SUMITOMO CHEMICAL

Consolidated Financial Statements

Years ended March 31, 2020 and 2019

Consolidated Statement of Financial Position

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
March 31, 2020 and 2019

	Note	Millions of yen		Thousands of US dollars (Note 2)
		March 31, 2020	March 31, 2019	March 31, 2020
Assets				
Current assets:				
Cash and cash equivalents	8	¥ 180,648	¥ 201,678	$ 1,659,910
Trade and other receivables	9	570,413	549,992	5,241,321
Other financial assets	10	8,945	5,352	82,192
Inventories	11	492,391	489,266	4,524,405
Other current assets	12	54,204	44,935	498,062
subtotal		1,306,601	1,291,223	12,005,890
Assets held for sale	13	4,305	—	39,557
Total current assets		1,310,906	1,291,223	12,045,447
Non-current assets:				
Property, plant and equipment	14	778,417	735,918	7,152,596
Goodwill	15	195,998	126,838	1,800,956
Intangible assets	15	466,408	216,664	4,285,657
Investments accounted for using the equity method	17	264,054	299,044	2,426,298
Other financial assets	10	488,645	323,392	4,489,984
Retirement benefit assets	24	61,229	69,392	562,611
Deferred tax assets	18	47,092	70,587	432,712
Other non-current assets	12	37,583	38,560	345,336
Total non-current assets		2,339,426	1,880,395	21,496,150
Total assets		¥3,650,332	¥3,171,618	$33,541,597

See accompanying notes.

	Note	Millions of yen March 31, 2020	 March 31, 2019	Thousands of US dollars (Note 2) March 31, 2020
Liabilities and equity				
Liabilities				
Current liabilities:				
Bonds and borrowings	19, 21	¥ 466,527	¥ 256,565	$ 4,286,750
Trade and other payables	23	436,070	482,858	4,006,891
Other financial liabilities	20, 22	48,769	50,735	448,121
Income taxes payable		32,116	29,715	295,102
Provisions	25	89,862	101,340	825,710
Other current liabilities	26	88,984	83,921	817,643
Total current liabilities		1,162,328	1,005,134	10,680,217
Non-current liabilities:				
Bonds and borrowings	19, 21	838,139	582,965	7,701,360
Other financial liabilities	20, 21, 22	92,056	87,616	845,870
Retirement benefit liabilities	24	45,770	43,981	420,564
Provisions	25	21,491	22,698	197,473
Deferred tax liabilities	18	79,528	51,171	730,754
Other non-current liabilities	26	22,183	26,167	203,832
Total non-current liabilities		1,099,167	814,598	10,099,853
Total liabilities		2,261,495	1,819,732	20,780,070
Equity				
Share capital	27	89,699	89,699	824,212
Capital surplus	27	19,135	20,438	175,825
Retained earnings	27	807,959	820,454	7,424,047
Treasury shares	27	(8,329)	(8,322)	(76,532)
Other components of equity	27	13,878	76,433	127,519
Equity attributable to owners of the parent		922,342	998,702	8,475,071
Non-controlling interests		466,495	353,184	4,286,456
Total equity		1,388,837	1,351,886	12,761,527
Total liabilities and equity		¥3,650,332	¥3,171,618	$33,541,597

See accompanying notes.

Consolidated Statement of Profit or Loss

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

		Millions of yen		Thousands of US dollars (Note 2)
	Note	2020	2019	2020
Sales revenue	6, 29	¥2,225,804	¥2,318,572	$20,452,118
Cost of sales		(1,519,047)	(1,576,299)	(13,957,980)
Gross profit		706,757	742,273	6,494,138
Selling, general and administrative expenses	30	(575,135)	(590,062)	(5,284,710)
Other operating income	31	11,590	11,154	106,496
Other operating expenses	31	(14,928)	(17,594)	(137,168)
Share of profit of investments accounted for using the equity method	17	9,233	37,201	84,839
Operating income		137,517	182,972	1,263,595
Finance income	32	13,178	16,615	121,088
Finance expenses	32	(20,215)	(11,217)	(185,748)
Income before taxes		130,480	188,370	1,198,934
Income tax expenses	18	(76,081)	(35,904)	(699,081)
Net income		¥ 54,399	¥ 152,466	$ 499,853
Net income attributable to:				
Owners of the parent		30,926	117,992	284,168
Non-controlling interests		23,473	34,474	215,685
Net income		¥ 54,399	¥ 152,466	$ 499,853

		Yen		US dollars (Note 2)
Earnings per share:	34			
Basic earnings per share		¥18.91	¥72.17	$0.174
Diluted earnings per share		—	72.12	—

See accompanying notes.

Consolidated Statement of Comprehensive Income

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Note	Millions of yen 2020	Millions of yen 2019	Thousands of US dollars (Note 2) 2020
Net income		¥ 54,399	¥152,466	$499,853
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurements of financial assets measured at fair value through other comprehensive income	33	(13,397)	(7,341)	(123,100)
Remeasurements of defined benefit plans	24, 33	(8,323)	667	(76,477)
Share of other comprehensive income of investments accounted for using the equity method	17, 33	(4,812)	1,496	(44,216)
Total items that will not be reclassified to profit or loss		(26,532)	(5,178)	(243,793)
Items that may be subsequently reclassified to profit or loss				
Cash flow hedge	33, 37	1,871	561	17,192
Exchange differences on translation of foreign operations	33	(45,048)	4,782	(413,930)
Share of other comprehensive income of investments accounted for using the equity method	17, 33	(2,050)	(4,485)	(18,837)
Total items that may be subsequently reclassified to profit or loss		(45,227)	858	(415,575)
Other comprehensive income, net of taxes		(71,759)	(4,320)	(659,368)
Total comprehensive income		(17,360)	148,146	(159,515)
Total comprehensive income attributable to:				
Owners of the parent		(39,080)	110,448	(359,092)
Non-controlling interests		21,720	37,698	199,577
Total comprehensive income		¥(17,360)	¥148,146	$(159,515)

See accompanying notes.

Consolidated Statement of Changes in Equity

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

		Millions of yen											
		Equity attributable to owners of the parent											
						Other components of equity							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash flow hedges	Exchange differences on translation of foreign operations	Total	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at April 1, 2018		¥89,699	¥21,688	¥738,882	¥(8,296)	¥104,034	¥ —	¥(2,852)	¥(16,014)	¥85,168	¥927,141	¥325,073	¥1,252,214
Cumulative effects of changes in accounting policies		—	—	60	—	—	—	—	—	—	60	169	229
Restated balance as at April 1, 2018		89,699	21,688	738,942	(8,296)	104,034	—	(2,852)	(16,014)	85,168	927,201	325,242	1,252,443
Net income		—	—	117,992	—	—	—	—	—	—	117,992	34,474	152,466
Other comprehensive income	33	—	—	—	—	(5,410)	1,343	1,001	(4,478)	(7,544)	(7,544)	3,224	(4,320)
Total comprehensive income		—	—	117,992	—	(5,410)	1,343	1,001	(4,478)	(7,544)	110,448	37,698	148,146
Purchase of treasury shares	27	—	—	—	(27)	—	—	—	—	—	(27)	—	(27)
Disposal of treasury shares	27	—	0	—	1	—	—	—	—	—	1	—	1
Dividends	28	—	—	(37,606)	—	—	—	—	—	—	(37,606)	(13,524)	(51,130)
Changes resulting from additions to consolidation		—	—	(175)	—	110	—	—	—	110	(65)	645	580
Change in interest due to transactions with non-controlling interests		—	(1,250)	—	—	—	—	—	—	—	(1,250)	3,123	1,873
Transfer from other components of equity to retained earnings		—	—	1,301	—	42	(1,343)	—	—	(1,301)	—	—	—
Others, net		—	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners		—	(1,250)	(36,480)	(26)	152	(1,343)	—	—	(1,191)	(38,947)	(9,756)	(48,703)
Balance as at March 31, 2019		¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥76,433	¥998,702	¥353,184	¥1,351,886
Balance as at April 1, 2019		¥89,699	¥20,438	¥820,454	¥(8,322)	¥ 98,776	¥ —	¥(1,851)	¥(20,492)	¥76,433	¥998,702	¥353,184	¥1,351,886
Cumulative effects of changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—
Restated balance as at April 1, 2019		89,699	20,438	820,454	(8,322)	98,776	—	(1,851)	(20,492)	76,433	998,702	353,184	1,351,886
Net income		—	—	30,926	—	—	—	—	—	—	30,926	23,473	54,399
Other comprehensive income	33	—	—	—	—	(20,740)	(9,372)	2,035	(41,929)	(70,006)	(70,006)	(1,753)	(71,759)
Total comprehensive income		—	—	30,926	—	(20,740)	(9,372)	2,035	(41,929)	(70,006)	(39,080)	21,720	(17,360)
Purchase of treasury shares	27	—	—	—	(7)	—	—	—	—	—	(7)	—	(7)
Disposal of treasury shares	27	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	28	—	—	(35,970)	—	—	—	—	—	—	(35,970)	(16,722)	(52,692)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—	—	—	—	109,256	109,256
Change in interest due to transactions with non-controlling interests		—	(1,303)	—	—	—	—	—	—	—	(1,303)	(943)	(2,246)
Transfer from other components of equity to retained earnings		—	—	(7,465)	—	(1,907)	9,372	—	—	7,465	—	—	—
Others, net		—	—	14	—	(14)	—	—	—	(14)	—	—	—
Total transactions with owners		—	(1,303)	(43,421)	(7)	(1,921)	9,372	—	—	7,451	(37,280)	91,591	54,311
Balance as at March 31, 2020		¥89,699	¥19,135	¥807,959	¥(8,329)	¥ 76,115	¥ —	¥ 184	¥(62,421)	¥13,878	¥922,342	¥466,495	¥1,388,837
		Thousands of US dollars (Note 2)											
Balance as at April 1, 2019		$824,212	$187,797	$7,538,859	$(76,468)	$907,617	$ —	$(17,008)	$(188,294)	$702,315	$9,176,715	$3,245,282	$12,421,997
Cumulative effects of changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—
Restated balance as at April 1, 2019		824,212	187,797	7,538,859	(76,468)	907,617	—	(17,008)	(188,294)	702,315	9,176,715	3,245,282	12,421,997
Net income		—	—	284,168	—	—	—	—	—	—	284,168	215,685	499,853
Other comprehensive income	33	—	—	—	—	(190,572)	(86,116)	18,699	(385,271)	(643,260)	(643,260)	(16,108)	(659,368)
Total comprehensive income		—	—	284,168	—	(190,572)	(86,116)	18,699	(385,271)	(643,260)	(359,092)	199,577	(159,515)
Purchase of treasury shares	27	—	—	—	(64)	—	—	—	—	—	(64)	—	(64)
Disposal of treasury shares	27	—	0	—	0	—	—	—	—	—	0	—	0
Dividends	28	—	—	(330,516)	—	—	—	—	—	—	(330,516)	(153,652)	(484,168)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—	—	—	—	1,003,914	1,003,914
Change in interest due to transactions with non-controlling interests		—	(11,972)	—	—	—	—	—	—	—	(11,972)	(8,665)	(20,637)
Transfer from other components of equity to retained earnings		—	—	(68,593)	—	(17,523)	86,116	—	—	68,593	—	—	—
Others, net		—	—	129	—	(129)	—	—	—	(129)	—	—	—
Total transactions with owners		—	(11,972)	(398,980)	(64)	(17,652)	86,116	—	—	68,464	(342,552)	841,597	499,045
Balance as at March 31, 2020		$824,212	$175,825	$7,424,047	$(76,532)	$699,393	$ —	$ 1,691	$(573,565)	$127,519	$8,475,071	$4,286,456	$12,761,527

See accompanying notes.

Consolidated Statement of Cash Flows

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2020 and 2019

	Note	Millions of yen		Thousands of US dollars (Note 2)
		2020	2019	2020
Cash flows from operating activities:				
Income before taxes		¥130,480	¥188,370	$1,198,934
Depreciation and amortization		131,741	112,495	1,210,521
Impairment loss	16	37,328	24,639	342,994
Reversal of impairment loss	16	(61)	(2,969)	(561)
Share of profit of investments accounted for using the equity method		(9,233)	(37,201)	(84,839)
Interest and dividend income		(10,904)	(10,849)	(100,193)
Interest expenses		12,513	10,623	114,977
Business structure improvement expenses		7,806	9,067	71,727
Changes in fair value of contingent consideration		(48,475)	(8,950)	(445,419)
Gain on sale of property, plant and equipment		(931)	(1,434)	(8,555)
Increase in trade receivables		(10,938)	(26,600)	(100,505)
Increase in inventories		(11,713)	(35,613)	(107,627)
Decrease in trade payables		(22,048)	(18,673)	(202,591)
Increase (decrease) in provisions		(8,060)	4,124	(74,060)
Others, net		(52,303)	38,041	(480,594)
Subtotal		145,202	245,070	1,334,209
Interest and dividends received		27,033	32,999	248,397
Interest paid		(12,733)	(10,940)	(116,999)
Income taxes paid		(48,688)	(50,161)	(447,377)
Business structure improvement expenses paid		(4,802)	(8,825)	(44,124)
Net cash provided by operating activities		106,012	208,143	974,106
Cash flows from investing activities:				
Payments of deposit	35	(61,028)	—	(560,764)
Purchase of property, plant and equipment, and intangible assets		(120,449)	(174,816)	(1,106,763)
Proceeds from sale of property, plant and equipment, and intangible assets		1,974	4,010	18,138
Purchase of investments in subsidiaries	7	(204,592)	(3,348)	(1,879,923)
Purchase of other financial assets		(122,493)	(9,126)	(1,125,544)
Proceeds from sales and redemption of other financial assets		6,763	2,420	62,143
Others, net		155	23	1,424
Net cash used in investing activities		(499,670)	(180,837)	(4,591,289)
Cash flows from financing activities:				
Net (decrease) increase in short-term borrowings	21	237,592	3,180	2,183,148
Net increase (decrease) of commercial paper	21	(28,000)	(4,000)	(257,282)
Proceeds from long-term borrowings	21	67,689	89,190	621,970
Repayments of long-term borrowings	21	(85,657)	(67,871)	(787,072)
Proceeds from issuance of bonds	21	282,575	49,725	2,596,481
Redemption of bonds	21	(30,500)	(77,000)	(280,254)
Repayments of lease liabilities	21, 22	(14,778)	(3,175)	(135,790)
Cash dividends paid	28	(35,970)	(37,606)	(330,515)
Cash dividends paid to non-controlling interests		(16,717)	(13,521)	(153,607)
Payments for acquisition of subsidiaries' interests from non-controlling interests		(2,622)	(2,205)	(24,093)
Others, net		(70)	2,417	(643)
Net cash provided by (used in) financing activities		373,542	(60,866)	3,432,344
Effect of exchange rate changes on cash and cash equivalents		(914)	3,309	(8,398)
Net increase (decrease) in cash and cash equivalents		(21,030)	(30,251)	(193,237)
Cash and cash equivalents at beginning of year	8	201,678	231,929	1,853,147
Cash and cash equivalents at end of year	8	¥180,648	¥201,678	$1,659,910

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Chemical Company, Limited and Consolidated Subsidiaries
For the Years ended March 31, 2020 and 2019

1 Reporting Entity

Sumitomo Chemical Company, Limited (hereinafter, the "Company") is a company domiciled in Japan. The address of the Company's registered Head Office and main places of business are presented on the Company's website (URL https://www.sumitomo-chem.co.jp/).

The consolidated financial statements of the Company and its subsidiaries (hereinafter, the "Group") have a closing date as of March 31 and comprise the financial statements of the Group and the interests in associates and jointly controlled entities of the Group.

The Group is primarily involved in the manufacturing and sale of "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences" and "Pharmaceuticals." Details of these businesses are presented in Note 6 Segment Information.

2 Basis of Preparation

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements applies, as the Company meets the requirements for a "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of said ordinance.

The Group's consolidated financial statements were approved on June 24, 2020 by Keiichi Iwata, Representative Director & President.

(2) Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value presented in Note 3 Significant Accounting Policies.

(3) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded to the nearest million yen.

The translations of Japanese yen amounts into US dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥108.83 to US$1.00.

Such translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into US dollars at this or any other rate of exchange.

3 Significant Accounting Policies

(1) Basis of Consolidation

① Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has control over an entity if it has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accordingly, even in cases where the Group does not own the majority of voting rights of an entity, if the Group is deemed to effectively control its decision-making body, the entity is treated as a subsidiary.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which it is lost.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group. All intergroup balances, transactions, income and expenses and unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Differences between adjusted non-controlling interest amounts and fair value of the considerations are recognized directly as equity attributed to owners of the parent. In the event of a loss of control, any gain or loss arising from a loss of control is recognized in profit or loss.

In the case when the closing date of a subsidiary is different from that of the Group, financial statements that are prepared provisionally as of the consolidated closing date are used for such subsidiaries.

② Associates and Joint Arrangements

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not have control or joint control. The Group is presumed to have significant influence over another when it holds at least 20% of the voting rights of that entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as Joint operations or Joint ventures depending on the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and equity interests in joint ventures are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill identified on acquisition.

If the Group holds an interest in a joint operation, the Group recognizes its share of the assets, liabilities, revenues and expenses generated from joint operation.

Financial statements of associates, joint ventures and joint operations are adjusted, if necessary, when their accounting policies differ from those of the Group.

When it is impracticable to unify the closing date of associates, joint ventures and joint operations due to certain reasons such as relationships with other shareholders, significant transactions or events between the closing date of the Group and that of the said entities' financial statements are reflected in the consolidated financial statements.

(2) Business Combinations

The Group uses the acquisition method to account for business combinations. The consideration of acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Group in exchange for control of the acquiree.

Identifiable assets and liabilities of the acquiree, excluding the following items, are measured at their acquisition-date fair values.

- Deferred tax assets/liabilities, and assets/liabilities related to employee benefits;
- Share-based payment contracts of the acquiree; and
- Non-current assets and disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Conversely, any shortfall is immediately recognized as gain in profit or loss.

Non-controlling interests are initially measured either at fair value or at proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition-related costs associated with business combinations, such as advisory fees, attorney fees and due diligence costs, are expensed as incurred.

If the initial accounting for business combination is incomplete by the reporting date in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date ("measurement period") would have affected the measurement of the amounts recognized on the acquisition date.

If a business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income.

Some changes in the fair value of contingent consideration after the acquisition are adjusted against the recognized consideration if it is regarded as the above-mentioned measurement period adjustment; otherwise, it will be recognized as a change in fair value in profit or loss.

Additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore goodwill is not recognized with respect to such a transaction.

(3) Foreign Currency Translations

① Foreign Currency Transactions

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

Foreign currency monetary assets and liabilities at the reporting date are translated into the functional currency using the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the spot exchange rate at the date of transaction.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date when the fair value is determined.

Exchange differences arising from translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured at fair value through other comprehensive income and cash flow hedges to the extent that the hedge is effective are recognized in other comprehensive income.

② Financial Statements of Foreign Operations

Assets and liabilities of foreign operations are translated into Japanese yen at the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rate, except when the exchange rate fluctuates significantly.

Exchange differences arising from translation of financial statements of the foreign operations are recognized in other comprehensive income.

In the case of disposal of foreign operations, the cumulative amount of the exchange differences related to that foreign operation, which is recognized in other comprehensive income and accumulated in equity, is reclassified from equity to profit or loss when the gains or losses on disposal are recognized.

(4) Financial Instruments

① Non-derivative Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes trade receivables and other receivables at the date of occurrence. All other financial assets are recognized initially on the transaction date on which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets as follows upon initial recognition:

(a) Financial Assets Measured at Amortized Cost

A financial asset is classified as financial asset measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

(b) Financial Assets Measured at Fair Value through Other Comprehensive Income (financial assets measured at FVTOCI)

- Debt instruments Measured at Fair Value through Other Comprehensive Income

A debt instrument meeting both of the following conditions is classified as financial asset measured at fair value through other comprehensive income:

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

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Equity Instruments Measured at Fair Value through Other Comprehensive Income

For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationships with investees, the Group elects these instruments as fair value through other comprehensive income at initial recognition.

(c) Financial Assets Measured at Fair Value through Profit or Loss (financial assets measured at FVTPL)

Financial assets designated as measured at fair value through profit or loss and other than financial assets mentioned in (a) and (b), are classified as financial assets measured at fair value through profit or loss.

Except for financial assets measured at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial Assets Measured at Amortized Cost

These financial assets are measured at amortized cost using the effective interest method. Interest income from these financial assets measured at amortized cost is included in finance income in the consolidated statement of profit or loss.

(b) Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income.

However, dividends from the equity instruments that are designated as measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment of the dividend is established. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to retained earnings when the fair value of financial assets declines significantly or when financial assets are derecognized.

Interests accrued on debt instruments are recognized in finance income in the consolidated statement of profit or loss. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to profit or loss as reclassification adjustments when such instruments are derecognized.

(c) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are measured at fair value, and subsequent changes in fair value are recognized in profit or loss.

(iii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(iv) Impairment

At each reporting date, the Group assesses whether the credit risk on a financial asset measured at amortized cost, a debt instrument measured at fair value through other comprehensive income or a financial guarantee contract has increased significantly since the initial recognition.

The Group measures allowance for doubtful accounts for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk on the financial assets has not significantly increased since the initial recognition, the Group measures allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses. However, the Group always measures allowance for doubtful accounts at an amount equal to lifetime expected credit loss for trade and other receivables without a significant financial component. When determining whether the credit risk of the financial asset has significantly increased since initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each reporting date with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available, without excessive cost or effort. The following is this information.

(a) Internal credit rating
(b) External credit rating (if available)
(c) Actual or expected significant change in the results of the borrower's performance
(d) Actual or anticipated significant adverse change in the regulatory environment, economic environment or technological environment that causes a significant change in the borrower's ability to fulfill its obligation
(e) Significant increase in credit risk of the other financial instruments of the same borrower
(f) Significant change in the value of collateral underlying debt, third-party guarantee or credit enhancement

The Group measures a credit loss using the difference between the discounted present value of the contractual amount receivable and the estimated amount receivable, and recognizes it in profit or loss.

② Non-derivative Financial Liabilities

(i) Initial Recognition and Measurement

The Group initially recognizes financial liabilities when the Group becomes a contractual party. Financial liabilities, excluding the following items, are classified as financial liabilities measured at amortized cost at the initial recognition.
(a) Financial liabilities measured at fair value through profit or loss (financial liabilities measured at FVTPL)
(b) Financial guarantee contracts
(c) Contingent consideration associated with business combinations

All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured based on the following classifications:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss
These financial liabilities are measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(b) Financial guarantee contracts
Financial guarantee contracts are measured at the higher of the following.
- The amount of allowance for doubtful accounts calculated based on the above (iv) Impairment
- The amount initially recognized less accumulated amortization

(c) Contingent consideration associated with business combinations
Contingent consideration associated with business combinations is measured at fair value and its fair value changes are recognized in profit or loss.

(d) Financial Liabilities Measured at Amortized Cost
These financial liabilities are measured at amortized cost using the effective interest method. Interest expenses from these financial liabilities measured at amortized cost are included in finance expenses in the consolidated statement of profit or loss.

(iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished; i.e. when the obligation specified in the contract is discharged, canceled, or expires.

③ Derivative Financial Instruments and Hedge Accounting

The Group uses derivatives such as foreign exchange forward contracts, interest rate swaps contracts and commodity futures contracts to hedge foreign exchange fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, respectively. For certain forward sales transactions, the Group makes an irrevocable designation as financial instruments to be measured at fair value through profit or loss at the inception of contracts only when it removes or significantly reduces accounting mismatch; they are included in financial instruments as derivatives. These derivatives are initially measured at the fair value when contracts are entered into and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized in profit or loss. However, gains or losses on cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

At the inception of the hedge, the Group formally designates and documents hedging relationships to which hedge accounting applies and the risk management objectives and strategies for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transaction, the nature of the risk being hedged, and how the effectiveness of hedging instruments is assessed in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks. The Group evaluates whether a derivative used to hedge a transaction is effective to offset the change in the fair value or the cash flow of a hedged item at the inception of the hedge and on an ongoing basis.

(i) Fair Value Hedges

Changes in the fair value of hedging instruments are recognized in profit or loss. Changes in the fair value of hedged items attributable to the hedged risks adjust carrying amounts of hedged items and are recognized in profit or loss.

(ii) Cash Flow Hedges

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income as cash flow hedges and the ineffective portion is recognized in profit or loss.

After that, accumulated gains and losses recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments in the same period when cash flows arising from the hedged items affect profit or loss. When the hedged items result in recognition of a non-financial asset, the accumulated gains and losses through other comprehensive income are reclassified and included directly in the initial cost of the non-financial asset.

Hedge accounting is discontinued when a forecast transaction is not highly probable to occur. Furthermore, if a forecast transaction is no longer expected to occur, the accumulated amount recognized in other comprehensive income is transferred immediately to profit or loss.

(5) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subjected to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

(6) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make a sale. Costs of inventories are mainly calculated by the periodic average method and comprise purchase costs, processing costs, and all other costs incurred in bringing the inventories to their present location and condition.

(7) Property, Plant and Equipment (except for Right-of-use Assets)

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes direct costs of acquisition, estimated costs of dismantlement, land removal and restoration, and borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of major asset classes are as follows:

- Buildings and structures 5-60 years
- Machinery, equipment and vehicles 4-12 years

Estimated useful lives, residual values and depreciation method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

(8) Goodwill and Intangible Assets

① Goodwill

Goodwill arising on the acquisition of business is recognized and initially measured as stated in (2) Business Combinations. Goodwill is not amortized and is tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment loss on goodwill is recognized in profit or loss and is not reversed in subsequent periods.

Goodwill is presented in the consolidated statement of financial position at the amount calculated by deducting accumulated impairment loss from acquisition cost.

As for investee accounted for by using the equity method, goodwill is included in the carrying amount of the investment.

② Intangible Assets

Intangible assets are measured at acquisition cost less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are initially recognized at acquisition cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Research expenditures of an internal project are recognized as expenses when they are incurred. Development expenditures of an internal project that satisfy all the recognition criteria are recognized as intangible assets.

Intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets recorded as in-process research and development that are not yet available for use are not amortized, and are tested for impairment at every reporting period or whenever there is an indication of impairment. In case of in-process research and development, they are reclassified to patent, marketing rights, or other related accounts when marketing approval from regulatory authorities is obtained and are amortized when they become available for use. Estimated useful lives of major categories of assets are as follows;

- Patents 3-15 years
- Software 3-10 years

Estimated useful lives, residual values and amortization method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

(9) Leases

The Group determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a corresponding lease liability at the commencement date of the lease, when it has determined whether a contract is, or contains, a lease.

① Right-of-use assets

Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment loss. The cost comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, plus any costs including restoration obligations of the underlying assets. Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or lease term. Right-of-use assets are included in "Property, plant and equipment" in the consolidated statement of financial position.

② Lease liabilities

Lease liabilities are measured at the present value of the lease payments that are not paid as of the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease. If interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. After the commencement date, lease liabilities are measured by increasing the carrying amounts to reflect interests on the lease liabilities and by reducing the carrying amounts to reflect lease payment made. The lease liabilities are included in "Other financial liabilities" in the consolidated statement of financial position.

In addition, the Group has applied IFRS 16 paragraph 6 for short-term leases and leases of low-value assets, and recognized these lease payments as expenses using the straight-line basis over the lease terms.

(10) Impairment of Non-Financial Assets

The Group assesses whether there is any indication that a non-financial asset may be impaired at the end of each reporting date. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated annually at a consistent time in each year, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or its cash-generating unit is the higher of its value in use or its fair value less disposal costs. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are integrated into the smallest cash-generating unit that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, cash-generating units to which goodwill would be allocated are aggregated when necessary so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored. Goodwill acquired in a business combination is allocated to the (group of) cash-generating unit (units) that is expected to benefit from the synergies of the business combinations.

Group corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount of the (group of) cash-generating unit (units) to which the corporate assets belong is measured.

If the carrying amount of assets or the (group of) cash-generating unit (units) exceeds the recoverable amount, impairment loss is recognized in profit or loss for the period. The impairment loss recognized for the (group of) cash-generating unit (units) is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and subsequently to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill cannot be reversed. In respect of assets other than goodwill, impairment losses recognized in prior periods are assessed at the end of each reporting date as to whether there is any indication that the losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or the (group of) cash-generating unit (units) is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or the (group of) cash-generating unit (units), the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined if no impairment loss had been recognized in prior periods.

(11) Employee Benefits

① Post-retirement Benefits

The Group sponsors defined benefit plans and defined contribution plans as post-retirement benefits.

The Group uses the projected unit credit method to determine the present value of its defined benefit obligation and the related current and past service costs.

The discount rates are determined by referring to the market yield at the fiscal year-end on high-quality corporate bonds for the corresponding periods in which the retirement benefits are to be paid.

The amount of the net defined benefit liability (asset) is calculated by deducting the fair value of plan assets from the present value of defined benefit obligation.

Remeasurements of defined benefit plans are recognized in other comprehensive income and immediately reclassified to retained earnings in the periods in which they occur.

Past service costs are recognized in profit or loss for the periods in which they are incurred.

Payments to defined contribution plans are recognized as expense in the periods that employees render services.

② Short-term Employee Benefit

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized as expense when the related service is rendered.

For bonuses and paid absence expenses, when there is a legal or constructive obligation to make payments of these, and a reliable estimate of the obligation can be made, the estimated amount to be paid based on these plans is accounted for as a liability.

③ Other Long-term Employee Benefits

Long-term benefit obligations other than post-retirement benefit plans include special paid leaves and bonuses granted conditional on a certain period of employment. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future benefits that are expected to be paid by the Group in exchange for the services rendered by employees up to the reporting date.

(12) Provisions

Provisions are recognized when the Group has a present legal obligation or constructive obligation arising as a result of a past event; it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are stated at the present value of the estimated future cash flows which is discounted using a pre-tax discount rate reflecting the time value of money and the specific risks of the liability. Where discounting is used, the increase in the provision to reflect the passage of time is recognized as finance expense.

① Provisions for sales rebates

Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the year-end date.

② Provisions for asset retirement obligations

Provisions for asset retirement obligations are provided based on estimated future expenditures when the Group has a legal, contractual or similar obligation associated with the retirement of property, plant and equipment.

③ Provisions for sales returns

Provisions for sales returns are provided based on estimated amounts of sales returns of merchandise and finished goods.

④ Provisions for removal cost of property, plant and equipment

Provisions for removal cost of property, plant and equipment for which removal policy has been determined are provided based on the estimated amount of removal expenditures.

(13) Revenue

① Revenue from contracts with customers

The Group recognizes revenue when the Group transfers a promised goods or services to a customer and the customer obtains control of that goods or services based on the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group mainly engages in manufacturing and sale of Petrochemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals. For sales of such products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts, rebates and other items to the extent that it is highly probable that a significant reversal will not occur.

As for certain parts of the performance obligation related to providing services for the design, engineering, and construction management of chemical plants, the Group transfers control of products and services over time, and therefore recognizes revenue over time according to the percentage of completion of the performance obligation. The Group measures the percentage of completion based on the percentage of actual cost to the total amount of estimated cost. (input methods)

② Interest Income

Interest income is recognized using the effective interest method.

③ Dividends

Dividends are recognized when a right to receive dividend payments is established.

(14) Income Taxes

Income taxes consist of current taxes and deferred taxes. They are recognized as income or expense and included in profit or loss, except for those related to business combinations and items that are recognized directly in equity or in other comprehensive income.

Current tax liabilities (assets) are measured in the amount of the expected tax payable to or receivable from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the reporting date in countries where the Group conducts business and earns taxable income.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets or liabilities and their tax bases, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary difference arising from initial recognition of goodwill;
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income; and
- Taxable temporary differences on investments in subsidiaries and associates, and interests in joint arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused tax losses and the carryforwards of unused tax credits to the extent that it is probable that they will be utilized against future taxable income.

The carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to realize benefits from all or part of the assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled based on the statutory tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority and on the same taxable entity.

The Company and certain consolidated subsidiaries have adopted the consolidated tax system.

(15) Earnings per Share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

(16) Capital

Ordinary shares are classified as capital.

Treasury shares are recognized at cost and deducted from equity. No gains or losses are recognized on the purchase, sale or retirement of the Company's treasury shares. Any differences between the carrying amount and consideration received on the sale of treasury shares are recognized in capital surplus.

(17) Share-Based Payment

A part of the Group subsidiaries has adopted a stock option scheme as equity-settled share-based payment plans.

In the plans, the fair value of services received has measured the fair value of the equity instruments granted, and recognized as expenses over the vesting periods with corresponding increases to equity.

(18) Assets Held for Sale

The Group classifies a non-current asset or disposal group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale only when it is highly probable that the sale will occur and the asset or asset group is available for immediate sale in its present condition.

Non-current assets or asset group classified as assets held for sales are measured at the lower of its carrying amount and the fair value less costs to sell.

The fixed asset and intangible asset classified as assets held for sale are not depreciated or amortized. Assets and liabilities held for sale are presented separately from other assets and liabilities as current items in the statement of financial position.

(19) Changes in Significant Accounting Policies

The Group has adopted IFRS 16 "Leases" (hereafter, "IFRS 16") since the consolidated fiscal year ended March 31, 2020. The Group's accounting policies for leases based on IFRS 16 are stated in "(9) Leases."

As a transitional method upon the adoption of IFRS 16, the Group applies modified retrospective approach, which recognizes the cumulative effect of initially applying IFRS 16 at the date of initial application (April 1, 2019), with no restatement of comparative information. The Group has applied practical expedient to grandfather the assessment of whether a contract is, or contains, a lease based on IAS 17 "Leases" (hereafter, "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease."

In addition, the Group has applied the following practical expedients in applying IFRS 16 to the leases previously classified as operating leases applying IAS 17.

- To apply the exemption on not recognizing right-of-use assets or lease liabilities for which the remaining lease terms ends within 12 months.
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

As a result, total assets and total liabilities at the beginning of the fiscal year ended March 31, 2020 are increased by ¥63,652 million, respectively. In addition, there is no material impact on the consolidated statement of profit or loss for the fiscal year ended March 31, 2020.

The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 1.8%.

The following is a reconciliation between total future minimum lease payment of non-cancellable operating lease at the end of the previous fiscal year and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	Millions of yen
(a) The amount of total future minimum lease payment of non-cancellable operating lease at the end of the previous fiscal year (as of March 31, 2019)	¥42,273
The amount of above (a) discounted using incremental borrowing rate at the date of initial application (as of April 1, 2019)	37,155
Finance lease obligations at the end of the previous fiscal year (as of March 31, 2019)	6,923
The recognition exemptions (for short-term leases or low-value items)	(1,671)
Revision of lease term by exercising an option and others	28,168
(b) Lease liabilities recognized in the consolidated statement of financial position at the date of initial application	70,575

(20) Change in presentation

(Consolidated statement of changes in equity)
"Changes due to new consolidation of subsidiaries," which was included in "Others, net" in the previous fiscal year is presented separately from this fiscal year due to the increased quantitative materiality. The consolidated statement of changes in equity in the previous fiscal year is reclassified to reflect such changes.

As a result, "Others, net" of ¥580 million in the previous fiscal year has been reclassified as "Changes due to new consolidation of subsidiaries."

4 Significant Accounting Estimates and Judgments

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, and reporting of revenues, expenses, assets and liabilities in the preparation of these consolidated financial statements in accordance with IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated. The effect of changes to accounting estimates is recognized in the reporting period in which the changes are made and in future periods.

Estimates and judgments made by the management that could materially affect the Company's consolidated financial statements are included in the following notes:

- Fair value of assets acquired and liabilities assumed from business combinations (Note 7 Business Combinations);
- Impairment of non-financial assets (Note 16 Impairment of Non-financial Assets);
- Recoverability of deferred tax assets (Note 18 Income Taxes);
- Measurement of defined benefit obligations (Note 24 Employee Benefits);
- Measurement of provision and contingent liabilities (Note 25 Provisions and Note 41 Contingent Liabilities); and
- Fair value of financial instruments (Note 37 Financial Instruments).

The severe business conditions especially on the automotive and display relations market are assumed to continue for a while by the spread of Coronavirus Disease 2019 ("COVID-19").

To make judgments regarding the recoverability of deferred tax assets, the future taxable income is estimated based on the assumptions that the impact of COVID-19 will be remained in the fiscal year ended March31, 2021 although the main impact will be incurred in first half of this fiscal year and gradually get smaller in second half of this fiscal year.

5 New Standards and Interpretations Not Yet Applied

There were no new and revised IFRSs the Group had not yet applied, which were publicly announced by the approval date of the consolidated financial statements and give material impacts on the financial statements of the Group.

6 Segment Information

(1) Summary (or outline / overview) of reportable segments

The reportable segments of the Group refer to business units for which separate financial information is available and that are reviewed regularly at the Board of Directors meeting in order to determine allocation of management resources and evaluate business performances by each business unit.

The Group divides its operation into business sectors identified by products and services, which manage manufacturing, sales, and research in an integrated manner. Each business sector is responsible for developing comprehensive domestic and overseas strategies with respect to its products and services, and operates its business activities.

Accordingly, the Group has five reportable segments based on its products and services in accordance with its business sectors, including "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals."

The major products and services of each reportable segment are as follows:

Reportable Segment	Major Products and Services
Petrochemicals & Plastics	Petrochemical products, inorganic chemicals, raw materials for synthetic fibers, organic chemicals, synthetic resins, methyl methacrylate products, synthetic resin processed products, etc.
Energy & Functional Materials	Alumina products, aluminum, specialty chemicals, additives, dyestuffs, synthetic rubber, engineering plastics, battery materials, etc.
IT-related Chemicals	Optical products, color filters, semiconductor processing materials, compound semiconductor materials, touchscreen panels, etc.
Health & Crop Sciences	Crop protection chemicals, fertilizers, agricultural materials, household and public hygiene insecticides, materials for protection against tropical diseases, feed additives, pharmaceutical chemicals, etc.
Pharmaceuticals	Pharmaceuticals for medical treatment, radiopharmaceuticals, etc.

(2) Reportable Segment Information

The accounting methods for each reportable segment are, in principle, identical to those set forth in Note 3 Significant Accounting Policies. The segment profit is core operating income, which is calculated from operating income after excluding effects from non-recurring factors.

Inter-segment sales revenue is based on market prices.

Fiscal year ended March 31, 2020

	Millions of yen								
	Reportable segments								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
Sales revenue									
Sales revenues from external customers	¥656,929	¥255,034	¥404,871	¥343,666	¥ 515,845	¥2,176,345	¥ 49,459	¥ —	¥2,225,804
Inter-segment sales revenues	5,828	9,533	1,013	5,600	49	22,023	58,844	(80,867)	—
Total sales revenue	662,757	264,567	405,884	349,266	515,894	2,198,368	108,303	(80,867)	2,225,804
Segment profit (core operating income)	14,485	20,343	25,084	2,083	75,266	137,261	8,770	(13,379)	132,652
Segment assets	725,697	305,523	387,907	656,470	1,312,719	3,388,316	280,831	(18,815)	3,650,332
Other items									
Depreciation and amortization	27,850	15,852	28,973	26,081	20,020	118,776	7,468	5,497	131,741
Share of profit (loss) of investments accounted for using the equity method	3,179	(23)	1	(1,150)	(5)	2,002	7,240	(9)	9,233
Impairment loss	1,108	781	225	18	35,196	37,328	—	—	37,328
Reversal of impairment loss	—	—	61	—	—	61	—	—	61
Investments accounted for using the equity method	152,410	191	455	7,374	1,060	161,490	105,847	(3,283)	264,054
Capital expenditures	23,834	21,383	21,581	19,677	17,012	103,487	5,020	7,841	116,348

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which were not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

(1) ¥(13,379) million for segment profit in "Adjustments" includes inter-segment elimination of ¥(56) million and corporate expenses of ¥(13,323) million unallocated to each reportable segment. Corporate expenses are mainly R&D expenses for company-wide research, which were not attributed to reportable segments.

(2) Segment assets in "Adjustments" are ¥(18,815) million, which includes ¥(172,904) million in eliminations of inter-segment receivables and other assets, and ¥154,089 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to R&D activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥5,497 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(3,283) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥7,841 million, was mainly contributed by company-wide research activities that are not allocated to each reportable segment.

As described in "3. Significant Accounting Policies," the Group adopted IFRS 16 from the fiscal year ended March 31, 2020, and changed accounting method for leases; therefore, measurement method of business segment profit was changed accordingly. As a result, segment assets at the beginning of the current fiscal year increased by ¥18,411 million in Petrochemicals & Plastics, ¥1,740 million in Energy & Functional Materials, ¥4,347 million in IT-related Chemicals, ¥5,441 million in Health & Crop Sciences, ¥15,014 million in Pharmaceuticals, and ¥18,699 million in Others (including corporate assets) compared to the previous method. Also, the impacts on segment profit are immaterial.

Fiscal year ended March 31, 2019

	Millions of yen								
	Reportable segments								
	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
Sales revenue									
Sales revenues from external customers	¥757,529	¥282,850	¥396,839	¥338,094	¥492,130	¥2,267,442	¥51,130	¥ —	¥2,318,572
Inter-segment sales revenues	6,161	7,892	952	5,648	13	20,666	62,265	(82,931)	—
Total sales revenue	763,690	290,742	397,791	343,742	492,143	2,288,108	113,395	(82,931)	2,318,572
Segment profit (core operating income)	61,610	22,959	26,227	19,716	80,764	211,276	9,422	(16,446)	204,252
Segment assets	756,996	312,096	389,744	591,995	896,702	2,947,533	282,911	(58,826)	3,171,618
Other items									
Depreciation and amortization	22,047	15,437	31,087	18,714	16,260	103,545	5,647	3,303	112,495
Share of profit (loss) of investments accounted for using the equity method	31,230	20	5	(1,107)	27	30,175	6,909	117	37,201
Impairment loss	535	878	200	—	22,996	24,609	19	11	24,639
Reversal of impairment loss	—	2,969	—	—	—	2,969	—	—	2,969
Investments accounted for using the equity method	165,455	214	455	26,853	1,055	194,032	108,286	(3,274)	299,044
Capital expenditures	31,466	24,281	33,550	39,931	16,861	146,089	12,302	5,272	163,663

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which were not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

(1) ¥(16,446) million for segment profit in "Adjustments" includes inter-segment elimination of ¥(369) million and corporate expenses of ¥(16,077) million unallocated to each reportable segment. Corporate expenses are mainly R&D expenses for company-wide research, which were not attributed to reportable segments.

(2) Segment assets in "Adjustments" are ¥(58,826) million, which includes ¥(195,561) million in eliminations of inter-segment receivables and other assets, and ¥136,735 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to R&D activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥3,303 million, mainly related to the assets arising from R&D activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(3,274) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥5,272 million, was mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Adjustments from Segment profit to Income before taxes are as follows:

	Millions of yen	
	2020	2019
Segment profit	¥132,652	¥204,252
Changes in fair value of contingent consideration	48,475	8,950
Gain on sale of property, plant and equipment	931	1,434
Reversal of impairment loss	61	2,969
Impairment loss	(37,328)	(24,639)
Business structure improvement expenses	(7,806)	(9,067)
Others, net	532	(927)
Operating income	137,517	182,972
Finance income	13,178	16,615
Finance expenses	(20,215)	(11,217)
Income before taxes	¥130,480	¥188,370

(3) Geographic Information

The breakdown of sales revenues and non-current assets is as follows:

Sales revenues from external customers

Fiscal year ended March 31, 2020

Millions of yen				
Japan	China	North America (U.S.A)	Others	Total
¥765,055	**¥433,779**	**¥383,977 (373,209)**	**¥642,993**	**¥2,225,804**

Note: Sales revenues are classified by country and region based on the location of customers.

Fiscal year ended March 31, 2019

Millions of yen				
Japan	China	North America (U.S.A)	Others	Total
¥812,861	¥435,789	¥380,358 (370,481)	¥689,564	¥2,318,572

Note: Sales revenues are classified by country and region based on the location of customers.

Non-current assets

As of March 31, 2020

Millions of yen				
Japan	North America (U.S.A)	Korea	Others	Total
¥591,639	**¥643,773 (642,209)**	**¥82,935**	**¥160,059**	**¥1,478,406**

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

As of March 31, 2019

Millions of yen				
Japan	North America (U.S.A)	Korea	Others	Total
¥569,862	¥301,007 (299,465)	¥101,806	¥145,305	¥1,117,980

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

(4) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated sales revenues from external customers.

7 Business Combinations

(1) Significant business combinations

Fiscal year ended March 31, 2020

(a) Overview of business combinations

① Sumitovant Biopharma Ltd.

(i) Name of acquired company and business description

Name of acquired company: Sumitovant Biopharma Ltd.

Business description: Holding company

(ii) Percentage of voting rights acquired: 100%

② Sumitovant Biopharma, Inc.

(i) Name of acquired company and business description

Name of acquired company: Sumitovant Biopharma, Inc.

Business description: Management of group companies, business and sales development, promotion of utilization of healthcare technology platforms and so forth.

(ii) Percentage of voting rights acquired: 100%

③ Myovant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Myovant Sciences Ltd.

Business description: Research and development of pharmaceutical of relugolix and MVT-602, etc.

(ii) Percentage of voting rights acquired: 50%

④ Urovant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Urovant Sciences Ltd.

Business description: Research and development of pharmaceutical of vibegron and URO-902, etc.

(ii) Percentage of voting rights acquired: 75%

⑤ Enzyvant Therapeutics Ltd.

(i) Name of acquired company and business description

Name of acquired company: Enzyvant Therapeutics Ltd.

Business description: Research and development of pharmaceutical of RVT-802 and RVT-801, etc.

(ii) Percentage of voting rights acquired: 100%

⑥ Altavant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Altavant Sciences Ltd.

Business description: Research and development of pharmaceutical of rodatristat ethyl, etc.

(ii) Percentage of voting rights acquired: 100%

⑦ Spirovant Sciences Ltd.

(i) Name of acquired company and business description

Name of acquired company: Spirovant Sciences Ltd.

Business description: Research and development of pharmaceutical of SPIRO-2101 and SPIRO-2102, etc.

(ii) Percentage of voting rights acquired: 100%

(b) Acquisition date

December 27, 2019

(c) Method for gaining control of acquired company

Acquisition of shares by cash consideration

(d) Main reason for business combinations

Sumitomo Dainippon Pharma Co., Ltd. (hereinafter, "Sumitomo Dainippon Pharma"), the Company's subsidiary, has completed the share transfer procedures and etc. in accordance with the strategic alliance with Roivant Sciences Ltd. (hereafter, "Alliance") as of December 27, 2019. In order to achieve sustainable growth even after the expiration of the term for market exclusivity of LATUDA® (atypical antipsychotic) in North America, which has been the primary source of Sumitomo Dainippon Pharma Group's earnings, Sumitomo Dainippon Pharma established "establishment of growth engines" and "building of flexible and efficient organization" as a basic policy in "Mid-term Business Plan 2022" and reshaped business foundation.

Roivant Sciences Ltd. aims at contributing to health by providing innovative medicines and healthcare technologies rapidly to patients through building multiple Vants, which are biopharmaceutical companies focusing on business agility and entrepreneurship. Each Vant conducts research and development and sales efficiently through unique methods of talent employment and introduction of technologies.

Under the Alliance, Sumitomo Dainippon Pharma aims for achieving medium- to long-term growth through acquisition of many pipelines including products under development that are expected to launch before FY2022 and anticipated to become blockbuster products in the future, as well as improving R&D productivity of the whole Sumitomo Dainippon Pharma Group and accelerating the digital transformation.

Through the Alliance, Roivant Sciences Ltd. transferred its ownership of share of interests of five subsidiaries (Myovant Sciences Ltd., Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., Altavant Sciences Ltd., and Spirovant Sciences Ltd.) to the new company, Sumitovant Biopharma Ltd.(hereinafter, "Sumitovant"), and Sumitomo Dainippon Pharma has acquired all the shares of Sumitovant. As a result of the acquisition of shares of Sumitovant by Sumitomo Dainippon Pharma Co., Ltd., the Company's subsidiary, thirty three companies become consolidated subsidiaries of Company, including the subsidiaries of the Sumitovant and its five subsidiaries.

(e) The details of acquisition cost of acquired company and consideration transferred by type

Millions of yen

Acquisition cost		¥224,555
Consideration transferred	Cash	224,555

(f) Acquisition-related costs

Acquisition-related costs are ¥3,856 million and recognized in selling, general and administrative expenses in the Consolidated Statement of Profit or Loss.

(g) The details of fair value of assets acquired and liabilities assumed, non-controlling interests and goodwill

Millions of yen

Account	Amount
Current Assets	
Cash and cash equivalents	¥ 18,781
Other	6,172
Non-current Assets	
Intangible assets	291,643
Other	3,661
Current liabilities	19,307
Non-current liabilities	40,840
Net Assets	260,110
Non-controlling interests (Note 2)	107,783
Goodwill (Note 3)	72,228

Note 1: The considerations transferred are allocated to assets acquired and liabilities assumed based on the fair values as of acquisition date.

2: Non-controlling interests are measured by multiplying provisional fair value of identifiable net assets of acquired company at acquisition date by percentage of non-controlling shareholders' share of interests in the acquirer after business combinations, excluding the portion specifically attributable to non-controlling shareholders.

3: The goodwill is mainly constituted by and reflects future excess earning power expected to be generated from future business development. Such goodwill is not deductible for tax purposes.

(h) Cash outflows arising from acquisition of subsidiaries

Millions of yen

Account	Amount
Cash consideration	¥224,555
Cash and cash equivalents owned by acquired company on acquisition date	(18,781)
Cash outflows arising from acquisition of subsidiaries	¥205,774

(i) The impact on the Consolidated Statement of Profit or Loss

① Revenue and net profit or loss of acquired company after acquisition date recognized in the Consolidated Statement of Profit or Loss for the year ended March 31, 2020.

Millions of yen

Revenue	¥ —
Net profit (loss)	(16,712)

② The impact on revenue and net profit or loss in the Consolidated Statement of Profit or Loss for the year ended March 31, 2020, assuming the business combinations had been conducted at the beginning of the fiscal year ended March 31, 2020 (unaudited information) .

Millions of yen

Revenue	¥ —
Net profit (loss)	(61,053)

Fiscal year ended March 31, 2019

There were no significant business combinations in the fiscal year ended March 31, 2019.

(2) Contingent consideration

As for the acquisitions of Boston Biomedical, Inc. (hereinafter, "BBI"), Elevation Pharmaceuticals, Inc. (currently: Sunovion Respiratory Development Inc.) (hereinafter, "Elevation"), and Tolero Pharmaceuticals, Inc. (hereinafter, "Tolero"), the contingent considerations are to be additionally paid to former shareholders upon the achievement of predetermined milestone.

As for the acquisition of BBI, consideration for acquisition amounting to US$225 million (¥18,958 million) has been paid until the fiscal year ended March 31, 2020, and it is possible to pay a maximum amount of US$245 million (¥26,658 million) before considering the time value of the money on achievement of the development milestones of the chemical compounds under development by BBI. In addition, it is possible to pay a maximum amount of US$1,145 million (¥124,587 million), before considering time value of money as commercial milestones based on sales revenue earned after commencement of sales.

As for the acquisition of Elevation, consideration for acquisition amounting to US$189 million (¥17,800 million) has been paid until the fiscal year ended March 31, 2020. In addition, it is possible to pay a maximum amount of US$210 million (¥22,850 million), before considering time value of money, on achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

As for the acquisition of Tolero, consideration for acquisition amounting to US$195 million (¥22,165 million) has been paid until the fiscal year ended March 31, 2020, and it is possible to pay a maximum amount of US$430 million (¥46,788 million) before considering the time value of the money on achievement of the development milestones for chemical compounds under development by Tolero. In addition, it is possible to pay a maximum amount of US$150 million (¥16,322 million), before considering time value of money, on achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

The Group recognizes these contingent considerations in other financial liabilities in the consolidated statement of financial position after considering the time value of the money.

The fair value hierarchy of contingent consideration and its sensitivity analysis are disclosed in Note 37 Financial Instruments.

The total amount of payment that is possible for the Group to pay in the future based on the contingent consideration contracts is ¥237,206 million (undiscounted) and ¥354,645 million (undiscounted) as of March 31, 2020 and 2019, respectively. The amounts payable by due date of contingent consideration are not presented because of the uncertainty.

8 Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Cash and deposits	¥166,197	¥160,724
Short-term investments	14,451	40,954
Total	¥180,648	¥201,678

9 Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Trade notes and accounts receivable	¥495,109	¥497,490
Other receivables	68,541	44,424
Others	6,763	8,078
Total	¥570,413	¥549,992

Trade and other receivables are classified as financial assets measured at amortized cost.

Also, contract assets are included in "Others."

10 Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Financial assets measured at fair value through OCI		
Shares and investments	¥347,935	¥234,112
Others	2,001	—
Financial assets measured at fair value through profit or loss		
Loan receivables	66,091	66,935
Long-term accrued interests	15,706	13,386
Derivative assets	5,481	9,891
Others	6,834	561
Financial assets measured at amortized cost		
Loan receivables	2,069	2,144
Deposits	49,971	—
Others	1,502	1,715
Total	¥497,590	¥328,744
Current assets	8,945	5,352
Non-current assets	488,645	323,392
Total	¥497,590	¥328,744

The fair value of the investment in equity instruments measured at fair value through other comprehensive income is as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Marketable	¥148,330	¥172,891
Non-marketable	201,606	61,221
Total	¥349,936	¥234,112

The fair values of the major issues included in the above are as follows:

Millions of yen

Issue	March 31, 2020	March 31, 2019
Roivant Sciences Ltd.	¥142,650	¥ —
Nufarm Limited	20,315	—
Nippon Shokubai Co., Ltd.	13,503	19,695

Investments held for the purpose of expanding its revenue base by maintaining and strengthening business relations with the investees are designated as financial assets measured at fair value through other comprehensive income.

The Group disposed and derecognized some investments in equity instruments measured at fair value through other comprehensive income to improve the efficiency of assets by reassessing the business relationships.

Their fair value and accumulated gains or losses (before tax) at the time of disposal in the fiscal years ended March 31, 2020 and 2019 were as follows:

Millions of yen

2020		2019	
Fair Value	Cumulative gains or losses	Fair Value	Cumulative gains or losses
¥6,987	¥5,281	¥2,423	¥723

Accumulated gains and losses recorded as other components of equity are reclassified to retained earnings when the fair value is significantly declined or derecognized. Accumulated gains and losses (after tax) reclassified to retained earnings are ¥1,907 million and ¥(42) million for the fiscal years ended March 31, 2020 and 2019, respectively.

11 Inventories

The breakdown of Inventories is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Merchandise and finished goods	¥342,665	¥331,454
Raw materials and supplies	128,437	136,513
Work in process	21,289	21,299
Total	¥492,391	¥489,266

For the fiscal years ended March 31, 2020 and 2019, write-downs of inventories recognized as expenses are ¥22,695 million and ¥18,012 million, respectively.

12 Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Prepaid expenses	¥31,252	¥33,164
Income taxes receivable	14,201	11,601
Advance payment	4,001	7,667
Others	42,333	31,063
Total	91,787	83,495
Current assets	54,204	44,935
Non-current assets	37,583	38,560
Total	¥91,787	¥83,495

13 Assets Held for Sale

The breakdown of Assets Held for Sale is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Assets Held for Sale		
Property, Plant and Equipment	¥4,305	¥—
Total	¥4,305	—

Property, Plant and Equipment of Ibaraki factory held by a consolidated subsidiary, Sumitomo Dainippon Pharma Co., Ltd, are classified as non-current assets held for sale as of March 31, 2020.

14 Property, Plant and Equipment

(1) Changes in Property, Plant and Equipment

Changes in the carrying amount, balances of acquisition cost, accumulated depreciation and impairment losses of Property, Plant and Equipment are as follows:

Carrying Amount

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2018	¥87,522	¥233,651	¥228,079	¥23,200	¥ —	¥103,293	¥675,745
Additions	—	—	—	—	—	171,797	171,797
Acquisitions through business combinations	10	267	639	88	—	11,463	12,467
Sales and disposals	(798)	(2,050)	(1,947)	(133)	—	—	(4,928)
Reclassification	544	30,778	166,222	13,269	—	(210,813)	—
Depreciation	—	(16,600)	(69,836)	(9,441)	—	—	(95,877)
Impairment losses	(11)	(479)	(849)	(67)	—	(707)	(2,113)
Reversal of impairment losses	—	1,406	1,509	23	—	29	2,967
Exchange differences on translation of foreign operations	(282)	4	(129)	(20)	—	(317)	(744)
Others	(6)	(167)	(728)	37	—	(22,532)	(23,396)
March 31, 2019	¥86,979	¥246,810	¥322,960	¥26,956	¥ —	¥ 52,213	¥735,918
Cumulative effects of changes in accounting policies	—	(276)	(5,136)	(39)	66,433	—	60,982
Restated balance as at April 1, 2019	86,979	246,534	317,824	26,917	66,433	52,213	796,900
Additions	—	—	—	—	14,299	115,251	129,550
Acquisitions through business combinations	841	3,355	2,014	563	2,507	9	9,289
Sales and disposals	(39)	(432)	(1,918)	(233)	(717)	(376)	(3,715)
Transfer to assets held for sale	(250)	(4,055)	—	—	—	—	(4,305)
Reclassification	249	17,252	64,039	10,673	—	(92,213)	—
Depreciation	—	(17,069)	(76,252)	(10,059)	(13,407)	—	(116,787)
Impairment losses	—	(53)	(1,726)	(76)	(79)	(815)	(2,749)
Reversal of impairment losses	—	7	54	—	—	—	61
Exchange differences on translation of foreign operations	(1,424)	(5,090)	(6,996)	(488)	(979)	(855)	(15,832)
Others	132	(1)	(2,794)	(111)	4,049	(15,270)	(13,995)
March 31, 2020	¥86,488	¥240,448	¥294,245	¥27,186	¥72,106	¥ 57,944	¥778,417

Note 1: Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
Note 2: Cumulative effects of changes in accounting policies represents the financial impact of the adoption of IFRS16.

Acquisition Cost

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
March 31, 2020	¥87,388	¥687,174	¥1,781,388	¥190,954	¥96,078	¥ 64,059	¥2,907,041
Restated balance as at April 1, 2019	87,880	692,094	1,790,929	191,425	79,377	58,840	2,900,545
Cumulative effects of changes in accounting policies	—	(322)	(17,909)	(164)	79,377	—	60,982
March 31, 2019	87,880	692,416	1,808,838	191,589	—	58,840	2,839,563
April 1, 2018	¥89,568	¥671,234	¥1,683,371	¥186,803	¥ —	¥109,457	¥2,740,433

Accumulated Depreciation and impairment losses

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
March 31, 2020	¥ 900	¥446,726	¥1,487,143	¥163,768	¥23,972	¥6,115	¥2,128,624
Restated balance as at April 1, 2019	901	445,560	1,473,105	164,508	12,944	6,627	2,103,645
Cumulative effects of changes in accounting policies	—	(46)	(12,773)	(125)	12,944	—	—
March 31, 2019	901	445,606	1,485,878	164,633	—	6,627	2,103,645
April 1, 2018	¥2,046	¥437,583	¥1,455,292	¥163,603	¥ —	¥6,164	¥2,064,688

(2) Right-of-use Assets

The carrying amount of Right-of-use assets (lease assets classified as finance lease for the fiscal years ended March 31, 2019) included in Property, Plant and Equipment is as follows:

	Millions of yen				
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
March 31, 2020	**¥22,970**	**¥41,586**	**¥7,493**	**¥57**	**¥72,106**
Restated balance as at April 1, 2019	22,163	37,873	6,315	82	66,433
Cumulative effects of changes in accounting policies	22,163	37,597	1,179	43	60,982
March 31, 2019	—	276	5,136	39	5,451
April 1, 2018	¥ —	¥ 262	¥6,119	¥54	¥ 6,435

15 Goodwill and Intangible Assets

(1) Changes in goodwill and intangible assets

Changes in the carrying amounts, balances of acquisition cost, accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

Carrying amount

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patent	Software	Others	Total
April 1, 2018	¥122,849	¥153,930	¥22,798	¥12,464	¥43,437	¥232,629
Additions	—	222	458	7,032	3,552	11,264
Acquisitions through business combinations	—	—	—	49	3	52
Sales and disposals	—	—	(6)	(51)	(53)	(110)
Amortization	—	—	(3,416)	(4,620)	(4,894)	(12,930)
Impairment losses	—	(19,080)	—	—	(3,443)	(22,523)
Reversal of impairment losses	—	—	—	2	—	2
Exchange differences on translation of foreign operations	3,989	6,347	940	63	236	7,586
Others	—	—	(3)	711	(14)	694
March 31, 2019	¥126,838	¥141,419	¥20,771	¥15,650	¥38,824	¥216,664
Additions	**—**	**1,528**	**79**	**10,657**	**1,892**	**14,156**
Acquisitions through business combinations	**73,547**	**290,646**	**—**	**1,207**	**3**	**291,856**
Sales and disposals	**—**	**—**	**(3)**	**(121)**	**(20)**	**(144)**
Amortization	**—**	**—**	**(2,804)**	**(5,533)**	**(4,856)**	**(13,193)**
Impairment losses	**—**	**(22,466)**	**(12,102)**	**—**	**—**	**(34,568)**
Reversal of impairment losses	**—**	**—**	**—**	**—**	**—**	**—**
Exchange differences on translation of foreign operations	**(4,387)**	**(4,873)**	**(413)**	**(126)**	**(1,773)**	**(7,185)**
Others	**—**	**—**	**215**	**455**	**(1,848)**	**(1,178)**
March 31, 2020	**¥195,998**	**¥406,254**	**¥ 5,743**	**¥22,189**	**¥32,222**	**¥466,408**

Note 1: The amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Note 2: There are no internally generated intangible assets as of March 31, 2020 and 2019.

Note 3: The assets that are at the research and development stage and have yet to obtain marketing approval from regulatory authorities are not able to be used and the period in which they could deliver economic benefit is unforeseeable; therefore, the assets are classified as intangible assets with indefinite useful lives. The carrying values of the intangible assets with indefinite useful lives are ¥406,254 million and ¥141,419 million as of March 31, 2020 and 2019, respectively.

Note 4: "Others" includes marketing rights for pharmaceuticals and others.

Acquisition cost

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patent	Software	Others	Total
March 31, 2020	**¥207,669**	**¥449,392**	**¥58,171**	**¥78,935**	**¥83,618**	**¥670,116**
March 31, 2019	138,543	162,602	56,075	70,245	92,301	381,223
April 1, 2018	140,288	156,002	53,654	62,502	87,133	359,291

Accumulated amortization and impairment losses

	Millions of yen					
		Intangible assets				
	Goodwill	Research and development costs	Patent	Software	Others	Total
March 31, 2020	**¥11,671**	**¥43,138**	**¥52,428**	**¥56,746**	**¥51,396**	**¥203,708**
March 31, 2019	11,705	21,183	35,304	54,595	53,477	164,559
April 1, 2018	17,439	2,072	30,856	50,038	43,696	126,662

(2) Significant intangible assets

Significant intangible assets recorded in the consolidated statement of financial position are in-process research and development. They are acquired through the acquisition of Myovant Sciences Ltd., Urovant Sciences Ltd., Cynapsus Therapeutics Inc. (currently known as Sunovion CNS Development Canada ULC) and Tolero Pharmaceuticals, Inc., etc. by a consolidated subsidiary, Sumitomo Dainippon Pharma Co., Ltd. and its subsidiaries.

The carrying amounts of significant intangible assets are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Myovant Sciences Ltd.	**¥175,075**	¥ —
Urovant Sciences Ltd.	**109,028**	—
Sunovion CNS Development Canada ULC	**54,068**	55,156
Tolero Pharmaceuticals, Inc.	**25,244**	43,512
Boston Biomedical Inc.	**27,638**	28,194

These assets are in-process research and development assets. Due to the uncertainties in the research and development processes, they are particularly at risk of impairment if the projects are not expected to result in commercialized products.

(3) Research and development costs

Research and development costs recognized in the consolidated statement of profit or loss are ¥174,320 million and ¥163,468 million for the fiscal years ended March 31, 2020 and 2019, respectively.

16 Impairment of Non-financial Assets

(1) Impairment losses

Fiscal Year ended March 31, 2020

Impairment losses recognized for the fiscal year ended March 31, 2020 are ¥37,328 million. Impairment losses are recognized in "Cost of sales," and "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Details of the impairment losses by reportable segments are presented in Note 6 Segment information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen Impairment losses
U.S.	Results of research and development with respect to compounds under development (alvocidib)	In-process research and development	Pharmaceuticals	¥17,394
U.S.	Patent of pharmaceuticals	Patent	Pharmaceuticals	12,102
U.S.	Results of research and development with respect to compounds under development (SB623)	In-process research and development	Pharmaceuticals	3,333
U.S.	Results of research and development with respect to compounds under development (amcasertib)	In-process research and development	Pharmaceuticals	1,739

Details of the impairment losses

- Results of research and development with respect to compounds under development (alvocidib) ¥17,394 million
  (Intangible assets ¥17,394 million)
- Patent of pharmaceuticals ¥12,102 million
  (Intangible assets ¥12,102 million)
- Results of research and development with respect to compounds under development (SB623) ¥3,333 million
  (Intangible assets ¥3,333 million)
- Results of research and development with respect to compounds under development (amcasertib) ¥1,739 million
  (Intangible assets ¥1,739 million)

The Group reduced the carrying amounts to recoverable amounts of ¥8,705 million and ¥4,270 million, respectively, related to In-process research and development and patent of which the profitability decreased due to the revised business plan. Also, it reduced the full carrying amount of ¥3,333 million related to In-process research and development of which the profitability is no longer expected due to the termination of licensing agreement. In addition, it reduced the full carrying amount of ¥1,739 million related to In-process research and development of which the profitability is no longer expected due to the discontinuation of its clinical development. The recoverable amounts of these assets were measured at value in use, which was calculated by discounting the future cash flows with pre-tax discount rate of 11.0 – 19.0%.

Fiscal Year ended March 31, 2019

Impairment losses recognized for the fiscal year ended March 31, 2019 are ¥24,639 million. Impairment losses are recognized in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of profit or loss. Details of the impairment losses by reportable segments are presented in Note 6 Segment information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen Impairment losses
U.S.	Results of research and development with respect to compounds under development	In-process research and development	Pharmaceuticals	¥19,080
U.S.	Marketing rights of pharmaceuticals	Other intangible assets	Pharmaceuticals	3,424

Details of the impairment losses

- Results of research and development with respect to compounds under development ¥19,080 million (Intangible assets ¥19,080 million)
- Marketing rights of pharmaceuticals ¥3,424 million (Intangible assets ¥3,424 million)

The Group reduced the carrying amounts to recoverable amounts of ¥55,156 million related to In-process research and development of which the profitability decreased due to the revised business plan. Also, it reduced the full carrying amount related to Marketing rights of pharmaceuticals of which the profitability is no longer expected. The recoverable amounts of these assets were measured at value in use, which was calculated by discounting the future cash flows with pre-tax discount rate of 10.0 – 15.0%.

(2) Reversal of impairment losses

Fiscal year ended March 31, 2020

There was no significant reversal of impairment losses in the fiscal year ended March 31, 2020.

Details of reversal of impairment losses by reportable segments are presented in Note 6 Segment information.

Fiscal year ended March 31, 2019

As for high-purity alumina production facilities and high-purity aluminum production facilities of the Energy & Functional Materials segment, on which impairment losses were recognized previously, reversal of impairment losses of ¥2,969 million (Buildings and structures ¥1,406 million, Machinery equipment and vehicles ¥1,509 million, Others ¥54 million) were recognized in Cost of sales in consolidated statement of profit or loss, because it is expected to increase recoverable amounts due to the changed sales policy and others. The recoverable amounts of these assets were measured at value in use, which was calculated by discounting the future cash flows with pre-tax discount rate of 7.5%.

Details of reversal of impairment losses by reportable segments are presented in Note 6 Segment information.

(3) Impairment test of Goodwill

Goodwill arising from business combinations is allocated at the acquisition to cash-generating units benefitting from the business combinations, and the carrying amounts are ¥195,998 million and ¥126,838 million as of March 31, 2020 and 2019, respectively.

The material items of goodwill associated with the pharmaceutical business and the carrying amounts are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
North America (excluding oncology area)	¥145,225	¥75,048
North America (oncology area)	23,821	24,300
Total	¥169,046	¥99,348

Impairment loss of goodwill is recognized when the recoverable amount is less than its carrying amount. The carrying amount of goodwill is reduced to its recoverable amount, which is calculated based on the value in use. The value in use is calculated by discounting estimates of the future cash flows based on the historical experience and external information.

As a result of impairment test as of March 31, 2020 and 2019, impairment loss was not recorded since the recoverable amounts of CGUs were more than its carrying amounts. The weighted average cost of capital that was set by cash-generating unit is used for impairment test of goodwill. The weighted average cost of capital used for impairment test is 8.5% ~18.5% and 9.5% ~ 17.0% for the fiscal year ended March 31, 2020 and 2019, respectively. The value in use substantially exceeds the carrying amounts of the relevant CGUs and management considers it unlikely that an impairment loss would be recognized even if the key assumptions used in the calculation of value in use fluctuated within a reasonable range.

17 Investments accounted for using the equity method

(1) Investments in associates

Carrying amounts of individually immaterial investments in associates accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Total carrying amount	¥121,956	¥143,783

The aggregate amounts of the Group's share of comprehensive income of individually immaterial investments in associates accounted for using the equity method are as follows:

	Millions of yen	
	2020	2019
The Group's share of net income	¥7,047	¥7,510
The Group's share of other comprehensive income	(3,534)	(537)
The Group's share of comprehensive income	¥3,513	¥6,973

(2) Investments in joint ventures

① Material Joint venture

The joint venture that is material to the Group is as follows:

			Proportion of ownership interest	
Company name	Core business	Location	March 31, 2020	March 31, 2019
Rabigh Refining and Petrochemical Company	Manufacturing and sales of refined petroleum products and petrochemicals	Saudi Arabia Rabigh	37.50%	37.50%

Summarized financial information of Rabigh Refining and Petrochemical Company is as follows.

The Company applies the equity method to financial statements of Rabigh Refining and Petrochemical Company on a three-month time lag, as it is impracticable to unify the reporting period of Rabigh Refining and Petrochemical Company. The summarized financial information of the Rabigh Refining and Petrochemical Company for the period ended three months before the Group's reporting date is disclosed in this Note.

	Millions of yen	
	March 31, 2020	March 31, 2019
Current assets	¥ 336,968	¥ 433,676
Non-current assets	1,828,400	1,465,428
Total assets	2,165,367	1,899,104
Current liabilities	817,424	737,486
Non-current liabilities	1,054,232	849,258
Total liabilities	1,871,656	1,586,744
Equity	293,711	312,360
Total equity attributable to Group's share of equity	110,142	117,135
Consolidation adjustment	(15,204)	(16,155)
Carrying amount of investments	94,938	100,980
Fair value of investments	¥ 101,969	¥ 197,656
The material items included in the above:		
Cash and cash equivalents	9,246	37,444
Current financial liabilities (except for trade and other payables, and provisions)	508,138	385,991
Non-current financial liabilities (except for trade and other payables, and provisions)	¥1,035,117	¥ 834,132

	Millions of yen	
	2020	2019
Sales revenue	¥991,544	¥1,209,037
Net income	(15,840)	19,716
Other comprehensive income	(1,712)	(335)
Total comprehensive income	¥ (17,552)	¥ 19,381
Interests of the Group		
Net income	(3,872)	10,169
Other comprehensive income	(2,170)	(2,253)
Total comprehensive income	¥ (6,042)	¥ 7,916
The material items included in the above:		
Depreciation and Amortization	69,642	71,752
Income tax expenses	(6,554)	(5,441)

Interest income of Rabigh Refining and Petrochemical Company for the fiscal years ended March 31, 2020 and 2019 is ¥6,793 million and ¥8,314 million, respectively. Interest expenses of Rabigh Refining and Petrochemical Company for the fiscal years ended March 31, 2020 and 2019 are ¥24,352 million and ¥6,920 million, respectively.

No dividend was received from Rabigh Refining and Petrochemical Company for the fiscal year ended March 31, 2020. Dividend received from Rabigh Refining and Petrochemical Company for the fiscal year ended March 31, 2019 is ¥4,770 million.

The repayment of loans to Rabigh Refining and Petrochemical Company by the Company, payment of interest associated with the loan, and dividends by Rabigh Refining and Petrochemical Company can be carried out within the terms and conditions stipulated in the project finance contracts.

The Company has agreed to provide Rabigh Refining and Petrochemical Company with the amount equivalent to the Company's interest (37.50%) of capital needs associated with Rabigh Phase Ⅱ Project that is not funded by borrowings under project finance contracts or other funding method through a capital increase or other methods.

② Individually immaterial joint ventures

Carrying amounts of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Total carrying amount	¥47,160	¥54,281

The aggregate amounts of the Group's share of comprehensive income of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	2020	2019
The Group's share of net income	¥6,058	¥19,522
The Group's share of other comprehensive income	(1,158)	(199)
The Group's share of comprehensive income	¥4,900	¥19,323

18 Income Taxes

(1) Deferred Tax Assets and Liabilities

① Details and movement in deferred tax assets and liabilities

The details of originations of deferred tax assets and liabilities by major reasons and movements are as follows:

Fiscal Year ended March 31, 2020

	Millions of yen				
	April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2020
Deferred tax assets					
Property, plant and equipment and intangible assets	¥ 21,030	¥ 760	¥ —	¥ (387)	¥ 21,403
Inventories	27,304	5,564	—	—	32,868
Retirement benefit liabilities	16,603	550	(170)	(64)	16,919
Accrued expenses and provisions	26,643	(9,281)	—	(473)	16,889
Tax loss carryforwards	41,646	(21,581)	—	(222)	19,843
Prepaid research and development expenses	12,935	(2,448)	—	70	10,557
Others	20,755	(6,639)	808	(519)	14,405
Total	¥166,916	¥(33,075)	¥ 638	¥ (1,595)	¥132,884
Deferred tax liabilities					
Property, plant and equipment and intangible assets	38,528	(2,646)	—	26,332	62,214
Financial assets measured at fair value through other comprehensive income	48,917	—	(3,271)	(547)	45,099
Retirement benefit assets	23,431	531	(1,291)	(191)	22,480
Investments in subsidiaries and affiliates	25,610	(161)	(819)	(1)	24,629
Others	11,014	(1,513)	585	812	10,898
Total	¥147,500	¥ (3,789)	¥(4,796)	¥26,405	¥165,320

Note: Amounts are mainly deferred tax assets and deferred tax liabilities recognized through the acquisition of subsidiaries from business combination. Others of property, plant and equipment and intangible assets in deferred tax liabilities include deferred tax liabilities of ¥27,055 million recognized through business combinations. Exchange differences are included in "Others."

Fiscal Year ended March 31, 2019

	Millions of yen				
	April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2019
Deferred tax assets					
Property, plant and equipment and intangible assets	¥ 21,766	¥ (701)	¥ —	¥ (35)	¥ 21,030
Inventories	32,574	(5,283)	—	13	27,304
Retirement benefit liabilities	14,294	1,269	1,034	6	16,603
Accrued expenses and provisions	24,921	1,151	—	571	26,643
Tax loss carryforwards	23,879	17,185	—	582	41,646
Prepaid research and development expenses	11,678	1,696	—	(439)	12,935
Others	16,008	4,700	57	(10)	20,755
Total	¥145,120	¥20,017	¥1,091	¥688	¥166,916
Deferred tax liabilities					
Property, plant and equipment and intangible assets	35,734	2,211	—	583	38,528
Financial assets measured at fair value through other comprehensive income	50,731	—	(1,911)	97	48,917
Retirement benefit assets	22,494	(278)	1,247	(32)	23,431
Investments in subsidiaries and affiliates	23,868	1,992	(250)	—	25,610
Others	8,551	2,502	74	(113)	11,014
Total	¥141,378	¥ 6,427	¥ (840)	¥535	¥147,500

Note: Amounts are mainly deferred tax assets and deferred tax liabilities recognized through the acquisition of subsidiaries from business combination. Exchange differences are included in "Others."

② Unrecognized deferred tax assets

Deductible temporary differences, tax loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Deductible temporary differences	¥ 82,750	¥ 60,227
Tax loss carryforwards	177,028	102,560
Tax credit carryforwards	11,968	5,389

③ Unrecognized deferred tax assets and expiry schedule

Tax loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized will expire as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Tax loss carryforwards		
Not later than 1 year	¥ 5,730	¥ 8,260
Later than 1 year and not later than 2 years	30,030	6,673
Later than 2 years and not later than 3 years	3,010	7,988
Later than 3 years and not later than 4 years	5,791	7,322
Later than 4 years	132,467	72,317
Total	¥177,028	¥102,560

	Millions of yen	
	March 31, 2020	March 31, 2019
Tax credit carryforwards		
Not later than 1 year	¥ —	¥ —
Later than 1 year and not later than 2 years	—	—
Later than 2 years and not later than 3 years	—	—
Later than 3 years and not later than 4 years	—	—
Later than 4 years	11,968	5,389
Total	¥11,968	¥5,389

④ Unrecognized deferred tax liabilities

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2020 and 2019 are ¥404,461 million and ¥391,375 million, respectively. The Group does not recognize deferred tax liabilities for these temporary differences because the Group is able to control the timing of the reversal of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future.

(2) Income tax expenses

① Income tax expenses

Income tax expenses are as follows:

	Millions of yen	
	2020	2019
Current tax expenses (Note)	¥46,770	¥49,494
Deferred tax expenses		
Recognition and reversal of temporary differences	(7,102)	(4,326)
Evaluation of recoverability of deferred tax assets	36,413	(9,264)
Total of deferred tax expenses	29,311	(13,590)
Total	¥76,081	¥35,904

Note: In the United States, "Coronavirus Aid, Relief, and Economic Security Act (CARES Act)" was enacted on March 27, 2020. Along with this, major tax regulation that could affect the consolidated financial statement for the fiscal year ended March 31, 2020 is as follows:

(Carryback of tax loss carryforwards)

Taxpayers are permitted to carryback tax loss carryforwards arising in a tax year after January 1, 2018, and before December 31, 2020, to each of the five tax years preceding the tax year in which the loss arises.

As a result, the impact of the carryback of tax loss carryforwards is ¥(4,040) million for the fiscal year ended March 31, 2020, and is included in current income tax expenses.

② Reconciliation of income tax rate

The details of difference between the statutory income tax rate and the average actual tax rate are as follows:

The Group is mainly subject to income taxes, inhabitant tax, and enterprise tax. The effective statutory income tax rate calculated based on these taxes, is 30.6% and 30.6% for the fiscal years ended March 31, 2020 and 2019, respectively. However, overseas subsidiaries are subject to income taxes in their respective countries of domicile.

	2020	2019
Effective statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanently non-deductible expenses	0.4	0.3
Permanently non-taxable income	(0.3)	0.9
Share of profit of investments accounted for using the equity method	(2.2)	(6.0)
Affiliates' undistributed earnings	(0.3)	1.0
Changes in unrecognized deferred tax assets	42.6	(7.7)
Tax credit for research and development expenses	(7.3)	(3.0)
Difference of subsidiaries' applicable income tax rates	6.3	(0.5)
Effect of change in fair value of contingent consideration	(9.9)	(1.3)
Effect of "CARES Act"	(3.1)	—
Others	1.5	4.8
Average actual tax rate	58.3%	19.1%

(Change in presentation)

"Difference of subsidiaries' applicable income tax rates" and "Effect of change in fair value of contingent consideration" that were included in "Others" in the previous fiscal year are presented separately from this fiscal year due to the increased materiality. The details of difference between the statutory income tax rate and the average actual tax rate in the previous fiscal year is reclassified to reflect such changes.

As a result, "Others" of 3.0% in the previous fiscal year has been reclassified as "Difference of subsidiaries' applicable income tax rates" of (0.5%), "Effect of change in fair value of contingent consideration" of (1.3%), and "Others" of 4.8%.

19 Bonds and Borrowings

(1) Breakdown of Bonds and Borrowings

Bonds and borrowings consist of the following:

	Millions of yen		Average interest rate	Repayment due date
	March 31, 2020	March 31, 2019		
Short-term borrowings	¥ 370,995	¥134,045	0.566%	—
Commercial paper	2,000	30,000	0.118	—
Long-term borrowings	444,486	440,545	0.140	2020~2029
Bonds	487,185	234,940	0.962	2020~2079
Total	¥1,304,666	¥839,530	—%	—
Current liabilities	¥ 466,527	¥256,565	—%	—
Non-current liabilities	838,139	582,965	—	—
Total	¥1,304,666	¥839,530	—%	—

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The Average interest rate and Repayment due date in the above table are as of March 31, 2020.

(2) Bonds

A summary of the issuance conditions of bonds is as follows:

Issuer	Bond Name	Issue Date	Millions of yen March 31, 2020	Millions of yen March 31, 2019	Interest Rate (%)	Collateral	Maturity Date
Sumitomo Chemical Co., Ltd.	41st unsecured bonds	Oct. 20, 2009	—	20,000 (20,000)	1.640	No	Oct. 18, 2019
	43rd unsecured bonds	Apr. 23, 2010	**35,000 (35,000)**	35,000	1.580	No	Apr. 23, 2020
	45th unsecured bonds	Oct. 28, 2011	**20,000**	20,000	1.220	No	Oct. 28, 2021
	47th unsecured bonds	Jun. 12, 2013	**10,000 (10,000)**	10,000	0.984	No	Jun. 12, 2020
	49th unsecured bonds	Apr. 25, 2014	**10,000**	10,000	0.944	No	Apr. 25, 2024
	50th unsecured bonds	Apr. 25, 2014	**10,000**	10,000	0.567	No	Apr. 23, 2021
	51st unsecured bonds	Apr. 25, 2014	—	10,000 (10,000)	0.344	No	Apr. 25, 2019
	52nd unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.850	No	Sep. 01, 2036
	53rd unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.300	No	Sep. 01, 2026
	54th unsecured bonds	Sep. 01, 2016	**10,000**	10,000	0.200	No	Sep. 01, 2023
	55th unsecured bonds	Sep. 13, 2017	**10,000**	10,000	0.880	No	Sep. 13, 2037
	56th unsecured bonds	Sep. 13, 2017	**20,000**	20,000	0.380	No	Sep. 13, 2027
	57th unsecured bonds	Sep. 13, 2017	**10,000**	10,000	0.240	No	Sep. 13, 2024
	58th unsecured bonds	Apr. 17, 2018	**30,000**	30,000	0.900	No	Apr. 16, 2038
	59th unsecured bonds	Apr. 17, 2018	**20,000**	20,000	0.355	No	Apr. 17, 2028
	60th unsecured bonds	Apr. 16, 2019	**15,000**	—	0.900	No	Apr. 15, 2039
	61st unsecured bonds	Apr. 16, 2019	**20,000**	—	0.400	No	Apr. 16, 2029
	1st Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec. 13, 2019	**150,000**	—	1.300 (Note 2)	No	Dec. 13, 2079 (Note 4)
	2nd Unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec. 13, 2019	**100,000**	—	0.840 (Note 3)	No	Dec. 13, 2079 (Note 5)
Sumika Polycarbonate Limited	2nd unsecured bonds	Dec. 29, 2014	—	500 (500)	0.780	No	Dec. 27, 2019
Total	—	—	**490,000 (45,000)**	235,500 (30,500)	—	—	—

Note 1: Corporate bonds to be redeemed within 1 year are stated in parentheses.

Note 2: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2029, and a variable interest rate from the day after December 13, 2029 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2049).

Note 3: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2024, and a variable interest rate from the day after December 13, 2024 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2044).

Note 4: The Company may redeem the Hybrid Bonds at its discretion on each interest payment date from and including December 13, 2029, or in case a Tax Event or an Equity Credit Change Event occurs.

Note 5: The Company may redeem the Hybrid Bonds at its discretion on each interest payment date from and including December 13, 2024, or in case a Tax Event or an Equity Credit Change Event occurs.

(3) Pledged Assets

Assets pledged as collateral and collateralized obligations are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Pledged Assets		
Investments in joint ventures	¥ 94,938	¥100,980
Property, plant and equipment	18,328	23,911
Trade notes and accounts receivable	3,075	6,315
Others	187	395
Total	¥116,528	¥131,601
Collateralized obligations		
Borrowings	8,602	11,180
Other payables	773	1,165
Others	383	700
Total	¥ 9,758	¥13,045

Investments in joint ventures pledged as collateral for joint ventures' debt amounting to ¥61,327 million and ¥101,682 million are subjected to real guarantee as of March 31, 2020 and 2019, respectively.

20 Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	¥ 4,022	¥ 4,366
Contingent considerations	31,228	81,352
Others	12,905	13,980
Financial liabilities measured at amortized cost		
Deposits received	19,889	31,313
Others	254	417
Lease obligations	—	6,923
Lease liabilities	72,527	—
Total	¥140,825	¥138,351
Current liabilities	48,769	50,735
Non-current liabilities	92,056	87,616
Total	¥140,825	¥138,351

21 Reconciliation of Liabilities for Financing Activities

The reconciliation of liabilities for financing activities is as follows:

Fiscal Year ended March 31, 2020

	Millions of yen							
					Non-cash transactions			
	Carrying amount April 1, 2019	Cumulative effects of changes in accounting policies	Carrying amount April 1, 2019 (after adjustment)	Cash flows	Business combinations	Foreign currency translations	Others	Carrying amount March 31, 2020
Bonds	¥234,940	¥ —	¥234,940	¥252,075	¥ —	¥ —	¥ 170	¥ 487,185
Commercial paper	30,000	—	30,000	(28,000)	—	—	—	2,000
Short-term borrowings	134,045	—	134,045	237,592	584	(997)	(229)	370,995
Long-term borrowings	440,545	—	440,545	(17,968)	23,762	(1,776)	(77)	444,486
Lease liabilities	6,923	63,652	70,575	(14,778)	2,660	(314)	14,384	72,527
Total	¥846,453	¥63,652	¥910,105	¥428,921	¥27,006	¥(3,087)	¥14,248	¥1,377,193

Note: Cumulative effects of changes in accounting policies represents the financial effect from the adoption of IFRS 16.
Others of non-cash transactions of lease liabilities include increase of right-of-use assets by new acquisition.

Fiscal Year ended March 31, 2019

	Millions of yen					
			Non-cash transactions			
	Carrying amount April 1, 2018	Cash flows	Business combinations	Foreign currency translations	Others	Carrying amount March 31, 2019
Bonds	¥262,162	¥(27,275)	¥ —	¥ —	¥ 53	¥234,940
Commercial paper	34,000	(4,000)	—	—	—	30,000
Short-term borrowings	128,521	3,180	33	1,903	408	134,045
Long-term borrowings	417,478	21,319	118	1,681	(51)	440,545
Lease obligations	8,299	(3,175)	7	136	1,656	6,923
Total	¥850,460	¥ (9,951)	¥158	¥3,720	¥2,066	¥846,453

Note: Others of non-cash transactions of lease obligations include increase of lease assets by new acquisition.

22 Leases

(1) Finance lease obligations

The total of minimum lease payments and their present value under finance lease contracts are as follows. The total of minimum lease payments and their present value under finance lease contracts for the fiscal year ended March 31, 2020 is not included in this part as the Group has adopted IFRS 16.

	Total minimum lease payments	Present value of total minimum lease payments
	Millions of yen	Millions of yen
	March 31, 2019	March 31, 2019
Within 1 year	¥2,412	¥2,250
Over 1 year, within 5 years	4,610	4,368
Over 5 years	319	305
Total	¥7,341	¥6,923
Future finance expenses	418	
Present value of lease obligations	¥6,923	

As a lessee, the Group leases assets such as machinery and equipment.
Certain lease contracts include renewal options and purchase options. The Group has no lease contracts with covenants such as restrictions on additional borrowings and additional leases.

The weighted average interest rate of finance lease obligations (non-current) based on the balances as of March 31, 2019 is 2.40%, and the weighted-average interest rate of finance lease obligations (current) based on the balances as of March 31, 2019 is 2.95%.

(2) Operating Lease

The total of minimum lease payments of non-cancellable operating leases is as follows. The total of minimum lease payments of non-cancellable operating leases for the fiscal year ended March 31, 2020 is not included in this part as the Group has adopted IFRS16.

	Millions of yen
	March 31, 2019
Within 1 year	¥ 5,914
Over 1 year, within 5 years	16,837
Over 5 years	19,521
Total	¥42,273

The total of minimum lease payments under operating lease contracts recognized as expenses is as follows:

	Millions of yen
	2019
Total minimum lease payments	¥18,299

Certain lease contracts include renewal options and purchase options. The Group has no lease contracts with covenants such as restrictions on additional borrowings and additional leases.

(3) Income, expense items and cash flow related to right-of-use assets

The breakdown of Income, expense items and cash flow related to right-of-use assets is as follows:

	Millions of yen
	2020
Depreciation charge for right-of-use assets	
Buildings and Structures	¥ 9,901
Machinery and Vehicles	2,068
Tools, Furniture and Fixtures	32
Land	1,406
Depreciation total	¥13,407
Interest expense on lease liabilities	1,204
The expense relating to short-term leases	1,553
The expense relating to leases of low-value assets	2,119
The expense relating to variable lease payments not included in the measurement of lease liabilities	697
(Income) from subleasing right-of-use assets	(647)
Total amount recognized in net income	4,926
Repayments of lease liabilities	14,778
Total cash outflow related to right-of-use assets	¥19,704

(4) Extension options and termination options (Lessee)

The Company and each Group subsidiary assume responsibility for lease management. Accordingly, the lease terms and conditions are negotiated on a case-by-case basis, and the resultant leases contain widely differing contractual terms.

Extension options and termination options are included mainly in real estate leases pertaining to offices, warehouses and factory sites. These options are used by lessees as needed in utilizing real estate in their businesses.

23 Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Trade notes and accounts payable	¥257,584	¥288,921
Other payables and accrued expenses	176,174	192,064
Others	2,312	1,873
Total	¥436,070	¥482,858

Trade and other payables are classified as financial liabilities measured at amortized cost.

24 Employee Benefits

The Company and certain consolidated subsidiaries have defined benefit plans such as funded and unfunded lump-sum retirement benefit plans and defined benefit corporate pension plans, and also have defined contribution pension plans as retirement benefits for employees.

The Company and certain consolidated subsidiaries have retirement benefit trusts.

These plans are subject to minimum funding requirements stipulated by law, which requires the plan sponsor to pay additional contributions to achieve a minimum funding level within a certain time scale if the plan does not hold sufficient assets.

The Group's main plans are exposed to actuarial risk such as investment risk, interest rate risk, inflation risk and longevity risk.

(1) Defined Benefit Plan

① Reconciliation of Defined Benefit Obligations and Plan Assets

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Present value of defined benefit obligations	¥315,620	¥319,490
Fair value of the plan assets	(331,079)	(344,901)
Net defined benefit (assets) liabilities	(15,459)	(25,411)
Retirement benefit liabilities	45,770	43,981
Retirement benefit assets	(61,229)	(69,392)
Net defined benefit (assets) liabilities	¥ (15,459)	¥ (25,411)

② Reconciliation of present value of Defined Benefit Obligations

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

	Millions of yen	
	2020	2019
Present value of defined benefit obligations at the beginning of the year	¥319,490	¥319,584
Current service cost	13,827	14,485
Interest expense	1,930	2,155
Remeasurements		
Actuarial (gains) losses arising from changes in demographic assumptions	(449)	(10)
Actuarial (gains) losses arising from changes in financial assumptions	(1,902)	5,461
Actuarial (gains) losses arising from experiential adjustments	(2,106)	(6,498)
Past service cost	—	—
Benefits paid	(14,975)	(15,596)
Others	(195)	(91)
Present value of defined benefit obligations at the end of the year	¥315,620	¥319,490

The weighted average duration of the defined benefit obligations of the Company and major consolidated subsidiaries is 15.0 years and 15.2 years as of March 31, 2020 and 2019, respectively.

③ Reconciliation of fair value of Plan Assets

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

	Millions of yen	
	2020	2019
Fair value of plan assets at the beginning of the year	¥344,901	¥347,406
Interest income	2,168	2,423
Remeasurements		
Return on plan assets	(13,901)	(167)
Contributions to the plan by the employer	11,470	10,946
Payments from the plan	(11,871)	(12,900)
Return on plan assets (Note)	(191)	(2,500)
Others	(1,497)	(307)
Fair value of plan assets at the end of the year	¥331,079	¥344,901

Note: As the Company's plan assets are in excess of the defined benefit obligation and this situation is expected to continue, the cash portion of the retirement benefit trusts of plan assets was refunded in the fiscal years ended March 31, 2020 and 2019.

The Group's basic policy regarding investment of plan assets has a target to increase the fair value basis plan assets by specifying target investment yield and acceptable risk in order to safely and efficiently ensure plan assets required for current and future pension and lump-sum payments.

A risk diversification on investments is carried out without imbalance to achieve this target.

In addition, the asset allocation ratio will be reassessed as necessary.

The Group plans to contribute ¥11,356 million for the fiscal year ending March 31, 2021.

④ Details of Plan Assets

Plan assets consist of the following:

Millions of yen

	March 31, 2020			March 31, 2019		
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	¥ 23,797	¥ —	¥ 23,797	¥ 18,698	¥ —	¥ 18,698
Equity instruments	65,717	—	65,717	84,437	—	84,437
Debt instruments	185,417	—	185,417	189,937	—	189,937
General accounts of life insurance companies	—	40,879	40,879	—	36,066	36,066
Others	126	15,143	15,269	895	14,868	15,763
Total	¥275,057	¥56,022	¥331,079	¥293,967	¥50,934	¥344,901

⑤ Significant actuarial assumptions

Significant actuarial assumptions are as follows:

%

	March 31, 2020	March 31, 2019
Discount rate	0.5	0.5

⑥ Sensitivity analysis

The effect in the present value of the defined benefit obligations of a 0.5% change in discount rate used for actuarial calculations is as follows:

Millions of yen

	March 31, 2020	March 31, 2019
0.5% increase in discount rate	¥(20,103)	¥(20,877)
0.5% decrease in discount rate	21,412	21,585

Note: To calculate the sensitivity of the defined benefit obligations, the same method is applied as that for calculation of the defined benefit obligations recognized in the consolidated statement of financial position. Sensitivity is analyzed based on the reasonably estimable movement of assumptions as at the year-end. The sensitivity analysis assumes that all actuarial assumptions other than that subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may affect the result.

(2) Defined Contribution Plan

Amounts recognized as expenses under defined contribution plans (including corporate pension plan under a multi-employer plan that is accounted for the same as defined contribution plans) for the fiscal years ended March 31, 2020 and 2019 are ¥4,877 million and ¥4,689 million, respectively.

(3) Employee Benefit Expenses

Employee benefit expenses recognized in "Cost of sales," "Selling, general and administrative expenses," and "Other operating expenses" in the consolidated statement of profit or loss for the fiscal years ended March 31, 2020 and 2019 are ¥359,970 million and ¥355,890 million, respectively.

(4) Multi-employer Defined Benefit Plans

Certain consolidated subsidiaries participate in the corporate pension fund under a multi-employer plan. Because the amount of plan assets corresponding to the contribution by the companies cannot be reasonably calculated, the amount of contribution required is accounted for in the same manner as defined contribution plans.

The contributions for corporate pension plan are calculated as a fixed percentage of the average salary or the like of participating employees. In addition, each fund ensures future solvency by revising the contribution in accordance with relevant regulations.

If the funds are dissolved and liquidated, they will charge participants to cover deficits or distribute residual assets to participants based on minimum funding standards calculated in accordance with regulations or the like. In addition, employers that elect to withdraw from the funds are subject to a charge to cover any liabilities and deficits projected to result from their withdrawal.

Welfare pension fund under a multi-employer plan in which certain consolidated subsidiaries had participated was dissolved on March 28, 2018 with the approval of the Minister of Health, Labor and Welfare. After the dissolution, certain consolidated subsidiaries shifted to the corporate pension fund established as a replacement. Because the financial figures for the first year of the fund was not available, ① Recent financial position of multi-employer defined benefit plans and ② Ratio of Group contribution to multi-employer plans as of March 31, 2018 were not listed.

① Recent financial position of multi-employer defined benefit plans

	Millions of yen	
	As of March 31, 2019	As of March 31, 2018
Plan assets	¥ 38,528	¥—
Aggregate of actuarial liability based on pension finance calculation and minimum liability reserve	68,843	—
Net	¥(30,315)	¥—

The net amount presented in the above table is the total of ¥(33,225) million in the present value of special contributions and ¥2,910 million in the plan assets shortfall carried forward as of March 31, 2019.

The present value of special contributions represents the amortized amount to be compensated over future periods to make up the past shortfall of plan assets in pension finance, calculated with a predetermined rate (special contributions) under an agreement regarding the corporate pension plan.

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining period of amortization is 24 years and 8 months as of March 31, 2019. Special contributions of ¥27 million have been accounted for as pension expense on the consolidated financial statement for the fiscal year ended March 31, 2019.

② Ratio of Group contribution to multi-employer plans

1.55% (As of March 31, 2019)

—% (As of March 31, 2018)

The amount of the special contribution is calculated by multiplying the pre-determined rate by the amount of average salary at the time of the contribution. Therefore, the ratio of Group contribution to multi-employer plans above does not match the Group's actual proportional contribution

③ Contributions to multi-employer plans in the fiscal year ending March 31, 2021

The Group expects to contribute ¥67 million to multi-employer plans for the fiscal year ending March 31, 2021.

25 Provisions

Components of and changes in provisions are as follows:

	Millions of yen					
	Provisions for sales rebates	Provisions for asset retirement obligations	Provisions for sales returns	Provisions for removal cost of property, plant and equipment	Other provisions	Total
As of April 1, 2019	¥82,572	¥16,533	¥10,614	¥8,437	¥5,882	¥124,038
Increase	73,255	283	7,158	566	1,548	82,810
Decrease (provision used)	(71,722)	(330)	(5,349)	(3,013)	(1,363)	(81,777)
Decrease (provision reversed)	(6,942)	—	(2,092)	(1,326)	(471)	(10,831)
Interest expense resulting from unwinding	—	207	—	—	—	207
Others	(1,639)	(84)	(383)	(1)	(987)	(3,094)
As of March 31, 2020	¥75,524	¥16,609	¥ 9,948	¥4,663	¥4,609	¥111,353
Current	75,524	—	9,948	2,045	2,345	89,862
Non-current	—	16,609	—	2,618	2,264	21,491
Total	¥75,524	¥16,609	¥ 9,948	¥4,663	¥4,609	¥111,353

26 Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Accrued bonuses	¥ 37,187	¥ 37,349
Obligations for unused paid absences	11,674	11,030
Contract liabilities	22,583	22,125
Others	39,723	39,584
Total	¥111,167	¥110,088
Current liabilities	88,984	83,921
Non-current liabilities	22,183	26,167
Total	¥111,167	¥110,088

27 Equity and Other Equity Items

(1) Share Capital and Surplus

Changes in the numbers of shares authorized and shares issued are as follows:

	Shares	
	2020	2019
Number of shares authorized	**5,000,000,000**	5,000,000,000
Number of shares issued		
Balance at the beginning of the year	**1,655,446,177**	1,655,446,177
Changes during the year	**—**	—
Balance at the end of the year	**1,655,446,177**	1,655,446,177

Note: All of the issued shares of the Company are ordinary shares that have no par value and no limitations on rights. Issued shares are fully paid.

The details of surplus are as follows:

① Capital Surplus

The Companies Act in Japan stipulates that half or more of the capital contributed from the issue of shares must be included in share capital and that the remainder must be included in capital reserve that is included in capital surplus. Moreover, capital reserve may be reclassified to share capital by resolution of the General Meeting of Shareholders.

② Retained Earnings

The Companies Act in Japan requires that an amount equal to one-tenth of dividends must be appropriated to capital reserve or earned surplus reserve until the total of aggregate amount of capital reserve and earned surplus reserve equals a quarter of share capital. Earned surplus reserve may be appropriated to reduce a deficit, and also may be reversed by resolution of the General Meeting of Shareholders.

(2) Treasury Shares

Changes in the numbers of treasury shares are as follows:

	Shares	
	2020	2019
Balance at the beginning of the year	**20,432,567**	20,390,153
Changes during the year	**13,245**	42,414
Balance at the end of the year	**20,445,812**	20,432,567

Note: The changes during the periods are mainly due to claims for purchases from or sales to shareholders with less than one unit of shares.

(3) Other Components of Equity

Remeasurements of Financial Assets Measured at Fair Value through Other Comprehensive Income

The valuation difference in the fair value on financial assets is measured at fair value through other comprehensive income.

Remeasurement of Defined Benefit Plans

Remeasurement of defined benefit plans is the effects of differences between actuarial assumptions at the beginning of the year and actual experience and the effects of changes in actuarial assumptions.

This amount is recognized in other comprehensive income when it occurs and is immediately transferred from other components of equity to retained earnings.

Cash Flow Hedges

This is the effective portion of gains or losses on the hedging instrument designated as cash flow hedges.

Exchange Differences on Translation of Foreign Operations

These adjustments result from consolidating the financial statements of foreign subsidiaries.

28 Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2020

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2019 Board of Directors	Ordinary shares	**¥17,985**	**¥11.00**	March 31, 2019	June 3, 2019
October 30, 2019 Board of Directors	Ordinary shares	**17,985**	**11.00**	September 30, 2019	December 2, 2019

Fiscal year ended March 31, 2019

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 15, 2018 Board of Directors	Ordinary shares	¥19,621	¥12.00	March 31, 2018	June 4, 2018
October 31, 2018 Board of Directors	Ordinary shares	17,985	11.00	September 30, 2018	December 3, 2018

Dividends with an effective date after the fiscal year ended March 31, 2020 and 2019 are as follows:

Fiscal year ended March 31, 2020

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 15, 2020 Board of Directors	Ordinary shares	**¥9,810**	Retained earnings	**¥6.00**	March 31, 2020	June 9, 2020

Fiscal year ended March 31, 2019

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 15, 2019 Board of Directors	Ordinary shares	¥17,985	Retained earnings	¥11.00	March 31, 2019	June 3, 2019

29 Revenue

(1) Disaggregation of revenue from contracts with customers

The Group mainly engages in manufacturing and sale of "Petrochemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals." The Board of Directors of the Company reviews the reportable segments regularly to determine allocation of resources and to assess their performance, therefore revenue of these businesses is presented as sales revenue. Revenue is geographically disaggregated based on the customer location. The relationship between disaggregated sales revenue and sales revenue by reportable segment is as follows:

Fiscal year ended March 31, 2020

Millions of yen

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note)	Total
Japan	¥248,771	¥144,004	¥ 12,794	¥101,961	¥212,085	¥45,440	¥ 765,055
China	167,800	21,884	205,833	9,503	28,730	29	433,779
North America	14,980	32,599	5,940	68,729	261,629	100	383,977
(U.S.A)	(13,297)	(32,333)	(5,940)	(65,112)	(256,427)	(100)	(373,209)
Others	225,378	56,547	180,304	163,473	13,401	3,890	642,993
Total	¥656,929	¥255,034	¥404,871	¥343,666	¥515,845	¥49,459	¥2,225,804

Fiscal year ended March 31, 2019

Millions of yen

	Petrochemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note)	Total
Japan	¥283,349	¥167,174	¥ 13,139	¥101,646	¥202,722	¥44,831	¥ 812,861
China	206,664	24,249	170,016	10,116	24,684	60	435,789
North America	14,487	34,020	6,835	72,798	252,066	152	380,358
(U.S.A)	(12,969)	(33,689)	(6,835)	(69,645)	(247,191)	(152)	(370,481)
Others	253,029	57,407	206,849	153,534	12,658	6,087	689,564
Total	¥757,529	¥282,850	¥396,839	¥338,094	¥492,130	¥51,130	¥2,318,572

Note: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis.

(2) Performance obligations

Timing of the Group's satisfaction of its performance obligations, and obligations for returns and refunds are presented in "3. Significant Accounting Policies." The consideration of products and services promised in contracts with customers are generally received within one year from performance obligations' fulfillment. Such product sales do not include a significant financing component.

(3) Contract balances

The details of outstanding contract balances arising from contracts with customers are as follows:

Millions of yen

	March 31, 2020	March 31, 2019
Receivables from contracts with customers	¥495,109	¥497,490
Contract assets	5,239	3,987
Contract liabilities	22,583	22,125

Receivables from contracts with customers and contract assets are included in "Trade and other receivables," and contract liabilities are included in "Other liabilities."

As of the beginning of the fiscal year ended March 31, 2020 and 2019, the amounts included in current contract liabilities were ¥7,982 million and ¥6,183 million, respectively, of which, the amount that has not been recognized as revenue in the fiscal year ended March 31, 2020 and 2019 are not material. Also, the amount of revenue recognized during the fiscal year ended March 31, 2020 and 2019 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

(4) Transaction prices allocated to performance obligations that have not been satisfied

Transaction prices allocated to the remaining performance obligations and periods when the revenue is expected to be recognized are as follows. The transactions for which individual contract terms are within one year are excluded as the Group uses the practical expedient. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

	Millions of yen	Millions of yen
	2020	2019
Within 1 year	¥ 9,690	¥ 9,191
Later than 1 year	21,078	21,308
Total	¥30,769	¥30,499

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

The total amount of the cost to obtain or fulfill a contract with a customer for the fiscal year ended March 31, 2020 and 2019 are not material.

30 Selling, General and Administrative Expenses

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

	Millions of yen	
	2020	2019
Research and development	¥170,296	¥159,960
Employee benefits	161,043	157,999
Transportation and storage cost	52,887	52,429
Advertising and sales promotion	46,463	46,682
Depreciation and amortization	25,620	17,316
Changes in fair value of contingent consideration	(48,475)	(8,950)
Others	167,301	164,626
Total	¥575,135	¥590,062

Note: The amount of the impairment loss arising from research and development in process with respect to compounds under development is ¥22,504 million for the previous fiscal year ended March 31, 2019, and included in "Others" of the above table. The amount of the impairment loss arising from research and development in process with respect to compounds under development is ¥22,466 million and patent of pharmaceuticals is ¥12,102 million for the fiscal year ended March 31, 2020, and which are included in "Others" of the above table.

31 Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen	
	2020	2019
Gain on sale of property, plant and equipment	¥ 931	¥ 1,434
Subsidy income	822	919
Others (Note 1)	9,837	8,801
Total	¥11,590	¥11,154

The breakdown of other operating expenses is as follows:

	Millions of yen	
	2020	2019
Business structure improvement expenses (Note 2)	¥ 7,806	¥ 9,067
Donation	1,264	935
Others	5,858	7,592
Total	¥14,928	¥17,594

Note 1: Others include ¥1,700 million, gain from remeasurement relating to discontinuing applying the equity method to Nufarm Limited for the fiscal year ended March 31,2020, as the Group had no longer significant influence over the company.

Note 2: Business structure improvement expenses are expenses to improve the business structure, which mainly include loss on disposal of property, plant and equipment and expenses for reformation of the organizations and operations.

32 Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	Millions of yen	
	2020	2019
Interest income		
Financial assets measured at amortized cost	¥ 3,175	¥ 3,150
Financial assets measured at fair value through profit or loss	2,667	2,826
Dividend income		
Financial assets measured at fair value through other comprehensive income		
Financial assets derecognized during the year	5	17
Financial assets held at year-end	4,758	4,856
Financial assets measured at fair value through profit or loss	299	—
Exchange profit	—	5,495
Others	2,274	271
Total	¥13,178	¥16,615

The breakdown of finance expenses is as follows:

	Millions of yen	
	2020	2019
Interest expenses		
Financial liabilities measured at amortized cost	¥ 9,703	¥ 9,023
Financial liabilities measured at fair value through profit or loss	1,568	1,333
Other liabilities	1,242	267
Exchange loss	5,575	—
Others	2,127	594
Total	¥20,215	¥11,217

33 Other Comprehensive Income

Gains (losses) arising for the year, reclassification adjustments to profit or loss and tax effect for each component of other comprehensive income are as follows:

Fiscal year ended March 31, 2020

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥(16,576)	¥ —	¥(16,576)	¥3,179	¥(13,397)
Remeasurements of defined benefit plans	(9,444)	—	(9,444)	1,121	(8,323)
Share of other comprehensive income of investments accounted for using the equity method	(5,571)	—	(5,571)	759	(4,812)
Total items that will not be reclassified to profit or loss	(31,591)	—	(31,591)	5,059	(26,532)
Items that may be subsequently reclassified to profit or loss					
Cash flow hedge	1,885	842	2,727	(856)	1,871
Exchange differences on translation of foreign operations	(44,951)	—	(44,951)	(97)	(45,048)
Share of other comprehensive income of investments accounted for using the equity method	(6,106)	3,996	(2,110)	60	(2,050)
Total of items that may be subsequently reclassified to profit or loss	(49,172)	4,838	(44,334)	(893)	(45,227)
Total	¥(80,763)	¥4,838	¥(75,925)	¥4,166	¥(71,759)

Fiscal year ended March 31, 2019

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥(9,265)	¥ —	¥(9,265)	¥1,924	¥(7,341)
Remeasurements of defined benefit plans	880	—	880	(213)	667
Share of other comprehensive income of investments accounted for using the equity method	1,790	—	1,790	(294)	1,496
Total items that will not be reclassified to profit or loss	(6,595)	—	(6,595)	1,417	(5,178)
Items that may be subsequently reclassified to profit or loss					
Cash flow hedge	816	(207)	609	(48)	561
Exchange differences on translation of foreign operations	4,401	381	4,782	—	4,782
Share of other comprehensive income of investments accounted for using the equity method	(4,684)	(345)	(5,029)	544	(4,485)
Total of items that may be subsequently reclassified to profit or loss	533	(171)	362	496	858
Total	¥(6,062)	¥(171)	¥(6,233)	¥1,913	¥(4,320)

34 Earnings per Share

(1) The basis for calculating basic earnings per share

	2020	2019
Net income attributable to owners of the parent (millions of yen)	¥ 30,926	¥ 117,992
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Net income used to calculate basic earnings per share (millions of yen)	¥ 30,926	¥ 117,992
Average number of ordinary shares (thousands of shares)	1,635,006	1,635,026
Basic earnings per share (yen)	¥ 18.91	¥ 72.17

(2) The basis for calculating diluted earnings per share

	2020	2019
Net income used to calculate basic earnings per share (millions of yen)	¥ 30,926	¥ 117,992
Adjustments by diluted potential ordinary shares of consolidated subsidiaries (millions of yen)	—	—
Adjustments by diluted potential ordinary shares of associates accounted for using the equity method (millions of yen)	—	(75)
Net income used to calculate diluted earnings per share (millions of yen)	¥ 30,926	¥ 117,917
Average number of ordinary shares after dilution (thousands of shares)	1,635,006	1,635,026
Diluted earnings per share (yen)	¥ —	¥ 72.12
Stocks not included in the calculation of diluted earnings per share because they have anti-dilutive effect	Stock options issued by consolidated subsidiaries 11,857,402 shares	—

Note 1: There are no potential ordinary shares that are excluded from the calculation of the average number of dilutive ordinary shares due to their antidilutive effects for the fiscal year ended March 31, 2019.

Note 2: For diluted earnings per share for the fiscal year ended March 31, 2020, although there are potential shares, they are not listed because they have an anti-dilutive effect.

Note 3: There are no significant transactions involving ordinary shares or potential ordinary shares between the fiscal year ended March 31, 2020 to the authorization date of the consolidated financial statements.

35 Cash flow

Fiscal year ended March 31, 2020

"Payments of deposit" is the payment for deposit to acquire the subsidiaries.

Details of the acquisition of subsidiaries are presented in Note 42 Subsequent Events.

36 Share-Based Payment

Myovant Sciences Ltd. and Urovant Sciences Ltd., the Company's consolidated subsidiaries, have adopted equity-settled share-based payment plans for their directors and employees and granted stock options to them.

(1) Stock Option

Stock options that Myovant Sciences Ltd. and Urovant Sciences Ltd. have issued are equity-settled share-based compensation and the vesting conditions are mainly based on service period.

Information related to the stock options of Myovant Sciences Ltd. and Urovant Sciences Ltd. is as follows:

① Myovant Sciences Ltd.

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at the date of acquisition (December 27, 2019)	7,744,257	$ 9.20	8.29
Granted during the period	223,500	10.63	—
Exercised during the period	(43,549)	6.30	—
Expired during the period	(200,906)	9.19	—
Outstanding balance at March 31, 2020	7,723,302	9.25	8.08
Exercisable balance at March 31, 2020	3,009,080	8.13	7.30

Note 1: The weighted average share price at the date of exercise is US$11.97.
Note 2: The range of exercise prices for outstanding balance at March 31, 2020 is from US$2.38 to US$26.17.

The Black-Scholes model was used for the purpose of valuation of the fair value of the stock options. As for the stock options granted during the period, the assumptions used for the Black-Scholes model are as follows:

	March 31, 2020
Expected weighted average fair value	$ 6.92
Expected weighted average share price	$11.42
Expected exercise price	$10.63
Expected volatility (Note1)	73.00%
Expected stock option period	6.2 years
Expected dividends	—
Risk-free interest rate	1.23%

Note 1: The estimation of expected volatility is based on past volatilities of reference companies which are publicly listed and conduct similar business to Myovant Sciences Ltd. , the company corresponding to the expected remaining duration for stock options, and Sumitomo Dainippon Pharma.
Note 2: The assumptions used for measuring the fair value of the stock options granted after the acquisition of Myovant Sciences Ltd. are described as above.

② Urovant Sciences Ltd.

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at the date of acquisition (December 27, 2019)	4,358,720	$6.63	8.58
Granted during the period	45,700	9.54	—
Exercised during the period	(270,320)	4.51	—
Outstanding balance at March 31, 2020	4,134,100	6.85	8.38
Exercisable balance at March 31, 2020	3,875,300	6.58	8.29

Note 1: The weighted average share price at the date of exercise is US$13.06.
Note 2: The range of exercise prices for outstanding balance at March 31, 2020 is from US$3.64 to US$15.66.

The Black-Scholes model was used for the purpose of valuation of the fair value of the stock options. As for the stock options granted during the period, the assumptions used for the Black-Scholes model are as follows:

	March 31, 2020
Expected weighted average fair value	$ 5.99
Expected weighted average share price	$12.99
Expected exercise price	$ 9.54
Expected volatility (Note 1)	69.80%
Expected stock option period	6.1 years
Expected dividends	—
Risk-free interest rate	1.58%

Note 1: The estimation of expected volatility is based on past volatilities of reference companies which are publicly listed and conduct similar business to Urovant Sciences Ltd., the company corresponding to the expected remaining duration for stock options, and Sumitomo Dainippon Pharma.
Note 2: The assumptions used for measuring the fair value of the stock options granted after the date of acquisition of Urovant Sciences Ltd. are described as above.

(2) Share-Based Payment Expenses

Share-based payment expenses recorded in the consolidated statement of profit or loss were as follows.

	2020	2019
Selling, general and administrative expenses	984	—
Research and development	295	—
Total	1,279	—

37 Financial Instruments

(1) Capital Management

The Group conducts capital management for sustainable growth and maximization of its corporate value.

To achieve sustainable growth, the Group considers it essential to secure sufficient financing capacity to make agile investment in businesses when an opportunity for such investments for business growth (such as acquisition of external resources) arises in the future and aims to maintain the capital structure with balance.

There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

When the Company determines dividend, the Company considers shareholder return as one of our most prioritized management issues and has made it a policy to maintain stable dividend payments, giving due consideration to our business performance and a dividend payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors.

Based on the provision of Article 459, Paragraph 1 of the Companies Act, the Company stipulates that it may pay dividends of surplus by resolution of the Board of Directors.

(2) Financial Risk Management

The Group is exposed to financial risks (e.g. credit risk, liquidity risk, foreign exchange risk, interest rate risk and market price fluctuation risk) in the course of doing business. The Group performs risk management to reduce these financial risks.

(3) Credit Risk

The Company regularly reassesses the dealing policies about trade receivables through monitoring the business condition, the sales turnover, and the balance of receivables of all business counterparties by sales sections of each business segment, and aims at the grasp of changes in customers' credit risks due to deterioration of the financial condition, etc. at an early stage and the reduction of the credit risks in accordance with the Company regulation for credit management.

In the case of the consolidated subsidiaries, their sales divisions or accounting departments also manage the financial and credit conditions of their customers pursuant to their internal rules and regulations.

The Group conducts derivative transactions only with creditworthy financial institutions and trading companies to minimize the counterparty risk, and accordingly the impact on credit risk is limited.

The Group does not have significant exposure of credit risk relating to particular counterparties nor excessive concentration of credit risk that requires special attention.

The maximum exposures related to the credit risk of financial assets are the carrying amount (net of impairment) presented in the consolidated statement of financial position. The maximum exposures related to the credit risk of guarantee obligations are described in Note 41 Contingent Liabilities.

The Group holds deposits mainly as collateral against certain trade and other receivables. The amounts recognized in "Other financial liabilities" in the consolidated statement of financial position are ¥11,886 million and ¥12,429 million as of March 31, 2020 and 2019, respectively.

Changes in allowance for doubtful accounts

The Group reviews collectability of trade receivables and other receivables, other financial assets, and financial guarantee contracts based on the credit conditions of customers and recognizes allowance for doubtful accounts.

For trade receivables and contract assets without material financial components, allowances for doubtful accounts are always measured at an amount equal to the lifetime expected credit losses (the simplified approach). For other receivables, other financial assets, and financial guarantee contracts, allowances for doubtful accounts are generally measured at an amount equal to the 12-month expected credit losses, while in the case that credit risk of a financial asset (including financial guarantee contracts) has increased significantly since initial recognition, an allowance for doubtful account for the financial asset is measured by estimating individually the lifetime expected credit losses based on the past experiences of bad debts and forecasts on future recoverable amounts (general approach).

The Group considers whether there has been a significant increase in the credit risk based on changes in default risk. To determine if there has been a change in the default risk, the Group considers financial conditions of counterparties, past credit loss history and past overdue information. The Group determines there has been a significant increase in credit risk if a contractual payment is past due for more than 30 days. And it is generally determined that there has been a default if a contractual payment is past due for over 90 days. When making these judgments, the Group considers reasonable and supportable information that is available without excessive cost or effort, and it would be determined that there have been no significant increases in credit risk if it is rebuttable based on this information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from the debtors, serious financial difficulties of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor etc. For any amount that is probably not recoverable in the future, the carrying amount of the financial asset is directly reduced from the total amount, and the amount of allowance for doubtful account is reduced correspondingly.

The amount of allowance for doubtful accounts is calculated as follows:

- Trade receivables (Note receivables and account receivables), other receivables (Contract assets)
  Based on the simplified approach, the allowance is calculated by multiplying the total amount of the receivables by the provision rate calculated by considering future prospects of economic conditions, etc. in addition to the historical rate of credit losses.
- Other receivables (other account receivables, etc.), other financial assets, and financial guarantee contracts
  As for assets for which credit risk is not considered significantly increased, the amount of allowance is calculated by multiplying the total carrying amount by the provision rate that is determined by considering future prospects of economic conditions, etc. in addition to the historical rate of credit losses of similar assets. If credit risk of the asset is considered to significantly increase or the asset meets criteria for credit-impaired financial assets, the amount of the allowance is calculated as the difference between the recoverable amount that is individually determined by considering future prospects of economic conditions, etc. in addition to the financial conditions of the counterparty and the total carrying amount.

The total carrying amount of financial assets and the balance of financial guarantee contracts for which allowance for doubtful accounts is to be recognized is as follows:

	Millions of yen			
		Financial assets applied to the general approach		
	Financial assets applied by the simplified approach	Stage 1 Financial assets measured at an amount equal to the 12-month expected credit losses	Stage 2 Financial assets measured at an amount equal to the lifetime expected credit losses	Stage 3 Financial assets measured at an amount equal to the lifetime expected credit losses
March 31, 2019	¥504,269	¥480,594	¥—	¥466
March 31, 2020	**503,619**	**552,693**	**—**	**468**

Expected credit loss of financial assets applied by the simplified approach and Stage 1 financial assets, are measured on a collective basis by multiplying the historical rate of credit losses considering the forecasts on future economic conditions in a group of financial assets with similar credit risk characteristics. Expected credit loss of financial assets of Stages 2 and 3 is measured individually considering future prospects of economic conditions, etc. in addition to the financial conditions of counterparties.

Changes in allowance for doubtful accounts are as follows:
There is no significant increase or decrease of carrying amount that could effect a change in allowance for doubtful accounts for the year ended March 31, 2020.

	Millions of yen	
	2020	2019
Balance at the beginning of the year	¥3,265	¥3,158
Increase	717	520
Decrease (provision used)	(84)	(104)
Others	(153)	(309)
Balance at the end of the year	¥3,745	¥3,265

Note: Allowance for doubtful accounts mainly relates to financial assets under the simplified approach.

(4) Liquidity Risk

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the settlement date.

The treasury department semi-annually prepares funding plans based on reporting from each business division and updates these plans on a daily basis. The Company manages liquidity risk in order to meet short-term fund demands, signing overdraft contracts with financial institutions, and entering into commitment line agreements totaling ¥101,000 million. The balance of borrowings related to those commitment lines is zero as of March 31, 2020 and 2019, respectively.

Liquidity risk is also managed by the Group through group financing systems that enable interchange of excess funds among group companies for both domestic and overseas group companies.

The balance of financial liabilities (including derivative financial instruments) by settlement date is as follows:

As of March 31, 2020

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	¥436,070	¥436,070	¥436,070	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	370,995	372,202	372,202	—	—	—	—	—
Commercial paper	2,000	2,000	2,000	—	—	—	—	—
Long-term borrowings	444,486	451,612	51,288	60,823	81,205	33,351	54,188	170,757
Bonds	487,185	504,200	46,600	31,246	973	10,963	20,894	393,524
Lease liabilities	72,527	81,790	15,460	10,609	7,278	5,560	4,883	38,000
Deposits received	19,889	19,889	17,075	46	33	32	32	2,671
Others	13,159	13,159	12,905	11	—	—	—	243
Derivative liabilities	4,022	4,053	2,056	937	533	454	72	—

As of March 31, 2019

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	¥482,858	¥482,858	¥482,858	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	134,045	134,405	134,405	—	—	—	—	—
Commercial paper	30,000	30,000	30,000	—	—	—	—	—
Long-term borrowings	440,545	450,859	65,088	52,450	59,315	79,661	31,734	162,611
Bonds	234,940	248,367	32,560	46,385	31,031	758	10,748	126,885
Lease obligations	6,923	7,342	2,413	2,104	1,421	778	307	319
Deposits received	31,313	31,313	29,932	34	32	46	32	1,237
Others	14,397	14,397	13,980	19	153	2	2	241
Derivative liabilities	4,366	4,050	1,536	834	615	532	461	72

(5) Foreign Exchange Risk

The Company and certain its consolidated subsidiaries use forward foreign exchange contracts within a certain extent in accordance with the Company's regulation for management of foreign exchange risk to hedge foreign currency exchange fluctuation risk identified by currency and on a monthly basis for trade receivables and payables, etc. denominated in foreign currencies. The Group does not use transactions that have larger market price fluctuation ratio than the price fluctuation of the underlying transaction, such as leveraged derivatives transactions.

Exposure of Foreign Exchange Risk

The Group is exposed to foreign exchange risk primarily from US dollars.

The net exposure to foreign exchange risk of US dollars is as follows, excluding exposures hedged by derivative transactions.

	Thousands of US dollars	
	March 31, 2020	March 31, 2019
Net exposure	$2,407,390	$1,743,538

Foreign Exchange Sensitivity Analysis

For financial instruments denominated in foreign currencies held by the Group as of March 31, 2020 and 2019, the financial impact on net income and equity in the event of 1% appreciation against the US dollar at fiscal year-end, is as follows.

The impact of translating financial instruments denominated in functional currency and translating assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, the analysis assumes that all other factors (balance, interest rate, etc.) are held constant.

	Millions of yen	
	March 31, 2020	March 31, 2019
	¥(1,830)	¥(1,336)

(6) Interest Rate Risk

The Group considers the details of funding demands, financial condition and financial environment and determines amounts, periods and methods for funding. The Group raises funds with combination of fixed and variable interest rates to be prepared for future interest rate fluctuations, however, there is a possibility that interest expenses will increase in case of interest rate increase and adversely affect the Group's financial performance and condition. The Company and its certain consolidated subsidiaries hedge the risk of an increase in interest rate by using interest rate swap transactions within some extent to mitigate the interest rate fluctuation risk related to loan payables.

Exposure of Interest Rate Risk

The net exposure to interest rate risk is as follows, excluding exposures hedged by derivative transactions.

	Millions of yen	
	March 31, 2020	March 31, 2019
Net exposure	¥311,615	¥62,741

Interest Rate Sensitivity Analysis

For financial instruments held by the Group as of March 31, 2020 and 2019, in the event of a 100-basis point interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on net income and equity is as follows.

The analysis relates only to the financial instruments influenced by interest rate fluctuation, and assumes that all other factors (balance, exchange rate, etc.) are held constant.

	Millions of yen	
	March 31, 2020	March 31, 2019
	¥(2,203)	¥(431)

(7) Market Price Fluctuation Risk

The Group is exposed to stock price fluctuation risk because the Group holds the stocks of business partner companies to maintain and strengthen business relationships with them. With regard to those stocks, the Group regularly watches market price and financial conditions of the issuers (business partner companies) and reassesses the Group's stockholding status in light of relationships with business partner companies.

In the event of a 10% market price change on each reporting date, the impact of equity instruments affected by the market price movement on other comprehensive income (after-tax effect) as of March 31, 2020 and 2019 is ¥10,191 million and ¥12,049 million, respectively. It is assumed that all other factors are held constant.

(8) Fair Value of Financial Instruments

The fair value hierarchy of financial instruments is categorized into the following levels based on the level of the input used for the fair value measurements.

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Inputs other than Level 1, either directly or indirectly observable
Level 3: Inputs that are not based on observable market data

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	Millions of yen			
	March 31, 2020		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥487,185	¥489,509	¥234,940	¥239,138
Long-term borrowings	444,486	448,319	440,545	444,356

The above table does not include the following financial instruments for which carrying amounts are reasonable approximations of fair value: Cash and cash equivalents, Trade and other receivables, Loan receivables, Other financial assets (Other), Trade and other payables, Short-term borrowings, Commercial paper, Deposits received, Other financial liabilities (Other).

The fair value of bonds is determined based on market prices.

The fair value of long-term borrowings is calculated based on the present value, which is calculated by discounting future cash flow using a deemed interest rate assumed on new borrowings with equivalent conditions.

The carrying amount of lease obligations is ¥6,923 million as of March 31, 2019. The fair value of lease obligations is ¥7,070 million as of March 31, 2019, and is calculated based on the present value, which is calculated by discounting future cash flow using a deemed interest rate assumed on new borrowings with equivalent conditions. The fair value of lease liabilities as of March 31, 2020 is not disclosed as the Group adopted IFRS 16 from this fiscal year.

As for fair value hierarchy of financial instruments measured at amortized cost, bonds are classified as Level 2 and others are classified as Level 3.

Financial assets and liabilities measured at fair value are as follows:
Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the end of the reporting period. No financial instruments were transferred between levels of the fair value hierarchy for the fiscal years ended March 31, 2020 and 2019.

As of March 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Loan receivables	¥ —	¥ —	¥ 66,091	¥ 66,091
Long-term accrued interests	—	—	15,706	15,706
Derivative assets designated as hedging instruments	—	3,225	—	3,225
Derivative assets not designated as hedging instruments	—	2,256	—	2,256
Other financial assets	—	—	6,834	6,834
Subtotal	—	5,481	88,631	94,112
Financial assets measured at fair value through other comprehensive income				
Shares and investments	146,329	—	201,606	347,935
Other financial assets	1,235	766	—	2,001
Subtotal	147,564	766	201,606	349,936
Total	¥147,564	¥6,247	¥290,237	¥444,048
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities designated as hedging instruments	—	2,879	—	2,879
Derivative liabilities not designated as hedging instruments	—	1,143	—	1,143
Contingent consideration	—	—	31,228	31,228
Other financial liabilities	—	—	12,905	12,905
Total	¥ —	¥4,022	¥ 44,133	¥ 48,155

As of March 31, 2019

	Level 1	Level 2	Level 3	Total
	Millions of yen			
Assets:				
Financial assets measured at fair value through profit or loss				
Loan receivables	¥ —	¥ —	¥ 66,935	¥ 66,935
Long-term accrued interests	—	—	13,386	13,386
Derivative assets designated as hedging instruments	—	1,319	—	1,319
Derivative assets not designated as hedging instruments	—	8,572	—	8,572
Other financial assets	—	—	561	561
Subtotal	—	9,891	80,882	90,773
Financial assets measured at fair value through other comprehensive income				
Shares and investments	172,891	—	61,221	234,112
Subtotal	172,891	—	61,221	234,112
Total	¥172,891	¥9,891	¥142,103	¥324,885
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities designated as hedging instruments	—	3,718	—	3,718
Derivative liabilities not designated as hedging instruments	—	648	—	648
Contingent consideration	—	—	81,352	81,352
Other financial liabilities	—	—	13,980	13,980
Total	¥ —	¥4,366	¥ 95,332	¥ 99,698

Changes in balances of financial instruments categorized as Level 3 are as follows:

	Millions of yen					
	2020			2019		
	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities
Balance at the beginning of the year	¥80,882	¥ 61,221	¥95,332	¥76,064	¥51,643	¥101,360
Transfer from/to Level 3 (Note 1)	—	—	—	—	—	—
Total gains and losses	2,903	26,617	(48,071)	3,260	1,079	(8,366)
Profit or loss (Note 2)	2,903	—	(48,071)	3,260	—	(8,366)
Other comprehensive income (Note 3)	—	26,617	—	—	1,079	—
Increase (Note 4)	7,203	114,920	582	—	8,816	447
Decrease	—	(738)	(798)	(1,786)	(36)	(1,702)
Others (Note 5)	(2,357)	(414)	(2,912)	3,344	(281)	3,593
Balance at the end of the year	¥88,631	¥201,606	¥44,133	¥80,882	¥61,221	¥ 95,332

Note 1: No financial instruments are transferred between levels of fair value hierarchy.

Note 2: Gains and losses from financial assets measured at FVTPL, which are included in net income, are recorded in "Finance income" and "Finance expenses" in the consolidated statement of profit or loss. Among Gains and losses related to financial liabilities measured at FVTPL, changes in fair value of contingent consideration are recorded in "Selling, general and administrative expenses," while those related to other financial liabilities are recorded in "Finance income" and "Finance expenses" in the consolidated statement of profit or loss.

Note 3: Gains and losses included in other comprehensive income are those derived from financial assets measured at fair value through other comprehensive income as of the reporting date. These gains and losses are recorded in "Remeasurements of financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Note 4: Increase of FVTOCI Financial assets for the fiscal year ended March 31, 2020 are mainly due to acquisition of shares in accordance with the strategic alliance with Roivant Sciences Ltd.

Note 5: Others mainly includes exchange differences of financial instruments denominated in foreign currencies.

Note 6: Fair value measurement of financial instruments classified as level 3 are determined in accordance with valuation policies and procedures approved by appropriate authorized personnel. Valuation models are determined so that they reflect each financial instrument's nature, characteristics and risks most appropriately. The valuator examines whether it is possible to provide reasonable explanations by comparing changes in important inputs that could affect the fair value and changes in fair value, on an ongoing basis.

Material unobservable inputs related to fair value measurement of financial instruments classified as Level 3 are as follows:

- Fair value of financial assets measured at FVTPL is calculated by the discounted cash flow method, and the material unobservable inputs are the total amount of future cash flow (¥93,903 million and ¥98,314 million as of March 31, 2020 and 2019, respectively) and the discount rate (2.80% and 4.29% as of March 31, 2020 and 2019, respectively).
- The financial assets measured at FVTOCI are mainly composed of unlisted equity securities, and their fair value is calculated by the discounted cash flow method in principle. However, for unlisted equity securities for which fair value approximates their net asset value, the fair value is mainly calculated by valuation technique based on the net asset value.
- As for financial liabilities measured at FVTPL, fair value of contingent consideration is calculated by the discounted cash flow method, and material unobservable inputs are sales revenue arising from relevant business and the discount rate. Certain consolidated subsidiaries recognize the interest of preference shares issued as financial liabilities because it is redeemable at the amount based on its net asset value at any time based on the request of holders of preference shares. Fair value of preference shares is calculated by valuation technique based on the net asset value.

Changes in the material assumptions that affect fair value of financial instruments classified as Level 3 are as follows:

			Millions of yen	
			March 31, 2020	March 31, 2019
FVTPL Financial assets	Total future cash flow	5% decrease	¥(4,078)	¥(3,998)
	Discount rate	0.5% increase	(1,979)	(1,853)
		0.5% decrease	2,031	1,900
FVTPL Financial liabilities (contingent consideration)	Sales revenue	5% increase	1,088	2,553
		5% decrease	(1,088)	(2,220)
	Discount rate	0.5% increase	(435)	(1,554)
		0.5% decrease	¥ 326	¥ 1,665

(9) Transfer of Financial Assets

The Group enters into liquidation transactions involving certain trade receivables. However, some of these liquidated receivables give rise to an obligation for the Group to make payments retrospectively if the obligor fails to settle. The Group does not derecognize such liquidated receivables because the derecognition criteria has not been met for such financial assets.

The carrying amounts of assets and associated liabilities that are transferred but do not meet the derecognition criteria are as follows. Transferred assets and associated liabilities are mainly included in "Trade and other receivables" (accounts receivables) and "Bonds and borrowings" (short-term borrowings), respectively, in the consolidated statement of financial position. The fair value of these financial assets and liabilities is close to their carrying amount.

	Millions of yen	
	March 31, 2020	March 31, 2019
Carrying amount of transferred assets	¥1,613	¥4,664
Carrying amount of associated liabilities	1,613	4,664

(10) Derivatives

The Group uses derivatives, such as foreign exchange forward contracts for hedging foreign exchange fluctuation risk related to trade receivables and payables denominated in foreign currencies, etc., interest rate swap contracts for hedging interest payment fluctuation risk related to bonds and borrowings and commodity future (forwards) contracts for hedging market price fluctuation risk related to the sales and purchase of aluminum.

These derivatives are not designated as hedging instruments except for certain transactions designated as a cash flow hedge. However, the Group determines that certain derivative transactions that are not designated as hedging instruments effectively offset the effect of fluctuation of foreign exchange and commodity markets, because the Group only uses derivatives for the purpose of hedging risks to the extent of actual demand.

(Cash Flow Hedge)

A cash flow hedge is a hedge for avoiding risk of volatility in future cash flows.

The Group uses interest swap contracts for the purpose of hedging interest rate fluctuation risk related to bonds and borrowings, and commodity future contracts for the purpose of hedging market price fluctuation risk related to the forecasted transactions of aluminum with high possibility.

The Company assesses hedge effectiveness at the hedge's inception and on an ongoing basis, through qualitative assessment on whether important terms and conditions of the hedged item match or conform closely to those of the hedging instrument, or quantitative assessment on whether changes in cash flows of the hedged item and the hedging instrument are offset by each other because of the same risk, in which changes in cash flows of the hedged item caused by the hedged risk are offset by changes in cash flows of the hedging instrument. In addition, the Group determines the necessary quantity of hedging instruments by estimating the ratio of the change in value of hedged items that is attributed to the change in value of risks of hedged items to the change in value of hedging instruments at the inception of hedging relationships. In principle, the Group sets the hedge ratio so as to obtain a one-to-one relationship.

It is possible to incur ineffective portion due to cancelation of forecasted transaction, etc. However, because the Company performs highly effective hedges, the risk of incurring ineffective portion is expected to be insignificant. The amounts of hedge ineffectiveness recognized in profit or loss for the fiscal years ended March 31, 2020 and 2019 are not material.

The interest rates of interest rate swap contracts, and average prices in commodity future contracts are as follows:

	March 31, 2020	March 31, 2019
Interest rate fluctuation risk		
Interest rate swap contracts		
Pay fixed rate, receive floating rate	0.59% – 1.34%	0.59% – 1.34%
Market price fluctuation risk		
Commodity future contracts		
Aluminum future contracts	$2,027.56/MT	$2,133.35/MT

① Amounts for derivatives designated as hedging instruments

The following report the effect of hedging instruments on the consolidated statement of financial position. The carrying amount (fair value) of assets related to hedging instruments is included in Other financial assets, and the carrying amount (fair value) of liabilities related to hedging instruments is included in Other financial liabilities.

Cash flow hedge

As of March 31, 2020

	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
Transaction type	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk				
Interest rate swap contracts	¥105,047	¥85,047	¥ —	¥2,642
Market price fluctuation risk				
Commodity future contracts	14,798	5,663	3,180	4

As of March 31, 2019

Transaction type	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk				
Interest rate swap contracts	¥120,963	¥106,292	¥ 24	¥3,666
Market price fluctuation risk				
Commodity future contracts	19,810	8,654	1,281	42

2 Effect of hedge accounting on consolidated statement of profit or loss and comprehensive income

Changes in valuation net gains (losses) derived from hedging instruments designated as cash flow hedges are as follows:

Fiscal year ended March 31, 2020

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2019	¥(2,537)	¥ 836
Other comprehensive income		
Gains (losses) arising for the year (Note 1)	104	1,987
Reclassification adjustments (Note 2)	892	(49)
Tax effect	(297)	(570)
As of March 31, 2020	¥(1,838)	¥2,204

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of profit or loss are "Financial expenses" (Interest expenses) for interest rate fluctuation risk and "Cost of sales" for market price fluctuation risk.

Fiscal year ended March 31, 2019

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2018	¥(2,581)	¥ 347
Other comprehensive income		
Gains (losses) arising for the year (Note 1)	(1,001)	1,783
Reclassification adjustments (Note 2)	933	(1,144)
Tax effect	112	(150)
As of March 31, 2019	¥(2,537)	¥ 836

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of profit or loss are "Financial expenses" (Interest expenses) for interest rate fluctuation risk and "Cost of sales" for market price fluctuation risk.

38 Significant Subsidiaries

(1) Significant subsidiaries

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical America, Inc.	USD 510,092 thousand	100.00	Investment in related companies in the United States and sale of chemical products
Valent U.S.A. LLC	USD 242,574 thousand	100.00 (100.00)	Development and sale of plant protection, etc.
Valent BioSciences LLC	USD 129,344 thousand	100.00 (100.00)	Research, development, manufacture and sale of biorational pesticides products
Sumika Polymers America Corp.	USD 222,544 thousand	100.00 (100.00)	—
Sumitomo Chemical do Brasil Representações Ltda	BRL 2,320,990 thousand	100.00	Development, promotion and sales of crop protection chemicals, feed additives and household & public hygiene insecticides
CDT Holdings Limited	GBP 187,511 thousand	100.00	Investment in Cambridge Display Technology Limited
Cambridge Display Technology Limited	GBP 183,716 thousand	100.00 (100.00)	R&D and licenses in polymer organic light-emitting diodes and devices
Dongwoo Fine-Chem Co., Ltd.	KRW 283,876 million	100.00	Manufacture and sale of process chemicals for semiconductors and displays, optical functional films, touchscreen panels, color filters, etc.
SSLM Co., Ltd.	KRW 280,000 million	100.00	Manufacture and sale of heat-resistant separators
Japan-Singapore Petrochemicals Co., Ltd.	JPY 23,877 million	79.67	Investment in Petrochemical Corporation of Singapore (Pte.) Ltd.
Sumitomo Dainippon Pharma Co., Ltd.	JPY 22,400 million	51.78	Manufacture and sale of pharmaceuticals
Sumitomo Dainippon Pharma America, Inc.	USD 2,170,480 thousand	100.00 (100.00)	Investment in related companies in the United States
Sunovion Pharmaceuticals Inc.	USD 1,710,032 thousand	100.00 (100.00)	Manufacture and sale of pharmaceuticals
Boston Biomedical, Inc.	USD 380,484 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Sumitovant Biopharma Ltd.	USD 140,000 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Myovant Sciences Ltd.	USD 614,501 thousand	50.00 (50.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Myovant Holdings Limited	USD 480,252 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Myovant Sciences GmbH	USD 481,216 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Urovant Sciences Ltd.	USD 245,699 thousand	75.00 (75.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Urovant Holdings Limited	USD 282,084 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Urovant Sciences GmbH	USD 281,755 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Enzyvant Therapeutics Ltd.	USD 142,925 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Enzyvant Therapeutics General Ltd.	USD 136,683 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
Enzyvant Therapeutics Holdings Limited	USD 128,189 thousand	100.00 (100.00)	Investment in affiliated companies conducting research and development of pharmaceuticals
XUYOU Electronic Materials (Wuxi) Co., Ltd.	RMB 1,115,757 thousand	98.00 (55.00)	Manufacture and sale of optical functional films
Sumika Electronic Materials (Wuxi) Co., Ltd.	RMB 1,276,517 thousand	100.00 (10.00)	Processing and sale of optical functional films
Sumika Technology Co., Ltd.	TWD 4,417 million	84.96	Manufacture and sale of original fabrics and processed products of optical functional films, and color filters

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical Asia Pte Ltd.	USD 150,565 thousand	100.00	Manufacture and sale of petrochemical products, etc. and supervision of the Sumitomo Chemical Group in the Southeast Asia, India, and Oceania area
The Polyolefin Company (Singapore) Pte. Ltd.	USD 51,690 thousand	70.00 (70.00)	Manufacture and sale of low-density polyethylene and polypropylene
Sumitomo Chemical Chile S.A.	USD 85,486 thousand	100.00	Registration and sales of crop protection chemicals, sales of feed additives, etc.
Tanaka Chemical Corporation	JPY 9,155 million	50.45	Manufacture and sale of positive electrode materials for rechargeable batteries and positive electrode material intermediate, etc.
Sumitomo Chemical India Limited	INR 2,745,881 thousand	80.30	Development and sales of crop protection products, household & public hygiene insecticides and feed additives, and manufacturing of crop protection chemicals
Koei Chemical Co., Ltd.	JPY 2,343 million	56.33 (0.45)	Manufacture and sale of chemical products, pharma-ceutical and crop protection intermediates, etc.
Taoka Chemical Co., Ltd.	JPY 1,572 million	51.55 (0.78)	Manufacture and sale of intermediates for dyestuffs and pharmaceutical and crop protection, functional materials, etc.

Sumika Polymers America Corp. made investment in Phillips Sumika Polypropylene Company, which has dissolved.

Note 1: Figures contained in parentheses ( ) for ratio of voting rights are the ratio of voting rights held by subsidiaries of the Company.

Note 2: Capital for Sumitomo Chemical America, Inc., CDT Holdings Limited, Cambridge Display Technology Limited, Sumitomo Dainippon Pharma America, Inc., Sunovion Pharmaceuticals Inc., Boston Biomedical, Inc., Sumitovant Biopharma Ltd., Myovant Sciences Ltd., Myovant Holdings Limited, Myovant Sciences GmbH, Urovant Sciences Ltd., Urovant Holdings Limited, Urovant Sciences GmbH, Enzyvant Therapeutics Ltd., Enzyvant Therapeutics General Ltd., and Enzyvant Therapeutics Holdings Limited are shown as paid-in capital.

Note 3: Dalian Sumika Jingang Chemicals Co. Ltd., which was listed in the previous fiscal year, has been removed from material subsidiaries as its materiality was decreased.

Note 4: Excel Crop Care Limited, which was listed in the previous fiscal year, has been disappeared as it was merged with Sumitomo Chemical India Limited.

(2) Consolidated subsidiaries with material non-controlling interests

Summarized financial information on consolidated subsidiaries with material non-controlling interests is as follows. Summarized financial information is based on the amounts before elimination in consolidation.

Sumitomo Dainippon Pharma Co., Ltd.

① Non-controlling interest ownership ratios and cumulative non-controlling interests amounts

Millions of yen

	March 31, 2020	March 31, 2019
Non-controlling interest ownership ratios	**48.24%**	48.24%
Cumulative non-controlling interests amounts	**¥358,044**	¥240,302

② Net profit attributable to non-controlling interests and dividends paid to non-controlling interests

Millions of yen

	2020	2019
Net income attributable to non-controlling interests	**¥14,825**	¥23,488
Dividends paid to non-controlling interests	**6,320**	5,379

③ Summarized financial information

(i) Summarized consolidated statement of financial position

Millions of yen

	March 31, 2020	March 31, 2019
Current assets	¥ 364,090	¥373,268
Non-current assets	888,788	461,449
Total assets	¥1,252,878	¥834,717
Current liabilities	¥ 496,498	¥198,174
Non-current liabilities	124,275	138,405
Total liabilities	620,773	336,579
Total equity	632,105	498,138
Total liabilities and equity	¥1,252,878	¥834,717

(ii) Summarized consolidated statement of profit or loss and comprehensive income

Millions of yen

	2020	2019
Sales revenue	¥482,732	¥459,267
Net income	35,918	48,627
Total comprehensive income	39,932	56,195

(iii) Summarized consolidated statement of cash flow

Millions of yen

	2020	2019
Cash flows from operating activities	¥ 46,128	¥ 48,711
Cash flows from investing activities	(312,684)	(35,049)
Cash flows from financing activities	231,081	(28,645)
Effect of exchange rate changes on cash and cash equivalents	(113)	4,504
Net Increase (decrease) in cash and cash equivalents	(35,588)	(10,479)
Cash and cash equivalents at end of year	¥101,708	¥137,296

39 Related Parties

(1) Related Party Transactions

Significant transactions with related parties are as follows:

Fiscal year ended March 31, 2020

① Sales amounts and receivable balances to/from associates and joint ventures

Millions of yen

	Sales amounts	Receivable balances
Joint ventures	¥ 29,369	¥22,689
Associates	110,860	32,036

② Purchase amounts and payable balances from/to associates and joint ventures

Millions of yen

	Purchase amounts	Payable balances
Joint ventures	¥355,144	¥24,820
Associates	63,162	18,078

③ Other significant transactions

Type	Company name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Loans (Note 1)	¥ —	Other financial assets (Loan receivables)	¥66,386
		Receipt of interest (Note 1)	2,670	Other financial assets (Long-term accrued interests)	17,670
		Guarantee obligations (Note 2)	164,454	—	—
		Contingent liabilities for the completion of construction (Note 3)	262,019	—	—
		Pledged as collateral (Note 4)	61,327	—	—

Note 1: Loans of funds are conducted based on market interest rates.
Note 2: The Company guarantees indebtedness of Rabigh Refining and Petrochemical Company from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.
Note 3: The Company guarantees indebtedness of Rabigh Refining and Petrochemical Company relating to the completion of construction. Transaction amount in the above table presents an ending balance of contingent liability related to project completion.
Note 4: Investments in Rabigh Refining and Petrochemical Company are subjected to real guarantee to pledge as collateral for Rabigh Refining and Petrochemical Company's indebtedness from financial institutions.

Fiscal year ended March 31, 2019

① Sales amounts and receivable balances to/from associates and joint ventures

	Millions of yen	
	Sales amounts	Receivable balances
Joint ventures	¥ 26,025	¥22,498
Associates	143,430	40,742

② Purchase amounts and payable balances from/to associates and joint ventures

	Millions of yen	
	Purchase amounts	Payable balances
Joint ventures	¥405,843	¥43,705
Associates	63,733	21,535

③ Other significant transactions

Type	Company name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Loans (Note 1)	¥ —	Other financial assets (Loan receivables)	¥67,704
		Receipt of interest (Note 1)	2,826	Other financial assets (Long-term accrued interests)	15,292
		Guarantee obligations (Note 2)	135,139	—	—
		Contingent liabilities for the completion of construction (Note 3)	289,972	—	—
		Pledged as collateral (Note 4)	101,682	—	—

Note 1: Loans of funds are conducted based on market interest rates.
Note 2: The Company guarantees indebtedness of Rabigh Refining and Petrochemical Company from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.
Note 3: The Company guarantees indebtedness of Rabigh Refining and Petrochemical Company relating to the completion of construction. Transaction amount in the above table presents an ending balance of contingent liability related to project completion.
Note 4: Investments in Rabigh Refining and Petrochemical Company are subjected to real guarantee to pledge as collateral for Rabigh Refining and Petrochemical Company's indebtedness from financial institutions.

(2) Key Management Personnel Compensation

	Millions of yen	
	2020	2019
Remuneration and bonuses	¥831	¥914

40 Commitments

Commitments related to expenditures after the fiscal year-end are as follows:

	Millions of yen	
	March 31, 2020	March 31, 2019
Purchase of property, plant and equipment	¥ 73,782	¥ 73,041
Purchase of intangible assets	77,231	76,921
Total	¥151,013	¥149,962

Commitments related to purchase of intangible assets are mainly related to purchase of rights on contracts signed with third parties regarding introduction of pharmaceutical technology. These contracts have terms related to paying a certain amount of fees when a milestone is achieved such as development goal, in addition to the lump-sum payment executed on signing the contract. The above amount is the pre-discounted amount, and includes all potential payments for milestones, assuming that all products in process would be successful, without adjustments made on success probability. Because it is highly uncertain whether a milestone will be achieved, actual payments may be significantly different from these commitment amounts.

41 Contingent Liabilities

The Group provides guarantees and similar undertakings for borrowings from financial institutions taken out by companies outside the Group. These guarantees and similar undertakings for borrowings are applicable to financial guarantee contracts. Should the guaranteed parties go into default, the Group would be required to make such payments under those guarantees. Guarantee obligations are as follows:

(1) Guarantee obligations

	Millions of yen	
	March 31, 2020	March 31, 2019
Joint ventures	¥166,261	¥137,539
Employees (for their mortgage loans)	54	74
Others	744	627
Total	¥167,059	¥138,240

(2) Undertakings similar to guarantees

	Millions of yen	
	March 31, 2020	March 31, 2019
Joint venture	¥262,019	¥289,972

The Company guarantees completion of construction of the "Rabigh Phase II Project" relating to the project financing of Rabigh Refining and Petrochemical Company.

No provision is recognized for the above contingent liabilities since the outflow of economic benefits is not considered probable, or the amount of obligation cannot be reasonably estimated.

42 Subsequent Events

Business combinations by acquisition

On April 1, 2020, the Company acquired 100% of the shares of Nufarm Indústria Química e Farmacêutica S.A. and other three companies, owned by group companies of Nufarm Limited, a leading Australian agricultural chemical company, through the Company's wholly owned subsidiaries (Sumitomo Chemical do Brasil Representações Ltda and Sumitomo Chemical Chile S.A.) based on resolution of the Board of Directors on September 27, 2019.

Although the Group adopts IFRS3 "Business Combinations", the detail of accounting process is not included in this disclosure because this business combination process has not been settled yet as of the submission date.

① Overview of business combinations

(i) Name of acquired company and business description

Name of acquired company: Nufarm Indústria Química e Farmacêutica S.A. and other three companies

Business description: Manufacturing and sales of agricultural pesticides

(ii) Acquisition date

April 1, 2020

(iii) Percentage of voting rights acquired

100%

(iv) Main reason for business combination

The Company aims to build its own sound sales network of crop protection business in South America, which is the global largest market and is expected to achieve high growth, and to establish a series of global footprints (building its own business network) for which the Company has been expanding for.

(v) Method for gaining control of acquired company

Acquisition of shares by cash consideration

② The details of acquisition cost of acquired company and consideration transferred by type

	Millions of yen	
Consideration transferred	¥64,800	(estimated)
Cash	64,800	(estimated)

Note: The amounts above are tentative and the actual amounts might change based on future price adjustment.

Independent auditor's report

To the Board of Directors of Sumitomo Chemical Company, Limited:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Artilce 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

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

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

Hiroyuki Yamada
Designated Engagement Partner
Certified Public Accountant

Hiroto Kawase
Designated Engagement Partner
Certified Public Accountant

Hideki Yoneyama
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2020

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

SUMITOMO CHEMICAL