2019	1	-	220,701	4,404	225,105

(Thousands of U.S. Dollars)

	Notes	Shareholders' equity					
						Other components of equity	
		Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income
April 1, 2018		196,050	298,643	(86,676)	1,446,217	(2,440)	9,493
Cumulative effect of change in accounting policy		-	-	-	420	-	-
Restated balance		196,050	298,643	(86,676)	1,446,638	(2,440)	9,493
Net profit		-	-	-	221,753	-	-
Other comprehensive income, net of tax effect		-	-	-	-	134	953
Total comprehensive income		-	-	-	221,753	134	953
Payment of dividends	22	-	-	-	(99,460)	-	-
Purchase of treasury stock		-	-	(5)	-	-	-
Disposal of treasury stock		-	0	0	-	-	-
Share-based payment transactions	20	-	426	-	-	-	-
Changes in interests in subsidiaries		-	(55)	-	-	-	-
Transfer to retained earnings from other components of equity		-	-	-	2,647	-	10
Total transactions with owners		-	370	(5)	(96,813)	-	10
March 31, 2019		196,050	299,014	(86,681)	1,571,578	(2,306)	10,457

(Thousands of U.S. Dollars)

	Shareholders' equity			Non-controlling interests	Total equity
	Other components of equity				
	Cash flow hedges	Remeasurement of defined benefit plans	Total shareholders' equity		
April 1, 2018	(470)	-	1,860,817	38,564	1,899,381
Cumulative effect of change in accounting policy	-	-	420	-	420
Restated balance	(470)	-	1,861,238	38,564	1,899,802
Net profit	-	-	221,753	2,357	224,111
Other comprehensive income, net of tax effect	481	2,657	4,226	119	4,346
Total comprehensive income	481	2,657	225,980	2,477	228,457
Payment of dividends	-	-	(99,460)	(1,425)	(100,885)
Purchase of treasury stock	-	-	(5)	-	(5)
Disposal of treasury stock	-	-	0	-	0
Share-based payment transactions	-	-	426	-	426
Changes in interests in subsidiaries	-	-	(55)	55	-
Transfer to retained earnings from other components of equity	-	(2,657)	-	-	-
Total transactions with owners	-	(2,657)	(99,094)	(1,369)	(100,464)
March 31, 2019	10	-	1,988,123	39,672	2,027,795

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

ITOCHU Techno-Solutions Corporation and Subsidiaries
Years ended March 31, 2018 and 2019

	Notes	(Millions of Yen) Year ended March 31, 2018	(Millions of Yen) Year ended March 31, 2019	(Thousands of U.S. Dollars) Year ended March 31, 2019
Cash flows from operating activities				
Profit before tax		33,729	36,286	326,876
Adjustments for:				
Depreciation and amortization expense		8,820	8,851	79,735
Impairment losses		10	456	4,111
Interest and dividend income		(253)	(283)	(2,558)
Interest expenses		794	234	2,108
Share of profit of associates accounted for using the equity method		(6)	(388)	(3,497)
Gains on sales and remeasurement of investments in subsidiaries and associates		(1,337)	-	-
Increase in trade and other receivables		(20,778)	(16,332)	(147,125)
Increase in inventories		(1,432)	(2,309)	(20,803)
Increase in trade and other payables		249	5,494	49,494
Other－net		2,282	(1,286)	(11,584)
Subtotal		22,077	30,722	276,755
Interest and dividends received		289	318	2,868
Interest paid		(57)	(81)	(737)
Income taxes paid		(11,295)	(10,336)	(93,115)
Net cash provided by operating activities		11,014	20,622	185,770
Cash flows from investing activities				
Purchases of property, plant and equipment		(3,419)	(3,248)	(29,265)
Payments for retirement of property, plant and equipment		(36)	(116)	(1,045)
Proceeds from sales of property, plant and equipment		7	11	105
Purchases of intangible assets		(1,078)	(1,646)	(14,836)
Proceeds from sales of intangible assets		-	1	9
Purchases of investment securities		(398)	(963)	(8,677)
Proceeds from sales of investment securities		10	3	30
Purchase of shares of subsidiaries	6	(464)	-	-
Purchase of shares of associates		-	(504)	(4,545)
Proceeds from sales of shares of subsidiaries and associates	6	751	-	-
Proceeds from dividends of investment partnerships		445	13	122
Proceeds from government grants	25	42	42	385
Decrease in deposits other than cash equivalents		2,000	3,000	27,024
Other－net		(165)	171	1,542
Net cash used in investing activities		(2,306)	(3,235)	(29,150)
Cash flows from financing activities				
Proceeds from short-term borrowings	29	-	539	4,856
Purchases of treasury stock		(390)	(0)	(5)
Proceeds from share issuance to non-controlling interests		562	-	-
Proceeds from sale and leaseback		6,218	3,806	34,290
Repayments of finance lease obligations	29	(2,473)	(2,715)	(24,461)
Dividends paid to CTC's shareholders	22	(9,824)	(11,039)	(99,441)
Dividends paid to non-controlling interests		(87)	(158)	(1,425)
Other-net		-	0	0
Net cash used in financing activities		(5,994)	(9,567)	(86,185)
Effects of exchange rate changes on cash and cash equivalents		76	56	506
Net increase in cash and cash equivalents		2,790	7,875	70,941
Cash and cash equivalents at the beginning of the year		48,213	51,003	459,449
Cash and cash equivalents at the end of the year	7	51,003	58,878	530,391

See notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting entity

ITOCHU Techno-Solutions Corporation (the "Company" or "CTC") is a company incorporated and located in Japan. The addresses of its registered office and principal place of business are disclosed on the Company's website (http://www.ctc-g.co.jp/). The consolidated reporting period of the Company and its subsidiaries (the "Group") is the year ended March 31, 2019. The Company's parent company is ITOCHU Corporation (the "Parent Company").
The principal activities of the Group are sales and maintenance of computers and network systems, commissioned software development, data center services and support.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance with IFRSs

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs").
To conform to IFRSs, the accompanying consolidated financial statements have been prepared by making certain adjustments to the financial statements of the Company, subsidiaries, and associates, which have been prepared in accordance with the accounting principles generally accepted in their respective countries of incorporation.
The consolidated financial statements were approved at the Board of Directors' meeting held on June 13, 2019.

(2) Basis of measurement

The Company prepares its consolidated financial statements based on historical cost, except for the cases stated separately in "Note 3. Significant accounting policies."

(3) Presentation currency

The Company presents its consolidated financial statements in Japanese yen, which is the functional currency of the Company.
Further, in its consolidated financial statements, amounts of less than one million yen have been rounded down to the nearest million.
The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2019, is included solely for the convenience of readers outside Japan and has been made at the rate of ¥111.01 = US$1 (the official exchange rate at March 31, 2019, announced by Mizuho Bank, Ltd.).

(4) Changes in the accounting policy
The Group has adopted the following standards. In applying these standards, the Group has adopted the method of recognizing the cumulative effect of applying the new standard at the date of initial application, which is permitted as a transitional measure in each case. The impact of the application of these standards is not material.

Standard	Title	Summary of new or amended standard
IFRS 9 (amended in July 2014)	Financial Instruments	Amendments to the classification and measurement of financial instruments under IFRS 9, which the Group had applied previously (amended in October 2010 and December 2011) New requirements for impairment of financial assets Amendment to general hedge accounting
IFRS 15	Revenue from Contracts with Customers	Establishment of the standard for "Revenue from Contracts with Customers" (Replacement of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31)

(5) Early adoption of new or amended IFRSs or Interpretations

There are no new or amended IFRSs or Interpretations which were early adopted by the Group.

(6) New or amended IFRSs or Interpretations not yet adopted

Of the new or amended IFRSs or Interpretations published by the date of approval of the consolidated financial statements, the Group has not adopted the following IFRSs as of March 31, 2019, as adoption is not mandatory.

Standard	Title	Mandatory adoption (from the year beginning)	To be adopted by the Group (from the year ending)	Summary of new or amended standard
IFRS 16	Leases	January 1, 2019	March 31, 2020	Adoption of concept of control for definition of leases (Abolition of IAS 17, IFRIC 4, SIC 15, SIC 27)

IFRS 16, Leases, replaces IAS 17 Leases. In applying this standard, a single accounting model that brings leases onto the balance sheet for lessees is adopted and, for all leases, in principle, a lessee is required to recognize an asset representing its right to use the underlying leased asset (right-of-use asset), and a corresponding lease liability representing its obligation to make payments under the lease. After recognition of the right-of-use asset and the lease liability, depreciation of the right-of-use asset and interest on the lease liability are recorded. Adoption of this standard is expected to have the effect of increasing assets and liabilities recorded in the Group's consolidated statement of financial position at the beginning of the fiscal year by approximately ¥20 billion each. Meanwhile, in the consolidated statement of cash flows, cash flows from operating activities are expected to increase and cash flows from financing activities are expected to decrease. The impact of application of this standard on the consolidated statement of income is immaterial.

3. Significant accounting policies

Unless otherwise stated, accounting policies described below have been applied to the consolidated financial statements consistently throughout all of the presented periods.

(1) Basis of consolidation

1) Business combinations

The Group elected to apply the exemption for business combinations in IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), so that business combinations that occurred prior to the date of transition to IFRSs of the Parent Company (April 1, 2012) are accounted for in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are the generally accepted accounting principles ("GAAP") that have been previously used by the Group, without retrospective application of IFRS 3, "Business Combinations" ("IFRS 3").

Business combinations that occur after the date of transition to IFRSs of the Parent Company are accounted for using the acquisition method in accordance with IFRS 3. That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired, liabilities assumed from the acquiree, and any non-controlling interest in the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3 are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest or non-controlling interest is remeasured at the acquisition-date fair value. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured in accordance with IFRS 3, exceeds the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and the fair value of any non-controlling interest in the acquiree, the excess amount is recognized in profit or loss at the acquisition date.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments.

In the event that the initial accounting treatment for a business combination is not completed by the end of the fiscal year in which the business combination occurs, the items for which the accounting treatment is incomplete are measured at provisional amounts based on best estimates. The period during which these provisional amounts can be revised is the one-year period from the date of acquisition (the "measurement period"). If new information is obtained during the measurement period and that information would have had an effect on the measurement of amounts recognized as of the date of acquisition, then the provisional amounts recognized as of the date of acquisition are revised retrospectively.

2) Subsidiaries

Subsidiaries are entities that are controlled by the Company. Decisions as to whether or not the Company and its subsidiaries have control over an entity are based on comprehensive consideration of various elements that indicate the possibility of control, including not only the holding of voting rights, but also the existence of potential voting rights that are actually exercisable and whether employees dispatched from the Company or its subsidiaries account for a majority of the directors.

The financial statements of subsidiaries are consolidated into the consolidated financial statements of the Company from the date of acquisition of control to the date of loss of control.

Changes in the ownership interest in a subsidiary, such as through an increase in or disposal of an interest, are accounted for as equity transactions if control over the subsidiary is maintained.

3) Loss of control

If control over a subsidiary is lost, the Company derecognizes the subsidiary's assets and liabilities and the non-controlling interests related to the subsidiary. Interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss related to the loss of control is recognized in profit or loss.

4) Business combination under common control

For business combinations in which all of the parties to the business combination are under the control of the Group, both prior to the combination and after the combination, the carrying amount of the acquiree's assets and liabilities is transferred to the acquirer.

5) Associates

Associates are companies over which the Group exercises influence, on such matters as management strategies and financial policies, that is significant, but does not reach the level of control. Decisions as to whether or not the Group has significant influence over an entity are based on a comprehensive consideration of various elements. These elements include the holding of voting rights (if 20% to 50% of the voting rights of the investee company are held directly or indirectly, then there is a presumption of significant influence over the investee company), as well as the existence of potential voting rights that are actually exercisable and the percentage of directors who have been dispatched from the Group.

The equity method is applied to investments in associates. Subsequent to acquisition, the Group recognizes in profit or loss and other comprehensive income, their share of the investee's profit or loss and other comprehensive income, and the carrying amount of the investment is increased or decreased accordingly. The balance of goodwill recognized on acquisition is included in the carrying amount of the investment. Also, dividends received from associates reduce the carrying amount of the related investments. If the accounting policies of such investees differ from the Group, adjustments are made as necessary to bring them in conformity with the accounting policies of the Group.

The consolidated financial statements include an investment in an associate with a reporting period end that differs from that of the Company because it is impracticable to unify the reporting period end. The reasons why it is impracticable include the existence of relationships with other shareholders. The reporting periods for the associates subject to the equity method are December 31 and February 28. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period end.

If significant influence over an associate is lost and the application of the equity method is discontinued, then the remaining interest is remeasured at fair value, and any gain or loss related to the discontinuance of use of the equity method is recognized in profit or loss.

6) Transactions eliminated on consolidation

Receivable and payable balances and transactions between the entities of the Group and unrealized gains and losses resulting from transactions between the entities of the Group are eliminated in preparing the consolidated financial statements.

Unrealized gains and losses arising from transactions between the Group and its associates are eliminated to the extent of the interest in the investee held by the Group.

(2) Foreign currency translation

1) Foreign currency transactions

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

At the end of the reporting period, foreign currency monetary assets and liabilities are translated into functional currencies using the spot foreign exchange rate at the end of the reporting period. Foreign currency non-monetary items measured at fair value are translated into functional currencies using the spot foreign exchange rate at the date on which the fair value was determined.

Exchange differences resulting from translation are recognized in profit or loss. However, exchange differences resulting from translation of FVTOCI financial assets (refer to "(3) Financial instruments") and cash flow hedges are recognized in other comprehensive income.

2) Translation of foreign currency denominated financial statements of foreign subsidiaries and foreign associates

In translating the foreign currency denominated financial statements of foreign subsidiaries and foreign associates ("foreign operations") into the reporting currency, the spot foreign exchange rate at the end of the reporting period is used to translate assets and liabilities and the periodic average foreign exchange rate for the accounting period is used to translate revenues and expenses.

Differences resulting from the translation of the foreign currency denominated financial statements of foreign operations into the reporting currency are recognized in other comprehensive income ("exchange differences on translating foreign operations").

The Group elected to apply the exemption in IFRS 1, and at the date of transition, reclassified to retained earnings all cumulative translation adjustments that had been recognized under the previous GAAP.

On the disposal of a foreign operation, the cumulative amount of the exchange differences related to the foreign operation is reclassified to profit or loss when the gain or loss on disposal is recognized. However, the portion of the cumulative amount of the exchange differences attributed to non-controlling interest reduces non-controlling interests.

(3) Financial instruments

1) Financial assets other than derivatives

In accordance with IFRS 9, "Financial Instruments" ("IFRS 9"), financial assets other than derivatives are classified in the following manner at the point of initial recognition. Those assets are classified as financial assets measured at amortized cost if both of the following conditions are met, and others are classified as financial assets measured at fair value.

- The policy regarding the holding of these assets is that they are held with the objective of collecting contractual cash flows; and
- The contractual cash flows associated with these financial assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

At the point of recognition, financial assets measured at amortized cost are measured at fair value plus costs directly related to the acquisition. At the end of each reporting period, they are measured at amortized cost using the effective interest method and changes in amortized cost are recognized in profit or loss.

Equity instruments measured at fair value are further classified into those for which changes in fair value after acquisition are recorded in profit or loss ("FVTPL financial assets") and those for which changes in fair value after acquisition are recorded in other comprehensive income ("equity instruments at FVTOCI").

Equity instruments measured at fair value that are investments in the common stock of other companies and are not held with the objective of obtaining gains on short-term sales are, in principle, classified as equity instruments at FVTOCI. Other financial assets measured at fair value are classified as FVTPL financial assets.

Debt instruments measured at fair value are classified as financial assets measured at fair value through other comprehensive income ("debt instruments at FVTOCI") if the following two conditions are met, and as FVTPL financial assets if they are not.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.
- 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.

Financial assets measured at fair value are measured at fair value at the point of initial recognition. Costs directly related to the acquisition are included in the initial recognition amount for equity instruments at FVTOCI and debt instruments at FVTOCI, but for FVTPL financial assets, these costs are recognized in profit or loss when they occur and are not included in the initial recognition amount.

Financial assets measured at fair value are remeasured at fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss for FVTPL financial assets and in other comprehensive income for FVTOCI financial assets ("Net changes in fair value of financial assets measured through other comprehensive income"). For

both FVTPL financial assets and FVTOCI financial assets, dividends received are recognized in profit or loss.
When equity instruments at FVTOCI are sold, the difference between the carrying amount and the consideration received is recognized as other comprehensive income (“Net changes in fair value of financial assets measured through other comprehensive income”) and the balance of accumulated other comprehensive income on the FVTOCI financial assets recognized by the point of the sale is reclassified to retained earnings.
Any changes in the fair value of debt instruments at FVTOCI, excluding impairment losses (and reversed impairments) and foreign exchange gains and losses, are recognized as other comprehensive income until the debt instruments at FVTOCI are derecognized or reclassified.
When debt instruments at FVTOCI are sold, the difference between the carrying amount and the consideration received is recognized as other comprehensive income (“Net changes in fair values of financial assets measured through other comprehensive income”) and the balance of accumulated other comprehensive income on the debt instruments at FVTOCI recognized by the point of the sale is reclassified to net profit or loss.
A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or when the contractual rights to receive cash flows from a financial asset are transferred in such a manner that all of the risks and rewards are substantially transferred.

2) Cash equivalents
Cash equivalents include short-term investments (original maturities of three months or less) that are highly liquid, readily convertible, and have only an insignificant risk of change in value, as well as short-term time deposits (original maturities of three months or less).

3) Financial liabilities other than derivatives
Financial liabilities other than derivatives are measured at fair value less costs directly related to the issuance of the liability, at the point when the contractual liability arises. Those financial liabilities are measured at amortized cost based on the effective interest method. Financial liabilities are derecognized when the obligor pays the obligee and the obligation is discharged or when the contractual obligation is canceled or expired.

4) Derivative instruments and hedging activities
The Group uses forward foreign exchange contracts to hedge exchange rate risk. Derivatives are recognized at fair value as either assets or liabilities, regardless of the purpose or intent for holding them. The accounting treatment for changes in fair value is as follows.
A hedge of the variability of the fair value of a recognized asset or liability that is expected to be effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss.
A hedge of the variability of future cash flows arising in relation to a recognized asset or liability, an unrecognized firm commitment, or forecasted transactions, that is expected to be effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. With cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income (“cash flow hedges”). This treatment is continued until earnings are affected by the variability in cash flows to be received or paid in relation to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is recognized in profit or loss.
Changes in the fair value of derivatives other than those above are recognized in profit or loss.
The Group, in applying the rules above for fair value hedges and cash flow hedges, evaluates at the inception of the hedge whether or not the hedge will be effective. In addition, the Group subsequently continues to evaluate whether or not the derivative will be effective in offsetting changes in the fair value or future cash flows of the hedged item.
Hedge accounting is discontinued for ineffective hedges, if any.

5) Presentation of financial assets and liabilities
When both of the following conditions are met, financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position.
- The Company has an unconditional, legally enforceable right to offset the recognized amounts; and
- The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

(4) Inventories

The costs of inventories include costs of purchase, costs of conversion, and all other costs incurred in bringing such inventories to their present location and condition.
Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined by the moving-average method for merchandise, specific identification method for work in progress, and straight-line method over a useful life of five years for supplies for maintenance service.
Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

(5) Property, plant and equipment

1) Recognition and measurement

The cost model is applied and property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Applying the exception under IFRS 1, some items are measured at the fair value of certain property, plant and equipment at the date of transition to IFRSs of the Parent Company as deemed cost.
The cost of property, plant and equipment includes estimates of installation cost and cost directly attributable to bringing property, plant and equipment to working condition and cost of dismantling or removing property, plant and equipment and restoring sites on which they are located.
If multiple differing and significant components of property, plant and equipment can be identified, for each of the components, a residual value, useful life, and depreciation method are determined, and it is accounted for as a separate item of property, plant and equipment.
The difference between the net proceeds from the disposal of an item of property, plant and equipment and the carrying amount of the item is recognized in profit or loss.

2) Depreciation

Except for items that are not subject to depreciation, such as land, property, plant and equipment are mainly depreciated using the straight-line method over their estimated useful lives (buildings and structures: 15–50 years, and tools, furniture and fixtures: 5–10 years) from the time when they become available for use.
Leased assets are depreciated over their estimated useful lives if there are provisions for ownership transfer or bargain purchase options, and in other cases leased assets are depreciated over the shorter of the lease period or the estimated useful life.
At the end of each fiscal year, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and the impact is adjusted prospectively.

(6) Goodwill and Intangible Assets

1) Goodwill

Goodwill is not amortized. Impairment tests of goodwill are conducted based on cash-generating units at least once a year, or whenever there are events that indicate the possibility of impairment.

2) Intangible assets

A cost model is applied, and intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Further, development expenditures are recognized as intangible assets if development costs can be measured reliably, future economic benefits are probable, and the Group intends and has sufficient resources to complete development and use or sell the result of the development.
Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly amortized using the straight-line method over their estimated useful lives (software: 3–5 years and other intangible assets: 4–10 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.
Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating units annually or whenever there are events that indicate the possibility of impairment.
At the end of each fiscal year, the residual value, useful lives, and amortization methods of intangible assets are reviewed and the impact is adjusted prospectively.

(7) Leases

1) Leases as lessee

The Group leases property, plant and equipment and intangible assets as lessees.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

Among the lease transactions, those that substantially transfer all the risks and rewards of ownership to the Group are classified as finance lease agreements, and leases other than finance leases are classified as operating leases.

For finance leases, leased assets (presented in respective accounts of "Property, plant and equipment" or "Intangible assets") and lease obligations (presented in "Other current financial liabilities" and "Other non-current financial liabilities") are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Further, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment.

For operating leases, leased properties are not recognized as assets, and lease payments are recognized in profit or loss when they are incurred.

2) Leases as lessor

The Group operates businesses that lease property, plant and equipment and intangible assets as lessors.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

For finance leases, net investments in finance leases are recognized as lease receivables (presented in "Trade and other receivables"). Lease payments receivable are categorized into amounts equivalent to the principal and interest of lease receivables, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment receivable. Further, if the main purpose of a finance lease is the sale of goods and the finance leases have been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as revenue, and the purchase price of the assets subject to leases is recognized in cost of sales.

For operating leases, lease income is recognized in profit or loss over the lease term.

(8) Impairment

1) Financial assets measured at amortized cost

On every last day of the fiscal year, the Group assesses whether there has been a significant increase in credit risk associated with financial assets since initial recognition, and when credit risk has not increased significantly since initial recognition, the Group recognizes an allowance for doubtful accounts at an amount equal to the 12-month expected credit losses. However, when there has been a significant increase in credit risk since initial recognition, the Group recognizes an allowance for doubtful accounts at an amount equal to lifetime expected credit losses.

As a general rule, the Group presumes that there has been a significant increase in credit risk when contractual payments are more than 30 days past due but, when assessing whether there has been a significant increase in credit risk, the Group takes not only past due date information but also other information that is reasonably available to it and can be supportable into consideration.

When credit risk associated with financial assets is judged to be low as of the end of the fiscal period, the Group assesses whether credit risk associated with the financial assets has increased significantly since initial recognition.

However, for expected credit losses associated with trade receivables, contract assets, and lease receivables, the Group adopts the simplified approach provided for in IFRS 9 and recognizes an allowance for doubtful accounts at an amount equal to lifetime expected credit losses.

Expected credit losses are measured as the present value of the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive.

A financial asset is treated as credit-impaired when it is considered to be in default, for example, when, despite activities to compel performance, payments are significantly past due, or when the borrower has filed for bankruptcy, corporate rehabilitation, civil rehabilitation, special liquidation, or other legal proceedings. When the Group has no reasonable expectation of collecting some or all of the contractual cash flows with respect to a certain financial asset, the Group directly reduces the gross carrying amount of the financial asset.

Provision of allowance for doubtful accounts associated with financial assets is recognized in profit or loss. The Group recognizes a reversal of the allowance for doubtful accounts in profit or loss when an event meriting reduction of the allowance occurs.

2) Property, plant and equipment, goodwill, intangible assets, and investment in associates

At the end of each fiscal year, property, plant and equipment, goodwill, intangible assets, and investment in associates are assessed to determine whether there are any indications of impairment. If it is determined that there are indications of impairment, the impairment tests stated below are conducted. In addition, regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets for which the useful life cannot be determined are conducted periodically at least once a year.

Impairment tests for each cash-generating unit are conducted. Regarding the identification of cash-generating units, if an individual asset's cash flows independent from those of other assets can be identified, the individual asset is classified as a cash-generating unit. If an individual asset's cash flows independent from those of other assets cannot be identified, assets are grouped together into the smallest group of assets that can be identified as generating independent cash flows and designated as a cash-generating unit. For goodwill, using units equal to operating segments or smaller units, cash-generating units are determined based on the lowest level at which internal management of goodwill is conducted.

When conducting impairment tests of cash-generating units that include goodwill, impairment tests of assets other than goodwill are first conducted. After any required impairment of the assets other than goodwill has been recognized, impairment tests of goodwill are conducted.

Conducting impairment tests entails estimating the recoverable amount of the cash-generating units. The recoverable amount is the higher of fair value less costs to sell or value in use. Furthermore, value in use is the total present value of future cash flows expected from the continued use and disposal after use of the cash-generating units.

If the recoverable amount of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to cash-generating units. Impairment losses are then allocated to reduce the carrying amount of each asset, excluding goodwill, in cash-generating units on a pro-rate basis.

Because corporate assets do not generate independent cash flows, when conducting impairment tests of corporate assets, a reasonable method is used to allocate the carrying amount of corporate assets to each cash-generating unit. Then, the carrying amount of cash-generating units is compared, including the carrying amount of the portion of corporate assets allocated to them, with their recoverable amounts.

If there are indications that the impairment losses recognized in past fiscal years have clearly decreased or may not exist, when the estimated recoverable amount of the assets surpasses the carrying amount, impairment losses are reversed. An upper limit for reversals of impairment losses is set as the carrying amount less amortization or depreciation if impairment losses had not been recognized. However, impairment losses on goodwill are not reversed.

Goodwill relating to the acquisition of associates is not classified separately, but included as part of the carrying amount of the investments. Investments in associates are recognized as undistinguishable assets that are subject to impairment.

(9) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition and its sale is highly probable. Management must commit to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group commits to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate. After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with IFRS 9, unless the retained interest continues to be an associate, in which case the Group uses the equity method.

Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

(10) Employee benefits

1) Post-employment defined benefit plans

Post-employment defined benefit plans are benefit plans other than the post-employment defined contribution plans stated in the paragraphs below.

For post-employment defined benefit plans, the present value of defined benefit plan obligations, net of the fair value of plan assets, are recognized as either liabilities or assets. To calculate the present value of defined benefit plan obligations and related service cost, in principle, the projected unit credit method is used. The discount rate used to calculate the present value of defined benefit plan obligations, in principle, is determined by referring to market yields on highly rated corporate bonds at the end of the period consistent with the expected life of the defined benefit plan obligations.

Changes in the present value of defined benefit plan obligations related to the service of employees in past periods due to amendment of defined benefit plans are recognized in the period of the amendment in profit or loss.

Further, the Group recognizes all actuarial gains or losses arising from post-employment defined benefit plans in other comprehensive income (“Remeasurement of defined benefit plans”) and immediately reclassifies them into retained earnings.

2) Post-employment defined contribution plans

Post-employment defined contribution plans are benefit plans in which fixed contributions are paid to an independent entity and do not assume legal or constructive obligations for payments that exceed these contributions.

Post-employment defined contribution plans are accounted for on an accrual basis, and contributions corresponding to the period employees rendered related services are recognized in profit or loss.

3) Multi-employer plans

The Company and certain subsidiaries participate in multi-employer plans. In accordance with the regulations of the plans, multi-employer plans are classified as post-employment defined benefit plans or post-employment defined contribution plans, and accounting treatment appropriate for each type of post-employment benefit plan is undertaken. However, if sufficient information about multi-employer plans classified as post-employment defined benefit plans cannot be obtained to undertake an accounting treatment appropriate for post-employment defined benefit plans, the accounting treatment appropriate for post-employment defined contribution plans is applied.

4) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and recognized in profit or loss as benefits expected to be paid as compensation for services that employees render during the accounting period.

Estimated bonus payments are recognized in liabilities, if the Group has legal or constructive obligations for which they should make payments, and if the obligations can be estimated reliably.

(11) Provisions

Provisions are recognized if the Group has present obligations (legal or constructive obligations) as a result of past events, if it is probable that settling the obligations will require outflows of resources embodying economic benefits, and if the obligations can be estimated reliably.

If the effect of the time value of money is significant, provisions are measured as the present value of payments expected to be required to settle the obligations. To calculate the present value, a pre-tax, risk-free discount rate corresponding to the period in which future cash flows will arise is used. In estimates of future cash flows, the uncertainty of the occurrence of events subject to provisions is reflected.

1) Provisions for asset retirement obligations

The estimated cost of dismantling or removing property, plant and equipment and restoring sites on which they are located is recognized as a provision for asset retirement obligations, if there are legal or contractual obligations to dismantle or remove property, plant and equipment and restore sites on which they are located, or if it has been stated that, in accordance with industry practices, published policies, or written statements, obligations to dismantle or remove property and equipment and restore sites on which they are located will be fulfilled, or if it is presumed that outside third parties expect the obligations to be fulfilled.

2) Provisions for loss on orders received

To prepare for losses on orders received, the Group records the estimated amount of losses on orders received at the end of the fiscal year as a provision for loss on orders received.

3) Provisions for after-sales costs

To prepare for payment of future after-sales costs related to system development projects, the Group records the estimated amount of costs as a provision for after-sales costs based on the historical rate and the amount required for individual projects.

(12) Share-based payment

The Company has introduced a performance-linked stock compensation plan, which consists of equity-settled share-based payment and cash-settled share-based payment.

The fair value of equity-settled share-based payment at the grant date is recognized as the expense over the vesting period, and the same amount is recognized as increase in capital surplus.

The fair value of cash-settled share-based payment at the grant date is recognized as the expense over the vesting period, and the same amount is recognized as increase in liabilities. The fair value of the liabilities is remeasured at the end of the period and the settlement date, and the change of the fair value is recognized as profit or loss.

(13) Equity

Common stock is classified as equity. Incidental expenses related to the issuance of common stock (net after tax) are deducted from equity.

Treasury stock is recognized as a deduction from equity. If treasury stock is acquired, the consideration paid and incidental expenses (net after tax) are deducted from equity. If treasury stock is sold, the consideration received is recognized as an addition to equity.

(14) Revenue from contracts with customers

The Group recognizes revenue by applying the following five steps.

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 Group operates in three segments: services, development and SI, and the sale of products, and recognizes revenue as follows in each segment.

Revenue is measured based on the consideration indicated in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the Group has transferred control of the goods or services to the customer.

Consideration for each performance obligation is usually received within one year after each performance obligation is satisfied and does not include significant financing components.

1) Services

Transactions where revenue arises from the rendering of services include SE services and maintenance transactions and other transactions involving the rendering of services. Such transactions are services rendered on a daily basis or repeatedly, and the Group judges the performance obligation to be satisfied according to the passage of time during which the service is rendered to the customer in accordance with the contract and recognizes revenue by prorating the amount promised in the contract with the customer over the period during which the service is rendered.

2) Development and SI

Transactions where revenue arises from development and SI include system development based on a contract for work or a quasi-mandate agreement and infrastructure construction transactions.

In the case of a transaction based on a contract for work, the Group is not allowed to use the system under development for another customer or alternative use and has an enforceable right to receive payment for completed work. The Group therefore judges the performance obligation to be satisfied according to the progress of system development or infrastructure construction, and when the total cost to complete the project can be reasonably measured, the Group recognizes revenue according to the cost-to-cost approach (based on cumulative costs incurred to the estimated total cost to complete the project as of the last day of the period). When the total cost to complete the project cannot be reasonably measured, the Group recognizes revenue based on the amount of costs incurred that is expected to be recovered. Revenue recognized before the date the Group bills the customer is recognized as contract assets.

In the case of a transaction based on a quasi-mandate agreement, the Group generally renders a certain service over the term of the agreement and therefore judges the performance obligation to be satisfied according to the passage of time and recognizes revenue by prorating the amount promised in the agreement with the customer over the period during which it renders the service.

3) Products

Transactions where revenue arises from the sale of products include sales of hardware and software. For such transactions, the Group judges the performance obligation to be satisfied when it delivers the hardware, software, or other product to the customer and satisfies the terms of delivery under the contract, such as receipt of acceptance inspection, and the Group recognizes revenue in the amount promised in the contract with the customer at this point in time.

4) Multiple components transactions

In the case of revenue related to multiple components transactions, for example, where the Group sells goods and renders maintenance services, the Group identifies the performance obligations in the contract, and when it is necessary to allocate the transaction price to the performance obligations in the contract, the Group allocates the transaction price based on the standalone selling price estimated by expected cost plus a margin approach.

(15) Government grants

Proceeds from government grants are recognized at fair value when there is reasonable assurance that the conditions attached to them will be complied with, and that the grant will be received. Grants for expenses incurred are recorded as revenue in the fiscal year in which the expenses are incurred. For grants for acquisition of assets, the amount is deducted from cost of the assets.

(16) Finance income and costs

Finance income comprises interest income, dividend income, gain on changes of fair value of FVTPL financial assets, gain on disposal of FVTPL financial assets, and gain on changes of fair value of derivatives. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Group to receive payment is established.

Finance costs comprise interest expense, loss on changes of fair value of FVTPL financial assets, loss on disposal of FVTPL financial assets, impairment losses on financial assets measured at amortized cost, excluding trade receivables, and loss on changes in the fair value of derivatives. Interest expense is recognized when it is incurred according to the effective interest method.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes, which reflect changes in deferred tax assets and liabilities. Income taxes are recognized in profit or loss, except in the following cases.

- Income taxes relate to items that are recognized in other comprehensive income or directly in equity.
- Deferred taxes arising from the recognition of identifiable assets and liabilities in business combinations are recognized and included in the amount of goodwill arising from the business combinations.

Tax expenses for the period are measured based on taxes payable on the period’s taxable profit. These tax amounts are calculated based on tax rates enacted, or substantially enacted, at the end of the period.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases. Deferred tax assets for items that will mitigate the tax burden of future tax returns, such as deductible temporary differences, unused tax losses and unused tax credits, are recognized to the extent that it is probable that future taxable profit will be available against which they can be used.

Meanwhile, deferred tax liabilities for taxable temporary differences are recognized. However, deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences.

- Deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill in a business combination.
- No deferred tax assets or deferred tax liabilities are recognized for differences that arise from the initial recognition of assets or liabilities in transactions other than business combinations where such temporary differences at the time of the transaction affect neither accounting profit nor taxable profit.

Taxable temporary differences arising from investments in subsidiaries and associates are not recognized as deferred tax liabilities if the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the taxable temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries and associates if the deductible temporary differences will reverse in the foreseeable future and only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are calculated pursuant to statutory laws and regulations for income taxes enacted, or substantially enacted, at the end of the period and based on the tax rates that are expected to apply in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset and recognized in the consolidated statement of financial position, if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and if the same taxation authority levies income taxes either on the same taxable entity, or to realize the current tax assets and current tax liabilities simultaneously.

(18) Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to CTC's shareholders by the weighted-average number of common stock (excluding treasury stock) outstanding during the reporting period. Diluted earnings per share are calculated by adjusting for the effects of potentially dilutive common stock.

4. Significant accounting estimates and judgments

To prepare the consolidated financial statements, the management of the Company makes a variety of estimates, judgments, and sets of assumptions that affect adoption of accounting policies and disclosures of amounts recognized for assets, liabilities, income, and expenses. Further, actual results may differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimates that have a risk of resulting in material adjustments for the year ending March 31, 2020, are mainly as follows:

- Recoverable amounts of property, plant and equipment, goodwill, intangible assets, and investments in associates measured through impairment tests (Note 10. Property, plant and equipment, Note 11. Goodwill and intangible assets, and Note 12. Investments accounted for using the equity method)

In impairment tests of property, plant and equipment, goodwill, intangible assets, and investments in associates, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or assumptions of expected future cash flows that will result from the period of use and subsequent disposal of cash-generating units and discount rates, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, goodwill, intangible assets, and investments in associates in the future accounting periods.

- Measurement of provisions (Note 19. Provisions)

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods.

- Measurement of present value of defined benefit plan obligations and fair value of plan assets in post-employment defined benefit plans (Note 18. Employee benefits)

For post-employment defined benefit plans, the present value of defined benefit plan obligations net of the fair value of plan assets are recognized as liabilities or assets. Defined benefit plan obligations are determined by the actuarial calculation based on the same assumptions such as estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the present value of defined benefit plan obligations and the fair value of plan assets in future accounting periods.

- Recoverability of deferred tax assets (Note 14. Deferred taxes and income taxes)

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be used. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Group. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods.

Judgments in applying accounting policies that significantly affect the recognized amounts of assets, liabilities, income, and expenses are mainly as follows.

- Evaluation of whether there are indications of impairment of property, plant and equipment, goodwill, intangible assets, and investments in associates (Note 10. Property, plant and equipment, Note 11. Goodwill and intangible assets, and Note 12. Investments accounted for using the equity method)
- Recognition of provisions (Note 19. Provisions)

5. Segment information

(1) Description of reportable segments

The Group consists of five reportable business segments based on organization structure: “Distribution and Enterprise business,” “Telecommunications business,” “Regional and Social Infrastructure business,” “Finance business,” and “IT Services business.”

“Distribution and Enterprise business,” “Telecommunications business,” “Regional and Social Infrastructure business,” and “Finance business” engage in the proposal and sale of system integrations, including consulting services, system design or construction services, system maintenance services, and others.

“IT Services business” engages in the procurement of business for their services, which includes data center services and system maintenance services, and works together with the other four reportable segments to make proposals.

In the Group reorganization on April 1, 2018, the Company shifted resources to expand the field of public and regional business and transferred public business that was previously included in “Finance and Social Infrastructure Business” to “Public and Regional Business” and changed the names of the segments from “Public and Regional Business” to “Regional and Social Infrastructure Business” and from “Finance and Social Infrastructure Business” to “Finance Business”. In addition, “Inter-segment revenue or transfers” for some reportable segments has fluctuated as a result of changes in the departments responsible for some merchandise.

Accordingly, the segment information for the year ended March 31, 2018, has been restated based on the new categorization of the reportable segments.

The segments, which are reported below, are components of the Group for which separate financial information is available and results are regularly reviewed by the Board of Directors in order to make decisions about resources to be allocated to the segments and to assess their performance.

(2) Revenue, profit, assets, and other information about each reportable segment

The accounting policies of the reportable segments are consistent with the Group’s accounting policies. Sales or transfers between reportable segments are based on market prices.

The information about the reportable segments of the Group is as follows:

Year ended March 31, 2018

(Millions of Yen)

	Reportable segment				
	Distribution and Enterprise business	Telecommunications business	Regional and Social Infrastructure business	Finance business	IT Services business
Revenue					
Revenue from external customers	141,222	151,158	53,883	39,189	10,824
Inter-segment revenue or transfers	8,819	3,893	268	1,220	94,236
Total	150,042	155,051	54,152	40,409	105,060
Profit before tax (segment profit)	9,735	12,505	1,898	2,318	7,486
Segment assets	62,673	72,698	18,338	14,111	78,621
Other items					
Financial income	44	58	3	16	11
Financial costs	(29)	(5)	(4)	(0)	(174)
Share of profit of associates accounted for using the equity method	(31)	-	-	-	-
Gains on sales and remeasurement of investments in subsidiaries and associates	1,147	-	-	-	-
Depreciation and amortization expense (Note 3)	(1,433)	(328)	(193)	(79)	(3,847)
Impairment losses	-	-	-	-	(9)
Investments accounted for using the equity method	554	-	-	-	-
Capital expenditures (Note 3)	505	355	205	76	2,876

(Millions of Yen)

	Reportable segment	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Subtotal				
Revenue					
Revenue from external customers	396,278	33,346	429,625	-	429,625
Inter-segment revenue or transfers	108,438	880	109,318	(109,318)	-
Total	504,717	34,226	538,944	(109,318)	429,625
Profit before tax (segment profit)	33,944	986	34,930	(1,200)	33,729
Segment assets	246,443	35,362	281,805	72,077	353,882
Other items					
Financial income	135	48	183	391	574
Financial costs	(214)	(3)	(217)	(594)	(811)
Share of profit of associates accounted for using the equity method	(31)	38	6	-	6
Gains on sales and remeasurement of investments in subsidiaries and associates	1,147	189	1,337	-	1,337
Depreciation and amortization expense (Note 3)	(5,882)	(2,765)	(8,647)	(172)	(8,820)
Impairment losses	(9)	-	(9)	(0)	(10)
Investments accounted for using the equity method	554	170	724	-	724
Capital expenditures (Note 3)	4,019	1,242	5,262	(53)	5,208

Notes:

1. “Other,” which is not included in the reportable segments, consists of foreign subsidiaries and Advanced IT Strategy business, etc.
2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of ¥1,200 million include primarily administrative expenses and investments that are not allocated to business segments of ¥1,904 million.
   (2) Reconciliations of segment assets of ¥72,077 million include corporate assets of ¥88,333 million and intersegment elimination of receivables and payables of ¥(13,026) million.
   Corporate assets primarily consist of cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.
   (3) Reconciliations of financial income in other items of ¥391 million include ¥399 million of gains related to the administrative department that are not allocated to business segments.
   Reconciliations of financial costs of ¥594 million include ¥602 million of losses related to the administrative department that are not allocated to business segments.
   Reconciliations of depreciation and amortization expense of ¥172 million include depreciation and amortization of ¥392 million and elimination of unrealized gains of ¥(219) million.
   Reconciliations of impairment losses of ¥0 million are impairment losses related to corporate assets.
   Reconciliations of capital expenditures of ¥(53) million include an increase in corporate assets of ¥65 million and elimination of unrealized gains of ¥(118) million.
3. Depreciation and amortization expense and capital expenditures in other items include amounts related to long-term prepaid expenses.

Year ended March 31, 2019

(Millions of Yen)

	Reportable segment				
	Distribution and Enterprise business	Telecommunications business	Regional and Social Infrastructure business	Finance business	IT Services business
Revenue					
Revenue from external customers	145,002	168,860	49,291	40,560	11,340
Inter-segment revenue or transfers	10,468	5,636	542	2,000	94,243
Total	155,471	174,496	49,833	42,560	105,583
Profit before tax (segment profit)	9,813	14,935	1,117	2,535	9,214
Segment assets	72,716	79,436	21,273	12,225	74,070
Other items					
Financial income	47	66	8	21	9
Financial costs	(28)	(13)	(7)	(4)	(94)
Share of profit of associates accounted for using the equity method	60	-	-	-	-
Gains on sales and remeasurement of investments in subsidiaries and associates	-	-	-	-	-
Depreciation and amortization expense (Note 3)	(1,302)	(319)	(162)	(80)	(3,960)
Impairment losses	-	-	-	-	(226)
Investments accounted for using the equity method	598	-	-	-	-
Capital expenditures (Note 3)	881	661	67	194	3,077

(Millions of Yen)

	Reportable segment Subtotal	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
Revenue					
Revenue from external customers	415,054	36,903	451,957	-	451,957
Inter-segment revenue or transfers	112,891	1,355	114,246	(114,246)	-
Total	527,945	38,258	566,203	(114,246)	451,957
Profit before tax (segment profit)	37,616	2,270	39,886	(3,599)	36,286
Segment assets	259,723	37,355	297,078	81,857	378,936
Other items					
Financial income	152	87	240	44	284
Financial costs	(149)	(5)	(155)	(130)	(285)
Share of profit of associates accounted for using the equity method	60	328	388	-	388
Gains on sales and remeasurement of investments in subsidiaries and associates	-	-	-	-	-
Depreciation and amortization expense (Note 3)	(5,824)	(2,804)	(8,629)	(221)	(8,851)
Impairment losses	(226)	(225)	(451)	(5)	(456)
Investments accounted for using the equity method	598	969	1,568	-	1,568
Capital expenditures (Note 3)	4,882	2,013	6,896	340	7,236

Notes:

1. “Other,” which is not included in the reportable segments, consists of foreign subsidiaries and Advanced IT Strategy business, etc.
2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of ¥3,599 million include primarily administrative expenses and investments that are not allocated to business segments of ¥3,217 million.
   (2) Reconciliations of segment assets of ¥81,857 million include corporate assets of ¥94,451 million and intersegment elimination of receivables and payables of ¥(12,778) million.
   Corporate assets primarily consist of cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.
   (3) Reconciliations of financial income in other items of ¥44 million include ¥28 million of gains related to the administrative department that are not allocated to business segments.
   Reconciliations of financial costs of ¥130 million include ¥128 million of losses related to the administrative department that are not allocated to business segments.
   Reconciliations of depreciation and amortization expense of ¥221 million include depreciation and amortization of ¥431 million and elimination of unrealized gains of ¥(209) million.
   Reconciliations of impairment losses of ¥5 million are impairment losses related to corporate assets.
   Reconciliations of capital expenditures of ¥340 million include an increase in corporate assets of ¥420 million and elimination of unrealized gains of ¥(80) million.
3. Depreciation and amortization expense and capital expenditures in other items include amounts related to long-term prepaid expenses.

Year ended March 31, 2019

(Thousands of U.S. Dollars)

	Reportable segment				
	Distribution and Enterprise business	Telecommunications business	Regional and Social Infrastructure business	Finance business	IT Services business
Revenue					
Revenue from external customers	1,306,209	1,521,125	444,025	365,373	102,156
Inter-segment revenue or transfers	94,304	50,776	4,884	18,017	848,960
Total	1,400,514	1,571,901	448,910	383,391	951,117
Profit before tax (segment profit)	88,401	134,540	10,066	22,840	83,003
Segment assets	655,044	715,583	191,636	110,129	667,243
Other items					
Financial income	423	597	80	193	81
Financial costs	(258)	(122)	(64)	(43)	(855)
Share of profit of associates accounted for using the equity method	542	-	-	-	-
Gains on sales and remeasurement of investments in subsidiaries and associates	-	-	-	-	-
Depreciation and amortization expense (Note 3)	(11,733)	(2,878)	(1,462)	(721)	(35,672)
Impairment losses	-	-	-	-	(2,039)
Investments accounted for using the equity method	5,389	-	-	-	-
Capital expenditures (Note 3)	7,944	5,958	607	1,748	27,723

(Thousands of U.S. Dollars)

	Reportable segment	Other (Note 1)	Total	Reconciliations (Note 2)	Consolidated
	Subtotal				
Revenue					
Revenue from external customers	3,738,890	332,430	4,071,321	-	4,071,321
Inter-segment revenue or transfers	1,016,945	12,209	1,029,154	(1,029,154)	-
Total	4,755,835	344,639	5,100,475	(1,029,154)	4,071,321
Profit before tax (segment profit)	338,852	20,449	359,302	(32,425)	326,876
Segment assets	2,339,637	336,507	2,676,145	737,386	3,413,532
Other items					
Financial income	1,376	786	2,162	403	2,566
Financial costs	(1,343)	(53)	(1,397)	(1,175)	(2,572)
Share of profit of associates accounted for using the equity method	542	2,955	3,497	-	3,497
Gains on sales and remeasurement of investments in subsidiaries and associates	-	-	-	-	-
Depreciation and amortization expense (Note 3)	(52,468)	(25,267)	(77,736)	(1,999)	(79,735)
Impairment losses	(2,039)	(2,027)	(4,066)	(45)	(4,111)
Investments accounted for using the equity method	5,389	8,737	14,127	-	14,127
Capital expenditures (Note 3)	43,982	18,142	62,124	3,064	65,189

Notes:

1. “Other,” which is not included in the reportable segments, consists of foreign subsidiaries and Advanced IT Strategy business, etc.
2. Reconciliations are as follows:
   (1) Reconciliations of segment loss of US$32,425 thousand include primarily administrative expenses and investments that are not allocated to business segments of US$28,986 thousand.
   (2) Reconciliations of segment assets of US$737,386 thousand include corporate assets of US$850,837 thousand and intersegment elimination of receivables and payables of US$(115,112) thousand. Corporate assets primarily consist of cash and cash equivalents that are not allocated to business segments and assets related to the administrative department.
   (3) Reconciliations of financial income in other items of US$403 thousand include US$257 thousand of gains related to the administrative department that are not allocated to business segments.
   Reconciliations of financial costs of US$1,175 thousand include US$1,153 thousand of losses related to the administrative department that are not allocated to business segments.
   Reconciliations of depreciation and amortization expense of US$1,999 thousand include depreciation and amortization of US$3,889 thousand and elimination of unrealized gains of US$(1,890) thousand.
   Reconciliations of impairment losses of US$45 thousand are impairment losses related to corporate assets.
   Reconciliations of capital expenditures of US$3,064 thousand include an increase in corporate assets of US$3,787 thousand and elimination of unrealized gains of US$(722) thousand.
3. Depreciation and amortization expense and capital expenditures in other items include amounts related to long-term prepaid expenses.

(3) Information about products and services

Year ended March 31, 2018

(Millions of Yen)

	Service	Development/SI	Products	Total
Revenue from external customers	170,918	91,574	167,132	429,625

Year ended March 31, 2019

(Millions of Yen)

	Service	Development/SI	Products	Total
Revenue from external customers	179,105	94,963	177,888	451,957

Year ended March 31, 2019

(Thousands of U.S. Dollars)

	Service	Development/SI	Products	Total
Revenue from external customers	1,613,416	855,447	1,602,458	4,071,321

(4) Information about geographical areas

1) Revenue from foreign customers

Information about revenue from foreign customers is not disclosed because revenue from domestic external customers comprises the majority of the Group's revenue.

2) Non-current assets

The breakdown of the carrying amount of non-current assets (excluding financial instruments, deferred tax assets and post-employment benefit assets) by geographical area is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Japan	43,363	40,540	365,199
Asia	7,122	7,464	67,243
Others	23	37	333
Total	50,509	48,042	432,776

(5) Information about major customers

Information about revenue from the Group's major external customers is as follows:

	Reportable segment	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
		Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Nippon Telegraph and Telephone Corporation and group	Telecommunications business	50,214	74,288	669,206

6. Business combination and loss of control

The significant business combination and loss of control that occurred in the year ended March 31, 2018 are as follows:

(1) Acquisition of Netband Consulting Co., Ltd.

1) Overview of acquiree

Name	Netband Consulting Co., Ltd. (The company's name has changed to CTC Global (Thailand) Ltd.)
Business lines	Sales, installation, and implementation of IT systems and networks and application development

2) Overview of business combination

On September 3, 2017, the Company concluded an agreement with Vnet Capital Co., Ltd. to acquire 55% of shares of Netband Consulting Co., Ltd., which had been an associate in which the Company had held 45% of shares, for the purpose of further strengthening CTC's business in Thailand and other Southeast Asian countries. On November 13, 2017, the Company completed acquisition of shares based on the agreement.

As a result, the Company's ownership ratio of shares of Netband Consulting Co., Ltd. increased from 45% to 100% and Netband Consulting Co., Ltd. became a wholly owned subsidiary.

3) Consideration for acquisition

	(Millions of Yen)
Cash and cash equivalents	601
Fair value of the equity interests held by the Company at the acquisition date	366
Total	968

4) Gain on step acquisitions

The Company recognizes gain of ¥189 million from the business combination as a result of the remeasurement of 45% of equity interests held by the Company at the fair value as of the acquisition date. The gain is recorded in "Gains on sales and remeasurement of investments in subsidiaries and associates" in the consolidated statement of income.

5) Cash outflows related to the acquisition

	(Millions of Yen)
Cash and cash equivalents paid in acquisition	601
Cash and cash equivalents held by the acquiree at the acquisition date	(137)
Net cash outflows in the purchase of shares of a subsidiary	464

6) Fair value of assets acquired and liabilities assumed at the acquisition date

	(Millions of Yen)
Assets	
Cash and cash equivalents	137
Trade and other receivables	365
Inventories	36
Other current assets	186
Others	30
Total	756
Liabilities	
Trade and other payables	222
Other current liabilities	64
Others	12
Total	299

7) Goodwill arising from acquisition

The Company recognizes goodwill of ¥360 million from the acquisition. Goodwill is caused by reasonable estimate of future profitability in excess of net asset value anticipated by developing the business.

8) Effect on the Group's performance

Revenue and profit generated by the business combination included in the consolidated statement of income for the year ended March 31, 2018, are not material.

9) Pro forma information

The disclosure of pro forma information, which is not audited, as though the acquisition date for the business combination had been April 1, 2017, is omitted due to immateriality in the consolidated financial statements.

(2) Sale of shares of CTC First Contact Corporation

1) Overview of losing control

On May 30, 2017, the Company concluded the agreement with BELLSYSTEM24 Holdings, Inc. to sell a part of shares of CTC First Contact Corporation, which had been a wholly owned subsidiary of the Company, for the purpose of expanding the BPO (Business Process Outsourcing) business. On July 3, 2017, the Company completed the sale of shares based on the agreement.

As a result, the Company's ownership ratio of shares of CTC First Contact Corporation decreased from 100% to 49% and CTC First Contact Corporation became an associate.

2) Breakdown of assets and liabilities at the date when the control is lost

	(Millions of Yen)
Assets	
Cash and cash equivalents	183
Trade and other receivables	36
Property, plant and equipment	77
Intangible assets	20
Deferred tax assets	34
Others	15
Total	366
Liabilities	
Trade and other payables	172
Other current financial liabilities	81
Liabilities for employee benefits (current)	77
Non-current financial liabilities	43
Others	2
Total	377

3) Cash flows related to losing control

	(Millions of Yen)
Consideration received consisting of cash and cash equivalents	934
Cash and cash equivalents in the subsidiary over which control is lost	(183)
Proceeds from sales of shares of subsidiaries and associates	751

4) Gain related to losing control

The Company recognizes gain of ¥1,147 million from loss of control over CTC First Contact Corporation. The gain is recorded in "Gains on sales and remeasurement of investments in subsidiaries and associates" in the consolidated statement of income. The portion of gain attributable to measuring investments retained at the fair value at the date when control is lost is ¥256 million.

No significant business combination or loss of control occurred in the year ended March 31, 2019.

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Cash and bank balances	31,602	34,088	307,079
Deposits within three months	19,401	24,789	223,312
Total	51,003	58,878	530,391

The balance of cash and cash equivalents agrees with both the consolidated statements of financial position and the consolidated statements of cash flows as of March 31, 2018 and 2019.

8. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Notes and accounts receivable - trade	112,718	111,840	1,007,477
Lease receivables	15,891	17,041	153,513
Others	1,774	3,482	31,366
Allowance for doubtful accounts	(14)	(14)	(133)
Total	130,370	132,348	1,192,224

9. Inventories

The breakdown of inventories is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Merchandise	20,476	22,634	203,897
Work in progress	442	1,505	13,563
Supplies for maintenance service	4,658	4,767	42,944
Total	25,577	28,907	260,405
Inventories to be sold after more than one year	507	112	1,016

The cost of inventories recognized as "Cost of sales" for the years ended March 31, 2018 and 2019, is ¥203,537 million and ¥215,109 million (US$1,937,747 thousand), respectively. The write-downs of inventories to net realizable value as of March 31, 2018 and 2019, are ¥121 million and ¥227 million (US$2,053 thousand), respectively. The write-down amount of inventories is included in "Cost of sales" in the consolidated statements of income.

10. Property, plant and equipment

(1) Movements in property, plant and equipment

The movements in property, plant and equipment at cost, accumulated depreciation and accumulated impairment losses are as follows:

(Cost)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
April 1, 2017	40,860	21,957	4,731	67,548
Purchase	1,534	2,461	-	3,996
Disposals	(275)	(864)	-	(1,139)
Exchange differences on translating foreign operations	(0)	33	-	33
Others	(81)	(1,146)	-	(1,227)
March 31, 2018	42,037	22,442	4,731	69,210
Purchase	962	3,390	-	4,352
Disposals	(472)	(1,050)	-	(1,523)
Exchange differences on translating foreign operations	0	21	-	21
Others	(125)	543	-	417
March 31, 2019	42,402	25,346	4,731	72,479

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2018	378,677	202,165	42,619	623,462
Purchase	8,669	30,539	-	39,209
Disposals	(4,253)	(9,466)	-	(13,719)
Exchange differences on translating foreign operations	6	190	-	196
Others	(1,130)	4,894	-	3,764
March 31, 2019	381,970	228,323	42,619	652,912

(Accumulated depreciation and accumulated impairment losses)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
April 1, 2017	(17,665)	(13,518)	-	(31,183)
Depreciation expense	(2,482)	(2,933)	-	(5,416)
Impairment losses	(9)	-	-	(9)
Disposals	236	829	-	1,065
Exchange differences on translating foreign operations	0	(21)	-	(20)
Others	50	1,161	-	1,211
March 31, 2018	(19,870)	(14,483)	-	(34,353)
Depreciation expense	(2,565)	(2,993)	-	(5,558)
Impairment losses	(115)	(42)	-	(158)
Disposals	399	995	-	1,394
Exchange differences on translating foreign operations	(0)	(13)	-	(14)
Others	127	570	-	698
March 31, 2019	(22,024)	(15,966)	-	(37,990)

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2018	(178,994)	(130,467)	-	(309,461)
Depreciation expense	(23,111)	(26,962)	-	(50,073)
Impairment losses	(1,038)	(384)	-	(1,423)
Disposals	3,597	8,964	-	12,562
Exchange differences on translating foreign operations	(3)	(125)	-	(128)
Others	1,152	5,142	-	6,295
March 31, 2019	(198,397)	(143,832)	-	(342,230)

(Carrying amount)

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2018	22,166	7,959	4,731	34,857
March 31, 2019	20,378	9,379	4,731	34,488

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Land	Total
March 31, 2019	183,572	84,490	42,619	310,682

There is no property, plant and equipment pledged as collateral at March 31, 2018 and 2019.

The carrying amount of finance lease assets included in property, plant and equipment, less accumulated depreciation and accumulated impairment losses, is as follows:

(Millions of Yen)

	Buildings and structures	Tools, furniture and fixtures	Total
March 31, 2018	355	2,167	2,523
March 31, 2019	242	2,265	2,507

(Thousands of U.S. Dollars)

	Buildings and structures	Tools, furniture and fixtures	Total
March 31, 2019	2,186	20,405	22,592

Depreciation expense of property, plant and equipment is recorded as “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of income.

(2) Impairment losses

Property, plant and equipment are grouped by the asset's cash-generating units which are the smallest groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized as "Other expenses" in the consolidated statements of income for the years ended March 31, 2018 and 2019, are ¥9 million and ¥158 million (US$1,423 thousand), respectively.

Impairment losses recognized for the year ended March 31, 2018 and the year ended March 31, 2019, are losses related to "Buildings and structures" belonging to the "IT Services business" reportable segment and are mainly due to the decline of profitability of data center facilities.

The recoverable amount of the asset group is measured at the value in use, which is calculated by discounting the estimated future cash flows using a rate of 6.0%.

11. Goodwill and intangible assets

(1) Movements in goodwill and intangible assets

The movements in goodwill and intangible assets at cost, accumulated amortization and impairment losses are as follows:

(Cost)

(Millions of Yen)

	Goodwill	Software	Others	Total
April 1, 2017	3,899	28,478	3,555	35,933
Separate acquisitions	-	993	169	1,162
Acquisitions through business combination	360	-	-	360
Disposals	-	(328)	-	(328)
Exchange differences on translating foreign operations	210	5	170	386
Others	-	(2,521)	(288)	(2,809)
March 31, 2018	4,470	26,626	3,606	34,703
Separate acquisitions	-	1,559	0	1,559
Acquisitions through business combination	-	-	-	-
Disposals	-	(7,446)	-	(7,446)
Exchange differences on translating foreign operations	(12)	0	(11)	(23)
Others	-	(75)	-	(75)
March 31,2019	4,458	20,663	3,595	28,717

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2018	40,270	239,853	32,490	312,615
Separate acquisitions	-	14,046	2	14,049
Acquisitions through business combination	-	-	-	-
Disposals	-	(67,083)	-	(67,083)
Exchange differences on translating foreign operations	(111)	3	(107)	(215)
Others	-	(675)	-	(675)
March 31, 2019	40,159	186,145	32,385	258,690

(Accumulated amortization and impairment losses)

(Millions of Yen)

	Goodwill	Software	Others	Total
April 1, 2017	-	(17,802)	(1,670)	(19,472)
Amortization expense	-	(2,895)	(340)	(3,236)
Impairment losses	-	-	(0)	(0)
Disposals	-	295	-	295
Exchange differences on translating foreign operations	-	(3)	(72)	(75)
Others	-	2,506	288	2,795
March 31, 2018	-	(17,898)	(1,796)	(19,694)
Amortization expense	-	(2,734)	(334)	(3,069)
Impairment losses	(225)	(68)	(5)	(298)
Disposals	-	7,438	-	7,438
Exchange differences on translating foreign operations	-	(0)	4	3
Others	-	74	-	74
March 31, 2019	(225)	(13,190)	(2,130)	(15,546)

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2018	-	(161,235)	(16,179)	(177,414)
Amortization expense	-	(24,635)	(3,010)	(27,646)
Impairment losses	(2,027)	(619)	(45)	(2,691)
Disposals	-	67,006	-	67,006
Exchange differences on translating foreign operations	-	(5)	41	35
Others	-	667	-	667
March 31, 2019	(2,027)	(118,822)	(19,193)	(140,043)

(Carrying amount)

(Millions of Yen)

	Goodwill	Software	Others	Total
March 31, 2018	4,470	8,727	1,810	15,008
March 31, 2019	4,233	7,473	1,464	13,170

(Thousands of U.S. Dollars)

	Goodwill	Software	Others	Total
March 31, 2019	38,131	67,322	13,192	118,646

Carrying amount of finance lease assets included in intangible assets, less accumulated amortization and accumulated impairment losses, is as follows:

(Millions of Yen)

	Software
March 31, 2018	82
March 31, 2019	63

(Thousands of U.S. Dollars)

	Software
March 31, 2019	571

Amortization expense of intangible assets is recognized as "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.
Impairment losses are recognized as "Other expenses" in the consolidated statements of income.

(2) Impairment tests for goodwill

Goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units that is expected to benefit from the combination at the date of acquisition. The Group's significant goodwill is related to foreign subsidiaries such as CTC GLOBAL SDN. BHD. and CTC GLOBAL PTE. LTD. and belongs to the "Other" reportable segment. The carrying amount is ¥4,233 million (US$38,131 thousand; March 31, 2018: ¥4,470 million). The recoverable amount of the cash-generating unit to which goodwill has been allocated is determined based on value in use. The value in use is based on past experience and financial budgets approved by management over the next five years. The estimated future cash flows beyond the five years have been extrapolated using a steady 0% per annum growth rate.
In addition, as of March 31, 2019, the pre-tax discount rate which is used in calculating the value in use is from 10.2 % to 14.1 % (as of March 31, 2018: from 9.8 % to 14.3 %).
The aggregate recoverable amount of goodwill sufficiently exceeds its carrying amount. Therefore, it is unlikely that the aggregate recoverable amount of the cash-generating unit is lower than the aggregate carrying amount even if the key assumptions change reasonably.

12. Investments accounted for using the equity method

The carrying amount of investments in associates that are not individually significant is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Carrying amount of investments accounted for using the equity method	724	1,568	14,127

Financial information of associates that are not individually significant for the years ended March 31, 2018 and 2019, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Share of net profit	6	388	3,497
Share of other comprehensive income for the year	(24)	(0)	(7)
Share of comprehensive income	(17)	387	3,490

13. Other financial assets

The breakdown of other financial assets is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Financial assets measured at amortized cost	31,077	28,218	254,200
FVTOCI financial assets	6,465	7,060	63,598
FVTPL financial assets	679	1,044	9,407
Total	38,222	36,323	327,206

Current assets	23,333	20,089	180,970
Non-current assets	14,888	16,233	146,236
Total	38,222	36,323	327,206

Dividends from FVTOCI financial assets recognized in “Other financial assets” as of March 31, 2018 and 2019, are as follows:

(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
113	118	1,069

The Group classifies equity securities, which are held with the intention of strengthening business relationships on the condition of long-term ownership, as FVTOCI financial assets. Of the above FVTOCI financial assets, the major equity securities, and their fair values, owned by the Group as of March 31, 2018 and 2019, are as follows:

March 31, 2018

Stock	(Millions of Yen)
Internet Initiative Japan Inc.	4,210
Asahi Group Holdings, Ltd.	566
Mizuho Financial Group, Inc.	405
FamilyMart UNY Holdings Co., Ltd.	343
AEON Financial Service Co., Ltd.	328

March 31, 2019

Stock	(Millions of Yen)	(Thousands of U.S. Dollars)
Internet Initiative Japan Inc.	4,370	39,370
Asahi Group Holdings, Ltd.	493	4,441
FamilyMart UNY Holdings Co., Ltd.	432	3,896
Mizuho Financial Group, Inc.	363	3,272
SRA Holdings, Inc.	345	3,108

Derecognized FVTOCI financial assets for the years ended March 31, 2018 and 2019, are as follows:

(Millions of Yen)			(Millions of Yen)			(Thousands of U.S. Dollars)		
Year ended March 31, 2018			Year ended March 31, 2019			Year ended March 31, 2019		
Fair value at date of sale	Cumulative gains (losses)	Dividends received	Fair value at date of sale	Cumulative gains (losses)	Dividends received	Fair value at date of sale	Cumulative gains (losses)	Dividends received
10	-	0	3	(1)	-	30	(14)	-

These FVTOCI financial assets are mainly sold because of changes in business relationships. Cumulative losses (net of tax) reclassified from other components of equity to retained earnings for the year ended March 31, 2019 are ¥(1) million.

14. Deferred taxes and income taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown and movements of deferred tax assets and liabilities by major cause are as follows:

(Millions of Yen)

	April 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2018
Deferred tax assets					
Inventories	3,189	176	-	-	3,365
Property, plant and equipment and intangible assets	1,667	295	-	(0)	1,961
Other payables	801	(96)	-	(6)	697
Employee benefits	5,482	320	(111)	(22)	5,669
Provisions	910	421	-	-	1,332
Others	1,610	(480)	18	11	1,160
Total deferred tax assets	13,661	636	(92)	(18)	14,187
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(505)	62	-	(56)	(499)
Securities and other investments	(185)	(50)	(189)	-	(426)
Others	(618)	(149)	-	-	(767)
Total deferred tax liabilities	(1,309)	(137)	(189)	(56)	(1,693)

Note: "Others" includes exchange differences on translating foreign operations and increase or decrease by business combinations.

(Millions of Yen)

	April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2019
Deferred tax assets					
Inventories	3,365	98	-	-	3,463
Property, plant and equipment and intangible assets	1,961	(155)	-	-	1,805
Other payables	697	61	-	-	759
Employee benefits	5,669	484	(130)	(17)	6,006
Provisions	1,332	(513)	-	-	819
Others	1,160	449	(23)	(23)	1,563
Total deferred tax assets	14,187	425	(153)	(40)	14,418
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(499)	11	-	2	(485)
Securities and other investments	(426)	8	(47)	-	(465)
Others	(767)	(573)	-	-	(1,341)
Total deferred tax liabilities	(1,693)	(552)	(47)	2	(2,292)

(Thousands of U.S. Dollars)

	April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2019
Deferred tax assets					
Inventories	30,317	883	-	-	31,200
Property, plant and equipment and intangible assets	17,668	(1,402)	-	-	16,265
Other payables	6,282	557	-	-	6,839
Employee benefits	51,071	4,367	(1,171)	(155)	54,112
Provisions	12,002	(4,622)	-	-	7,379
Others	10,458	4,046	(212)	(208)	14,083
Total deferred tax assets	127,800	3,829	(1,383)	(363)	129,881
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(4,496)	107	-	18	(4,370)
Securities and other investments	(3,842)	77	(430)	-	(4,195)
Others	(6,916)	(5,164)	-	-	(12,081)
Total deferred tax liabilities	(15,255)	(4,979)	(430)	18	(20,646)

Note:“Others” includes exchange differences on translating foreign operations.

Deferred tax assets and deferred tax liabilities recognized in the consolidated statement of financial position are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Deferred tax assets	12,817	12,467	112,313
Deferred tax liabilities	324	341	3,078
Net	12,493	12,126	109,234

Deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognized are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Deductible temporary differences	15	7	68
Tax loss carryforwards	17	14	133
Total	33	22	202

The amounts of tax loss carryforwards by expiry date, for which deferred tax assets have not been recognized, are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Year 1	-	-	-
Year 2	-	-	-
Year 3	-	-	-
Year 4	-	14	133
Year 5 or later	17	-	-
Total	17	14	133

(2) Income tax expense

The breakdown of income tax expense is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Current tax expense	10,453	11,280	101,614
Deferred tax expense	(499)	127	1,150
Total	9,954	11,407	102,764

“Current tax expense” includes the amount of tax benefits from tax loss carryforwards, tax credits, and deductible temporary differences, for which deferred tax assets were not recognized in previous fiscal years. The amount of deduction of tax expense resulting from these tax benefits for the years ended March 31, 2018 and 2019, is ¥1 million and ¥4 million (US$41 thousand), respectively.

“Deferred tax expense” includes the amount of tax benefits from tax loss carryforwards, tax credits, and deductible temporary differences, for which deferred tax assets were not recognized in previous fiscal years, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. There is no tax expense resulting from these tax benefits for the year ended March 31, 2018 and the year ended March 31, 2019.

Reconciliations between the effective statutory tax rate and the average effective tax rate are as follows:

	Year ended March 31, 2018	Year ended March 31, 2019
Effective statutory tax rate	30.9%	30.6%
(Reconciliation)		
Tax credits	(2.1%)	(0.0%)
Effect on the amount of not deductible for tax purposes	0.7%	0.6%
Others	(0.0%)	0.2%
Average effective tax rate	29.5%	31.4%

The Company is mainly subject to corporate tax, inhabitant tax, and enterprise tax, and the effective statutory tax rate for the years ended March 31, 2018 and 2019, is 30.9% and 30.6% based on these taxes, respectively. Foreign subsidiaries are subject to income taxes of the countries where they operate.

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Account payables-trade	38,024	43,364	390,633
Other payables	7,164	6,161	55,500
Accrued consumption taxes	3,382	4,375	39,416
Total	48,572	53,901	485,550

16. Other financial liabilities (included in non-current financial liabilities)

The breakdown of other financial liabilities and non-current financial liabilities is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Financial liabilities measured at amortized cost	16,675	17,658	159,069
FVTPL financial liabilities	229	64	584
Total	16,904	17,723	159,654

Current liabilities	5,992	5,479	49,361
Non-current liabilities	10,912	12,243	110,292
Total	16,904	17,723	159,654

Financial liabilities measured at amortized cost as of March 31, 2019, include short-term loans payable of ¥540 million (US$4,868 thousand). The average interest rate is 1.5%.

17. Leases

(1) Lessor

1) Operating leases
The Group leases IT-related equipment and servers under operating leases. There are no lease payments receivable under non-cancelable operating leases as of March 31, 2018 and 2019.

2) Finance leases
The Group leases IT-related equipment and servers under finance leases. The schedule of total future minimum lease payments receivable, present value of future minimum lease payments receivable, and the amount of unearned finance income as of March 31, 2018 and 2019, is as follows:

	Total future minimum lease payments receivable			Present value of future minimum lease payments receivable		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2019
Within 1 year	4,616	4,580	41,261	4,265	4,206	37,894
1－5 years	10,643	11,970	107,830	10,036	11,364	102,373
More than 5 years	1,618	1,499	13,511	1,589	1,470	13,246
Total lease payments receivable	16,878	18,050	162,603	15,891	17,041	153,513
Less: Unearned finance income	(987)	(1,009)	(9,089)			
Present value of minimum lease payments receivable	15,891	17,041	153,513			

(2) Lessee

1) Operating leases
The Group leases real estate such as office buildings and office equipment under operating leases. The schedule of future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and 2019, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Within 1 year	1,684	2,321	20,910
1－5 years	575	2,943	26,511
Total	2,260	5,264	47,421

Lease payments recognized as expense under operating leases for the years ended March 31, 2018 and 2019, are ¥10,144 million and ¥10,401 million (US$93,701 thousand), respectively.

2) Finance leases

The Group leases office equipment for customer service and data center facilities under finance leases. The schedule of future minimum lease payments, present value of future minimum lease payments, and the amount of future finance charges as of March 31, 2018 and 2019, is as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2019
Within 1 year	4,597	4,474	40,308	4,238	4,058	36,560
1－5 years	9,892	11,527	103,845	9,284	10,806	97,349
More than 5 years	1,524	1,373	12,374	1,494	1,344	12,114
Total lease payments	16,015	17,376	156,529	15,017	16,210	146,024
Less: Future finance charges	(997)	(1,166)	(10,504)			
Present value of minimum lease payments	15,017	16,210	146,024			

Future minimum sublease payments under non-cancelable operating leases as of March 31, 2018 and 2019, are ¥1,544 million and ¥1,400 million (US$12,613 thousand), respectively. Lease contracts do not include contingent rent, renewal options or purchase options, escalation payments, and specific limitations (such as dividends, additional borrowings, and additional lease contracts).

18. Employee benefits

(1) Post-employment benefit

1) General outline of retirement benefit plans

In order to provide employee retirement benefits, the Company and certain subsidiaries have defined benefit pension plans, lump-sum payment benefits, and defined contribution plans covering substantially all of their employees, in addition to the ITOCHU United Pension Fund. Benefits under the defined benefit plans are based on the points that employees earned each year of service, or years of service and certain other factors.

In regard to the defined contribution plans, the obligations of the Company and certain subsidiaries are limited to the contribution amounts that are stipulated in the retirement benefit rules, which are determined on a company-by-company basis.

Plan assets primarily comprise marketable equity securities, bonds and other interest-bearing securities, and are exposed to stock price and interest rate risks.

2) Defined benefit plans

Movements in the present value of the defined benefit plan obligations are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Balance at the beginning of the year	20,321	20,961	188,824
Current service cost	918	975	8,788
Interest cost	126	110	992
Remeasurement			
Changes in demographic assumptions	(199)	230	2,074
Changes in financial assumptions	195	226	2,038
Experience adjustments	190	1	16
Benefits paid	(598)	(712)	(6,414)
Effect of business combination	7	-	-
Balance at the end of the year	20,961	21,793	196,320

Note: Current service cost is recognized as profit or loss (cost of sales or selling, general and administrative expenses). Interest related to the net amount of the present value of defined benefit plan obligations and the fair value of plan assets is recognized in profit or loss (financial income).

Movements in the fair value of plan assets are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Balance at the beginning of the year	22,074	23,223	209,198
Interest income	140	124	1,124
Remeasurement			
Return on plan assets	867	226	2,037
Employer contributions	645	632	5,693
Benefits paid	(504)	(673)	(6,064)
Balance at the end of the year	23,223	23,532	211,989

Note: In accordance with the retirement benefit regulations, the Company and certain subsidiaries conduct financial verification regularly and recalculate the contribution of benefits in future periods in order to provide employee retirement benefits that are expected to arise in the future or to improve financial position of pension funds in the case of a deficit in its financial position.

The expected contribution to the plan is ¥696 million (US$6,270 thousand) for the year ending March 31, 2020.
Movements in the effect of the asset ceiling are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Balance at the beginning of the year	340	657	5,920
Movements in the effect of the asset ceiling	317	(657)	(5,920)
Balance at the end of the year	657	-	-

Note: If defined benefit plans are in a surplus position, defined benefit assets (other non-current assets), recorded in the consolidated statement of financial position, are limited to present value of any economic benefits available in reductions in future contribution to the defined benefit plans.

The amounts of defined benefit plans recognized in the consolidated statement of financial position are as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Present value of the defined benefit plan obligations	20,961	21,793	196,320
Fair value of plan assets	(23,223)	(23,532)	(211,989)
Funded status	(2,261)	(1,739)	(15,669)
Effect of the asset ceiling	657	-	-
Net liabilities (assets)	(1,604)	(1,739)	(15,669)
Amount in the consolidated statement of financial position			
Other non-current assets	(2,149)	(2,298)	(20,707)
Liabilities for employee benefits (non-current liabilities)	544	559	5,038

Plan assets by category as of March 31, 2018 and 2019, are as follows. Refer to “Note 30. Financial instruments and disclosures” for input information used in measuring fair value.

March 31, 2018

(Millions of Yen)

	Level 1	Level 2	Total
Equity instruments			
Domestic	3,969	-	3,969
Overseas	3,777	-	3,777
Debt instruments			
Domestic	6,908	551	7,460
Overseas	2,330	1,451	3,782
Other assets			
Cash and cash equivalents	319	-	319
Life insurance company general accounts	-	3,866	3,866
Others	-	48	48
Total	17,305	5,917	23,223

March 31, 2019

(Millions of Yen)

	Level 1	Level 2	Total
Equity instruments			
Domestic	3,664	-	3,664
Overseas	3,986	-	3,986
Debt instruments			
Domestic	6,985	562	7,547
Overseas	2,448	1,536	3,985
Other assets			
Cash and cash equivalents	271	-	271
Life insurance company general accounts	-	4,033	4,033
Others	-	43	43
Total	17,355	6,177	23,532

March 31, 2019

(Thousands of U.S. Dollars)

	Level 1	Level 2	Total
Equity instruments			
Domestic	33,006	-	33,006
Overseas	35,910	-	35,910
Debt instruments			
Domestic	62,922	5,068	67,990
Overseas	22,057	13,845	35,903
Other assets			
Cash and cash equivalents	2,447	-	2,447
Life insurance company general accounts	-	36,335	36,335
Others	-	395	395
Total	156,345	55,644	211,989

In setting its portfolio investment policy for plan assets, the Company and certain subsidiaries, on a long-term basis, focus on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company and certain subsidiaries establish the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets, and manage the portfolio.

The Company and certain subsidiaries' basic policy is to emphasize asset liquidity and a thorough diversification of their investments. The Company and certain subsidiaries' holdings of equity instruments consist primarily of shares in listed companies. Debt instruments principally comprise highly rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in life insurance company general accounts be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

Information about the maturity profile of retirement benefits is as follows.

The defined benefit plan obligations are calculated based on the estimated amount of future benefits that have been incurred as of the present point in time. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payment influences the amounts of the projected benefit obligation and service costs, and consequently, the disclosure of information regarding benefits in the period in which they are earned is required under IAS 19 "Employee Benefits". The Company believes that it meets this requirement in an effective manner through the disclosure of the weighted-average duration of the defined benefit plan obligations, which takes into account the amount, timing, and discount rate. The weighted-average duration of the Company's defined benefit plan obligations for the years ended March 31, 2018 and 2019, is 11 years and 11 years, respectively.

Significant actuarial assumptions used in calculating the present value of the defined benefit plan obligations are as follows:

	March 31, 2018	March 31, 2019
Discount rate	0.5%	0.4%
Rate of compensation increase	5.6%	5.5%

Among the above actuarial assumptions, the calculations related to the defined benefit plan are sensitive to the influence of the discount rate assumption.

At the end of the reporting period, the impact on the present value of the defined benefit plan obligations when the discount rate moves 0.5% is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
0.5% Increase	(1,099)	(1,170)	(10,541)
0.5% Decrease	970	942	8,489

This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on certain assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

3) Defined contribution plans

The recognized expenses with respect to the defined contribution plans for the years ended March 31, 2018 and 2019, are ¥887 million and ¥906 million (US$8,166 thousand), respectively.

4) Multi-employer plans

The Company and certain subsidiaries participate in the ITOCHU United Pension Fund, which is a multi-employer plan classified as a defined benefit plan.

The ITOCHU United Pension Fund differs from a single employer plan with respect to the following points:

(i) Assets that an employer contributes to the multi-employer plan could be used for the benefits of employees of other participating employers.
(ii) If one participating employer stops premium contributions, other participating employers could be required to absorb unfunded obligations additionally.
(iii) If a participating employer withdraws from the multi-employer plan, the employer could be required to contribute the amount of the unfunded obligation as a special withdrawal premium.

The ITOCHU United Pension Fund is a defined benefit multi-employer plan that is operated in accordance with the rules above. Events occurring at participating companies influence the allocation of plan assets and expenses to other participating companies, and consequently, there is no consistent basis for that allocation. Accordingly, because it is not possible to obtain sufficient information to account for this plan as a defined benefit plan, it is accounted for as a defined contribution plan. In regard to the special premium for this plan, the amount of past service cost obligations is recognized as a liability, and subsequently, that liability is reversed when the special premium is paid. The amounts of that liability in the consolidated statements of financial position at March 31, 2018 and 2019, are ¥3,605 million and ¥3,456 million (US$31,140 thousand), respectively.

The financial position of the ITOCHU United Pension Fund based on recently available information is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2017	March 31, 2018	March 31, 2018
Plan assets	25,926	28,330	255,204
Benefits obligation based on pension plan finance calculation	33,240	34,990	315,199
Net	(7,313)	(6,659)	(59,994)

	March 31, 2017	March 31, 2018
Ratio of the Company and certain subsidiaries contribution to the overall plan	29.4%	30.5%

The principal factors of “Net” in the above table are past service cost obligations based on pension plan finance calculation and general reserve.

The ratio of the Company and certain subsidiaries contribution to the overall plan above is calculated by dividing total contribution paid to the pension fund from the Company and certain subsidiaries by the total contribution to the overall pension fund. The ratio of the Company’s and certain subsidiaries’ contribution to the overall plan above does not match the actual proportional contribution.

The expected contribution to the plans for the year ending March 31, 2020, is ¥1,020 million (US$9,191 thousand).

(2) Employee benefit expenses

Total employee benefit expenses, included in “Cost of sales” and “Selling, general, and administrative expenses” in the consolidated statements of income for the years ended March 31, 2018 and 2019, are ¥60,721 million and ¥62,444 million (US$562,513 thousand), respectively.

19. Provisions

The breakdown and movements in provisions are as follows:

Year ended March 31, 2018

(Millions of Yen)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2017	1,732	227	461	2,422
Increase for the year	5	2,864	106	2,977
Interest expenses for discounting	32	-	-	32
Decrease for the year (utilization)	(36)	(1,319)	(62)	(1,418)
Decrease for the year (unused)	(7)	(160)	(93)	(260)
Increase or decrease by offsetting with work in progress	-	(1,329)	-	(1,329)
Others	1	-	-	1
March 31, 2018	1,728	283	411	2,424

Current liabilities	11	283	411	707
Non-current liabilities	1,716	-	-	1,716
Total	1,728	283	411	2,424

Year ended March 31, 2019

(Millions of Yen)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2018	1,728	283	411	2,424
Increase for the year	121	1,168	162	1,452
Interest expenses for discounting	30	-	-	30
Decrease for the year (utilization)	(64)	(2,868)	(84)	(3,018)
Decrease for the year (unused)	(1)	(73)	(35)	(110)
Increase or decrease by offsetting with work in progress	-	2,370	-	2,370
Others	11	(0)	-	11
March 31, 2019	1,825	879	453	3,159

Current liabilities	-	879	453	1,333
Non-current liabilities	1,825	-	-	1,825
Total	1,825	879	453	3,159

Year ended March 31, 2019

(Thousands of U.S. Dollars)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provisions for after-sales costs	Total
April 1, 2018	15,570	2,556	3,710	21,837
Increase for the year	1,091	10,528	1,464	13,084
Interest expenses for discounting	274	-	-	274
Decrease for the year (utilization)	(582)	(25,843)	(765)	(27,191)
Decrease for the year (unused)	(11)	(666)	(321)	(999)
Increase or decrease by offsetting with work in progress	-	21,352	-	21,352
Others	101	(1)	-	100
March 31, 2019	16,445	7,926	4,087	28,459

Current liabilities	-	7,926	4,087	12,014
Non-current liabilities	16,445	-	-	16,445
Total	16,445	7,926	4,087	28,459

The provisions are as follows:

Provisions for asset retirement obligations

Provisions for asset retirement obligations, to prepare for obligations to remove improvements from buildings under real estate lease contracts, as offices and data centers are the estimated amount of payments in the future based on historical experience. The outflow of economic benefits in the future is expected principally in a period after one year from the end of each fiscal year, but the timing could be affected by future business plans.

Provisions for loss on orders received

Provisions for loss on orders received, to prepare for losses on orders received, are the estimated amount of losses on orders received related to order contracts at the end of each fiscal year. The timing of the outflow of economic benefits in the future is expected to be within one year from the end of each fiscal year.

Provisions for after-sales costs

Provisions for after-sales costs, to prepare for payment of future after-sales costs related to system development projects, are the estimated amount of costs based on the historical rate, or the amount required for individual projects. The timing of the outflow of economic benefits in the future is expected to be within one year from the end of each fiscal year.

20. Share-based payment

Equity-settled share-based payment and cash-settled share-based payment

In order to increase motivation of directors to enhance the Group's performance and increasing corporate value over the medium to long term, the Company has introduced a framework referred to as BBT (Board Benefit Trust), which is a share-based payment plan for the Company's directors.

(1) Overview of the plan

This is a performance-linked stock compensation plan to distribute the Company's shares and cash, which the Company's shares are converted at the market value through the trust. The number of shares and the amount of cash distributed are based on the number of evaluation points granted in accordance with the rules on distribution of shares to officers established by the Company. The timing of distribution of shares and cash to the directors is basically at their retirement.

There is no exercise price since the plan is distribution of the Company's shares and cash.

(2) Expense for share-based payment

The expense related to the stock compensation plan is ¥51 million for the year ended March 31, 2018 and ¥107 million (US$966 thousand) for the year ended March 31, 2019. The expense is recorded in "Selling, general and administrative expenses."

(3) Fair value of granted points

The fair value of points granted in the year ended March 31, 2019, as of the granting date is ¥81 million (US$731 thousand). This is based on the stock price on the granting date because the fair value as of the granting date is similar to the market price on the granting date.

(4) Changes in the number of points

Changes in the number of points in the year ended March 31, 2018 and 2019, are as follows.

(Points)

	Year ended March 31, 2018	Year ended March 31, 2019
Balance at beginning of year	-	-
Increase due to granting of points	-	42,422
Decrease due to lapse of points	-	-
Decrease due to exercise of points	-	-
Balance at end of year	-	42,422
Balance of exercisable points at end of the year	-	-

21. Equity and other equity items

(1) Common stock

The number of shares authorized and issued is as follows:

(Shares in thousands)

	Year ended March 31, 2018	Year ended March 31, 2019
The number of authorized shares		
Ordinary shares with non-par-value	246,000	492,000
The number of issued shares		
Balance at the beginning of the year	120,000	120,000
Increase	-	120,000
Balance at the end of the year	120,000	240,000

The number of treasury stock included in issued shares above as of March 31, 2018 and 2019, is 4,485 thousand shares and 8,970 thousand shares, respectively. The Company has implemented a stock split of the Company's common stock in the ratio of 2-for-1, the effective date of which was April 1, 2018. Due to the stock split, the number of issued shares has increased by 120,000 thousand shares to 240,000 thousand shares, and the number of treasury stock has increased by 4,485 thousand shares to 8,970 thousand shares.Also, the issued shares above are fully paid and all the shares issued by the Company are non-par-value ordinary shares.

The Companies Act of Japan (the "Companies Act") states that upon issuance of new shares, at least 50% of the amount raised will be credited to common stock, unless otherwise specified in the Companies Act.

(2) Capital surplus and retained earnings

The Companies Act provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional legal capital surplus (a component of capital surplus) or as legal reserve (a component of retained earnings) if the payment of such dividends is charged to retained earnings, until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

Under the Companies Act, in addition to year-end dividends, dividends of surplus can be made at any time during the fiscal year by resolution of the general meeting of shareholders. This Act provides that companies may determine dividends (excluding dividends-in-kind) by resolution of the Board of Directors if the articles of incorporation so stipulate, when certain requirements (having a Board of Corporate Auditors and a Board of Directors, appointing independent auditors, and the term of service of the directors is prescribed as one year) are satisfied. The Act also provides that companies with Board of Directors may pay dividends (only cash dividends) by the resolution of the Board of Directors only once during a business year, if the articles of incorporation so stipulate.

22. Dividends

The Company pays year-end dividends and interim dividends. The year-end dividends are approved at the general meeting of shareholders and the interim dividends are determined by the Board of Directors.

Dividends paid for the years ended March 31, 2018 and 2019 are as follows:

Year ended March 31, 2018

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2017 Ordinary general meeting of shareholders	Ordinary shares	4,913	42.50	March 31, 2017	June 22, 2017
October 31, 2017 Board of Directors	Ordinary shares	4,913	42.50	September 30, 2017	December 4, 2017

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2018 Ordinary general meeting of shareholders	Ordinary shares	5,491	47.50	March 31, 2018	June 21, 2018

Year ended March 31, 2019

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 20, 2018 Ordinary general meeting of shareholders	Ordinary shares	5,491	49,469	47.50	0.42	March 31, 2018	June 21, 2018
November 1, 2018 Board of Directors	Ordinary shares	5,549	49,990	24.00	0.21	September 30, 2018	December 7, 2018

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (Yen)	Dividends per share (U.S. Dollars)	Record date	Effective date
June 19, 2019 Ordinary general meeting of shareholders	Ordinary shares	6,011	54,156	26.00	0.23	March 31, 2019	June 20, 2019

Note: With regard to dividends per share prior to March 31, 2018, dividends per share do not reflect the impact of the stock split of the Company’s common stock in the ratio of 2-for-1, for which the record date was March 31, 2018, and the effective date was April 1, 2018.

23. Revenue

(1) Disaggregation of revenue

The Group disaggregates its revenue by primary business model. The relationship between disaggregated revenue and reportable segments is as follows:

Year ended March 31, 2019

(Millions of Yen)

	Reportable segment			
	Distribution and Enterprise business	Telecommunications business	Regional and Social Infrastructure business	Finance business
Services	66,581	50,367	25,857	15,062
Development/SI	34,550	28,738	8,829	17,188
Products	43,871	89,754	14,604	8,308
Total	145,002	168,860	49,291	40,560
Revenue recognized from contracts with customers	140,255	168,794	48,936	40,377
Revenue recognized from other sources	4,746	65	354	183
Total	145,002	168,860	49,291	40,560

(Millions of Yen)

	Reportable segment		Other	Total
	IT Services business	Subtotal		
Services	10,310	168,179	10,926	179,105
Development/SI	773	90,080	4,882	94,963
Products	256	156,794	21,094	177,888
Total	11,340	415,054	36,903	451,957
Revenue recognized from contracts with customers	11,340	409,704	36,876	446,580
Revenue recognized from other sources	-	5,349	27	5,376
Total	11,340	415,054	36,903	451,957

Year ended March 31, 2019

(Thousands of U.S. Dollars)

	Reportable segment			
	Distribution and Enterprise business	Telecommunications business	Regional and Social Infrastructure business	Finance business
Services	599,774	453,718	232,931	135,688
Development/SI	311,234	258,882	79,535	154,840
Products	395,200	808,524	131,558	74,844
Total	1,306,209	1,521,125	444,025	365,373

Revenue recognized from contracts with customers	1,263,453	1,520,537	440,828	363,724
Revenue recognized from other sources	42,756	588	3,196	1,649
Total	1,306,209	1,521,125	444,025	365,373

(Thousands of U.S. Dollars)

	Reportable segment		Other	Total
	IT Services business	Subtotal		
Services	92,877	1,514,990	98,425	1,613,416
Development/SI	6,971	811,465	43,981	855,447
Products	2,307	1,412,435	190,023	1,602,458
Total	102,156	3,738,890	332,430	4,071,321

Revenue recognized from contracts with customers	102,156	3,690,699	332,186	4,022,886
Revenue recognized from other sources	-	48,190	244	48,435
Total	102,156	3,738,890	332,430	4,071,321

Note: Revenue amounts exclude intersegment transactions.

(2) Contract balances

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	April 1, 2018	March 31, 2019	March 31, 2019
Receivables arising from contracts with customers	10,401	111,840	1,007,477
Contract assets	11,317	12,843	115,700
Contract liabilities	44,430	45,126	406,507

Note: The amount of revenue recognized for the year ended March 31, 2019, that was included in contract liability balance at the beginning of the year ended March 31, 2019, was ¥29,338 million (US$264,283 thousand). The amount of revenue recognized for the year ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in previous years was ¥1,062 million (US$9,575 thousand).

(3) Transaction price allocated to the remaining performance obligations

The aggregated amounts of transaction price allocated to the performance obligations unsatisfied (or partially unsatisfied) as of March 31, 2019, by duration are as follows. There are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

Year ended March 31, 2019

(Millions of Yen)

	Timing of revenue recognition		
	Within 1 year	More than 1 year	Total
Unsatisfied performance obligations	193,185	69,749	262,935

Year ended March 31, 2019

(Thousands of U.S. Dollars)

	Timing of revenue recognition		
	Within 1 year	More than 1 year	Total
Unsatisfied performance obligations	1,740,252	628,320	2,368,573

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

The amount of assets recognized from the costs to obtain or fulfill a contract with a customer in the year ended March 31, 2019 is immaterial.

24. Other income and expenses

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

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Employee benefit expenses	39,725	41,227	371,387
Depreciation and amortization expense	3,095	3,083	27,775
Research and development expenses	1,167	1,558	14,038
Others	25,176	25,925	233,543
Total	69,165	71,795	646,743

The breakdown of other income is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Dividend income of insurance	72	-	-
Penalty income	-	193	1,741
Others	299	365	3,292
Total	371	558	5,034

The breakdown of other expenses is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net foreign exchange losses	100	29	269
Impairment losses	10	456	4,111
Compensation for damage	48	-	-
Others	24	87	791
Total	185	574	5,172

25. Government grants

Grants based on the “Yokohama city ordinance for business location incentives for specially designated areas” were certified at January 19, 2016. It was determined for the year ended March 31, 2016 that the total amount of the grants would be ¥428 million, which will be paid in installments over a period of 10 years. The grants are deducted from the cost of assets, and are recognized in profit or loss as decrease of depreciation during their useful lives.

Furthermore, the condition to receive the grants is that the business maintains its present location, in principle, over a period of 10 years from when the business relating to the business location was launched.

26. Financial income and costs

The breakdown of financial income is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Interest income			
Financial assets measured at amortized cost	125	150	1,353
Others	14	14	133
Subtotal	140	165	1,486
Dividends received			
FVTOCI financial assets	113	118	1,071
Subtotal	113	118	1,071
Other financial income			
Financial assets measured at amortized cost	2	0	8
FVTPL financial assets	318	0	0
Subtotal	320	0	8
Total	574	284	2,566

The breakdown of financial costs is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Interest expense			
Financial liabilities measured at amortized cost	85	106	958
Liabilities for retirement benefits	708	127	1,149
Subtotal	794	234	2,108
Other financial costs			
Financial assets measured at amortized cost	17	5	53
FVTPL financial assets	0	45	410
Subtotal	17	51	464
Total	811	285	2,572

27. Earnings per share

The calculation of basic earnings per share for the years ended March 31, 2018 and 2019, is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Net profit attributable to CTC's shareholders	23,581	24,616	221,753

(Shares in thousands)

	Year ended March 31, 2018	Year ended March 31, 2019
Weighted-average number of ordinary shares	231,111	231,029

	(Yen)	(Yen)	(U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Basic earnings per share	102.04	106.55	0.95

Note:

1. Diluted earnings per share are not presented as there are no potentially dilutive shares.
2. The Company has implemented a stock split of the Company's common stock in the ratio of 2-for-1, of which the effective date was April 1, 2018. Basic earnings per share are calculated assuming that the stock split was undertaken at the beginning of the year ended March 31, 2017.

28. Other comprehensive income

The breakdown of items in other comprehensive income (loss) and their respective associated tax effects (including non-controlling interests) are as follows:

	(Millions of Yen)		
	Year ended March 31, 2018		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	620	(189)	430
Adjustment for the year	620	(189)	430
Remeasurement of defined benefit plans			
Amount arising during the year	363	(111)	252
Adjustment for the year	363	(111)	252
Exchange differences on translating foreign operations			
Amount arising during the year	465	-	465
Adjustment for the year	465	-	465
Cash flow hedges			
Amount arising during the year	(336)	103	(233)
Reclassification to profit or loss for the year	275	(84)	191
Adjustment for the year	(61)	18	(42)
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	6	-	6
Reclassification to profit or loss for the year	(31)	-	(31)
Adjustment for the year	(24)	-	(24)
Total other comprehensive income for the year	1,363	(282)	1,080

	(Millions of Yen)		
	Year ended March 31, 2019		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	156	(47)	108
Adjustment for the year	156	(47)	108
Remeasurement of defined benefit plans			
Amount arising during the year	425	(130)	295
Adjustment for the year	425	(130)	295
Exchange differences on translating foreign operations			
Amount arising during the year	26	-	26
Adjustment for the year	26	-	26
Cash flow hedges			
Amount arising during the year	208	(63)	145
Reclassification to profit or loss for the year	(132)	40	(91)
Adjustment for the year	76	(23)	53
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	(0)	-	(0)
Reclassification to profit or loss for the year	-	-	-
Adjustment for the year	(0)	-	(0)
Total other comprehensive income for the year	683	(201)	482

	(Thousands of U.S. Dollars)		
	Year ended March 31, 2019		
	Before tax effects	Tax effects	Net of tax effects
Changes in net fair value of financial assets measured through other comprehensive income			
Amount arising during the year	1,407	(430)	976
Adjustment for the year	1,407	(430)	976
Remeasurement of defined benefit plans			
Amount arising during the year	3,829	(1,171)	2,657
Adjustment for the year	3,829	(1,171)	2,657
Exchange differences on translating foreign operations			
Amount arising during the year	238	-	238
Adjustment for the year	238	-	238
Cash flow hedges			
Amount arising during the year	1,882	(576)	1,306
Reclassification to profit or loss for the year	(1,189)	363	(825)
Adjustment for the year	693	(212)	481
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year	(7)	-	(7)
Reclassification to profit or loss for the year	-	-	-
Adjustment for the year	(7)	-	(7)
Total other comprehensive income for the year	6,160	(1,814)	4,346

29. Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended March 31, 2018

(Millions of Yen)

	April 1, 2017	Cash flows from financing activities	Non-cash changes			March 31, 2018
			Acquisition of assets by means of leases	Changes arising from obtaining or losing control	Exchange differences on translating foreign operations	
Finance lease obligations	14,052	(2,473)	3,491	(52)	-	15,017
Total	14,052	(2,473)	3,491	(52)	-	15,017

Year ended March 31, 2019

(Millions of Yen)

	April 1, 2018	Cash flows from financing activities	Non-cash changes			March 31, 2019
			Acquisition of assets by means of leases	Changes arising from obtaining or losing control	Exchange differences on translating foreign operations	
Short-term borrowings	-	539	-	-	1	540
Finance lease obligations	15,017	(2,715)	3,907	-	-	16,210
Total	15,017	(2,176)	3,907	-	1	16,750

(Thousands of U.S. Dollars)

	April 1, 2018	Cash flows from financing activities	Non-cash changes			March 31, 2019
			Acquisition of assets by means of leases	Changes arising from obtaining or losing control	Exchange differences on translating foreign operations	
Short-term borrowings	-	4,856	-	-	11	4,868
Finance lease obligations	135,283	(24,461)	35,201	-	-	146,024
Total	135,283	(19,604)	35,201	-	11	150,892

30. Financial instruments and disclosures

(1) Capital management

The Group's capital management policy is to establish and maintain a stable financial foundation in order to ensure management health and efficiency and to realize sustainable growth.
There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

(2) Financial risk management policy

The Group, in its operations, is exposed to credit risk, market risk of foreign currency exchange rates and interest rates, liquidity risk and other financial risks. The Group undertakes risk management for each risk.
In addition, the Group utilizes derivatives, which consist of forward foreign exchange contracts, for the purpose of hedging foreign currency rate risks related to receivables/payables and forecasted transactions denominated in foreign currencies, but does not enter into such transactions for speculative purposes.

1) Credit risk management

Trade receivables (notes and accounts receivable－trade), which are receivables arising from the Group's operating activities, lease receivables, other receivables, and other financial assets are exposed to credit risk. The Group's maximum exposure to credit risk is the sum of all the Group's trade and other receivables, other financial assets measured at amortized cost, contract assets, and the balance of guarantee obligations.
With regard to trade and other receivables, the Group manages the due dates and balances of each customer in accordance with the Group's Credit Management Regulations. A credit control department that is independent from the business department also examines the credit status of each customer, sets appropriate credit limits and due dates, and also regularly monitors the recovery status and overdue status of receivables to ensure recovery.
With regard to other financial assets measured at amortized cost, the Group seeks to quickly identify doubtful accounts and mitigate credit risk by gathering and assessing information about the financial status of each counterparty.
With regard to derivatives to which IFRS 9 requirements for impairment do not apply, the Group judges credit risk to be insignificant because it only conducts transactions with financial institutions with high credit ratings.
On calculation of the allowance for doubtful accounts, the Group classifies financial instruments into the following three stages according to the level of credit risk and estimates expected credit losses for each stage.

Stage 1: Financial instruments for which the credit risk has not increased significantly after initial recognition
Stage 2: Financial instruments for which the credit risk has increased significantly after initial recognition
Stage 3: Credit-impaired financial instruments

When payments are more than 30 days past due on the last day of the consolidated fiscal year or postponement of the payment due date has been requested, or when a credit event has occurred, the Group judges that there has been a significant increase in credit risk and classifies the financial instrument as Stage 2 unless the cause is temporary, the risk of default is low, and the borrower is judged to have the ability to pay contractual cash flows in the near future.
When collection of contractual cash flows is judged doubtful, for example, when payments are more than 90 days past due or postponement of the payment due date has been requested because the borrower is in serious financial difficulties at the end of the fiscal year, default is deemed to have occurred and the financial instruments are judged to be credit impaired and classified as Stage 3.
With regard to financial assets classified as Stage 1, the Group recognizes 12-month expected credit losses as the allowance for doubtful accounts. However, with regard to financial assets classified as Stage 2 or Stage 3, the Group recognizes an amount equal to lifetime expected credit losses as the allowance for doubtful accounts.
However, trade receivables, contract assets, and lease receivables are not classified into Stage 1 or Stage 2 and the Group always calculates the amount of the allowance for doubtful accounts based on lifetime expected credit losses.

a) Credit risk exposure

The Group's credit risk exposure (before deduction of allowance for doubtful accounts) as of March 31, 2019, is as follows:

March 31, 2019

(Millions of Yen)

	Stage 1	Stage 2	Stage 3	Trade receivables, contract assets and lease receivables (excluding Stage 3)	Total
Not past due	31,671	-	49	138,386	170,107
Within 90 days	16	-	-	2,893	2,910
More than 90 days	0	-	6	438	446
Total	31,688	-	56	141,718	173,464

March 31, 2019

(Thousands of U.S. Dollars)

	Stage 1	Stage 2	Stage 3	Trade receivables, contract assets and lease receivables (excluding Stage 3)	Total
Not past due	285,302	-	449	1,246,611	1,532,362
Within 90 days	148	-	-	26,067	26,215
More than 90 days	7	-	62	3,951	4,021
Total	285,458	-	511	1,276,629	1,562,599

b) Movement in allowance for doubtful accounts

In the case of impairment of financial assets, the Group does not directly write off such assets, instead, it records an allowance for doubtful accounts. Movement in allowance for doubtful accounts is as follows:

(Millions of Yen)

	Stage 1	Stage 2	Stage 3	Trade receivables, contract assets and lease receivables (excluding Stage 3)	Total
Balance at the beginning of the year	0	-	50	11	61
Increase for the year	0	-	1	1	2
Decrease for the year (utilization)	-	-	-	-	-
Decrease for the year (unused)	-	-	(6)	-	(6)
Others	-	-	0	-	0
Balance at the end of the year	0	-	44	12	58

(Thousands of U.S. Dollars)

	Stage 1	Stage 2	Stage 3	Trade receivables, contract assets and lease receivables (excluding Stage 3)	Total
Balance at the beginning of the year	2	-	451	105	557
Increase for the year	1	-	11	11	23
Decrease for the year (utilization)	-	-	-	-	-
Decrease for the year (unused)	-	-	(58)	-	(58)
Others	-	-	0	-	0
Balance at the end of the year	3	-	404	116	523

There was no significant movement in the carrying amount of financial instruments that would have a material impact on the allowance for doubtful accounts in the year ended March 31, 2019. The uncollected contract balance of financial assets that have been directly written off and are still the subject of activities to compel performance is immaterial.

2) Market risk management

a) Interest rate risk

The Group covers its demand for funds principally by cash on hand. Therefore, the balance of interest-bearing debt is small, and the impact of changes in interest rate on the Group's profit/loss is immaterial.

b) Foreign currency exchange rate risk

The Group is exposed to exchange rate risk related to transactions in foreign currencies due to its involvement in import/export trading. Therefore, the Group strives to minimize foreign currency exchange rate risk through hedge transactions that utilize such derivatives as forward foreign exchange contracts. Also, the Group utilizes foreign currency bank deposits that are held within the limits of actual demand for the purpose of hedging foreign currency exchange rate risk on certain forecasted transactions denominated in foreign currencies.

Exposure to foreign currency exchange rate risk (net amount) at the end of the years ended March 31, 2018 and 2019, is as follows:

	(Millions of Yen)	(Thousands of U.S. Dollars)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018		March 31, 2019	
Balance of foreign exchange (short-term)	(1,271)	(11,964)	(3,859)	(34,771)
Balance of foreign exchange (long-term)	-	-	-	-

Notes:
1. Balance of foreign exchange is the amount in foreign currencies for which the foreign currency exchange rate risk is not hedged with derivatives, such as forward exchange contracts, in terms of receivables/payables and firm commitments denominated in foreign currencies in import/export transactions (except for foreign currency bank deposits which are held for the purpose of hedging). The balance of foreign exchange that is expected to be settled within one year is classified as short-term, while the balance of foreign exchange that is expected to be settled after one year or later is classified as long-term.
2. Positive balances represent receivables and negative balances represent payables.

Foreign currency sensitivity analysis

Foreign currency sensitivity analysis for the balance of foreign exchange (short and long-term) in U.S. dollars is as follows. The analysis discloses the effects on profit before tax if the value of the Japanese yen increased by 1% and all other variables remained constant.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Profit before tax	12	38	(347)

c) Stock price fluctuation risk

The Group holds equity instruments such as marketable securities to strengthen relationships with customers, and these investments are exposed to stock price fluctuation risk. The Group regularly assesses current market prices and financial conditions of issuers and continuously reviews its holdings.

Stock price fluctuation risk sensitivity analysis

Stock price fluctuation risk sensitivity analysis for listed securities held by the Group is as follows. The analysis discloses effects on other comprehensive income (before tax effect) if stock price of listed securities had been 10% lower and all other variables remained constant.

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	March 31, 2018	March 31, 2019	March 31, 2019
Other comprehensive income	(617)	(668)	(6,018)

3) Liquidity risk management

The Group manages its liquidity risk based on an analysis of cash flows received from each of its departments. The Group has created a cash pool that centralizes the Group's funds to provide efficient and stable management of funds.

a) Non-derivative financial liabilities

The breakdown of non-derivative financial liabilities by maturity is as follows:

March 31, 2018

(Millions of Yen)

	Carrying amount	Contractual cash flow	Within 1 year	1－5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	48,572	48,572	48,572	-	-
Other financial liabilities	5,763	6,121	6,121	-	-
Non-current financial liabilities	10,912	11,550	-	10,026	1,524

March 31, 2019

(Millions of Yen)

	Carrying amount	Contractual cash flow	Within 1 year	1－5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	53,901	53,901	53,901	-	-
Other financial liabilities	5,414	5,830	5,830	-	-
Non-current financial liabilities	12,243	12,993	-	11,619	1,373

March 31, 2019

(Thousands of U.S. Dollars)

	Carrying amount	Contractual cash flow	Within 1 year	1－5 years	More than 5 years
Non-derivative financial liabilities					
Trade and other payables	485,550	485,550	485,550	-	-
Other financial liabilities	48,777	52,525	52,525	-	-
Non-current financial liabilities	110,292	117,049	-	104,674	12,375

b) Derivatives

The breakdown of derivative financial liabilities by maturity is as follows:

March 31, 2018

(Millions of Yen)

		Within 1 year	1－5 years	More than 5 years	Total
Currency derivatives	Income	135	-	-	135
	Expenditures	(229)	-	-	(229)

March 31, 2019

(Millions of Yen)

		Within 1 year	1－5 years	More than 5 years	Total
Currency derivatives	Income	61	-	-	61
	Expenditures	(58)	(6)	-	(64)

March 31, 2019

(Thousands of U.S. Dollars)

		Within 1 year	1－5 years	More than 5 years	Total
Currency derivatives	Income	553	-	-	553
	Expenditures	(525)	(59)	-	(584)

(3) Fair value of financial instruments

1) Fair value measurements

Trade and other receivables

Fair value of lease receivables is measured at the present value of total expected lease receivables, discounted by the rate of interest to be used when the lessor newly contracts a similar lease transaction and is classified as Level 2. The fair values of trade and other receivables other than lease receivables approximate their carrying amount because of the short maturities of these receivables and are classified as Level 2 under fair value measurement and disclosure.

Other financial assets, other financial liabilities, and non-current financial liabilities

Fair value of marketable securities, among other financial assets measured at fair value, is measured at quoted price in active markets and classified as Level 1. When there is no quoted price in active markets, these financial assets are measured by valuation techniques based on discounted cash flows, revenues, benefits, and equity, and are classified as Level 2 or Level 3 corresponding to the input used.

Fair value of derivatives is measured at prices obtained from financial institutions and is classified as Level 2.

Fair value of other financial assets measured at amortized cost approximates their carrying amount and is classified as Level 2 under fair value measurement and disclosure because the fair value is calculated using observable market data.

Fair value of lease obligations, among other financial liabilities and non-current financial liabilities measured at amortized cost, is measured at the present value of total expected lease payments, discounted by the rate of interest supposed to be used when the lessee newly contracts a similar lease transaction and is classified as Level 2. The fair value of other financial liabilities and non-current financial liabilities other than lease obligations approximates their carrying amount and is classified as Level 2 under fair value measurement and disclosure because the fair value is calculated using observable market data.

2) Fair value of financial instruments by category

The carrying amount and fair value of major financial instruments by category are as follows:

	(Millions of Yen)		(Millions of Yen)		(Thousands of U.S. Dollars)	
	March 31, 2018		March 31, 2019		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost						
Trade and other receivables	130,370	130,423	132,348	132,391	1,192,224	1,192,612
Other financial assets	31,077	31,077	28,218	28,218	254,200	254,200
Financial assets measured at fair value						
Other financial assets						
FVTOCI financial assets	6,465	6,465	7,060	7,060	63,598	63,598
FVTPL financial assets	679	679	1,044	1,044	9,407	9,407
Financial liabilities measured at amortized cost						
Other financial liabilities	5,763	5,770	5,414	5,418	48,777	48,812
Non-current financial liabilities	10,912	10,979	12,243	12,299	110,292	110,794
Financial liabilities measured at fair value						
Other financial liabilities						
FVTPL financial liabilities	229	229	64	64	584	584

3) Fair value measurements recognized in the consolidated financial statements

The following table provides an analysis of the fair value hierarchy reflecting the significance of inputs used when measuring fair value of financial instruments that have been measured at fair value on a recurring basis.

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

Transfers between levels of the fair value hierarchy are recognized at the date of the event or change in circumstances that caused the transfer.

(Millions of Yen)

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	6,171	29	263	6,465
FVTPL financial assets	-	135	543	679
Total assets	6,171	165	807	7,144
Liabilities:				
FVTPL financial liabilities	-	229	-	229
Total liabilities	-	229	-	229

No significant transfers occurred between Level 1 and Level 2 for the year ended March 31, 2018.

(Millions of Yen)

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	6,681	8	370	7,060
FVTPL financial assets	-	61	982	1,044
Total assets	6,681	69	1,353	8,104
Liabilities:				
FVTPL financial liabilities	-	64	-	64
Total liabilities	-	64	-	64

(Thousands of U.S. Dollars)

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTOCI financial assets	60,184	73	3,340	63,598
FVTPL financial assets	-	552	8,854	9,407
Total assets	60,184	625	12,194	73,005
Liabilities:				
FVTPL financial liabilities	-	584	-	584
Total liabilities	-	584	-	584

No significant transfers occurred between Level 1 and Level 2 for the year ended March 31, 2019.

4) Financial instruments classified as Level 3

For financial instruments classified as Level 3, an appropriate assessor performs an evaluation and analyzes the result of the evaluation based on the valuation method and procedures established by the Company.

A reconciliation of financial instruments classified as Level 3 is as follows:

(Millions of Yen)

	Year ended March 31, 2018	
	FVTOCI financial assets	FVTPL financial assets
April 1, 2017	92	474
Total gains or losses		
Profit or loss	-	317
Other comprehensive income	(16)	-
Purchases	197	200
Disposals	(10)	-
Distribution	-	(445)
Others	-	(2)
March 31, 2018	263	543
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2018 – net	-	(24)

(Millions of Yen)

	Year ended March 31, 2019	
	FVTOCI financial assets	FVTPL financial assets
April 1, 2018	263	543
Total gains or losses		
Profit or loss	-	(45)
Other comprehensive income	0	-
Purchases	111	499
Disposals	(5)	(0)
Distribution	-	(13)
Others	-	(1)
March 31, 2019	370	982
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2019 – net	-	(45)

(Thousands of U.S. Dollars)

	Year ended March 31, 2019	
	FVTOCI financial assets	FVTPL financial assets
April 1, 2018	2,377	4,898
Total gains or losses		
Profit or loss	-	(410)
Other comprehensive income	3	-
Purchases	1,004	4,504
Disposals	(45)	(0)
Distribution	-	(122)
Others	-	(14)
March 31, 2019	3,340	8,854
The amount of total gains (losses) recognized in profit or loss for the period relating to financial instruments held at March 31, 2019 – net	-	(410)

Gains or losses recognized in profit or loss are included in “Financial income” or “Financial costs” in the consolidated statement of income. Gains or losses (net of tax effect) recognized as other comprehensive income are included in “Changes in net fair value of financial assets measured through other comprehensive income” in the consolidated statement of comprehensive income.

For financial assets classified as Level 3, significant changes in fair value are not expected if the unobservable inputs would be changed to reasonably possible alternative assumptions.

(4) Derivative instruments and hedging activities

The Group uses forward foreign exchange contracts to hedge the risk of variability in the future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions denominated in foreign currencies. The changes in fair value of derivative instruments that are designated as cash flow hedges are recognized in other comprehensive income (“cash flow hedges”) if the hedges are considered highly effective. This treatment continues until the variability in future cash flows of unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items is recognized. The ineffective portion of the hedge is also recognized in profit or loss.

Details of main hedging instruments designated as cash flow hedges are as follows:

(Millions of Yen)

	March 31, 2019			
	Notional amount	Carrying amounts of hedging instruments		Account item on consolidated statement of financial position
		Derivative assets	Derivative liabilities	
Cash flow hedges				
Foreign currency exchange rate risk				
Currency derivatives	5,330	61	56	Other financial assets (current) Other financial liabilities (current)

(Thousands of U.S. Dollars)

	March 31, 2019			
	Notional amount	Carrying amounts of hedging instruments		Account item on consolidated statement of financial position
		Derivative assets	Derivative liabilities	
Cash flow hedges				
Foreign currency exchange rate risk				
Currency derivatives	48,018	552	512	Other financial assets (current) Other financial liabilities (current)

The change in value of the hedged item, which is used as a basis for recognizing the ineffective portion of the hedge, is similar to the change in the fair value of the hedging instrument.

In the year ended March 31, 2019, since the Group's only risk category for cash flow hedges is foreign currency risk, the change in the value of hedging instruments designated as cash flow hedges is the same as the change in other comprehensive income recorded in "28. Other Comprehensive income." Profit reclassification adjustments relating to cash flow hedges are recorded in "Other income" or "Other expenses" on the consolidated statement of income, and the ineffective portion of hedges is immaterial.

31. Related-party transactions

(1) Transactions with related parties

The Group conducted transactions with related parties as follows:

Year ended March 31, 2018

(Millions of Yen)

Category	Name	Nature of related-party transactions	Transaction amount	Outstanding balance
Parent company	ITOCHU Corporation	Deposit contracts (fixed term)	(Funds deposited) -	23,000
			(Repayment of deposit) 2,000	
		Deposit contracts (withdrawable anytime)	-	16,944

Notes:
1. The interest rates of deposit contracts are individually determined, considering the market rate of interest.
2. Transaction amounts of deposit contracts (withdrawable anytime) are not disclosed above because changes in balances of deposits and withdrawals frequently occur while using cash management services of ITOCHU Corporation.

Year ended March 31, 2019

(Millions of Yen)

Category	Name	Nature of related-party transactions	Transaction amount	Outstanding balance
Parent company	ITOCHU Corporation	Deposit contracts (fixed term)	(Funds deposited) -	-
			(Repayment of deposit) 23,000	
		Deposit contracts (withdrawable anytime)	-	-
Subsidiary of parent company	ITOCHU Treasury Corporation	Deposit contracts (fixed term)	(Funds deposited) 21,000	20,000
			(Repayment of deposit) 1,000	
		Deposit contracts (withdrawable anytime)	-	22,612

Year ended March 31, 2019

(Thousands of U.S. Dollars)

Category	Name	Nature of related-party transactions	Transaction amount	Outstanding balance
Parent company	ITOCHU Corporation	Deposit contracts (fixed term)	(Funds deposited) -	-
			(Repayment of deposit) 207,188	
		Deposit contracts (withdrawable anytime)	-	-
Subsidiary of parent company	ITOCHU Treasury Corporation	Deposit contracts (fixed term)	(Funds deposited) 189,172	180,163
			(Repayment of deposit) 9,008	
		Deposit contracts (withdrawable anytime)	-	203,700

Notes:
1. The interest rates of deposit contracts are individually determined, considering the market rate of interest.
2. In the year ended March 31, 2019, the contracting entity for cash management services was changed from ITOCHU Corporation to ITOCHU Treasury Corporation. As a result, the balance of deposits with ITOCHU Corporation was transferred to ITOCHU Treasury Corporation.
3. Transaction amounts of deposit contracts (withdrawable anytime) are not disclosed above because changes in balances of deposits and withdrawals frequently occur while using cash management services of ITOCHU Corporation and ITOCHU Treasury Corporation..

(2) Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Benefits and bonuses	333	301	2,712
Share-based payment	26	43	394
Total	359	344	3,106

32. Ownership interest in subsidiaries

Major subsidiaries are as follows:

Name	Reportable segment	Location	Voting shares (%)
			March 31, 2019
CTC TECHNOLOGY CORPORATION	IT Services business	Chiyoda-ku, Tokyo	100.0
CTC SYSTEM MANAGEMENT CORPORATION	IT Services business	Chiyoda-ku, Tokyo	100.0
CTCSP CORPORATION	Distribution and Enterprise business	Setagaya-ku, Tokyo	100.0
CTC FACILITIES CORPORATION	IT Services business	Tsuzuki-ku, Yokohama	100.0
Asahi Business Solutions Corp.	Distribution and Enterprise business	Sumida-ku, Tokyo	51.0
CTC Global (Thailand) Ltd.	Other	Bangkok, Thailand	100.0
PT. CTC Techno Solutions Indonesia	Other	Jakarta, Indonesia	100.0 (1.0)
CTC GLOBAL SDN. BHD.	Other	Kuala Lumpur, Malaysia	70.0
CTC GLOBAL PTE. LTD.	Other	Singapore	70.0
ITOCHU Techno-Solutions America, Inc.	Other	Santa Clara, California, U.S.A.	70.0

Note:Figures in parentheses are indirect voting share percentages.

33. Commitments

There are no contractual commitments for purchase of assets after the end of each fiscal year at March 31, 2018 and 2019.

34. Contingent liabilities

The Group provides guarantees on the following loans from financial institutions to the Group's employees:

	(Millions of Yen)	(Millions of Yen)	(Thousands of U.S. Dollars)
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Guarantees for employees	49 (28 people)	30 (20 people)	273 (20 people)

The guarantees will expire through February 27, 2024. The Group would be required to assume payment obligations under the contracts if the Group's employees are unable to repay the housing loans. The Group's obligations under guarantees are secured by the employees' houses.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU Techno-Solutions Corporation:

We have audited the accompanying consolidated statement of financial position of ITOCHU Techno-Solutions Corporation and its subsidiaries as of March 31, 2019, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU Techno-Solutions Corporation and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2(3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2019

Member of
Deloitte Touche Tohmatsu Limited

CTC

Challenging Tomorrow's Changes

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.