Mitsui & Co. (U.S.A.), Inc.

Financial Statements as of and
for the Years Ended March 31, 2019 and 2018, and
Independent Auditors' Report

MITSUI & CO.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Mitsui & Co. (U.S.A.), Inc.:

We have audited the accompanying financial statements of Mitsui & Co. (U.S.A.), Inc. (the ''Company'') (an ultimate wholly-owned subsidiary of Mitsui & Co., Ltd.), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Company has extensive transactions with Mitsui & Co., Ltd. and its affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations, or its cash flows which would have been attained by the Company if it had operated without such affiliations. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

New York, NY

July 1, 2019

Mitsui & Co. (U.S.A.), Inc.

Statements of Financial Position
March 31, 2019 and 2018

	Notes	2019 (In thousands)	2018 (In thousands)
ASSETS			
Current Assets:			
Cash and cash equivalents		$ 190,069	$ 69,300
Short-term loan receivables	4, 5, 16	251,826	322,997
Current portion of long-term loan receivables	4, 5, 16	174,336	224,058
Trade and other receivables	4, 5, 6, 16	392,531	557,117
Derivative assets	4, 14, 16	43	3,172
Inventories		124,396	181,860
Advance payments to suppliers		1,925	2,434
Other current assets	3	49,019	47,534
Total current assets		1,184,145	1,408,472
Non-Current Assets:			
Investments in subsidiaries and associates	3	847,579	865,650
Other investments	4, 14	115,436	82,519
Long-term loan receivables, less current portion	4, 5, 16	1,276,638	1,040,559
Derivative assets	4, 14, 16	7,690	7,659
Property, plant, and equipment	7	37,232	28,557
Deferred tax assets	13	59,607	61,001
Total non-current assets		2,344,182	2,085,945
Total assets		$ 3,528,327	$ 3,494,417
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term debt	8, 16	$ 1,289,814	$ 1,333,879
Current portion of long-term debt	4, 8, 16	156,372	307,742
Trade and other payables	8, 16	322,759	359,015
Derivative liabilities	4, 8, 14, 16	37	3,200
Dividend payable	3	12,321	36,957
Other current liabilities	13, 16	16,638	21,782
Total current liabilities		1,797,941	2,062,575
Non-Current Liabilities:			
Long-term debt, less current portion	4, 8, 16	1,153,901	848,303
Retirement benefit liabilities	9	52,500	44,900
Other non-current liabilities	13, 16	20,312	38,849
Total non-current liabilities		1,226,713	932,052
Total liabilities		3,024,654	2,994,627
Equity:			
Common stock, no par value—authorized 2,000 shares; issued, fully paid, and outstanding 1,050 shares		350,000	350,000
Additional paid-in capital		118,934	127,699
Retained earnings		20,829	21,240
Accumulated other comprehensive income	10	13,910	851
Total equity		503,673	499,790
Total liabilities and equity		$ 3,528,327	$ 3,494,417

Mitsui & Co. (U.S.A.), Inc.

Statements of Comprehensive Income
Years Ended March 31, 2019 and 2018

	Notes	2019 (In thousands)	2018 (In thousands)
Revenue:			
Sale of products		$ —	$ 2,948,871
Rendering of services		—	16,926
Revenue	11	1,423,753	—
Total revenue	16	1,423,753	2,965,797
Cost of Revenue:			
Cost of products sold		—	(2,927,210)
Cost	7	(1,367,529)	—
Gross Profit		56,224	38,587
Other Income (Expenses):			
Selling, general, and administrative expenses	6, 7, 12	(144,000)	(156,372)
Other income	3, 4, 16	85,844	109,962
Other expense	3, 4, 5, 14	(51,574)	(102,331)
Total other expenses—net		(109,730)	(148,741)
Finance Income (Cost):			
Interest income	4, 16	76,798	57,438
Dividend income	4	95,756	109,371
Interest expense	4, 16	(80,389)	(54,625)
Total finance income—net		92,165	112,184
Profit before Income Taxes		38,659	2,030
Income Tax Benefit (Expense)	13	(3,837)	13,572
Profit for the Year Attributable to Owner of the Company		34,822	15,602
Other Comprehensive Income (Loss):			
Items that will not be reclassified to profit or loss:			
Remeasurements of equity instruments	10	16,932	4,869
Remeasurements of defined benefit plans	9, 10	(7,647)	1,559
Income tax relating to items not reclassified to profit or loss	10	(2,070)	(8,849)
Total other comprehensive income (loss)		7,215	(2,421)
Comprehensive Income for the Year Attributable to Owner of the Company		$ 42,037	$ 13,181

Mitsui & Co. (U.S.A.), Inc.

Statements of Changes in Equity
Years Ended March 31, 2019 and 2018

(In thousands, except number of shares)

	Notes	Common stock Shares	Common stock Amounts	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as of April 1, 2017		1,050	$ 350,000	$ 118,934	$ 179,598	$ (3,214)	$ 645,318
Profit for the year					15,602		15,602
Other comprehensive loss for the year	10					(2,421)	(2,421)
Dividend to owner of the Company					(130,517)		(130,517)
Dividend declared to owner of the Company	3				(36,957)		(36,957)
Transactions with related parties	16			8,765			8,765
Transfer to retained earnings	10				(6,486)	6,486	—
Balance as of March 31, 2018		1,050	$ 350,000	$ 127,699	$ 21,240	$ 851	$ 499,790
Profit for the year					34,822		34,822
Other comprehensive income for the year	10					7,215	7,215
Dividend to owner of the Company					(25,833)		(25,833)
Dividend declared to owner of the Company	3			(8,765)	(3,556)		(12,321)
Transfer to retained earnings	10				(5,844)	5,844	—
Balance as of March 31, 2019		1,050	$ 350,000	$ 118,934	$ 20,829	$ 13,910	$ 503,673

Mitsui & Co. (U.S.A.), Inc.

Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	(In thousands)	
	2019	2018
Operating Activities:		
Profit for the year	$ 34,822	$ 15,602
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation and amortization	1,941	1,412
Provision for receivables	(187)	(164)
Loss on investments—net	44,020	18,987
Loss on settlement of short-term loan receivable (Note 5)	—	50,950
Finance income—net	(92,165)	(112,184)
Income tax (benefit) expense	3,837	(13,572)
Changes in operating assets and liabilities:		
Change in trade and other receivables	182,718	406,623
Change in inventories	57,464	(51,791)
Change in advance payments to suppliers	509	202,923
Change in trade and other payables	(39,858)	(91,110)
Other—net	(33,601)	7,591
Interest received	71,066	54,994
Interest paid	(76,787)	(54,496)
Dividends received	82,344	115,237
Income taxes paid	(35)	(26,330)
Net cash provided by operating activities	236,088	524,672
Investing Activities:		
Additional investments	(62,360)	(38,461)
Return of capital on investments	4,317	8,504
Proceeds from sales of investments	3,095	40,063
Settlement of short-term loan receivable (Note 5)	—	122,050
Net change in short-term loan receivables of three months or less	71,171	(68,201)
Issuance of loan receivables of more than three months	(514,593)	(273,896)
Collections of loan receivables of more than three months	330,128	128,827
Purchases of property, plant, and equipment	(11,107)	(13,607)
Net cash used in investing activities	(179,349)	(94,721)
Financing Activities:		
Net change in short-term debt of three months or less	(90,198)	14,589
Proceeds from debt of more than three months	209,000	65,425
Repayments of debt of more than three months	(54,772)	(479,838)
Net cash provided by (used in) financing activities	64,030	(399,824)
Net Change in Cash and Cash Equivalents	120,769	30,127
Cash and Cash Equivalents at Beginning of Year	69,300	39,173
Cash and Cash Equivalents at End of Year	$ 190,069	$ 69,300
Supplemental Cash Flow Information:		
Non-cash investing and financing activities:		
Payment of dividend and proceeds from debt (Note 16)	25,833	130,517
In-kind dividend to owner of the Company	36,957	—
Dividend declared (Note 3)	12,321	36,957
Proceeds and repayments of debt of more than three months (Note 16)	302,970	188,800

1. Reporting Entity

Mitsui & Co. (U.S.A.), Inc. ("Mitsui USA" or the "Company") is a company incorporated in the United States. Mitsui USA is a wholly-owned subsidiary of MBK USA Holdings, Inc. ("MUH"), which is a wholly-owned subsidiary of Mitsui & Co., Ltd. ("Mitsui Japan"). Mitsui USA was directly owned by Mitsui Japan until March 31, 2014.

Mitsui USA as well as Mitsui Japan are general trading companies (*Sogo Shosha*) which engage in business activities such as trading in various commodities, financing for customers and suppliers in relation to such trading activities worldwide, and organizing and coordinating industrial projects through its worldwide business networks.

The Company conducts sales, exports, imports, and offshore trades in the areas of Iron & Steel Products, Mineral & Metal Resources, Infrastructure Projects, Mobility Business, Chemicals, Energy, Foods & Retail, Consumer Service Business, and others, while providing general services for retailing, information and communications, technical support, transportation, and logistics, and financing.

The Company has significant transactions with Mitsui Japan and its affiliates.

2. Basis of Financial Statements and Summary of Significant Accounting Policies

Statement of Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Separate Financial Statements

The financial statements have been prepared in accordance with the International Accounting Standards ("IAS") 27, *Separate Financial Statements.* The financial statements present information about the Company as an individual entity and do not include accounts of its subsidiaries over which the Company has control. Investments in subsidiaries and associates are accounted for under the cost method. Associates are those over which the Company is able to exercise significant influence. The ultimate parent company of the Company, Mitsui Japan, prepares consolidated financial statements in accordance with IFRS.

The Company's financial statements are prepared on the historical cost basis, except for certain financial assets or liabilities that are measured at fair value and retirement benefit liabilities that are measured based on the accounting policies described in later sections. The financial statements are presented in U.S. dollars, which is the functional currency of the Company. All financial information presented in U.S. dollars has been rounded to the nearest thousands, except as otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The judgments based on assumptions and estimates are reviewed on an ongoing basis.

Management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

- Impairment loss on investments in subsidiaries and associates – Note 3
- Revaluation of financial instruments – Notes 4, 5, and 14
- Allowance for receivables – Note 5
- Impairment loss on property, plant, and equipment
- Measurement of defined benefit obligations – Note 9

- Recoverability of deferred tax assets – Note 13
- Fair value measurement – Note 14
- Contingent liabilities – Note 15

Summary of Significant Accounting Policies

The accounting policies described below have been applied consistently to all periods presented in these financial statements.

Foreign currency transactions

Foreign currency transactions are translated into U.S. dollars using the spot exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollar amounts using year-end exchange rates and the resulting gains and losses are recognized in earnings. During the years ended March 31, 2019 and 2018, net foreign exchange gain or loss was not material.

Investments in subsidiaries and associates

The Company prepares separate financial statements and accounts for investments in subsidiaries and associates at cost less impairment.

Financial instruments

The Company has early adopted IFRS 9 (2013), *Financial Instruments*. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade and other receivables, loan receivables, debt and equity instruments, and derivative instruments with a positive fair value. Financial liabilities of the Company mainly comprise of notes and loans due to financial institutions and affiliated companies, trade and other payables, and derivative instruments with a negative fair value.

Financial instruments are recognized in the accompanying statements of financial position when the Company becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to the purchase or sell of the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Cash equivalents – Cash equivalents are highly-liquid short-term investments with an original maturity of three months or less that are readily convertible into cash and have no significant risk of change in value. Such cash equivalents include time deposits and commercial paper with original maturities of three months or less.

Trade and other receivables and loan receivables – Trade and other receivables and loan receivables are measured at amortized cost using the effective interest method, less any impairment losses. Impairment losses on receivables are recognized using separate allowance accounts. Gains and losses are recognized in the accompanying statements of comprehensive income when the loans and receivables are derecognized or impaired.

Impairment of financial assets – During the year ended March 31, 2019, the Company adopted the amendments to IFRS 9, which replaced the incurred loss model in IAS 39, *Financial Instruments: Recognition and Measurement*, to an expected credit loss ("ECL") model. The new impairment model mainly applies to trade and other receivables and loan receivables for the Company. As permitted by the transition provisions of IFRS 9, the Company elected not to restate prior year results; accordingly, all prior year information is presented in accordance with the previous accounting policies, as indicated below. The new requirement did not result in any adjustments to the Company's financial statements at the date of initial application at April 1, 2018. The impact of the new requirement to the financial statements for the year ended March 31, 2019 was immaterial.

Allowance for receivables (IFRS 9):

The Company measures allowance for receivables on the basis of ECL, which is a probability-weighted estimate of credit losses. The Company measures the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial asset has not increased significantly since initial recognition, and measures the loss allowance at an amount equal to lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition for financial assets that are measured at amortized costs. For trade receivables, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance without assessing whether the credit risk on a trade receivable has increased significantly since initial recognition.

When determining significant increases in the credit risk and measuring expected credit losses, the Company evaluates reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings. In addition, the Company determines that the credit risk on a financial asset has increased significantly since initial recognition in principal when contractual payments are more than 30 days past due.

See Note 5 for further analysis of allowance for receivables under IFRS 9.

Allowance for receivables (IAS 39):

The Company recognizes allowances for receivables on an individual basis for receivables that are considered to have been impaired based on the latest information, or upon events, such as the debtor's bankruptcy, financial failure, or failure to repay debts due to financial difficulty, even if the debtor is not yet in financial failure.

Impairment losses are measured by using the present value of expected future cash flows, discounted at the effective interest rate based on the original terms of the contract, or fair value of the collateral if its value depends on the collateral. The resulting value is compared to the carrying value of the financial asset and the difference between the two values is recognized in profit or loss. After an impairment loss is recognized, interest income continues to be recognized on the reduced carrying amount using the same discount rate used to discount the expected future cash flows when the impairment loss was measured. If the fair value of previously impaired receivables subsequently recovers due to factors occurring after the recognition of impairment, a reversal of impairment loss is recognized in profit or loss. The reversal amount is deducted from the related provision for receivables.

For receivables for which allowances are not recognized on an individual basis, the Company records an allowance for receivables collectively based primarily on the Company's credit loss experiences and the current economic environment.

Write-off of financial assets – A financial asset and the related loss allowance are either partially or fully written off when it is reasonably determined that all or part of a financial asset is not collectable. Financial assets that are written off are not subject to enforcement activity.

Debt instruments – Debt instruments are measured at amortized cost if they meet the following two criteria. They are held for the purpose of collecting contractual cash flows and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Amortized cost is calculated by using the effective interest rate method.

Equity instruments – Equity instruments (except for investments in subsidiaries and associates) are measured at fair value through profit or loss ("FVTPL"). However, for certain equity instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the Company elects, at initial recognition, to designate these instruments at fair value through other comprehensive income ("FVTOCI"). When equity instruments measured at FVTOCI are derecognized, the accumulated other comprehensive income (loss) is directly transferred to retained earnings without being recognized in profit or loss. Dividend income received on those measured at FVTOCI is recognized in profit or loss.

Finance income and cost – Finance income and cost include interest income, interest expense, and dividend income. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the right of the Company to receive the dividends vest.

Derivative instruments and hedging activities – Derivative financial instruments, such as foreign currency exchange contracts, commodity forward contracts, and contingent earnouts are measured at fair value. Changes in the fair value of derivative financial instruments are recognized in profit or loss. Currently, the Company does not hold derivative instruments for hedge purposes.

Trade and other payable and debt – Trade and other payables and debt are measured at amortized cost.

Offsetting financial assets and financial liabilities – Financial assets and financial liabilities are offset and the net amount is presented in the accompanying statements of financial position when, and only when, the Company currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Leasing

The Company as lessor – For finance leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Initial direct costs of finance leases are deferred and amortized using the effective interest method over the lease period. Finance lease income, net of direct amortization cost, is included in interest income. For operating leases, income is recognized as revenue from rendering of services over the term of underlying leases on a straight-line basis.

The Company as lessee – Lease expenses on operating leases are recognized over the respective lease terms on a straight-line basis.

Property, plant, and equipment

Property, plant, and equipment are recorded at cost. Depreciation of property, plant, and equipment is provided over the estimated useful lives (ranging from 3 to 33 years) of such assets using the straight-line method. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the underlying lease. Significant renewals and additions are capitalized at cost. Expenditures for improvements and betterments of operating rental properties are capitalized. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

Impairment of non-financial assets and investments in subsidiaries and associates

The Company periodically performs analyses to determine whether there is any indication of impairment of non-financial assets and investments in subsidiaries and associates. If any such indication exists, the recoverable amounts of the non-financial assets and the investments are estimated.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value, less costs of disposal, and its value in use and is determined for an individual asset when the asset generates cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount with the impairment loss recognized in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed and included in other income only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized.

Inventories

Inventories, consisting of commodities and materials for sale, are measured at the lower of cost or net realizable value. The costs of inventory of items that are not ordinarily interchangeable are assigned by using specific identification of their individual costs. For those items which are interchangeable, the costs are mainly assigned by using the weighted average cost formula.

The cost of inventories recognized as an expense during the year in respect of continuing operations was $1,324,173 and $2,831,230 during the years ended March 31, 2019 and 2018, respectively.

Revenue recognition

The Company adopted IFRS 15, *Revenue from Contracts with Customers*, effective April 1, 2018. As permitted by the transition provisions of IFRS 15, the Company elected not to restate prior year results; accordingly, all prior year information is presented in accordance with the previous accounting policies, as indicated below. The new requirement did not result in any adjustments to the Company's financial statements at the date of initial application at April 1, 2018. The impact of the new requirement for the year ended March 31, 2019 was immaterial except for the changes in determination of principal or agent for certain transactions as discussed in Footnote 11 and in presentation of revenue and cost of revenue in the statement of comprehensive income.

Revenue recognition for the year ended March 31, 2019:

Under IFRS 15, revenue from contracts with customers is recognized at the timing of the satisfaction of the performance obligations, based on the 5 step approach:

1. Identifying the contract with a customer,
2. Identifying the performance obligations of the contract,
3. Determining the transaction price,
4. Allocating the transaction price to performance obligations in the contract and
5. Recognizing the revenue when the entity satisfied a performance obligation.

Upon the identification of the performance obligations of the contract, the Company determines whether the Company is a principal or an agent in the transactions. If the nature of its promise is a performance obligation to provide specified goods or services as a principal, revenue is recognized in gross amounts. If the nature of its promise is a performance obligation as an agent to arrange goods or services provided by another party, revenue is recognized at the amount of any fees or net of sales and purchase prices.

The Company satisfies a performance obligation and recognizes revenue for all of its transactions at a point in time when control of the goods passes to the customers. This can be at the time of dispatch, delivery, or upon customer acceptance, depending on individual customer terms for domestic transactions, or determined by incoterms for international transactions. Invoices are generated at that point in time and are usually due within 30 or 60 days. No discounts or returns are normally offered in the Company's contracts with customers.

Revenue recognition for the year ended March 31, 2018

Sale of products – Revenues from sale of products include those arising from the sale of various products such as metals, chemicals, foods, and general consumer merchandise. The Company acts as a principal in the sales transactions and recognizes revenues on a gross basis when all of the following conditions are satisfied:

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

Rendering of services – Revenues from rendering of services include those arising from trading margins and commissions related to various trading transactions in which the Company acts as a principal or an agent. Specifically, the Company charges a commission for the performance of various services such as logistic and warehouse services, information and communication services, and technical support. For certain back-to-back sales and purchase transactions of products, the Company acts as an agent and records the net amount of sales and purchase prices as revenues. All other sales of services in which the Company acts as principal are recorded on a gross basis. The determination of whether the Company acts as a principal or agent in a transaction is based on an evaluation of the terms of a transaction with respect to exposure to the risks and rewards associated with the sale of products or rendering of services. Revenues from service-related businesses are recorded as revenue when all of the following conditions are satisfied:

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

These conditions are usually considered to have been met when the contracted services are rendered to third-party customers pursuant to the agreements.

Employee benefits

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognized immediately as part of the current service cost. When a plan amendment, settlement (eliminating all obligations for benefits already accrued), or a curtailment (reducing future obligations as a result of a significant reduction in the plan membership or a reduction in future entitlement) occurs, the obligations and related plan assets are remeasured using current actuarial assumptions and the resulting gain or loss recognized in earnings during the period in which the plan amendment, settlement, or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of plan obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligations, taking into account material changes in the obligations during the year. The expected return on plan assets is based on a long-term market return assumption that is automatically set equal to the discount rate used to value the benefit obligations, and then adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. All components of net pension cost are presented as a single net amount and included in selling, general, and administrative expenses in the accompanying statements of comprehensive income. The remeasurements of defined benefit plans are recognized in other comprehensive income (loss) and are transferred immediately to retained earnings.

Retirement benefit liabilities in the accompanying statements of financial position comprise the total of the present value of the defined benefit obligations, less the fair value of plan assets out of which the obligations are to be settled directly.

The Company and certain participating affiliated companies share the costs of the defined benefit pension plan. See Note 9 for further discussion.

The Company also has defined contribution plans. Payments to defined contribution plans are recognized as an expense when employees have rendered service.

Income taxes

The Company records income taxes based on IAS 12, *Income Taxes*.

Income taxes comprise current taxes and deferred taxes. Income tax expense is calculated based on profit before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards, and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards, or tax credit carryforwards are expected to reverse.

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

Deferred tax liabilities arising from taxable temporary differences concerning investments in subsidiaries and associates are recognized unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

From April 1, 2014, the Company joined the MUH federal consolidated tax group, and the Company's operations are included in the consolidated federal income tax return of MUH. The Company records its current and deferred income tax provision as if it were a separate taxable entity. The Company includes in its income tax provision the tax effect of profits and losses of partnerships and limited liability companies that do not have a tax sharing agreement with the Company.

The Company recognizes uncertain tax positions in income taxes in the financial statements when it is probable that an economic outflow would occur if the tax positions were examined and challenged by tax authorities.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that outflows of resources embodying economic benefits will be required to settle the obligation, and the reliable estimates of the amount of the obligation can be made. Provisions are measured as the best estimate of the amount of expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Financial guarantees

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognized at fair value and are subsequently measured at the greater of the best estimate of the likely outflow and the amount initially recognized less, where appropriate, cumulative amortization.

New Accounting Standards

In January 2016, the IASB issued IFRS 16, *Leases*. IFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. IFRS 16 does not introduce any significant change in lessor accounting, and accordingly, a lessor continues to classify its leases as operating leases or finance leases. This standard is effective for the Company from the fiscal year beginning April 1, 2019, with earlier application permitted. The Company is currently evaluating the impact of adoption of this standard on its financial statements.

In June 2017, the IASB issued IFRS Interpretations Committee ("IFRIC") Interpretation 23, *Uncertainty over Income Tax Treatments*. IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*, when there is uncertainty over income tax treatments. This Interpretation is effective for the Company from the fiscal year beginning April 1, 2019, with earlier application permitted. The Company is currently evaluating the impact of adoption of this Interpretation on its financial statements.

In October 2017, the IASB issued amendments to IFRS 9, *Financial Instruments*. These amendments allow particular prepayable financial assets to be recorded at amortized cost, or, depending on the business model, at FVTOCI if certain conditions are met. The amendments also clarify accounting for financial liabilities following a modification or exchange. These amendments are effective from the fiscal year beginning April 1, 2019, with earlier application permitted. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

(In thousands, except where otherwise noted)

3. Investments in Subsidiaries and Associates

The Company prepares separate financial statements and records investments in subsidiaries and associates at cost less impairment. The changes in the investments in subsidiaries and associates for the years ended March 31, 2019 and 2018 consisted of the following:

	Investments in subsidiaries	Investments in associates	Total
Balance at April 1, 2017	$ 690,492	$ 257,257	$ 947,749
Additions	6,941	2,189	9,130
Disposals	—	(13,430)	(13,430)
Impairment	(36,300)	(4,542)	(40,842)
Reclassification	(36,957)	—	(36,957)
Balance at March 31, 2018	$ 624,176	$ 241,474	$ 865,650
Additions	37,070	2,132	39,202
Disposals	—	(458)	(458)
Capital returns	(2,835)	(1,050)	(3,885)
Impairment	(23,454)	(17,155)	(40,609)
Reclassification	(12,321)	—	(12,321)
Balance at March 31, 2019	$ 622,636	$ 224,943	$ 847,579

The following are significant activities reflected in the table above:

Additions

Additions to investments in subsidiaries during the year ended March 31, 2019 mainly relate to additional capital contribution to Westport Petroleum, LLC (“WPL”) of $37.0 million.

Additions to investments in subsidiaries during the year ended March 31, 2018 mainly relate to additional capital contributions to Mitsui Plastics, Inc. and United Grain Corporation of Oregon of approximately $5.4 million and $1.5 million, respectively.

Additions to investments in associates during the year ended March 31, 2018 mainly relate to the capital injections to Peterson Ventures Partners II, LP of approximately $1.4 million.

Disposals

Disposals in investments in associates during the year ended March 31, 2018 included the partial sale of the Company’s shares in Penske Automotive Group Inc. and sale of all shares in Aethon, Inc. to third parties for a selling price of approximately $20.0 million and $16.0 million, respectively. The Company recorded gains on these sales of approximately $22.6 million in other income in the accompanying statement of comprehensive income for the year ended March 31, 2018.

Impairments

During the year ended March 31, 2019, the Company recorded impairment losses on its investments in WPL and Yorozu Automotiva Do Brasil Ltda. (“Yorozu”) of approximately $24.7 million and $16.6 million, respectively. The impairment of WPL was recognized in conjunction with a scheduled merger of WPL and Mitsui & Co. Energy Marketing Services (USA), Inc. (“MEMS”). The carrying amount of investment in WPL was reduced to the estimated fair value of the shares to be exchanged at the merger. See below for reclassification of the investment in WPL. The impairment of Yorozu was recognized due to increased operating costs and unfavorable trends in foreign exchange rates.

During the year ended March 31, 2018, the Company recorded impairment losses on its investments in MIT Wind Power, Incorporation and WPL of approximately $20.1 million and $14.1 million, respectively. The impairment was recognized due to increased operating costs.

(In thousands, except where otherwise noted)

The fair value of the investments was estimated using the discounted cash flow method and categorized as Level 3 in the fair value hierarchy. The significant unobservable inputs used for these fair value measurements were the discount rate and projected cash flows. See Note 14 regarding the fair value hierarchy.

The impairment losses were included in other expense in the accompanying statements of comprehensive income for the years ended March 31, 2019 and 2018.

Reclassification

On March 27, 2019, the Board of Directors of the Company approved an in-kind dividend of all of its shares in WPL, distributed to MUH after WPL's scheduled merger with MEMS on April 1, 2019. The Company's investment in WPL of approximately $12.3 million was reclassified to and included in other current assets in the accompanying statement of financial position at March 31, 2019.

On March 22, 2018, the Board of Directors of the Company approved an in-kind dividend of all of its shares in Hydro Capital Corporation ("HCC"), a wholly-owned subsidiary, distributed to MUH on April 1, 2018. The Company's investment in HCC of approximately $37.0 million was reclassified to and included in other current assets in the accompanying statement of financial position at March 31, 2018.

Details of the significant investments in subsidiaries and associates at March 31, 2019 and 2018 were as follows:

Subsidiaries:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2019	2018
Game Changer Holdings Inc.	United States	100	100
Hydro Capital Corporation	Mexico[1]	0	100
Intercontinental Terminals Company LLC	United States	100	100
MBK Real Estate Holdings Inc.	United States	100	100
MIT Wind Power, Inc.	United States	0	100
Mitsui de Mexico, S. de R.L. de. C.V.	Mexico	100	100
Mitsui Foods, Inc.	United States	100	100
Mitsui Plastics, Inc.	United States	100	100
United Grain Corporation of Oregon	United States	80	80
Westport Petroleum LLC	United States	100	100

[1] Hydro Capital Corporation is incorporated in the United States.

Associates:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2019	2018
Android Industries, LLC	United States	33	33
AWC Investments, Inc.	United States	29	29
MAG Aliança Automóveis do Brasil SSC	Brazil	50	50
Novus International, Inc.	United States	37	37
Penske Automotive Group, Inc.	United States	3[2]	4[2]
Road Machinery LLC	Mexico[3]	50	50
Yorozu Automotiva do Brasil Ltda.	Brazil	30	30

[2] Mitsui Japan also owns shares of Penske Automotive Group, Inc. Mitsui USA has significant influence over the entity jointly with Mitsui Japan.
[3] Road Machinery LLC is organized in the United States

(In thousands, except where otherwise noted)

4. Financial Instruments and Related Matters

Trade and Other Receivables and Derivative Assets

Trade and other receivables and derivative assets as of March 31, 2019 and 2018 consisted of the following:

	2019	2018
Current:		
Trade and other receivables:		
Unrelated parties	$ 255,654	$ 247,080
Parent and affiliates	138,240	311,774
Allowance for receivables	(1,363)	(1,737)
Total	$ 392,531	$ 557,117
Derivative assets	$ 43	3,172
Non-current—		
Derivative assets	$ 7,690	$ 7,659

Other Investments

The carrying amounts of other investments as of March 31, 2019 and 2018 were as follows:

	2019	2018
Equity instruments measured at FVTPL	$ 39,458	$ 28,473
Debt instruments measured at FVTPL	12,000	13,000
Equity instruments measured at FVTOCI	63,978	41,046
Total	$ 115,436	$ 82,519

Equity and Debt Instruments Measured at FVTPL

The fair value of equity and debt instruments measured at FVTPL as of March 31, 2019 and 2018 was as follows:

	2019	2018
Unlisted securities	$ 51,458	$ 41,473

There were no individually significant equity and debt instruments measured at FVTPL as of March 31, 2019 and 2018.

Gains (Losses) on Equity and Debt Instruments Measured at FVTPL

The Company recorded a net loss of $3,411 and $773 on sales and valuation of equity and debt instruments measured at FVTPL for the years ended March 31, 2019 and 2018, respectively. Net loss on equity and debt instruments measured at FVTPL are included in other expense in the accompanying statements of comprehensive income for the years ended March 31, 2019 and 2018.

Equity Instruments Measured at FVTOCI

The fair value of equity instruments measured at FVTOCI as of March 31, 2019 and 2018 was as follows:

	2019	2018
Publicly listed securities	$ 16,083	$ 4,174
Unlisted securities	47,895	36,872
Total	$ 63,978	$ 41,046

There were no individually significant equity instruments measured at FVTOCI as of March 31, 2019 and 2018.

(In thousands, except where otherwise noted)

Derecognized Equity Instruments Measured at FVTOCI

During the year ended March 31, 2018, the Company disposed of a certain equity instrument measured at FVTOCI because it determined such an equity instrument no longer met the Company's business strategies. The fair value at the date of derecognition and cumulative loss on disposal—net related to the equity instrument was as follows:

	2019	2018
Cumulative losses on disposition—net	—	(1,000)

The Company received no dividends from the disposed equity instrument measured at FVTOCI during the year ended March 31, 2018.

Finance Income and Cost

The finance income and finance cost for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Interest income:		
Amortized cost	$ 76,355	$ 57,318
Debt instruments measured at FVTPL	443	120
Total	$ 76,798	$ 57,438
Dividend income:		
Subsidiaries and associates	$ 92,793	$ 109,153
Equity instruments measured at FVTPL	2,773	171
Equity instruments measured at FVTOCI	190	47
Total	$ 95,756	$ 109,371
Interest expense—		
Amortized cost	$ (80,389)	$ (54,625)

Fee income and expense arising from financial assets measured at amortized cost were immaterial for the years ended March 31, 2019 and 2018.

Fair Value of Long-term Loan Receivables and Long-term Debt

The carrying amounts of long-term loan receivables and long-term debt with floating rates approximate their respective fair value. The fair value of long-term loan receivables and long-term debt with fixed rates is estimated by discounted cash flow analysis, using interest rates currently available for similar types of loan receivables and debt with similar terms and remaining maturities. These amounts are classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair value of long-term loan receivables and long-term debt as of March 31, 2019 and 2018 were as follows:

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loan receivables, including current portion	$ 1,450,974	$ 1,454,874	$ 1,264,617	$ 1,277,358
Long-term debt, including current portion	1,310,273	1,303,833	1,156,045	1,153,416

Capital Management and Financial Risk Management

(1) Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Board of Directors manages the level of dividends to the shareholder to maintain an optimal capital structure. No changes were made in the objectives, policies, or processes during the years ended March 31, 2019 and 2018. The capital of the Company consists of equity attributable to MUH.

(2) Credit risk

Credit risk is the risk of loss resulting from counterparty default arising on all credit exposures. The Company's credit risk is primarily attributable to its trade and loan receivables. The Company manages its credit risk by having and applying a strict credit approval process, with different levels of management having a varying credit approval limit. The Company has an established credit department which controls and monitors credit. Each counterparty is appraised annually and the credit limit and company rating are updated, if appropriate. In addition, certain counterparties are covered by credit insurance policies. See Note 5 for further analysis of allowance for receivables.

The credit risk on liquid funds and derivative instruments are limited because the counterparties are financial institutions and other parties with high credit ratings assigned by international credit rating agencies and other counterparties which have to pass through a credit approval process before credit lines are approved.

There was no significant concentration of trade receivables at March 31, 2019 and 2018.

The carrying amounts of financial assets recorded in the financial statements, net of any allowances for losses, and the financial guarantees represent the Company’s maximum exposure to credit risk.

(3) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due because of insufficient financial resources. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring forecast and actual cash flows by the use of the cash management arrangement utilized by various affiliated companies.

In its funding strategy, the Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings from third-party financial institutions and an affiliated company which specializes in financing services. See Note 8 for liquidity risk analysis for each class of financial liabilities and Notes 8 and 16 for information on lines of credit.

(4) Interest rate risk

The Company is exposed to interest rate risk arising from floating-rate assets and liabilities. An increase in interest rates may adversely affect its operating results.

The impact on profit before income taxes assuming a 1% rise in interest rates is a lower profit of approximately $7.0 million and $8.4 million for the years ended March 31, 2019 and 2018, respectively. This sensitivity analysis is calculated by multiplying the net amounts of floating-rate financial assets and liabilities as of March 31, 2019 and 2018 by 1%, without considering future changes in the balance, the effect of exchange rate fluctuations, or the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts and assuming that all other variables are constant.

The instruments that are included in the sensitivity analysis include floating-rate interest-bearing loan receivables and debt, fixed-rate interest-bearing loan receivables and debt, and cash and cash equivalents.

(In thousands, except where otherwise noted)

(5) Foreign currency exchange rate risk

The Company has limited exposure to foreign currency exchange rate risk as most of its receivables and payables arising from transactions such as purchases and sales of products and services and financial transactions are denominated in U.S. dollars. The Company uses foreign exchange forward contracts to reduce the remaining risks from the receivables and payables which are foreign currency-denominated. The impact on profit before income taxes assuming a 1% rise in exchange rate of any currency was not material for the years ended March 31, 2019 and 2018.

(6) Commodity price risk

The Company has limited exposures to the risk of commodity price fluctuations after a soy beans business was transferred to Mitsui Japan during the year ended March 31, 2018.

(7) Contingent earnouts

The Company holds contingent development and sales earnouts, which are recorded as non-current derivative assets on the accompanying statements of financial positions. The earnouts will be received based on achievements of various clinical and regulatory milestones as well as various sales milestones. The fair value of such payments is adjusted to reflect the estimated risk with the relative uncertainty of both the timing and achievement of individual development and sales milestones.

Derivative Instruments

The following table presents the fair value of derivative instruments not designated as hedging instruments as of March 31, 2019 and 2018:

		2019		2018	
		Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts	Current	$ 43	$ 37	$ 117	$ 145
Commodity contracts	Current	—	—	3,055	3,055
Contingent earnouts	Non-current	7,690	—	7,659	—
Total		$ 7,733	$ 37	$ 10,831	$ 3,200

Current and non-current derivative assets and current derivative liabilities are included in derivative assets and derivative liabilities on the accompanying statements of financial position, respectively.

(In thousands, except where otherwise noted)

5. Receivables and Related Allowances

During the year ended March 31, 2019, the Company measured allowance for receivables on the basis of ECL in accordance with IFRS 9. For trade receivables, the Company measures the allowance at the amount of lifetime ECL. For other receivables and loans, the Company measures the allowance according to a three-stage ECL impairment model:

- Performing financial assets
    - Stage 1 – If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that asset at an amount equal to 12-month expected credit losses.
    - Stage 2 – If the credit risk on a financial asset has increased significantly since initial recognition, the Company measures the loss allowance for that loan at an amount equal to lifetime expected credit losses.
- Impaired financial assets
    - Stage 3 – The Company measures the loss allowance for credit-impaired financial asset at an amount equal to lifetime expected credit losses. The Company determines that default has occurred and therefore an objective evidence of credit impairment exists when a debtor is under legal reorganization and in financial failure or has granted a concession due to financial difficulty, although it may not yet be in financial failure, or the principal and interest payment are 90 days past due as of the reporting date.

During the year ended March 31, 2018, the Company performed a quarterly analysis of dates past due to assess the adequacy of the allowance on trade and other receivables and a quarterly analysis of receivables using credit quality indicators, performing receivables, and nonperforming receivables to assess the adequacy of the allowance for loans receivables. Receivables that meet one of the following conditions are classified as nonperforming receivables:

- Counterparties who have filed a petition for liquidation, adjustments, rehabilitation, or reorganization under bankruptcy codes;
- Counterparties whose debts have not been collected for more than one year since the original due date; or
- Counterparties experiencing suspension or discontinuance of business, as well as those whose ability to fulfill their obligations is based on an internal review of their financial conditions.

The Company classifies loans receivables other than nonperforming receivables as performing receivables at March 31, 2018.

An analysis of receivables as of March 31, 2019 and 2018 were as follows:

	2019	2018
Loan receivables – performing	$ 1,702,800	$ 1,587,614
Trade receivables:		
Less than 30 days past due (including not past due)	$ 364,756	$ 546,385
30-89 days past due	1,727	1,704
90 days or more past due	141	115
Other receivables	27,270	10,650
Total	$ 393,894	$ 558,854

(In thousands, except where otherwise noted)

Changes in Allowance for Receivables

The analysis of the changes in allowance for receivables, all of which are provided for trade receivables, for the years ended March 31, 2019 and 2018 is as follows:

	2019 (IFRS 9)	2018 (IAS39)
Balance at April 1,	$ 1,737	$ 4,616
Provision for receivables	(187)	(164)
Credits charged-off	(187)	(2,715)
Balance at March 31,	$ 1,363	$ 1,737

All of loan and other receivables are categorized in Stage 1 and were provided with no allowance for receivables at March 31, 2019.

Impaired Receivables

All of the loan receivables are classified as performing and there were no impaired loan receivables at March 31, 2019 and 2018. In addition, there were no past due or non-accrual loan receivables at March 31, 2019 and 2018.

Trade and other receivables that were classified as impaired and provided for with an allowance for receivables amounted $242 as of March 31, 2018.

Settlement of Short-term Loan Receivable

During the year ended March 31, 2018, in conjunction with a sale of the Company's interest in a subsidiary to a third party, the Company settled with the buyer a short-term loan receivable from the subsidiary of $173.0 million. The Company recorded a loss of approximately $51.0 million from the settlement of the short-term loan receivable in other expense in the accompanying statement of comprehensive income for the year ended March 31, 2018.

6. Leases

The Company leases real estate, rolling stock, and storage tanks under operating leases. Certain storage tanks under operating leases are subleased to third parties and certain office spaces are subleased to affiliated companies and third parties. Most of the operating leases include renewal or early termination options and most leases of office space include escalation clauses.

The following is a schedule of future minimum lease payments under noncancellable operating leases as of March 31, 2019 and 2018:

	2019	2018
Not later than 1 year	$ 19,372	$ 16,310
Later than 1 year and not later than 5 years	60,431	55,639
Later than 5 years	130,774	140,865
Total	$ 210,577	$ 212,814

The following is a schedule of future minimum sublease payments to be received under noncancellable operating leases as of March 31, 2019 and 2018:

	2019	2018
Not later than 1 year	$ 6,569	$ 5,025
Later than 1 year and not later than 5 years	9,378	6,560
Later than 5 years	2,697	—
Total	$ 18,644	$ 11,585

(In thousands, except where otherwise noted)

Rental expenses incurred for operating leases for the years ended March 31, 2019 and 2018 were $19,940 and $16,762, respectively. Sublease rental income for the years ended March 31, 2019 and 2018 was $6,542 and $5,225, respectively.

7. Property, Plant, and Equipment

The changes in acquisition cost, accumulated depreciation, and the carrying amount of property, plant, and equipment for the years ended March 31, 2019 and 2018 were as follows:

Acquisition cost:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at April 1, 2017	$ 25,655	$ 7,356	$ 1,199	$ 6,408	$ 40,618
Additions	24	53	13,516	14	13,607
Disposals	(1,072)	(3,674)	—	—	(4,746)
Reclassification	9,570	1,943	(11,513)	—	—
Balance at March 31, 2018	$ 34,177	$ 5,678	$ 3,202	$ 6,422	$ 49,479
Additions	—	24	10,910	173	11,107
Disposals	(5,582)	(194)	(473)	(365)	(6,614)
Reclassification	7,743	787	(8,530)	—	—
Balance at March 31, 2019	$ 36,338	$ 6,295	$ 5,109	$ 6,230	$ 53,972

Accumulated depreciation:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at April 1, 2017	$ 11,253	$ 6,339	$ —	$ 6,363	$ 23,955
Depreciation/amortization expense	986	409	—	17	1,412
Disposals	(814)	(3,631)	—	—	(4,445)
Balance at March 31, 2018	$ 11,425	$ 3,117	$ —	$ 6,380	$ 20,922
Depreciation/amortization expense	1,350	560	—	31	1,941
Disposals	(5,582)	(176)	—	(365)	(6,123)
Balance at March 31, 2019	$ 7,193	$ 3,501	$ —	$ 6,046	$ 16,740

Carrying amount:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at March 31, 2018	$ 22,752	$ 2,561	$ 3,202	$ 42	$ 28,557
Balance at March 31, 2019	29,145	2,794	5,109	184	37,232

Total depreciation and amortization expense of $1,941 is included in selling, general, and administrative expenses in the accompanying statement of comprehensive income for the year ended March 31, 2019. For the year ended March 31, 2018, $1,134 is included in selling, general, and administrative expenses and the remaining $278 is included in cost of revenue in the accompanying statement of comprehensive income.

The amount of contractual commitments for the acquisition of property, plant and equipment as of March 31, 2019 and 2018 is $2,794 and $7,754, respectively.

(In thousands, except where otherwise noted)

8. Financial Liabilities

Short-term Debt

Short-term debts as of March 31, 2019 and 2018 were comprised of the following:

	2019		2018	
		Interest Rate		Interest Rate
Affiliates	$ 1,289,814	2.37%	$ 1,333,879	1.54%

The interest rates represent weighted-average rates in effect as of March 31, 2019 and 2018.

At March 31, 2019 and 2018, unused lines of credit for short-term financing from third-party financial institutions were $695 million and $645 million, respectively.

Long-term Debt

Long-term debts as of March 31, 2019 and 2018 consisted of the following:

	2019		2018	
		Interest Rate		Interest Rate
Affiliates	$ 1,310,273	2.32% to 3.86%	$ 1,156,045	1.52% to 3.59%
Less current portion	(156,372)		(307,742)	
Long-term debt, less current portion	$ 1,153,901		$ 848,303	

Trade and Other Payables and Derivative Liabilities

Trade and other payables and derivative liabilities as of March 31, 2019 and 2018 were measured at amortized cost, except for derivative liabilities, and consisted of the following:

	2019	2018
Current:		
Trade and other payables:		
Trade creditors	$ 95,520	$ 136,969
Parent and affiliates	208,691	203,119
Accrued expenses	18,548	18,927
Total	$ 322,759	$ 359,015
Derivative liabilities	37	3,200

Liquidity Risk Analysis

Non-derivative financial liabilities

The contractual maturities of financial liabilities, excluding derivative liabilities, as of March 31, 2019 and 2018 were as follows:

	2019			
	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Short-term debt	$ 1,289,814	$ —	$ —	$1,289,814
Trade and other payables	322,759	—	—	322,759
Long-term debt (including current portion)	156,372	1,153,901	—	1,310,273

(In thousands, except where otherwise noted)

	2018			
	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Short-term debt	$ 1,333,879	$ —	$ —	$1,333,879
Trade and other payables	359,015	—	—	359,015
Long-term debt (including current portion)	307,742	821,301	27,002	1,156,045

Derivative instruments

The following tables reflect expected net cash receipts and payments from derivative financial instruments. If amounts to be received or paid are not fixed, the amounts are calculated using forward currency exchange rates and interest rates estimated in reference to the yield curve as of March 31, 2019 and 2018.

		2019			
		Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Foreign exchange contracts:	Receipts	$ 43	$ —	$ —	$ 43
	Payments	(37)	—	—	(37)

		2018			
		Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Foreign exchange contracts:	Receipts	$ 118	$ —	$ —	$ 118
	Payments	(146)	—	—	(146)
Commodity contracts:	Receipts	3,055	—	—	3,055
	Payments	(3,055)	—	—	(3,055)

9. Employee Benefits

The Company sponsors a non-contributory defined benefit pension plan covering employees with a vested benefit (except Japanese nationals assigned in the United States by Mitsui Japan) of the Company and certain affiliated companies (collectively, "Group Companies"). The pension plan is classified as a defined benefit plan that shares risks between entities under common control in accordance with IAS 19, *Employee Benefits*. The Company amended the pension plan, effective January 1, 2007, to freeze participation in the pension plan. The Plan is governed by the Mitsui & Co. (U.S.A.), Inc. Pension Committee (the Committee). The Committee, which is comprised of employees of the Company, is mainly responsible for establishing the overall objectives, creating an investment policy and other administrative matters that fall under its fiduciary responsibilities.

In addition to providing pension benefits, the Company provides certain healthcare benefits for retired employees.

(In thousands, except where otherwise noted)

Changes in Defined Benefit Obligations and Plan Assets

The following table sets forth the changes in the Company's defined benefit obligations and plan assets for the years ended March 31, 2019 and 2018:

	Pension plan		Post-retirement welfare plan	
	2019	2018	2019	2018
Change in defined benefit obligations:				
Defined benefit obligations at beginning of year	$ 128,160	$ 120,787	$ 17,719	$ 16,016
Service cost	2,641	2,551	801	652
Interest expense	4,928	4,933	703	711
Actuarial (gain) loss – financial assumption changes	(81)	4,781	813	1,514
Actuarial (gain) loss – demographic assumption changes	(431)	1,054	(104)	(180)
Actuarial (gain) loss – experience adjustments	1,960	(438)	2,196	(735)
Plan participants' contributions	—	—	355	230
Benefits paid from plan assets	(8,318)	(5,142)	(794)	(489)
Plan amendments	—	(366)	—	—
Defined benefit obligations at end of year	128,859	128,160	21,689	17,719
Change in plan assets:				
Fair value of plan assets at beginning of year	100,979	90,312	—	—
Interest income	3,981	3,754	—	—
Return on plan assets (excluding interest income)	(3,294)	7,555	—	—
Contributions by the employer	5,200	5,000	439	259
Plan participants' contributions	—	—	355	230
Benefits paid from plan assets	(8,318)	(5,142)	(794)	(489)
Others	(500)	(500)	—	—
Fair value of plan assets at end of year	98,048	100,979	—	—
Net defined benefit liabilities at end of year	$ 30,811	$ 27,181	$ 21,689	$ 17,719

Components of Net Defined Benefit Costs

During the year ended March 31, 2018, the Company amended the pension plan to provide all deferred vested participants the option of a lump sum in lieu of annuity payments. Net defined benefit costs of the Company's defined benefit plans for the years ended March 31, 2019 and 2018 included the following components:

	Pension plan		Post-retirement welfare plan	
	2019	2018	2019	2018
Service cost	$ 2,641	$ 2,551	$ 801	$ 652
Interest expense	4,928	4,933	703	711
Interest income	(3,981)	(3,754)	—	—
Plan amendments	—	(366)	—	—
Others	500	500	—	—
Net defined benefit costs	$ 4,088	$ 3,864	$ 1,504	$ 1,363

Information about Shared Risks under Common Control

There is no contractual agreement or stated policy for charging to individual Group Companies the net defined benefit costs for the pension plan as a whole measured in accordance with IAS 19. For the years ended March 31, 2019 and 2018, contributions and plan expenses are shared among the participating Group Companies based on their respective headcount. During the years ended March 31, 2019 and 2018, the Company received from Group Companies approximately $0.8 million for their share of the contributions to the pension plan. The Company recorded such contributions received from Group Companies as a reduction of net defined benefit costs.

(In thousands, except where otherwise noted)

Assumptions

The weighted-average assumptions used to determine the Company's defined benefit obligations as of March 31, 2019 and 2018 were as follows:

	2019	2018
Pension plan:		
Discount rate	3.7%	4.0%
Rate of increase in future compensation levels	3.0	3.0
Post-retirement welfare plan—		
Discount rate	3.8	4.0

The Company determines the discount rate each year as of the measurement date, based on a corporate bond spot rate yield curve that matches projected future benefit payments, with the appropriate spot rate applicable to the timing of the projected future benefit payments.

The rate of increase in future compensation levels was 3.0% in determining the defined benefit obligation of the pension plan for the years ended March 31, 2019 and 2018. The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of the post-retirement welfare plan, because the benefit formula of the post-retirement welfare plan does not contain factors relating to compensation levels.

The following tables illustrate the sensitivity to changes in assumptions for the pension plan and the post-retirement welfare plan:

	Impact of change in assumption on defined benefit obligations as of March 31, 2019	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$7,464 increase	$2,252 increase
0.5% increase in discount rate	$6,773 decrease	$1,949 decrease
1.0% decrease in salary increase rate	$3,075 decrease	—
1.0% increase in salary increase rate	$3,232 increase	—
1.0% decrease in health care trend rate	—	$3,473 decrease
1.0% increase in health care trend rate	—	$4,503 increase

	Impact of change in assumption on defined benefit obligations as of March 31, 2018	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$7,359 increase	$1,775 increase
0.5% increase in discount rate	$6,684 decrease	$1,543 decrease
1.0% decrease in salary increase rate	$2,991 decrease	—
1.0% increase in salary increase rate	$3,200 increase	—
1.0% decrease in health care trend rate	—	$2,716 decrease
1.0% increase in health care trend rate	—	$3,496 increase

The discount rate sensitivity was measured by adjusting the discount rate up and down by 0.5% for the pension plan and the post-retirement welfare plan as of March 31, 2019 and March 31, 2018. The sensitivity due to the salary increase rate was measured by adjusting the salary increase assumption up and down by 1.0% for the pension plan. The sensitivity due to health care trend rate was measured by adjusting the health care trend rate assumption up and down by 1.0% for the post-retirement welfare plan.

(In thousands, except where otherwise noted)

Plan Assets

The Company's investment objective is to meet current and future benefit payment needs while maximizing total investment returns (income and appreciation) after inflation within the constraints of diversification and prudent risk taking. The Company invests primarily in a diversified portfolio of equity and fixed income securities that provide for long-term growth within reasonable and prudent levels of risk. The asset allocation targets established by the Company are strategic and intended to reduce exposure to risk assets in favor of long duration fixed income securities as the funded status of the pension plan improves. The portfolio is maintained to provide adequate liquidity to meet associated liabilities and minimize long-term expense and provide prudent diversification among asset classes. The pension plan employs a diversified mix of actively managed investments around a core of passively managed exposures in each asset class. Assets are rebalanced periodically to their strategic targets to maintain the pension plan's strategic risk/reward characteristics.

The fair value of the pension plan assets as of March 31, 2019 and 2018 by asset class was as follows:

	2019			2018		
	Quoted market price in an active market			Quoted market price in an active market		
Asset Class	Available	Not available	Total	Available	Not available	Total
Equity instruments (US)	$ —	$ 26,755	$ 26,755	$ —	$ 27,136	$ 27,136
Equity instruments (Non-US)	—	21,819	21,819	—	22,136	22,136
Debt securities	—	42,927	42,927	—	44,823	44,823
Life insurance company general accounts	—	6,481	6,481	—	6,854	6,854
Cash and deposits	66	—	66	30	—	30
Total	$ 66	$ 97,982	$ 98,048	$ 30	$ 100,949	$ 100,979

Equity instruments and debt securities above are included in collective trust funds. Collective trust funds are stated at the aggregate market value of units of participation. Such value reflects accumulated contributions, dividends, and realized and unrealized investment gains or losses apportioned to such contributions. The insurance contract is primarily valued at the present value of the future benefit payments owed by the insurance company to the pension plan's participants.

Cash Flows

Contributions

The Company expects to contribute $5.4 million and $0.6 million to the pension plan and the post-retirement welfare plan, respectively, for the year ending March 31, 2020. The funding of the pension plan is through a combination of contributions received from the employer and investment income generated by the pension plan's investments. The funding level is designed to comply with requirements of the Employee Retirement Income Security Act of 1974, the 21st Century Act and the Highway and Transportation Funding Act of 2014, the Pension Protection Act of 2006, and the Internal Revenue Code. These requirements include minimum funding levels. The Company creates and implements the funding policy and monitors the funding level with the assistance of the pension plan's enrolled actuary and investment consultant.

Maturity profile

The weighted average duration of the benefit payments for the pension plan is 11.1 years as of March 31, 2019 and 2018. The weighted average duration of the benefit payments for the post-retirement welfare plan is 19.4 years and 18.7 years as of March 31, 2019 and 2018, respectively.

In addition to the above defined pension plan and post-retirement welfare plan, Mitsui USA has a defined contribution plan. The defined contribution plan expense was approximately $1.3 million and $0.9 million for the years ended March 31, 2019 and 2018, respectively.

(In thousands, except where otherwise noted)

10. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Remeasurements of equity instruments:		
Balance at beginning of year	$ 851	$ (3,214)
Increase during the year	13,059	3,293
Transfer to retained earnings	—	772
Balance at end of year	$ 13,910	$ 851
Remeasurements of defined benefit plans:		
Balance at beginning of year	$ —	$ —
Decrease during the year	(5,844)	(5,714)
Transfer to retained earnings	5,844	5,714
Balance at end of year	$ —	$ —
Total:		
Balance at beginning of year	$ 851	$ (3,214)
Increase (decrease) during the year	7,215	(2,421)
Transfer to retained earnings	5,844	6,486
Balance at end of year	$ 13,910	$ 851

Each component of other comprehensive income and related tax expense for the years ended March 31, 2019 and 2018 was as follows:

	2019			2018		
	Pre-tax	Tax effect	Net	Pre-tax	Tax effect*	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of equity instruments	$ 16,932	$ (3,873)	$ 13,059	$ 4,869	$(1,576)	$ 3,293
Remeasurements of defined benefit plans	(7,647)	1,803	(5,844)	1,559	(7,273)	(5,714)
Total	$ 9,285	$ (2,070)	$ 7,215	$ 6,428	$(8,849)	$ (2,421)

*: Tax effect includes adjustment due to the Tax Cuts and Jobs Act enacted on December 22, 2017. See note 12.

11. Revenue

The Company generates revenue from contracts with customers, primarily as sale of various products including metals, chemicals, foods, and general consumer merchandise. Revenue from contracts with customer are disaggregated by the nature of contract arrangements, such as the Company acting as a principal or as an agent in the transactions. All of revenue is recognized when goods and services are transferred to customers at a point in time.

	2019	2018
Revenue from contracts with customers:		
As principal	$ 1,395,767*	$ 2,948,871
As agent	27,986	16,926
Total	$ 1,423,753	$ 2,965,797

*: After adoption of IFRS 15, revenue for certain transactions was recognized as principal, changed from as agent, during the year ended March 31, 2019. As a result, revenue and cost were increased by approximately $52 million when compared to the amounts under the former accounting standards.

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers.

	March 31, 2019	April 1, 2018
Receivables, included in trade and other receivables	$ 418,038	$ 558,854
Contract assets	—	—
Contract liabilities – included in other current liabilities	59	125

(In thousands, except where otherwise noted)

The contract liabilities relate to advance payments received from customer for goods which are scheduled to be delivered in the subsequent year. The amount of $125 recognized in contract liability at the beginning of the year has been recognized as revenue for the year ended March 31, 2019.

The Company's performance obligations related to advance payments received from customers of $59 at March 31, 2019 is expected to be recognized in revenue upon delivery of goods in the year ending March 31, 2020. There is no other remaining performance obligations that are unsatisfied at March 31, 2019.

No assets were recognized from the costs to obtain or fulfill a contract with a customer as of March 31, 2019.

12. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2019 and 2018 consisted of the following:

	2019	2018
Personnel expenses	$ 85,355	$ 92,222
Professional service expenses	13,954	18,251
Travel and entertainment expenses	14,321	14,516
Other	30,370	31,383
Total	$ 144,000	$ 156,372

13. Income Taxes

Income tax expense (benefit) recognized for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Current:		
Federal	$ 3,074	$ (13,422)
State and local	1,439	(1,485)
Total current	4,513	(14,907)
Deferred	(676)	1,335
Total	$ 3,837	$ (13,572)

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
Statutory U.S. federal tax rate	21.0 %	31.6 %
Increase (decrease) in tax rate resulting from:		
State income taxes, net of federal benefit	(2.9)	81.4
Non-deductible expenses	8.0	59.2
Dividend received deduction	(45.8)	(1,800.5)
Return to provision true-up	5.0	10.5
Investment basis difference	13.3	174.0
Reserves for tax contingencies	3.5	121.3
Revaluation of deferred balances	—	513.1
Transition Tax	—	172.6
Global Intangible Low-taxed Income tax	4.1	—
Tax audit assessment	1.7	—
Others—net	2.0	(31.8)
Effective income tax rate	9.9 %	(668.6)%

(In thousands, except where otherwise noted)

The tax effects of significant temporary differences and carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	2019	2018
Deferred tax assets:		
Allowance for receivables and other reserves	$ 4,246	$ 4,786
Inventories	264	189
Investment basis	15,726	19,171
Accrued expenses	3,323	2,835
Liabilities of defined benefit plans	12,183	10,211
Net operating loss carryforward and credit carryforward	25,739	29,118
Transaction costs	2,004	1,945
Other	1,936	3,771
Total deferred tax assets	$ 65,421	$ 72,026
Deferred tax liabilities:		
Depreciation and amortization	(5,270)	(9,249)
Deferred gain	(544)	(1,776)
Net deferred tax assets	$ 59,607	$ 61,001

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). In accordance with IAS 12 – *Income Taxes*, the impact of a change in tax law is recorded in the period of enactment or substantial enactment. The Tax Act lowered the statutory tax rate to 21%, taxes historic foreign earnings at a reduced rate of tax, establishes a territorial tax system and enacts new taxes associated with global operations.

With the enactment of the Tax Act, we recorded, for the year ended March 31, 2018, tax expense of $3.5 million to reflect our provisional estimate of the transition tax on historic foreign earnings. For the year ended March 31, 2019, we finalized our provisional estimate and recorded a benefit of $2.9 million as an adjustment. Similarly, we recorded, for the year ended March 31, 2018, tax expense of $10.4 million to reflect our provisional estimate of the re-measurement of U.S. deferred tax assets and liabilities using a rate of 21%. For the year ended March 31, 2019, we finalized our provisional estimate and did not note any material adjustment. Additionally, as part of the Tax Act, the U.S. has enacted a minimum tax on foreign earnings (Global Intangible Low Tax Income, "GILTI"). We have recorded tax expense of $1.6 million to reflect GILTI for the year ended March 31, 2019. Additional guidance may be issued after the year ended March 31, 2019 and any resulting effects will be recorded in the year of issuance.

The Company is included in the consolidated federal income tax return of MUH beginning with the year ended March 31, 2015. The Company had filed a consolidated federal income tax return as the Mitsui USA consolidated tax group through the year ended March 31, 2014. Although the Company had federal net operating loss carryforwards, computed on a stand-alone basis, as of March 31, 2014, no deferred tax asset has been recorded since the Company's net operating losses were fully utilized by other members of the Mitsui USA consolidated tax group in prior years. For the year ended March 31, 2018, the Company generated a federal net operating loss of approximately $108 million, which can be carried forward indefinitely, and recorded a deferred tax asset of approximately $24.5 million as it is probable that the net operating loss carryforward will be realized in the foreseeable future. As of March 31, 2019, the Company recorded a deferred tax asset of approximately $18.6 million on the net operating loss carryforward.

The Company files certain state returns on a stand-alone basis and has state net operating loss carryforwards of approximately $122 million and $75.9 million as of March 31, 2019 and 2018, respectively, which will expire primarily between the years ending March 31, 2020 and March 31, 2040. The Company has determined, at March 31, 2019 and 2018, it is probable that state net operating losses will be realized. Accordingly, the Company has recorded deferred tax assets of approximately $7.1 million and $4.6 million for the entire state net operating loss carryforwards as of March 31, 2019 and 2018, respectively.

The Company also has foreign tax credit carryforwards of approximately $19.4 million and $18.5 million as of March 31, 2019 and 2018, respectively. If not used, these credits will generally expire between the years ending

March 31, 2020 and March 31, 2030. The Company has determined, at March 31, 2019 and 2018, it is not probable that foreign tax credit will be realized in the foreseeable future. Accordingly, the Company has not recorded the deferred tax assets related to the foreign tax credit carryforwards as of March 31, 2019 and 2018.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Company's assessment that it is probable that all or part of the deferred tax assets will be realized.

The Company had a liability for uncertain tax positions of approximately $14 million and $13 million, including interest and penalties of approximately $1.2 million and $1.7 million, as of March 31, 2019 and March 31, 2018, respectively. These amounts are reported in other non-current liabilities in the accompanying statements of financial position. The Company recognizes unrecognized tax benefits and the related interest and penalties as a component of income tax expense (benefit).

The Company is subject to income taxes in the U.S. and withholding taxes in various foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state, local, and foreign income tax examinations for years ended before March 31, 2015.

14. Fair Value Measurement

IFRS 13, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes the fair value hierarchy that may be used to measure fair value, which is provided as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs for the asset or liability.

The Company recognizes transfers of assets or liabilities between levels of the fair value hierarchy when the transfers occur.

(In thousands, except where otherwise noted)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and 2018 were as follows:

	2019			
	Fair value measurements using			Total fair value
	Level 1	Level 2	Level 3	
Assets:				
Other investments:				
Equity and debt instruments measured at FVTPL	$ —	$ —	$ 51,458	$ 51,458
Equity instruments measured at FVTOCI	16,083	—	47,895	63,978
Total other investments	16,083	—	99,353	115,436
Derivative assets:				
Foreign exchange contracts	—	43	—	43
Contingent earnouts	—	—	7,690	7,690
Total derivative assets	—	43	7,690	7,733
Total assets	$ 16,083	$ 43	$107,043	$ 123,169
Liabilities:				
Derivative liabilities—				
Foreign exchange contracts	$ —	$ 37	$ —	$ 37

	2018			
	Fair value measurements using			Total fair value
	Level 1	Level 2	Level 3	
Assets:				
Other investments:				
Equity instruments measured at FVTPL	$ —	$ —	$ 41,473	$ 41,473
Equity instruments measured at FVTOCI	4,174	—	36,872	41,046
Total other investments	4,174	—	78,345	82,519
Derivative assets:				
Foreign exchange contracts	—	117	—	117
Commodity contracts	—	3,055	—	3,055
Contingent earnouts	—	—	7,659	7,659
Total derivative assets	—	3,172	7,659	10,831
Total assets	$ 4,174	$ 3,172	$ 86,004	$ 93,350
Liabilities:				
Derivative liabilities:				
Foreign exchange contracts	$ —	$ 145	$ —	$ 145
Commodity contracts	—	3,055	—	3,055
Total derivative liabilities	$ —	$ 3,200	$ —	$ 3,200

No assets or liabilities were transferred between Levels 1 and 2 during the years ended March 31, 2019 and 2018.

Primary valuation techniques used for each financial instrument measured at fair value on a recurring basis are as follows:

Other investments: Publicly-listed securities are measured using quoted market prices and classified as Level 1. Unlisted securities are measured at fair value using the income approach, the market approach, the cost approach, and other appropriate valuation techniques considering various assumptions. Under the income approach, fair value is determined by the discounted cash flow method or multiples analysis. Under the market approach, fair value may be determined by reference to a recent transaction involving investee companies or by reference to observable valuation measures for investees that are determined by the Company to be comparable. Under the cost approach, fair value may be determined by recent rounds of equity financing. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as Level 2 or 3.

(In thousands, except where otherwise noted)

Derivative instruments: Derivative commodity contracts are measured using observable inputs of the quoted prices obtained from the market, financial information providers, and brokers, and are classified as Level 2. Derivative foreign exchange contracts and derivative interest rate contracts are measured by discounted cash flow analysis using foreign exchange and interest rates and are classified as Level 2. Contingent earnouts are measured by discounted cash flow analysis using discount rates and the probability of milestone achievement and are classified as Level 3.

The reconciliation of equity and debt instruments measured at FVTPL on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Balance at beginning of year	$ 41,473	$ 29,729
Losses—net	(3,411)	(773)
Purchases	17,158	19,331
Sales	(3,330)	(6,629)
Capital returns	(432)	(185)
Balance at end of year	$ 51,458	$ 41,473
Net change in unrealized losses still held at end of the year	$ (5,241)	$ (2,175)

Losses—net related to equity and debt instruments measured at FVTPL were included in other expense in the accompanying statements of comprehensive income.

The reconciliation of equity instruments measured at FVTOCI on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Balance at beginning of year	$ 36,872	$ 23,019
Other comprehensive income	8,023	3,853
Purchases	6,000	10,000
Transfers out of Level 3	(3,000)	—
Balance at end of year	$ 47,895	$ 36,872

Other comprehensive income related to equity instruments measured at FVTOCI was included in remeasurements of equity instruments in the accompanying statements of comprehensive income.

The reconciliation of contingent earnouts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Balance at beginning of year	$ 7,659	$ 9,023
Remeasurement gain (loss)*	31	(1,364)
Balance at end of year	$ 7,690	$ 7,659
Net change in unrealized losses still held at end of year	$ 31	$ (1,364)

*: The remeasurement gain (loss) related to contingent earnouts were included in other income/expense in the accompanying statements of comprehensive income.

(In thousands, except where otherwise noted)

The valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value on a recurring basis as of March 31, 2019 and 2018 were as follows:

	2019		
	Balance	Unobservable inputs	Range
Equity and debt instruments measured at FVTPL:			
Income approach/market approach	$ 39,677	Discount rate	8.2% - 16.0%
		EBITDA multiple	6.5x – 19.5x
		Revenue multiple	2.0x
Cost approach	11,781	—	
Total FVTPL	51,458		
Equity instruments measured at FVTOCI:			
Income approach/market approach	$ 12,307	Revenue multiple	5.8x – 6.0x
		Variable Rate	22.0%
Cost approach	35,588	—	
Total FVTOCI	47,895		
Contingent earnouts—			
Income approach	$ 7,690	Discount rate	7.0% – 14.0%
		Probability of milestone achievement	1.8% – 61.0%

	2018		
	Balance	Unobservable inputs	Range
Equity instruments measured at FVTPL:			
Income approach/market approach	$ 19,473	Discount rate	12.5% – 25.4%
		EBITDA multiple	3.0x
		Revenue multiple	19.0x – 20.0x
Cost approach	22,000	—	
Total FVTPL	41,473		
Equity instruments measured at FVTOCI:			
Income approach/market approach	$ 13,876	Revenue multiple	5.2x – 6.0x
Cost approach	22,996	Volatility	22%
Total FVTOCI	36,872		
Contingent earnouts—			
Income approach	$ 7,659	Discount rate	7.0% – 14.5%
		Probability of milestone achievement	0.49% – 61.0%

For recurring fair value measurements, increases (decreases) in discount rates and volatility would result in a lower (higher) fair value whereas increases (decreases) in the multiples and probability of milestone achievement would result in a higher (lower) fair value.

(In thousands, except where otherwise noted)

15. Contingent Liabilities

Guarantees

The Company provides various types of guarantees to the benefit of affiliated companies, and third parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing or trade payable.

The Company evaluates the risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitors outstanding positions and records an adequate allowance to cover losses expected from probable performance under these agreements.

The Company believes that the likelihood to perform guarantees which would materially affect the Company's financial position, results of operations, or cash flows is remote at March 31, 2019 and 2018.

The following table summarizes the maximum potential amount of future payments and outstanding amount of the Company's guarantees as of March 31, 2019 and 2018. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

	2019	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 811,827	$ 91,109
Guarantees for associates and other affiliates	94,745	29,150
Total	$ 906,572	$ 120,259

	2018	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 475,302	$ 74,683
Guarantees for associates and other affiliates	92,284	43,107
Total	$ 567,586	$ 117,790

The table below summarizes the maximum potential amount of future payments for the Company's guarantees by the remaining contractual periods as of March 31, 2019 and 2018.

	2019	2018
Not later than 1 year	$ 837,475	$ 411,546
Later than 1 year and not later than 5 years	43,021	106,853
Later than 5 years	26,076	49,187
Total	$ 906,572	$ 567,586

Letter of Credit

At March 31, 2019 and 2018, the Company had commercial letters of credit outstanding of approximately $8.3 million and $12.6 million, respectively.

(In thousands, except where otherwise noted)

Litigation

Various claims and legal actions are pending against the Company in respect to contractual obligations and other matters arising out of the conduct of the Company's business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liabilities will not materially affect the financial position, results of operations, or cash flows of the Company.

16. Related Party Transactions

During the year, the Company has various transactions with related parties in the normal course of business. The related party balances and transactions included within the financial statements as of March 31, 2019 and 2018 and for the years ended March 31, 2019 and 2018 are as follows:

Statements of financial position:

	2019	2018
Trade and other receivables:		
Parent	$ 84,599	$ 250,333
Subsidiaries	16,948	4,763
Associates	3,256	3,446
Other affiliates	33,437	53,232
Short-term loan receivables and current portion of long-term loan receivables:		
Subsidiaries	381,340	511,481
Other affiliates	44,822	35,574
Long-term loan receivables, less current portion:		
Subsidiaries	902,170	667,232
Associates	366,218	364,327
Other affiliates	8,250	9,000
Derivative assets:		
Subsidiaries	8	1,819
Trade and other payables:		
Parent	144,449	149,708
Subsidiaries	189	9,755
Associates	72	493
Other affiliates	63,981	43,163
Short-term debt and current portion of long-term debt:		
Parent	1,039,181	1,139,252
Subsidiaries	34,988	41,044
Associates	35,076	22,829
Other affiliates	336,941	438,496
Long-term debt, less current portion—		
Other affiliates	1,153,901	848,303
Tax due to subsidiaries*	—	20,302
Derivative liabilities:		
Parent	—	3,055
Subsidiaries	9	17
Dividend payable	12,321	36,957

*: The Company started to file federal consolidated tax returns with MUH from the tax year ended March 31, 2015. Tax due to subsidiaries represents the payables between the Company and subsidiaries based on tax sharing agreements. Tax due to subsidiaries are included in other current liabilities and other non-current liabilities in the accompanying statements of financial position. Due to the Tax Act, the Company remeasured tax due to subsidiaries using the reduce tax rate and recognized the tax benefit as additional paid-in capital of $8,765 in the accompanying statement of changes in equity during the year ended March 31, 2018.

(In thousands, except where otherwise noted)

Statements of comprehensive income:

	2019	2018
Revenue from related parties:		
Parent	$ 151,208	$ 105,118
Subsidiaries	7	1,649
Other affiliates	55,375	11,482
Purchases from related parties:		
Parent	304,363	383,610
Subsidiaries	6,991	233,727
Associates	25	—
Other affiliates	130,621	86,389
Service income included in other income:		
Parent	59,231	61,423
Subsidiaries	3,312	3,592
Associates	866	800
Other affiliates	7,699	8,098
Interest income:		
Parent	3,501	2,032
Subsidiaries	41,453	27,013
Associates	14,123	14,004
Other affiliates	2,056	3,677
Interest expense:		
Parent	20,266	11,034
Subsidiaries	444	318
Associates	711	631
Other affiliates	44,482	34,463

The Company has trading relationships such as sales and purchase of goods with Mitsui Japan and its subsidiaries and other affiliated companies.

The Company provides short-term and long-term financing to subsidiaries and affiliates. The Company manages a centralized cash management arrangement whereby subsidiaries and affiliates deposit excess cash for overnight investing and borrow funds to meet daily working capital needs. For most of the investing and financing transactions with related parties, interest accrues at a mutually agreed-upon rate, typically the LIBOR plus a margin.

The Company provided approximately $2,700 million and $2,621 million line of credit to subsidiaries and affiliates effective on March 31, 2019 and 2018, respectively. Those lines of credit generally expire within a year.

The Company had available line of credit of $2,010 million and $1,856 million with an affiliate effective on March 31, 2019 and 2018, respectively. The lines of credit expire within a year. See Note 8 for more details on debt with affiliates and other parties.

During the years ended March 31, 2019 and 2018, the Company renewed debt with original maturities of more than three months with a subsidiary of Mitsui Japan in the amount of $302,970 and $188,800, respectively, without cash settlement. During the years ended March 31, 2019 and 2018, the Company paid a dividend of $25,833 and $130,517 respectively, to MUH and, simultaneously, obtained short-term debt from MUH at the same amount without cash settlement. At March 31, 2019 and 2018, the Company has an in-kind dividend payable to MUH of $12,321 and $36,957, respectively. See Note 3 for further details.

The Company provides various types of guarantees to the benefit of subsidiaries and affiliated companies. See Note 15 for more details on guarantees. The Company's loan receivables guaranteed by Mitsui Japan are $371,411 and $527,672 at March 31, 2019 and 2018, respectively.

The Company performs certain administrative services for Mitsui Japan, MUH, and other affiliates and receives service fees based on various service agreements. Service fee income is included in other income in the accompanying statements of comprehensive income.

The Company has extensive transactions with Mitsui Japan and its subsidiaries and affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations, or its cash flows which would have been attained by the Company if it had operated without such affiliations.

Remunerations for members of the Board of Directors, who are considered as key management personnel, for the years ended March 31, 2019 and 2018 were $2,714 and $1,823, respectively.

17. Ultimate Parent and Controlling Party

Mitsui Japan is the Company's ultimate parent and controlling party. Copies of the consolidated financial statements of Mitsui Japan that comply with IFRS are available from:

Mitsui & Co., Ltd.
Corporate Communications Division
1-3, Marunouchi 1-chome, Chiyoda-ku
Nippon Life Marunouchi Garden Tower
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18. Authorization of Issuance of Financial Statements

The issuance of the financial statements was authorized by Katsurao Yoshimori, President and Chief Executive Officer, and Masao Kurihara, Chief Financial Officer, on July 1, 2019.

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