SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Financial Statements

March 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Sumitomo Corporation of Americas:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sumitomo Corporation of Americas (a wholly owned subsidiary of Sumitomo Corporation) and its subsidiaries (collectively, the Company), which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Corporation of Americas and its subsidiaries as of March 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, New York
May 17, 2021

SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2021 and 2020

(In millions of U.S. dollars)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	666	992
Accounts receivable, net of allowance for doubtful accounts of $29 and $20, respectively		1,305	1,456
Inventories (note 7)		1,089	1,587
Intracompany cash management receivable (note 8)		55	188
Advance payments to suppliers		67	29
Current tax assets		99	101
Prepaid expenses and other current assets		76	80
Asset held for distribution to owners of the parent company (note 4)		96	—
Total current assets		3,453	4,433
Long-term receivables:			
Third party		141	158
Related parties (note 5)		202	201
Property and equipment, net (note 9)		1,288	1,424
Investment property (note 10)		401	404
Investments accounted for using the equity method (notes 4 and 5)		1,814	1,974
Goodwill (note 11)		120	107
Other intangible assets (note 11)		232	379
Other assets		268	179
Total noncurrent assets		4,466	4,826
Total assets	$	7,919	9,259

(Continued)

SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Statements of Financial Position

March 31, 2021 and 2020

(In millions of U.S. dollars)

Liabilities and Equity		**2021**	**2020**
Current liabilities:			
Notes payable (note 12)	$	235	770
Current portion of long-term debt (note 13)		308	338
Accounts payable:			
Third party		721	702
Related parties (notes 5 and 8)		151	188
Advances received		15	11
Accrued expenses and other current liabilities		469	581
Total current liabilities		1,899	2,590
Long-term liabilities:			
Long-term debt:			
Third party (note 13)		1,646	1,687
Related party (note 13)		3	300
Other long-term liabilities		373	394
Deferred income taxes (note 15)		43	122
Total noncurrent liabilities		2,065	2,503
Equity:			
Common stock, no par value. Authorized-300,000 shares; issued and outstanding-187,650 shares		411	411
Additional paid-in capital (note 16)		1,974	1,974
Retained earnings		1,420	1,683
Other components of equity (note 16)		(64)	(102)
Equity attributable to owners of the parent company		3,741	3,966
Noncontrolling interests		214	200
Total equity		3,955	4,166
Total liabilities and equity	$	7,919	9,259

See accompanying notes to consolidated financial statements.

SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

Years ended March 31, 2021 and 2020

(In millions of U.S. dollars)

		2021	2020
Revenues (note 8)	$	5,743	8,228
Cost of sales (note 8)		(5,085)	(7,289)
Gross profit		658	939
Selling, general and administrative expenses (note 23)		(699)	(766)
Interest expense (net of interest income of $30 and $34, respectively)		(30)	(78)
Other income (expense) – net (note 6)		(195)	(293)
Equity in net losses of affiliates (note 5)		(71)	(199)
Loss before income taxes		(337)	(397)
Income tax benefit (note 14)		83	70
Income (loss) from continuing operations		(254)	(327)
Loss from discontinued operations, net of income taxes (note 4)		—	—
Net loss		(254)	(327)
Other comprehensive income (loss):			
Items that will not be reclassified to net income:			
Net change in fair value of equity securities		14	6
Share of investments accounted for using the equity method		(1)	(2)
Income tax expense		(3)	(2)
Total items that will not be reclassified to net income		10	2
Items that may be reclassified to net income:			
Foreign currency translation differences for foreign operations		27	(16)
Effective portion of changes in fair value of cash flow hedges		—	(5)
Share of investments accounted for using the equity method		35	(13)
Income tax benefit		(16)	8
Total items that may be reclassified to net income		46	(26)
Other comprehensive income (loss)		56	(24)
Other comprehensive income from discontinued operations		—	—
Total comprehensive loss	$	(198)	(351)
Net income (loss) attributable to:			
Owners of the parent company	$	(265)	(336)
Owners of the parent company – discontinued operations		—	—
Noncontrolling interests – continuing operations		11	9
Net loss	$	(254)	(327)
Total comprehensive income (loss) attributable to:			
Owners of the parent company	$	(225)	(354)
Noncontrolling interests – continuing operations		27	3
Total comprehensive loss	$	(198)	(351)

See accompanying notes to consolidated financial statements.

SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended March 31, 2021 and 2020

(In millions of U.S. dollars)

	Sumitomo Corporation of America stockholder's equity								
				Other components of equity					
	Common stock	Additional paid-in capital	Retained earnings	Translation reserve	Hedging reserve	Fair value reserve	Total stockholder's equity	Noncontrolling interests	Total equity
Balance – March 31, 2019	$ 411	1,973	2,050	(71)	5	(19)	4,349	204	4,553
Cumulative effect of the adoption of IFRS 16	—	—	(30)	—	—	—	(30)	—	(30)
Balance – April 1, 2019	411	1,973	2,020	(71)	5	(19)	4,319	204	4,523
Comprehensive income (loss):									
Net income (loss)	—	—	(336)	—	—	—	(336)	9	(327)
Changes in other comprehensive income (loss) – net of tax:									
Net change in fair value of equity securities	—	—	—	—	—	4	4	—	4
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	(3)	—	(3)	—	(3)
Defined benefit plan actuarial gain (loss)	—	—	(1)	—	—	—	(1)	—	(1)
Foreign currency translation adjustments	—	—	—	(18)	—	—	(18)	(6)	(24)
Total comprehensive income (loss)	—	—	(337)	(18)	(3)	4	(354)	3	(351)
Capital contribution from parent company	—	1	—	—	—	—	1	—	1
Purchases and other changes in noncontrolling interests	—	—	—	—	—	—	—	(7)	(7)
Balance – March 31, 2020	411	1,974	1,683	(89)	2	(15)	3,966	200	4,166
Comprehensive income (loss):									
Net income (loss)	—	—	(265)	—	—	—	(265)	11	(254)
Changes in other comprehensive income (loss) – net of tax:									
Net change in fair value of equity securities	—	—	1	—	—	12	13	—	13
Effective portion of changes in fair value of cash flow hedges	—	—	—	—	(2)	—	(2)	—	(2)
Defined benefit plan actuarial gain (loss)	—	—	1	—	—	—	1	—	1
Foreign currency translation adjustments	—	—	—	28	—	—	28	16	44
Total comprehensive income (loss)	—	—	(263)	28	(2)	12	(225)	27	(198)
Capital contribution from parent company	—	—	—	—	—	—	—	—	—
Purchases and other changes in noncontrolling interests	—	—	—	—	—	—	—	(13)	(13)
Balance – March 31, 2021	$ 411	1,974	1,420	(61)	—	(3)	3,741	214	3,955

See accompanying notes to consolidated financial statements.

SUMITOMO CORPORATION OF AMERICAS AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

(In millions of U.S. dollars)

		2021	2020
Cash flows from operating activities:			
Loss before income taxes	$	(337)	(397)
Adjustments to reconcile loss before income taxes to net cash provided by operating activities:			
Depreciation and amortization		258	271
Impairments of other intangible assets		127	312
Impairments of property and equipment		89	—
Distributions in excess of losses of affiliates		149	271
Net realized gains on property and investments		(13)	(3)
Net interest expense		34	79
Interest received		30	34
Rental equipment purchases		(116)	(190)
Gain from bargain purchase		—	(8)
Other		8	(5)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts and notes receivable		159	296
Inventories		582	521
Advance payments to suppliers		(37)	48
Prepaid expenses and other assets		13	(2)
Long-term receivables – derivatives		28	48
Accounts payable		(21)	(251)
Advances received		5	(34)
Accrued expenses and other liabilities		(119)	(93)
Other long-term liabilities		(21)	(50)
Cash generated from operating activities		818	847
Income tax payments		(19)	(34)
Interest paid		(63)	(112)
Net cash provided by operating activities		736	701
Cash flows from investing activities:			
Payments for purchases of:			
Property and equipment		(70)	(50)
Investment property		(19)	(210)
Other investments		(63)	(42)
Investments in associated companies		(153)	(45)
Return of capital from and sales of associated companies		18	53
Increase (decrease) in intracompany cash management receivables		190	(11)
Businesses acquired, net of cash acquired		(23)	(75)
Proceeds from sales of:			
Property and equipment		13	4
Investment property		—	—
Investment property		—	67
Other investments		29	5
Increase in long-term receivables		(34)	(34)
Principal collections on long-term receivables		23	15
Net cash used in investing activities		(89)	(323)
Cash flows from financing activities:			
Increase in commercial paper		—	—
Increase (decrease) in short-term notes payable		(535)	260
Issuance of long-term debt		273	630
Principal payments on long-term debt		(638)	(750)
Payments of other long-term liabilities		—	—
Investments by noncontrolling interests		—	—
Dividend to SGMA		—	—
Payments of lease liabilities		(60)	(53)
Decrease in noncontrolling interests		(16)	(7)
Net cash provided by (used in) financing activities		(976)	80
Effect of changes in exchange rates on cash and cash equivalents		3	—
Net increase (decrease) in cash and cash equivalents		(326)	458
Cash and cash equivalents – beginning of year		992	534
Cash and cash equivalents – end of year	$	666	992

See accompanying notes to consolidated financial statements.

(1) Reporting Entity

Sumitomo Corporation of Americas (the Company) is a corporate entity in the United States and a wholly owned subsidiary of Sumitomo Corporation, Japan (SC). The consolidated financial statements of the Company include the accounts of the Company and its subsidiaries and their interests in its associated companies.

The Company, which is headquartered at 300 Madison Avenue, New York City, NY, is an integrated global trading company with diversified investments in businesses involved in marketing, sales and distribution of consumer products, sales and distribution of steel and other products, providing financing for customers and suppliers, coordination and operation of urban and industrial infrastructure projects, providing distribution and logistics services, developing natural resources and developing and managing real estate. The Company's target markets include North America, South America and Asia. A significant portion of the Company's transactions are with SC.

(2) Basis of Presentation

(a) Statement of Compliance

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

The Board of Directors of the Company authorized the consolidated financial statements for publication on May 17, 2021.

(b) Reporting Currency

The consolidated financial statements of the Company are presented in United States Dollars ($), which is the Company's functional currency. All amounts presented in United States Dollars are rounded to the nearest million.

(c) Measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of the following items in the consolidated statements of financial position:

- Financial instruments at fair value through profit and loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income (loss) are measured at fair value;
- Derivatives are measured at fair value; and
- Defined benefit liabilities are the present value of the defined benefit obligation less the fair value of plan assets.

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(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments and estimates made by management in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Note 3 (b) – Revenue recognition
- Note 3 (g) – Investment property

The following notes include information related to uncertainties in judgments and estimates, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

- Note 3 (i) – Impairment
- Note 3 (o) – Provisions
- Note 18 – Fair value of financial instruments

(3) Significant Accounting Policies

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

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany profits, transactions and balances between the Company and its subsidiaries have been eliminated.

The accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the accounting policies adopted by the Company.

The acquisition of additional ownership interests in a subsidiary or the disposal of ownership interests in a subsidiary that does not result in the Company's relinquishment of control over the subsidiary is accounted for as an equity transaction. Any difference between the carrying amount of the ownership interests and the fair value of the consideration paid or received is recognized directly in equity as an adjustment to additional paid-in capital of equity attributable to owners of the parent company.

(ii) *Investments Accounted for Using the Equity Method (Associates)*

Associates are entities in which the Company has significant influence, but not control, over the financial and operating policies of the investee. Significant influence is presumed to exist when the Company holds between 20 and 50% of the voting power of another entity. This presumption can be overcome based on specific facts and circumstances that demonstrate that the ability to exercise significant influence is restricted. In addition, for equity investments in which the Company has less than a 20% ownership interest, the Company considers other facts and circumstances in assessing the ability to exercise significant influence over the investee.

Investments in associates are accounted for using the equity method of accounting and recognized initially at cost. The Company's investments in associates may include goodwill, representing the surplus of the cost of investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee. Such goodwill is recorded within investments accounted for using the equity method and any impairment is included within equity in earnings of affiliates.

The Company's share of the income and expenses of the equity method associates and changes in the Company's share in equity are included in the consolidated financial statements from the date significant influence commences until the date that it ceases. The Company generally recognizes its share of an investee's income and expenses and other changes in equity based on the percentage of equity interests owned. If the Company's share of losses exceeds its interest in an associate the carrying amount of that interest, including any other long-term investments in the associate, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. For certain investees with complex and variable capital structures that provide for differing allocations of income and expense, cash flows from operations and cash flows from liquidation, it can be difficult to accurately determine the Company's equity income by simply applying a specific percentage to the net income of the investee. In those situations, the Company employs a Hypothetical Liquidation at Book Value (HLBV) method to calculate its equity method share of income and expenses of the investee. HLBV is a balance sheet approach that estimates the Company's share of ownership interests in the investee at any point in time. The increase or decrease in the book value of the underlying ownership interests are used to determine the Company's equity income from the investee.

Annual financial statements of certain associates included in the consolidated financial statements are prepared as of December 31 as it is impracticable for those associates to unify their closing date with that of the Company. Adjustments are made for the effects of significant transactions or events that occur between December 31 and the date of the Company's consolidated financial statements.

(iii) *Business Combinations*

Business combinations are transactions or events, whereby the Company obtains control of one or more businesses, which are accounted for using the acquisition method. Control is defined as the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing the existence of control, existing and potential voting rights that are currently exercisable are considered. The acquisition date is the date on which control is transferred to the Company.

Goodwill is measured at the fair value of the consideration transferred, including the recognized amount of any noncontrolling interests at the date of acquisition, less the net recognized amount of the identifiable assets acquired and liabilities assumed at the acquisition date measured at fair value. The consideration transferred includes the fair value of the assets, liabilities and equity interest transferred from the Company to the former owners, including the fair value of contingent consideration. Contingent liabilities of the businesses acquired are recognized in the business combinations if they are present obligations that arose from past events and their fair value can be measured with sufficient reliability. The Company measures noncontrolling interests in the businesses acquired at the noncontrolling interests' proportionate share of the identifiable net assets for each business combination.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the combinations occur, the Company reports provisional amounts of the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period, during which additional assets or liabilities may be recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period does not exceed one year.

Acquisition costs incurred by the Company in connection with business combinations such as finder's fees, legal, due diligence and other professional or consulting fees are expensed when incurred.

(iv) Transactions under Common Control

Business combinations of a subsidiary arising from a transfer of interests in entities that are under the control of SC are accounted for as business combinations as of the date of the transaction without retrospective restatement. The assets and liabilities are recognized at the carrying amounts previously reported in the controlling shareholder's consolidated financial statements.

Loss of control of a subsidiary and loss of significant influence in an associate arising from a transfer of interests to entities that are under the control of SC are accounted for as transactions as of the date of the transaction without retrospective restatement. The assets and liabilities are derecognized at the carrying amounts previously reported with recognition of the fair value of consideration received and the resulting gain or loss recognized in net income.

(v) Assets and Liabilities Held for Sale or Distribution

Assets and liabilities of disposal groups are classified as held for sale or distribution if it is highly probable that they will be recovered primarily through sale rather than continued use or if the Company is committed to distributing such assets and liabilities to the owners of the Company.

(In millions of U.S. dollars)

Such assets and liabilities are generally measured at the lower of their carrying value amount and the fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in net income. Once classified as asset held for sale or distribution, intangible assets and property and equipment are no longer amortized or depreciated and the equity method of accounting is no longer used for investments accounted for using the equity method.

(b) Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to its customer.

The following is a description of the principal activities from which the Company generates its revenue:

(i) Primary Geographical Markets

A significant portion of the Company's revenues occur with customers in North America and Japan. For the years ended March 31, 2021 and 2020, revenues with customers in North America represented 92% and 93% of sales, respectively, and sales with customers in Japan represented 5% of sales in each year.

(ii) Major Products and Service Lines

Sales of goods represented approximately 88% and 91% of revenues and provision of services represented approximately 12% and 9% of revenues of the Company for the years ended March 31, 2021 and 2020, respectively. The following table presents the percentage of revenues provided by major products and service lines:

	Year ending March 31	
	2021	**2020**
Tubular & steel products	50 %	61 %
Electricity & natural gas	17	13
Construction equipment rentals	11	8
Construction equipment sales	8	6
Chemicals	3	2
Other	11	10
Total	100 %	100 %

Revenue from the sale of goods and rendering of services is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

The Company recognizes revenue from sales of goods in connection with the Company's wholesale, retail and manufacturing operations when control over the goods has been transferred to the customer. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Company's policy is not to accept product returns unless the products are defective. The amounts of trade discounts and volume rebates are not material and are recognized as a reduction of revenue as the sales are recognized.

Pacific Summit Energy LLC (PSE), a wholly owned subsidiary of the Company, is an energy marketing company engaged primarily in the purchase and sale of natural gas (NG) and electricity in the North American energy markets. The subsidiary's trading gains and losses from physical and financial transactions, which are primarily wholesale transactions, are recognized in the consolidated statements of comprehensive income (loss) when they are realized or realizable and earned.

PSE has a natural gas purchase contract, see note 22(d), that will be used exclusively to supply NG to the operator of a liquefied natural gas (LNG) plant for liquefaction to meet sales commitments to customers. The Company forecasts that a small or minor amount of NG over the own use purchase contract will be required to be sold to the day ahead spot market during periods (unavoidable excess gas) of planned plant maintenance which is an unavoidable event outside of PSE's control.

The Company also generates revenue from rendering of services in connection with operating leases of commercial real estate and construction equipment that is recognized on a straight line basis over the lease or rental term.

(iii) *Timing of Revenue Recognition*

Of the Company's revenues, 88% and 91% were recognized at a point in time for the year ended March 31, 2021 and 2020, respectively, with the remainder recognized over time.

(iv) *Principal versus Agent Considerations*

In the ordinary course of business, the Company frequently acts as an intermediary or agent in executing transactions with third parties. In these arrangements, the Company determines whether to report revenue based on the "gross" sales amount of the transaction for goods or services provided or on the "net" amount of fees and commissions earned from the customer. However, the amounts of gross profit and profit for the year attributable to the Company are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported gross or net is based on an assessment of whether the Company is acting as a "principal" or an "agent" in a transaction. Accordingly, the Company is acting as a principal in a transaction when it controls a promised good or service before it is transferred to a customer and therefore, the Company reports revenue on a gross basis when the performance obligation is satisfied. The Company is acting as an agent in a transaction when its performance obligation is to arrange for the provision of goods or services by another party and therefore, the Company reports revenue on a net basis. The determination of whether the Company is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement, the nature of the Company's performance obligation and the significant risks and rewards related to sale of goods and rendering of services assumed by the Company.

Factors that indicate that the Company acts as a principal include:

(a) the Company is primarily responsible for fulfilling the promise to provide the specified good or service;

(b) the Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and

(c) the Company has discretion in establishing the price for the specified good or service.;

(c) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are recognized initially at fair value, normally consisting of the transaction price and any directly attributable transaction costs. The classification of financial assets and financial liabilities is determined at initial recognition.

Financial instruments in the form of financial assets and financial liabilities are offset and net amounts presented in the consolidated statements of financial position only when the Company has legally enforceable rights to set off and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the contractual rights to such cash flows to another entity in transactions that transfer substantially all the risks and rewards of ownership of the asset. The Company recognizes any interests in transferred assets that are either created or continue to be held as separate assets or liabilities.

The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire.

The subsequent measurement of financial instruments depends on their classification, as follows:

(i) Nonderivative Financial Assets

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash. Cash balances are held with financial institutions that have high credit ratings. The Company has not experienced any losses with respect to bank balances in excess of government provided insurance.

Accounts Receivable

Accounts receivable are subject to ongoing credit evaluations of customers and an allowance for doubtful accounts is maintained for expected credit losses resulting from the inability of customers to make required payments. The allowance is based on review of the overall condition of receivable balances, historical loss performance and review of significant past due accounts. Accounts Receivable determined to be uncollectible are charged against the allowance.

Financial Assets Measured at Amortized Cost

Financial assets that are held within a business model with the objective to hold assets in order to collect contractual cash flows and the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding can be accounted for at amortized cost.

Financial Assets Measured at Fair Value

Financial assets that do not meet the amortized cost criteria are measured at fair value. Such assets that are held for trading are measured at fair value through profit or loss (FVTPL) with gains or losses on re-measurement recognized in net income.

At initial recognition, the Company may make an irrevocable election to measure investments in equity instruments, not held for trading, at fair value through other comprehensive income (loss) (FVTOCI) with gains or losses on re-measurement recognized in other comprehensive income (loss). The election is made on an instrument-by-instrument basis. The amount of other components of equity is transferred directly to retained earnings, not to net income, when the equity investment is derecognized. Dividends from FVTOCI investments are recognized as income in net income unless the dividend clearly represents a recovery of part of the cost of the investment.

The Company generally makes the election to apply FVTOCI for financial assets that are equity instruments not held for trading.

(ii) Nonderivative Financial Liabilities

The Company has long-term debt, commercial paper, notes payable, accounts and other payables as nonderivative financial liabilities, with debt instruments measured at amortized cost using the effective interest method after the initial recognition.

(iii) Derivatives and Hedge Accounting

The Company reports all derivative instruments in the accompanying consolidated statements of financial position at their fair value. The Company utilizes derivative instruments to manage interest rate risk and foreign currency risk. The primary derivative instruments used by the Company are foreign exchange forward contracts. The Company does not hold or issue any significant amount of derivative instruments for speculative purposes other than those held by PSE related to its trading activities, see note 19.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed and a description of the method of measuring effectiveness and ineffectiveness.

At the inception of the hedge and on an ongoing basis, the Company assesses whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. To qualify as a cash flow hedge of a forecasted transaction, the transaction must be highly probable.

Derivatives are initially recognized at fair value with transaction costs being recognized in net income when they occur. If the requirements for hedge accounting are met, the Company designates and documents the relationship between the hedging instrument and the hedged item from the date a derivative contract is entered into as either a fair value or a cash flow hedge. In a fair value hedge, the fair value of a recognized asset or liability or an unrecognized firm commitment is hedged. In a cash flow hedge, the variability of cash flows to be received or paid related to a recognized asset or liability or a highly probable forecasted transaction is hedged. Subsequently, derivatives are measured at fair value, and gains and losses arising from changes in the fair values are accounted for as follows:

Fair Value Hedges

The changes in the fair value of the hedging instrument are recognized in net income. The carrying amounts of the hedged item are measured at fair value and gains and losses on the hedged items attributable to the hedged risks are recognized in net income.

Cash Flow Hedges

When derivatives are designated as an instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities, or a highly probable forecasted transaction that could affect net income, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income (loss) and included in hedging reserve, as an other component of equity. When the cash flows of the hedged transaction affect net income, the balance of the related hedging instrument is reclassified to net income from other comprehensive income (loss) in the same line item of the consolidated statements of comprehensive income (loss) as the hedged transaction. Any gain or loss relating to the ineffective portion is recognized immediately in net income.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting or when the hedging instrument expires, or is sold, terminated, or exercised, or the designation is revoked. When hedge accounting is discontinued, the balances of cash flow hedges remain in equity until the forecasted transaction affects net income. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in net income.

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less any estimated cost of completion and the estimated costs necessary to make the sale. The Company does not acquire inventories for the purpose of generating profit from short-term fluctuations in price.

Inventories of the Company's Tubular Products and Steel and Nonferrous Metal groups and construction equipment sales business are generally valued using the specific-identification method as such inventories are not ordinarily interchangeable and are primarily segregated for specific customers and customer projects based on customer specifications. Although the Company's inventory levels vary from period to period, approximately 66% and 60% of its inventories were valued under the specific identification method as of March 31, 2021 and 2020, respectively. The inventories for the remainder of the Company are valued using a moving average cost basis.

Inventories for which the Company continues to hold the title, but control is transferred to the customer as the inventories are physically located at a customer-controlled facility under a consignment agreement, are included in prepaid expenses and other current assets in the consolidated statements of financial position.

(e) Property and Equipment

Property and equipment, including those under lease, consist of retail, manufacturing, distribution and administrative facilities and are measured at cost less accumulated depreciation or amortization and accumulated impairment losses. At each reporting date, the Company assesses whether there is any indication that an asset, or asset group, may be impaired and if such an indication exists, estimates the asset, or asset group's, recoverable amount (higher of fair value less costs to sell and value in use). If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized.

Depreciation and amortization are determined by applying the straight-line method over the estimated useful lives of the related assets. The asset lives vary and are dependent on the type of facility or equipment, its location and the estimated remaining life at the time of purchase. When the useful life of each part of an item of property and equipment varies, it is treated as a separate item of property and equipment. The straight-line method is used because it is considered to most closely approximate the pattern in which the asset's future economic benefits are expected to be consumed by the Company.

Leased assets are depreciated over the shorter of the lease term or their useful lives. The range of estimated useful lives is as follows:

Buildings	30–50 years
Leasehold improvements	Lesser of useful life of asset or lease term
Machinery and equipment	2–45 years
Fixtures	2–10 years
Vehicles	3–10 years

The depreciation methods, depreciable lives and residual values are reviewed at the end of each reporting period and updated, if necessary. Costs of repairs and maintenance of property and equipment are recognized in net income as incurred.

(f) Leases

Effective April 1, 2019, the Company adopted and has applied IFRS 16 *Leases* using the modified retrospective approach.

At inception of a contract, an assessment is made whether a contract is, or contains, a lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The assessment determines whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

At the inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative stand-alone prices.

(i) As a lessee

A right-of-use asset and a lease liability are recognized at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index as of the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option is reasonably certain to be exercised, lease payments in an optional renewal period that are reasonably certain to be exercise a renewal option, and penalties for early termination of a lease it is reasonably certain not to terminated early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount of expected to be payable under a residual value guarantee, of if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of comprehensive income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of use assets that do not meet the definition of investment property are presented in property and equipment and lease liabilities in accrued expenses and other current liabilities (current portion) and other long-term liabilities (noncurrent portion) in the consolidated statement of financial position.

The Company does not to recognize right-of-use assets and lease liabilities for short-term leases of property and equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease by making an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately and assesses the lease classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term as part of revenues.

(g) Investment Property

Investment property consists of commercial office buildings, or portions thereof, held to earn rental income or for capital appreciation or both. Property held for sale in the ordinary course of business, or use in the production or supply of goods or services or for administrative purposes is not included as investment property. Investment property is measured at cost less any accumulated depreciation and accumulated impairment losses, see note 3 (e) regarding useful lives, depreciation methods and impairment assessments.

(h) Goodwill and Other Intangible Assets

(i) Goodwill

Goodwill is carried at cost less accumulated impairment losses. For investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment and any impairment loss on such an investment is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investments accounted for under the equity method.

(ii) Other Intangibles

Capitalized Software Costs

The Company incurs certain costs to purchase or develop software for internal use. Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

Intangible Assets Acquired in a Business Combination

Intangible assets that are acquired in a business combination including trade names, customer relationships, vendor relationships and favorable leasehold interests, are recognized separately from goodwill and are initially recognized at fair value at acquisition date.

Subsequently, intangible assets acquired in a business combination that have finite useful lives are stated at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The straight-line method is used because it is considered to most closely approximate the pattern in which the intangible assets’ future economic benefits are expected to be consumed by the Company. The estimated useful lives, from the date of initial recognition, for such intangible assets are as follows:

Trade names	15–25 years
Customer relationships	15–25 years
Software and other	3–7 years

The amortization period for intangible assets with finite useful lives is reviewed at least annually and updated, if necessary. Changes in expected useful lives are treated as changes in accounting estimates.

(i) Impairment

(i) Nonderivative Financial Assets

The carrying amount of accounts receivables is reduced through the use of an allowance account. An allowance account is maintained at the level which, in the judgment of management, is adequate to provide for expected credit losses. Management considers individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk ratings, industry trends and other specific factors applicable to the customer, as well as general risk factors.

(ii) Nonfinancial Assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired, except for goodwill which is evaluated annually as of September 30th to permit adequate time to complete the impairment test and related analyses prior to the fiscal year end. If a potential triggering event occurs at any time during the reporting period, an impairment test would be required. If an indication of impairment exists, the Company estimates the recoverable amount of the asset. The recoverable amount is determined for each individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets (cash-generating units). The recoverable amount is the greater of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or group of assets.

A cash generating unit is the smallest group of assets, which generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing for goodwill, each of the Company's cash-generating units or groups of cash-generating units, to which the goodwill is allocated, is aggregated in a manner that impairment is tested reflecting the lowest level in the Company at which the goodwill is monitored for internal management purposes. Such lowest level may not be larger than an operating segment. Goodwill acquired in a business combination is allocated to each unit or group of units that is expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate cash inflows independently. If there is an indication that corporate assets may be impaired, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate assets belong.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets within the group on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in subsequent periods. For assets other than goodwill, impairment losses recognized in prior periods are assessed as of each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recorded (net of accumulated depreciation or amortization) if no impairment loss had been recognized in prior years.

Goodwill that forms part of the carrying value of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is an objective indication that the investment may be impaired.

(j) Income Taxes

The Company and eligible subsidiaries file a consolidated federal income tax return in the United States. In addition, the Company and subsidiaries also file income tax returns in state, local and foreign jurisdictions as required. Provisions for current income tax liabilities are calculated on income and expense amounts expected to be included in the income tax returns for the current year.

Income taxes in the consolidated statements of comprehensive income (loss) include currently payable and deferred taxes that are recognized in net income for the year.

Current taxes are the expected taxes payable (or recoverable) related to taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect to prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the accounting carrying amounts of assets and liabilities and the corresponding tax bases. Such deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income. Deferred tax liabilities are not recognized if the taxable temporary difference arises from goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates. However, if the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred taxes are not recognized. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(k) Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated at the relevant foreign exchange rates prevailing at the transaction date. Subsequent gains and losses from the retranslation of financial assets and liabilities denominated in foreign currencies are recognized in net income.

The assets and liabilities of foreign subsidiaries for which the functional currency is not the United States Dollar are translated into United States Dollars using exchange rates prevailing at the end of the reporting period. Foreign currency exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income (loss) as a translation reserve. Income and expenses are translated into United States Dollars using average exchange rates during each reporting period.

On the disposal of the entire interest in a foreign operation, and on the partial disposal of an interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to net income for the year as a part of gains or losses on disposal.

(l) Supplemental Cash Flow Information

Upon acquisition, a businesses acquired during the year ended March 31, 2021 resulted in an increase in the Company’s consolidated statement of financial position of $23 in noncash assets.

During the year ended March 31, 2021, the Company sold its interests in five Associates to SC resulting in a reduction in investments accounted for using the equity method of $8 and recorded a gain of $13 in the consolidated statement of comprehensive income (loss).

(Continued)

Upon acquisition, a business acquired during the year ended March 31, 2020 resulted in an increase in the Company's consolidated statement of financial position of $89 in noncash assets and an increase of $5 in accounts payable and the recognition of a bargain purchase gain of $8 in the consolidated statement of comprehensive income (loss).

During the year ended March 31, 2020, the Company sold its interests in two Associates to SC resulting in a reduction in investments accounted for using the equity method of $5 and recorded a gain of $1 in additional paid-in capital as such entities were under common control of SC.

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in net income for the year in which they are incurred.

(n) Other Long-Term Liabilities

Other long-term liabilities include liabilities related to natural gas, electric power, interest rate and currency physical contracts, futures contracts, swaps and options, and lease liabilities.

(o) Provisions

Provisions are recognized when the Company has present obligations legally or constructively as the result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations. Provisions are discounted using future cash flow estimates that reflect current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are recorded in other long-term liabilities on the accompanying consolidated statements of financial position.

(p) Employee Benefits

(i) Defined Contribution Plan

A defined contribution plan is a post-retirement benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the period during which services are rendered by employees.

(ii) Defined Benefit Plan

A defined benefit plan is a post-retirement benefit plan under which the Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value using a discount rate based on quality, fixed income investments and actuarial estimates and assumptions such as timing of retirement and compensation.

The Company recognizes all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (loss) and immediately reclassifies them from other comprehensive income (loss) to retained earnings.

(q) Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Company adopted IFRS 16 as of April 1, 2019 applying the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at April 1, 2019. The details of the changes in accounting policies are described below.

(i) Definition of a lease

Previously, at contract inception it was determined whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, a contract is assessed whether it is or contains a lease based on the definition of a lease, as explained in note 3 (f).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

(ii) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. Under IFRS 16, right-of-use assets and lease liabilities are recognized on the balance sheet for most leases.

The Company has applied recognition exemptions to short-term leases of property and equipment and leases of low-value assets. See note 3 (f). For leases of other assets, which were classified as operating under IAS 17, right-of-use assets and lease liabilities were recognized.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate at April 1, 2019. Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date.

The Company applied the practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17 of using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at April 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(iii) As a lessor

No adjustments were required to be made on transition to IFRS 16 for leases in which the Company acts as a lessor, except for sub-leases. Under IFRS 16, the classification of sub-leases were made with reference to the right-of-use asset rather than the underlying asset. On transition, the classification of sub-lease contracts previously classified as operating leases under IAS 17 were reassessed and generally classified as finance leases under IFRS 16.

(iv) Impacts on financial statements

On transition to IFRS 16, the Company recognized an additional $172 of right-of-use assets, lease receivables of $6, an increase in lease liabilities of $213, a decrease in deferred income tax liabilities of $9, a decrease in investments accounted for using the equity method of $4, the recognition of the difference of $30 as a reduction of retained earnings as of April 1, 2019.

(r) New Standards and Interpretations Not Yet Adopted

There are no recently issued accounting standards the will have a significant effect on the Company's financial statements when adopted in a future period.

(4) Changes in Subsidiaries and Investments Accounted for Using the Equity Method

(a) Business Combinations

On December 7, 2020, a wholly owned subsidiary of the Company acquired the assets of a business that operates as an equipment rental company for approximately $23, excluding cash on hand at the acquired company.

On June 22, 2019, a wholly owned subsidiary of the Company acquired a company that operates as a steel service center for approximately $75, excluding cash on hand at the acquired company.

The acquisitions by the Company fit the strategic objective of the Company to grow its business. The results of operations of the Company's business acquisitions have been included in the consolidated statements of comprehensive income (loss) from their acquisition dates.

(i) Identifiable Assets Acquired and Liabilities Assumed

The determination of the purchase prices for the Company's business acquisitions were made on the basis of, among other things, the revenues, profitability and projected growth rates of the acquired businesses. The Company is in the process of finalizing purchase price adjustments related to the current year acquisition. The net purchase price of all of the Company's acquisitions during the years ended March 31, 2021 and 2020 was $23 and $75, respectively. The Company allocated these amounts based on their fair values as follows:

(In millions of U.S. dollars)

		2021	2020
Working capital, other than cash	$	1	62
Property and equipment		6	17
Goodwill		13	—
Other intangible assets		3	4
Bargain purchase gain		—	(8)
	$	23	75

(ii) *Disposal Group*

In March 2021, Edgen Group, Inc., a subsidiary of the Company, committed to a plan to terminate its operations in the eastern hemisphere with the related assets to be recovered and liabilities settled through the winding down of operations.

The assets and liabilities of the disposal group as of March 31, 2021 were comprised of the following assets and liabilities:

		2021
Accounts receivable, net	$	125
Inventories		16
Prepaid expenses and other current assets		6
Property and equipment		8
Total assets	$	155
Accounts payable	$	78
Accrued expenses and other current liabilities		29
Other long-term liabilities		20
Total liabilities	$	127

For the years ended March 31, 2021 and 2020, the operations of the disposal group contributed revenues of $233 and $242, respectively, and net losses of $64 and $17, respectively.

(b) Investments Accounted for Using the Equity Method

(i) Acquisitions

In February 2021, a wholly owned subsidiary of the Company entered into an agreement with a real estate development and management company to construct a 287 residential unit apartment complex in Atlanta, GA. The Company’s equity investment during the year ended March 31, 2021 was $10.

In November 2020, a wholly owned subsidiary of the Company made an equity investment of $8 in a limited liability company representing a 50% ownership interest. The company owns a building and equipment that is leased to a company operating as a steel service center.

In November 2020, a wholly owned subsidiary of the Company entered into an agreement with a real estate development and management company to construct a 342 residential unit apartment complex in Longwood, FL. The Company’s equity investment during the year ended March 31, 2021 was $16.

In April 2020, a wholly owned subsidiary of the Company made an equity investment under an agreement with a real estate development and management company to construct a 140 residential unit apartment complex in Alpharetta, GA. The Company’s equity investment during the year ended March 31, 2021 was $11.

In December 2019, a wholly owned subsidiary of the Company entered into an agreement with a real estate development and management company to construct a 386 residential unit apartment complex in Gaithersburg, Maryland. The Company’s equity investments during the year ended March 31, 2021 and 2020 were $17 and $20, respectively.

(ii) Asset held for distribution to the owners of the parent company

In March 2021, the Company committed to a plan to distribute its 40% ownership interest in Eryngium Limited to SC. Accordingly, the investment balance of $96 has been classified as an asset held for distribution as of March 31, 2021. The distribution of the ownership interest is expected to be completed within the next year.

(Continued)

(In millions of U.S. dollars)

(c) Significant Subsidiaries

The Company's significant subsidiaries and ownership interests as of March 31, 2021 and 2020 were as follows:

Segment	Company	Place of incorporation and operation	Ownership interest March 31, 2021	Ownership interest March 31, 2020
Tubular products	B&L Pipeco Services, Inc.	Houston, TX, USA	100.000 %	100.000 %
	Champions Cinco Pipe & Supply LLC	Houston, TX, USA	—	100.000
	Edgen Group, Inc,	Baton Rouge, LA, USA	100.000	100.000
	Premier Pipe, LLC	Houston, TX, USA	100.000	100.000
	Pyramid Tubular Products, LP	Houston, TX, USA	100.000	100.000
	Tubular Solutions Alaska, LLC	Anchorage, AK, USA	100.000	100.000
	Unique Machine, LLC	Anchorage, AK, USA	100.000	100.000
	Summit Tubulars Corporation	Calgary, Alberta, Canada	—	74.470
	Summit Machine Ltd.	Edmonton, Alberta, Canada	51.000	51.000
	SteelSummit Holdings Inc.	Nashville, TN, USA	80.000	80.000
Steel and nonferrous metal	Summit Railroad Products, Inc.	New York, NY, USA	—	100.000
	Sunstate Equipment, LLC	Phoenix, AZ, USA	100.000	100.000
Construction & Transportation Systems	Linder Industrial Machinery Company	Plant City, FL, USA	100.000	100.000
Infrastructure	Perennial Power Holdings, Inc.	New York, NY, USA	100.000	100.000
	Summit Turquoise LLC	New York, NY, USA	100.000	100.000
	Diversified CPC International, Inc.	Channahon, IL, USA	80.000	80.000
Chemicals & electronics	Presperse Corporation	Somerset, NJ, USA	100.000	100.000
	Sulphuric Acid Trading Company, Inc.	Tampa, FL, USA	100.000	100.000
	Summit Agro USA, LLC	Cary, NC, USA	60.000	60.000
Media and digital business	Presidio Ventures, Inc.	Santa Clara, CA, USA	100.000	100.000
	Atlantic Hills Corporation	Atlanta, GA, USA	80.000	80.000
Materials, supplies & real estate	SCOA Residential, LLC	New York, NY, USA	100.000	100.000
	TKOS I, LLC	San Diego, CA, USA	—	100.000
	TKOS II, LLC	Chicago, IL, USA	100.000	100.000
	USPO Minneapolis, LLC	Minneapolis, MN, USA	100.000	100.000
	USPO Phoenix, LLC	Phoenix, AZ, USA	100.000	100.000
Mineral resources	Summit Mining International Inc.	Denver, CO, USA	100.000	100.000
Energy	Pacific Summit Energy LLC	The Woodlands, TX, USA	100.000	100.000
Other	Presidio Ventures SCOA Fund, LLC	Santa Clara, CA, USA	100.000	100.000
	Sumisho Global Logistics (USA) Corporation	New Hyde Park, NY, USA	80.000	80.000
	Sumitomo Canada Limited	Toronto, Ontario, Canada	51.000	51.000

In the year ended March 31, 2021, the Company consolidated the operating activities of Champions Cinco Pipe & Supply LLC and Summit Tubulars Corporation into the operations of other subsidiaries of the Company. Also, TKOS I, LLC was dissolved subsequent to the sale of the commercial office building it held as an investment property.

In addition and in response to ongoing disruptions in the oil & gas markets and due to the economic disruptions caused by the global COVID-19 mitigation measures, the Tubular products segment is in the process of consolidating the operating activities of several of the Company's subsidiaries and cessation of some subsidiary operations within the next year, including a committed to a plan to terminate Edgen Group, Inc.'s operations in the eastern hemisphere.

(5) Investments Accounted for Using the Equity Method

The Company has investments in associated companies that are accounted for using the equity method of accounting. The Company's share of income (loss) from associated companies amounted to $(71) and $(199), for the years ended March 31, 2021 and 2020, respectively. For the years ended March 31, 2021 and 2020, the Company received dividends from affiliates of $78 and $72, respectively. As of March 31, 2021 and 2020, long-term receivables – related parties included amounts loaned to associated companies aggregating $200 and $202, respectively. Accounts payable to related parties, net included amounts payable to associated companies of $12 as of March 31, 2021 and amounts receivable from associated companies $18 as of March 31, 2020, see note 8.

In the year ended March 31, 2021, the Company recognized its share of impairments and losses on disposition of assets of Associates totaling approximately $55 included in its equity method earnings, primarily for Vallourec Star and Summit Discovery Resources II. Such equity earnings included impairments and losses on sales of intangible and tangible assets primarily due to continued disruptions in the oil & gas markets.

In the year ended March 31, 2020, the Company recognized its share of impairments totaling approximately $246 included in its equity method earnings, primarily for Vallourec Star, TBC Holdings, Eryngium, VAM USA and Summit Discovery Resources II. Such equity earnings included impairments of intangible and tangible assets primarily due to disruptions in the oil & gas markets and due to the economic disruptions caused by the global COVID-19 mitigation measures. Included in the impairment amount above are impairments totaling approximately $134 for associates whose financial statements are prepared as of December. Such impairments relate to the aforementioned events that occurred subsequent to December and as a result, the tables below include the effects of such impairments in the information for the Company's year ended March 31, 2021.

(In millions of U.S. dollars)

The summarized combined financial information of associated companies accounted for by the equity method is presented below:

		2021	2020
Current assets	$	4,520	4,951
Noncurrent assets		7,274	8,525
Total assets	$	11,794	13,476
Current liabilities	$	2,486	3,383
Noncurrent liabilities		2,682	2,828
Total liabilities		5,168	6,211
Total equity		6,626	7,265
Total liabilities and equity	$	11,794	13,476

		2021	2020
Revenues	$	8,860	11,511
Gross profit		1,891	2,917
Net loss		(350)	(35)

The summarized combined financial information tables above include the summarized financial information for TBC Holdings, as indicated below, as of and for the years ended March 31, 2021 and 2020:

		2021	2020
Current assets	$	1,883	1,657
Noncurrent assets		1,926	1,981
Total assets	$	3,809	3,638
Current liabilities	$	1,231	1,044
Noncurrent liabilities, including financial liabilities of		1,477	1,465
Total liabilities		2,708	2,509
Total equity		1,101	1,129
Total liabilities and equity	$	3,809	3,638

(Continued)

(In millions of U.S. dollars)

		2021	2020
Revenues	$	4,619	4,894
Gross profit		1,203	1,307
Net loss		(34)	(123)

As of March 31, 2021 and 2020, the excess of cost over the Company's share of net assets of equity method investees was allocated to underlying assets as follows:

		2021	2020
Property and equipment, net	$	10	10
Equity-method goodwill		30	26
Other intangible assets, net		15	16
Total	$	55	52

The significant associate companies accounted for by the equity method, which are included in the above summarized combined financial information as of March 31, 2021 and 2020, were as follows:

			Ownership interest	
Segment	**Company**	**Place of incorporation and operation**	**March 31, 2021**	**March 31, 2020**
Tubular products	Eryngium Limited	Glasgow, Scotland	— %	— %
	Vallourec Star, LP	Houston, TX, USA	19.470	19.470
	VAM USA, LLC	Houston, TX, USA	15.000	15.000
Steel and nonferrous metal	Arkansas Steel Associates, LLC	Newport, AR, USA	50.000	50.000
	International Crankshaft, Inc.	Georgetown, KY, USA	9.000	9.000
	Nippon Steel Integrated Crankshaft, LLC	Fostoria, OH, USA	40.000	40.000
	Standard Steel Holdings, Inc.	Pittsburgh, PA, USA	9.000	9.000
Automotive	HAL Aluminum Mexico S.A. de C.V.	Silao, Guanajuato, Mexico	—	8.570
	Hirotec Mexico, S.A. de C.V.	Silao, Guanajuato, Mexico	—	11.000
	TBC Holdings, LLC	Palm Beach Gardens, FL, USA	50.000	50.000
Construction and Transportation Systems	MS Engine Leasing LLC	Rocky Hill, CT, USA	28.135	28.135
	SMS Construction and Mining Systems, Inc.	Acheson, AB, Canada	25.140	25.140
Infrastructure	DS Cornerstone, LLC	Ford & Gray Counties, KS, USA	50.000	50.000
	Stanton Wind Energy, LLC	Chicago, IL, USA	42.500	42.500
	Clean Energy Future Lordstown, LLC	Lordstown, OH, USA	10.000	10.000
Chemicals and electronics	Cosmotec International Especialidades Cosméticas Ltda.	Guarulhos, Sao Paulo, Brasil	16.200	16.200
	Sawai America LLC	Maple Grove, MN, USA	20.000	20.000
	The Hartz Mountain Corporation	Secaucus, NJ, USA	25.000	25.000

(Continued)

(In millions of U.S. dollars)

Segment	Company	Place of incorporation and operation	Ownership interest March 31, 2021	Ownership interest March 31, 2020
Materials, supplies & real estate	USPO Atlanta, LLC	Atlanta, GA, USA	25.560 %	25.560 %
	USPO Chicago 1, LLC	Chicago, IL, USA	19.740	19.740
	USPO Miami, LLC	Miami, FL, USA	19.740	19.740
Mineral resources	SC Minerals America, Inc.	Denver, CO, USA	15.250	15.250
Energy	Summit Discovery Resources II, LLC	Houston, TX, USA	30.000	30.000
Treasury and corporate	Sumitomo Corporation de Mexico, S.A. de C.V.	Mexico City, Mexico	49.992	49.992
	Sumitomo Corporation do Brasil S.A.	Sao Paulo, Brazil	8.630	8.630

In the year ended March 31, 2021, the Company sold its ownership interests in HAL Aluminum Mexico S.A. de C.V. and Hirotec Mexico, S.A. de C.V. to SC resulting in pretax gain of $13 and a reduction in investments accounted for using the equity method of $8. In addition, in March 2021, the Company committed to a plan to distribute its 40% ownership interest in Eryngium Limited to SC. Accordingly, the investment balance of $96 has been classified as an asset held for distribution as of March 31, 2021. The distribution of the ownership interest is expected to be completed within the next year.

Summarized financial information for Eryngium Limited as of and for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Current assets	$ 291	320
Noncurrent assets	46	47
Total assets	$ 337	367
Current liabilities	$ 78	89
Noncurrent liabilities	8	3
Total liabilities	86	92
Total equity	251	275
Total liabilities and equity	$ 337	367

	2021	2020
Revenues	$ 302	395
Gross profit	20	67
Net loss	(39)	(80)

(In millions of U.S. dollars)

(6) Other Income (Expense)

Other income (expense) in the consolidated statement of comprehensive income (loss) for the year ended March 31, 2021 includes:

- impairments totaling $127 of other intangible assets and $36 of property and equipment and losses on disposals of property and equipment of $4 for several of the Company's subsidiaries in the Tubular products segment primarily due to continued disruptions in the oil & gas markets, see notes 9 and 11,
- a $53 impairment of a combined-cycle power plant owned by Perennial Power Holdings, Inc. due to a forecasted decline of power sales opportunities for the plant,
- net gains of $16 on valuations of investment securities, and
- a $13 gain on sale of investments in associates to SC, see note 5.

Other income (expense) in the consolidated statement of comprehensive income (loss) for the year ended March 31, 2020 includes:

- impairments totaling $170 of goodwill and $142 of other intangible assets for several of the Company's subsidiaries in the Tubular products segment primarily due to disruptions in the oil & gas markets and due to the economic disruptions caused by the global COVID-19 mitigation measures, see note 11,
- a $9 gain in fair value of securities held by a wholly owned subsidiary,
- an $8 bargain purchase gain related to the acquisition of an operator of a steel service center, see note 4 (a), and
- a $3 gain related to the sale of a commercial office building located in San Diego.

(7) Inventories

As of March 31, 2021 and 2020, inventories consisted of the following:

		2021	2020
Finished goods	$	960	1,412
Raw materials		120	165
Work in process		9	10
Total	$	1,089	1,587

The Company reports inventories net of allowances for lower of cost or market adjustments and slow moving and obsolete inventory of $60 and $100 as of March 31, 2021 and 2020, respectively.

Inventories under a consignment agreement or otherwise not in the control of the Company that are included in prepaid expenses and other current assets were $20 and $0 as of March 31, 2021 and 2020.

(In millions of U.S. dollars)

(8) Related Parties

The Company is involved in a significant number of sales and purchase transactions with SC and its affiliates. Included in total revenues are sales to SC and its affiliates for the years ended March 31, 2021 and 2020 of $586 and $710, respectively. The Company made approximately $452 and $714 in purchases from SC and its affiliates during the years ended March 31, 2021 and 2020, respectively. The Company pays a guarantee fee to SC based on the Company's outstanding third party debt. Such fee was approximately $7 and $9 for the years ended March 31, 2021 and 2020, respectively.

The Company has trade accounts receivable from and trade accounts payable to related parties resulting from its related party transactions. In addition, the Company makes short-term loans to certain related parties and acts as a depository for excess cash of other related parties (intracompany cash management receivables and payables).

As of March 31, 2021 and 2020, accounts payable to related parties, net consisted of the following:

		2021	2020
Accounts receivable from:			
SC	$	30	66
SC subsidiaries		10	16
Associated companies of SC and the Company		18	41
Accounts payable to:			
SC		(108)	(168)
SC subsidiaries		(70)	(117)
Associated companies of SC and the Company		(31)	(26)
	$	(151)	(188)

As of March 31, 2021 and 2020, intracompany cash management receivable (payable), net consisted of the following:

		2021	2020
Cash due from:			
SC subsidiaries	$	198	305
Cash due to:			
SC subsidiaries		(136)	(110)
Associated companies of SC and the Company		(7)	(7)
	$	55	188

Compensation of the executive officers of the Company, which was substantially all in the form of short-term employee benefits, totaled $10 for each of the years ended March 31, 2021 and 2020.

(Continued)

(In millions of U.S. dollars)

(9) Property and Equipment

Property and equipment consisted of the following:

		Land	Buildings and improvements	Machinery and equipment	Office furniture and fixtures	Automobiles and trucks	Construction in progress	Total
Cost:								
Balance at March 31, 2019	$	18	142	1,625	68	138	21	2,012
Adoption of IFRS 16		—	155	10	—	7	—	172
Additions		3	66	194	14	29	31	337
Acquisitions		2	9	5	1	—	—	17
Reclassifications		—	30	4	1	2	(37)	—
Disposals		—	(4)	(1)	(4)	(6)	—	(15)
Other changes		1	(2)	(77)	1	—	(3)	(80)
Balance at March 31, 2020		24	396	1,760	81	170	12	2,443
Additions		10	48	118	9	18	38	241
Acquisitions		—	—	6	—	—	—	6
Reclassifications		2	16	12	1	1	(32)	—
Impairments		(2)	(36)	(53)	—	—	—	(91)
Disposals		(2)	(9)	(19)	(6)	(14)	—	(50)
Other changes		—	6	(207)	1	(5)	—	(205)
Balance at March 31, 2021	$	32	421	1,617	86	170	18	2,344
Accumulated depreciation and impairment losses:								
Balance at March 31, 2019	$	—	68	693	44	65	—	870
Additions		—	40	140	8	19	—	207
Disposals		—	(3)	(1)	(3)	(5)	—	(12)
Other changes		—	(1)	(46)	1	—	—	(46)
Balance at March 31, 2020		—	104	786	50	79	—	1,019
Additions		—	50	131	8	19	—	208
Disposals		—	(6)	(14)	(5)	(11)	—	(36)
Impairments		—	2	—	—	—	—	2
Other changes		—	(3)	(133)	1	(2)	—	(137)
Balance at March 31, 2021	$	—	147	770	54	85	—	1,056
Carrying amount at:								
March 31, 2019	$	18	74	932	24	73	21	1,142
March 31, 2020		24	292	974	31	91	12	1,424
March 31, 2021		32	274	847	32	85	18	1,288

(In millions of U.S. dollars)

Acquisitions for the years ended March 31, 2021 and 2020 include the effects of business combinations, see note 4 (a). The Other changes in Machinery and Equipment for the years ended March 31, 2021 and 2020 primarily consist of Sunstate Equipment Co., LLC and Linder Industrial Machinery Company transfers of equipment previously leased to inventory in anticipation of sale of such equipment.

The Company leases assets including building and improvements, machinery and equipment and vehicles. Information about leases for which the Company is a lessee is as follows:

		Buildings and improvements	Machinery and equipment	Vehicles	Total
Cost:					
Balance at March 31, 2019	$	—	1	65	66
Adoption of IFRS 16		155	10	7	172
Additions		66	5	23	94
Disposals and reclassifications		4	—	(20)	(16)
Balance at March 31, 2020	$	225	16	75	316
Additions		46	7	14	67
Impairments		(28)	—	—	(28)
Disposals and other changes		(5)	(4)	(8)	(17)
Balance at March 31, 2021	$	238	19	81	338
Accumulated depreciation and impairment losses:					
Balance at March 31, 2019	$	—	—	26	26
Additions		29	1	11	41
Disposals and reclassifications		(1)	—	(13)	(14)
Balance at March 31, 2020	$	28	1	24	53
Additions		38	1	10	49
Impairments		2	—	—	2
Disposals and other changes		(9)	—	(4)	(13)
Balance at March 31, 2021	$	59	2	30	91
Carrying amount at:					
March 31, 2019	$	—	1	39	40
March 31, 2020		197	15	51	263
March 31, 2021		179	17	51	247

(In millions of U.S. dollars)

(10) Investment Property

		2021	2020
Cost:			
Balance at beginning of year,	$	442	317
Acquisitions		—	186
Additions		17	23
Disposals		—	(84)
Balance at March 31,	$	459	442
Accumulated depreciation and impairment losses:			
Balance at beginning of year,	$	38	40
Additions		20	16
Disposals		—	(18)
Balance at March 31,	$	58	38

As of April 1, 2019, the Company’s investment property included commercial office buildings located in San Diego, California and Minneapolis, Minnesota and eight floors of rental space and two floors of retail space in a commercial office building in Chicago, Illinois, which were leased to third parties.

During the year ended March 31, 2020, the Company sold the San Diego commercial office building see note 6 and purchased a commercial office building in Phoenix, Arizona for $186.

Lease terms and subsequent renewals are negotiated with the lessees. See note 22(a) for further information.

		Carrying amount	Fair value
As of March 31, 2021	$	401	416
As of March 31, 2020		404	431

Fair value is primarily based on a discounted cash flow approach using discount rates obtained from an independent appraiser.

(In millions of U.S. dollars)

(11) Intangible Assets and Goodwill

Intangible assets and goodwill consisted of the following:

		Other intangible assets					
	Goodwill	Trade names	Customer relationships	Vendor relationships	Software	Above market leases & other	Total
Acquisition cost:							
Balance at March 31, 2019	$ 478	348	423	15	54	42	882
Additions	—	—	—	—	4	—	4
Disposals	—	1	4	—	—	—	5
Other	—	—	—	—	2	—	2
Balance at March 31, 2020	478	349	427	15	60	42	893
Additions	—	—	—	—	6	1	7
Acquisitions	13	—	3	—	—	—	3
Disposals	—	—	—	—	—	(12)	(12)
Balance at March 31, 2021	$ 491	349	430	15	66	31	891
Amortization and impairment losses:							
Balance at March 31, 2019	$ 201	90	137	13	47	37	324
Additions	—	17	23	1	4	3	48
Impairments	170	10	131	—	1	—	142
Balance at March 31, 2020	371	117	291	14	52	40	514
Additions	—	12	10	1	5	2	30
Impairments	—	103	24	—	—	—	127
Disposals	—	—	—	—	—	(12)	(12)
Balance at March 31, 2021	$ 371	232	325	15	57	30	659
Carrying amount at							
March 31, 2019	$ 277	258	286	2	7	5	558
March 31, 2020	107	232	136	1	8	2	379
March 31, 2021	120	117	105	—	9	1	232

During the year ended March 31, 2021, the Company had impairments totaling $127 of other intangible assets for several of the Company’s subsidiaries in the Tubular products segment primarily due to continued disruptions in the oil & gas markets. The value in use of each subsidiary was determined using the income approach – discounted cash flow method and applying discount rates of 12.0% to 12.5%.

(In millions of U.S. dollars)

During the year ended March 31, 2020, the Company had impairments totaling $170 of goodwill and $142 of other intangible assets for several of the Company's subsidiaries in the Tubular products segment primarily due to disruptions in the oil & gas markets and due to the economic disruptions caused by the global COVID-19 mitigation measures. The value in use of each subsidiary was determined using the income approach – discounted cash flow method and applying discount rates of 11.0% to 11.5%.

The significant carrying amounts of trade names as of March 31, 2021 and 2020 were those related to:

		2021	2020
Sunstate Equipment Co., LLC	$	76	80
B&L Pipeco Services Inc.		32	59
Pyramid Tubular Products LLC		7	31
Edgen		—	60

The weighted average remaining useful lives as of March 31, 2021 was 15 years.

The significant carrying amounts of customer relationships as of March 31, 2021 and 2020 were those related to:

		2021	2020
Sunstate Equipment Co., LLC	$	51	52
B&L Pipeco Services Inc.		37	47
Pyramid Tubular Products LLC		7	18
Edgen		—	9

The weighted average remaining useful lives as of March 31, 2021 was 13 years.

(12) Notes Payable and Commercial Paper

Interest rates on nonmortgage notes payable to third parties of $235 and $770 as of March 31, 2021 and 2020, respectively, averaged approximately 0.52% and 2.13% during the years ended March 31, 2021 and 2020, respectively.

There were no commercial paper borrowings outstanding as of March 31, 2021 and 2020. Borrowings during those years had weighted average maturities 14 days and 22 days, respectively, with interest rates averaging 0.23% and 2.30%, respectively. Under a support agreement between SC and the Company, so long as any of the commercial paper is outstanding and unpaid, SC has agreed to advance the sums in the form of capital contributions such that the Company's stockholder's equity shall not fall below $110.

(In millions of U.S. dollars)

(13) Long-Term Debt

Long-term debt balances as of March 31, 2021 and 2020 consisted of the following with maturities in the fiscal years as indicated below:

	2021	2020
Related party term loan:		
2022, floating rate – 5.22%	$ 3	—
2022, floating rate – 0.99%	—	300
Third party term and revolver loans:		
2020, floating rates – 1.30% to 2.29%	—	338
2021, fixed and floating rates – 0.32% to 7.80%	308	306
2022, floating rate – 0.32% to 0.99%	175	176
2023, floating rate – 0.32% to 1.50%	356	355
2024, floating rates – 0.49% to 0.99%	400	379
2025, floating rate – 0.63 to 1.17%%	131	50
2027, floating rate – 1.34%	100	100
2028, floating rate – 1.28%	98	98
2029, floating rate – 1.34%	81	81
2030, floating rate – 0.69%	96	—
2031, floating rate – 0.64%	47	47
2032, floating rate – 0.71%	94	95
Total third party term and revolver loans	1,886	2,025
Medium term note:		
2025, floating rate – 0.74%	68	—
Total long-term debt	1,957	2,325
Less current portion:		
Third party	(308)	(338)
	$ 1,649	1,987

(In millions of U.S. dollars)

Principal payments on long-term debt for the years subsequent to March 31, 2021 are as follows:

		Total long-term debt
Fiscal year:		
2021	$	308
2022		178
2023		356
2024		400
2025		199
Thereafter		516
	$	1,957

On December 30, 2020, a 51% owned subsidiary of the Company, Sumitomo Canada Limited, borrowed $3 from SC bearing a floating rate of interest with a maturity date of December 2022.

On March 23, 2020, the Company borrowed $300 from Minera San Cristobal S.A., an indirect wholly owned subsidiary of SC bearing a floating rate of interest with a maturity date of March 31, 2022. The borrowing was repaid in September 2020.

The Company has Mexican-peso-denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of $2 as of March 31, 2021 and 2020). The Company has entered into foreign currency and interest rate swap agreements in order to economically hedge its currency and interest-rate risks.

All third party term and revolver loans are covered by support agreements between SC and the Company.

The Company participates in the Euro Medium Term Note Programme (the Programme) along with three related parties. Funds borrowed under the Programme are included in medium term loans. The total borrowing limit under the Programme is $3,000, of which approximately $683 is outstanding as of March 31, 2021. The Programme is updated and renewed annually. Payment of the borrowings under the Programme is guaranteed by SC.

At March 31, 2021 and 2020, the Company was contingently liable on unused letters of credit in the amount of $163.

At March 31, 2021 and 2020, the Company was in compliance with all debt covenants.

(In millions of U.S. dollars)

(14) Income Tax Expense

The net income tax benefit includes income taxes on the consolidated statements of comprehensive income (loss) and the Company's share of income tax amounts included in equity in earnings (losses) of affiliates for the years ended March 31, 2021 and 2020, as follows:

		2021	2020
Current:			
Federal	$	13	17
State		8	6
Foreign		1	3
		22	26
Deferred:			
Federal		(105)	(91)
State		(4)	(6)
Foreign		4	1
		(105)	(96)
Income tax benefit		(83)	(70)
Share of income tax in equity in earnings of affiliates		9	10
Net income tax benefit	$	(74)	(60)

Loss excluding the net income tax benefit for the years ended March 31, 2021 and 2020 is as follows:

		2021	2020
Net loss	$	(254)	(327)
Net income tax benefit		(74)	(60)
Loss excluding net income tax benefit	$	(328)	(387)

Loss excluding the net income tax benefit summarized by region for the years ended March 31, 2021 and 2020 is as follows:

		2021	2020
United States	$	(279)	(363)
Foreign		(49)	(24)
Loss excluding net income tax benefit	$	(328)	(387)

(Continued)

(In millions of U.S. dollars)

The reconciliations between the U.S. federal statutory tax rate and the Company's effective tax rate for the years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Statutory U.S. federal income tax rate	21.0 %	21.0 %
State and local income taxes, net of federal income tax benefit	1.3	1.0
Nondeductible items	(1.5)	(6.7)
Credits	7.3	5.9
Noncontrolling interest in pass-through entities	—	0.1
Foreign source items	(0.1)	(0.2)
Undistributed earnings	0.3	(3.5)
Derecognition of prior tax attributes	(3.1)	(0.1)
Other, net	(2.7)	(1.9)
Effective income tax rate	22.5 %	15.6 %

The primary nondeductible item for the year ended March 31, 2020 was a portion of goodwill impairments of $170, see note 11. The credits are primarily renewable energy production tax credits generated by the Company's equity investments in qualifying projects.

(15) Deferred Tax Assets and Liabilities

Deferred tax assets (liabilities) as of March 31, 2021 and 2020 are attributable to the following:

	2021	2020
Property and equipment	$ (180)	(250)
Investments	(27)	(55)
Unremitted earnings	(22)	(23)
Derivatives	(17)	(24)
Other	(6)	(2)
Post-retirement obligations	1	1
Other comprehensive income (loss)	4	26
Deferred rent	13	15
Inventory adjustments	22	25
Acquired intangibles	23	(4)
Accruals and reserves	36	38
Tax loss and credit carryforwards	110	131
Net deferred tax liabilities	$ (43)	(122)

Deferred tax assets and deferred tax liabilities are offset as the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or if there is the right to set off current tax assets against current tax liabilities. In the consolidated statements of financial position, the deferred tax assets and liabilities are not classified into current and noncurrent segments.

At March 31, 2021, the Company and certain of its subsidiaries have deferred tax assets related to state and foreign net operating loss (NOL) carryforwards of approximately $24. These NOL carryforwards are available to offset future state and foreign taxable income. The Company has determined that it is likely that most state and foreign NOL carryforwards will be utilized before expiration.

(16) Equity

(a) Other Components of Equity

(i) Translation Reserve

The translation reserve includes all foreign currency differences arising from the translation of the financial statements of foreign operations, including the Company's investments in associated companies.

(ii) Hedging Reserve

The hedging reserve includes the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

(iii) Fair Value Reserve

The fair value reserve includes the cumulative net change in the fair value of financial assets designated as FVTOCI until the investments are derecognized or impaired.

(b) Dividends

SC implemented a dividend guideline for overseas subsidiaries that required the Company to pay a dividend beginning in the year ended March 31, 2011. The ultimate dividend amount is subject to adjustment depending on the effects of taxation as well as equity and asset levels.

The Company did not pay a dividend to SC during the years ended March 31, 2021 and 2020.

(In millions of U.S. dollars)

(c) Reserves Recognized Directly in Equity

The following table shows the changes in reserves directly recognized in equity:

Balance – March 31, 2019, net of taxes of $18	$	(85)
Unrealized appreciation of securities, net of taxes of ($1)		4
Unrealized losses on derivatives, net of taxes of $1		(3)
Foreign currency translation adjustment, net of taxes of $6		(18)
Balance – March 31, 2020, net of taxes of $24		(102)
Unrealized appreciation of securities, net of taxes of ($4)		12
Unrealized losses on derivatives, net of taxes of $(1)		(2)
Foreign currency translation adjustment, net of taxes of $(16)		28
Balance – March 31, 2021, net of taxes of $3	$	(64)

(17) Employee Benefit Plans

(a) Defined Contribution Savings Plans

The Company and certain of its subsidiaries sponsor defined contribution 401(k) savings plans (the Savings Plans) for eligible employees. The Company at its discretion matches employees' contributions up to specific limitations and made contributions to the Savings Plans of $8 in each of the years ended March 31, 2021 and 2020.

(b) Defined Benefit Pension Plans

A subsidiary of the Company has a plan covering key employees, which provides key employees with a lump sum payment upon their retirement. The Company recognized pension costs related to the plans in net income (loss) and in other comprehensive income (loss) $1 in each of the years ended March 31, 2021 and 2020, respectively, The subsidiary has purchased certain life insurance policies to fund these benefits, which are held in a rabbi trust. The cash surrender value of these policies was $2 and $1 as of March 31, 2021 and 2020, respectively. The liabilities under these plans was $4 as of March 31, 2021 and 2020.

(18) Fair Value of Financial Instruments

For the Company's financial instruments classified as current in the consolidated statements of financial position (cash and cash equivalents, accounts receivable, commercial paper, notes payable, current portion of long-term debt and accounts payable), the carrying values approximate fair value based on the relatively short period of time between the origination of the instruments, their expected realization or the frequent repricing of the instrument to market price.

The Company's long-term receivables and long-term debt primarily bear floating rates of interest and their carrying values approximate their fair values.

(In millions of U.S. dollars)

The tables below include financial instruments carried at fair value as of March 31, 2021 and 2020. The fair value hierarchy consists of three levels: Level 1 fair values are valuations based on quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access; Level 2 fair values are those valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

	Level 1	Level 2	Level 3
2020:			
Derivative assets:			
Physical commodity contracts	$ —	463	41
Futures, swaps and options	1,113	9	—
Loan deals	2	—	—
Total assets	$ 1,115	472	41
Derivative liabilities:			
Physical commodity contracts	$ —	(387)	(40)
Futures, swaps and options	(1,090)	(3)	—
Loan deals	—	(2)	—
	$ (1,090)	(392)	(40)

	Level 1	Level 2	Level 3
2020:			
Derivative assets:			
Physical commodity contracts	$ —	319	10
Futures, swaps and options	1,920	36	—
Total assets	$ 1,920	355	10
Derivative liabilities:			
Physical commodity contracts	$ —	(206)	(8)
Futures, swaps and options	(1,914)	(37)	—
Loan deals	(1)	(8)	—
	$ (1,915)	(251)	(8)

(In millions of U.S. dollars)

The derivative assets and liabilities in the above table include those of PSE, which consist of financial instruments traded on derivative and commodities exchanges, as well as those traded over the counter. Also included are physical commodity instruments traded on exchanges, over the counter and bilateral agreements with counterparties.

The Company and certain of its subsidiaries make financial investments in operating entities and early-stage to initial public offering entities to facilitate strategic business partnerships and to realize long-term capital appreciation and are included in noncurrent other assets. The table below includes the balances of such investments accounted at FVTOCI and FVTPL and the related pretax gains recognized.

		2021	2020
Carrying values:			
FTVOCI	$	165	98
FTVTPL		97	74
Total included in noncurrent other assets	$	262	172
Net gains recognized:			
FTVOCI	$	16	6
FTVTPL		21	9

(19) Derivatives and Hedge Accounting

Derivative Financial Instruments Not Designated as Hedges

In the normal course of business, the Company is exposed to foreign exchange rate fluctuation risks due to transactions originally denominated in foreign currencies. To manage these risks, the Company routinely enters into foreign currency forward contracts. The change in fair value of these foreign currency forward contracts is recorded in the Company’s consolidated statements of comprehensive income (loss).

As of March 31, 2021 and 2020, the Company held certain cross-currency swaps that did not qualify as hedges for accounting purposes to manage foreign currency exposures. Gains and losses for changes in the fair value of these derivatives, which were recorded in the Company’s consolidated statements of comprehensive income (loss), were not significant.

The derivative instruments of PSE include a variety of commodity instruments to purchase or supply natural gas (NG) and electric power at specified delivery points and at specified future dates. The derivative commodity instruments are offered to customers and suppliers in the marketplace as a marketing and risk management service. PSE also trades crude oil derivative commodity instruments. Under some circumstances, the open positions expose the Company to risk that fluctuating market prices may adversely impact its financial condition or results of operations. However, the net open positions are actively managed with policies designed to limit the exposure to market risk.

(In millions of U.S. dollars)

Occasionally, PSE enters into loan agreements, whereby NG is effectively loaned or borrowed to and from utility companies, involving a receipt of physical gas and an obligation to return the same quantity of physical gas at a specified later date. Commodity derivative positions are entered into to economically hedge loan activity. Loan transactions are treated as financing arrangements with an embedded derivative.

PSE loaned 699 MMBtu with a fair value of $(2) as of March 31, 2021 and 4,723 MMBtu with a fair value of $(8) as of March 31, 2020.

Derivatives not designated as hedges as of March 31, 2021 were as follows:

		Physical NG commodity contracts	Physical power commodity contracts	Futures, swaps and options	Loan deals	Offsetting	Cash collateral	Total derivatives not designated as hedges
Current derivative assets	$	81	59	1,117	—	(1,173)	(23)	61
Noncurrent derivative assets		313	50	1	—	(270)	—	94
Total derivative assets	$	394	109	1,118	—	(1,443)	(23)	155
Current derivative liabilities	$	(61)	(59)	(1,092)	(2)	1,173	—	(41)
Noncurrent derivative liabilities		(257)	(50)	—	—	270	—	(37)
Total derivative liabilities	$	(318)	(109)	(1,092)	(2)	1,443	—	(78)

Derivatives not designated as hedges as of March 31, 2020 were as follows:

		Physical NG commodity contracts	Physical power commodity contracts	Futures, swaps and options	Loan deals	Offsetting	Cash collateral	Total derivatives not designated as hedges
Current derivative assets	$	95	83	1,995	—	(2,032)	—	141
Noncurrent derivative assets		113	30	3	—	(24)	—	122
Total derivative assets	$	208	113	1,998	—	(2,056)	—	263
Current derivative liabilities	$	(48)	(78)	(1,990)	(9)	2,032	(7)	(100)
Noncurrent derivative liabilities		(50)	(30)	(2)	—	24	—	(58)
Total derivative liabilities	$	(98)	(108)	(1,992)	(9)	2,056	(7)	(158)

Derivative Financial Instruments Designated as Hedges

The Company enters into cross-currency swaps related to debt denominated in Japanese Yen, Euro, Canadian Dollar, British Pound and Norwegian Krone. The Company designates these derivatives as fair value hedges. Gains and losses resulting from changes in the fair value of these derivatives were recorded as income (loss) in the Company's consolidated statements of comprehensive income (loss).

The following table presents the Company's outstanding derivative contracts designated as hedges as of March 31, 2021 and 2020:

		2021		2020	
		Notional amount	**Carrying amount at fair value**	**Notional amount**	**Carrying amount at fair value**
Derivative assets:					
Cross-currency and interest rate swaps	$	200	1	—	—
Foreign currency forward contracts and other		156	4	156	2
Derivative liabilities:					
Foreign currency forward contracts		—	—	3	2

The current and long-term portions of derivative assets are recorded in accounts receivable and long-term receivables, respectively, and the current and long-term portions of derivative liabilities are recorded in accrued expenses and other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated statements of financial position. Gains and losses are included in revenue, cost of sales and interest expense in the accompanying consolidated statements of comprehensive income (loss) and other components of equity.

(20) Capital and Financial Risk Management

(a) Capital Management

The Company's capital management philosophy is guided by SC policies. The fundamental principles of SC's capital management are to maintain appropriate capital levels by optimizing debt and equity balances to manage business risks in order to maintain management soundness and efficiency and to promote continuous growth. The key metrics used for capital management are risk-adjusted assets and equity balances along with a net debt-to-equity ratio.

Management reviews the strategies for earnings and investments and the metrics on a semi-annual planning and assessment basis.

(b) Financial Risk Management

The Company's operations expose it to the risk of changes in foreign exchange rates and interest rates. Derivative financial instruments are used by the Company to reduce these risks. The Company assesses foreign currency exchange rate risk and interest rate risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Company is also exposed to credit related losses in the event of nonperformance by counterparties to financial assets, but it is not expected that any counterparties will fail to meet their obligations because most of the counterparties are internationally recognized financial institutions. The Company's basic policy for fund raising activities is to secure stable, short to long-term funds and liquidity for operations.

(i) Foreign Currency Exchange Rate Risk

The Company operates internationally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the U.S. dollar. The Company's strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in its functional currency by using foreign currency forward contracts, cross-currency swaps, considering the netting effect of foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments. The net of foreign currency risk exposure as of March 31, 2021 and 2020 are as follows. A positive balance represents a receivable position and a negative balance represents a payable position.

					2021			
		Japanese Yen	Euro	Canadian Dollar	British Pound	Norwegian Krone	Other	Total
U.S. dollars	$	—	4	1	—	—	—	5
Local currency millions		3	5	1	—	(1)	—	8

					2020			
		Japanese Yen	Euro	Canadian Dollar	British Pound	Norwegian Krone	Other	Total
U.S. dollars	$	(4)	(2)	1	(1)	1	—	(5)
Local currency millions		(396)	(2)	1	(2)	13	—	(386)

An analysis of a hypothetical impact on income (loss) before income taxes as reported in the consolidated statements of comprehensive income (loss) that would result from a 1% appreciation of the U.S. Dollar against all foreign currencies as of the end of the fiscal year indicated that the effects would be insignificant. The analysis is based on the assumption that other factors such as outstanding balance and interest rates are constant.

(ii) Interest Rate Risk Management

The Company is exposed to risks arising from changes in interest rates while financing its business activities. In particular, interest rate fluctuations affect borrowing costs because a major part of the outstanding debt instruments are floating rate instruments and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs are partially offset by returns on certain assets which may also be impacted by interest rate fluctuations. In addition, the Company is engaged in financing activities, which could be affected by interest rate fluctuations. The Company monitors interest rate risk arising from its assets and liabilities and the Company's risk management structure utilizes derivative contracts, such as interest rate swaps, to manage fluctuations of earnings or losses due to the fluctuations of interest rates.

The following table represents the hypothetical impact on the Company's income (loss) before income taxes that is attributable to financial instruments exposed to the fluctuation risk of interest rates in the case where interest rates would increase by 1%. The analysis is calculated by multiplying 1% by the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2021 and 2020, without considering changes in balances, currency fluctuations and the dispersing effect for floating rate borrowings derived from the timing differences to refund and revise the rate in the future and is based on the assumption that other variable factors are held constant.

A sensitivity analysis to fluctuations of market interest rates is performed for the potential cash flow exposures from interest rate bearing debt and loans with a floating rate. The floating rate loans include those with fixed rates, which are converted to floating rate with interest rate swap contracts.

	2021	2020
Income before income taxes	$ (17)	(22)

(iii) *Market Risk Management*

The Company is exposed to the risk fluctuations in the market price of the commodities being traded (NG and electric power) and the associated commodity derivative instruments, which is influenced by supply and demand. Market risk is also influenced to the extent that the performance or nonperformance by market participants of their contractual obligations and commitments affect the supply and demand of the commodity. The Company manages the market risks inherent in its commodity trading business according to risk policies established by the Company.

(iv) *Credit Risk Management*

The Company's receivables are from a large number of customers and counterparties, spread across diverse industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of accounts receivable. The Company may also seek contractual or other forms of protection or mitigation, including cash collateral, letters of credit or parent company guarantees.

(Continued)

(v) Liquidity Risk Management

The Company’s basic policy for financing operations is to secure stable short to long-term funds and sufficient liquidity for its operations. The Company secures liquidity from the cash flows from operations, borrowing from financial institutions and issuance of commercial paper. The Company deposits these funds at highly creditable financial institutions to which generally high credit ratings are given by the credit rating agencies.

(21) Segment and Related Information

The Company’s reportable business segments are organized in a manner that reflects how management views those business activities. The Company reports for each segment a measure of segment profit or loss, certain specific revenue and expense items and segment assets. The Company’s principal business activities have been classified into the following reportable segments:

The Tubular products segment supplies a wide variety of high grade oil country tubular goods, line pipe, specialty tubing and oil field equipment to companies in the oil, gas, petrochemical, automobile, and boiler fabrication industries.

The Steel and nonferrous metal segment supplies flat-rolled products, railway products, forging and casting products, specialty steel and nonferrous metal.

The Automotive segment includes supplying parts to the automotive industry.

The Construction and transportation systems segment includes operating dealerships and distributorships for the sale and rental of construction equipment.

The Infrastructure segment activities include investing in and operating electrical generation assets, using renewable and nonrenewable energy sources and delivering commuter rail cars and other products for transportation systems.

The Chemicals and electronics segment activities include trade dealings in petrochemicals, plastics, fine and specialty chemicals and inorganic chemicals.

The Media and digital business segment includes investment activities of technology and media activities.

The Materials, supplies and real estate segment includes investment in and development of commercial and residential real estate.

The Food and lifestyle segment supports the production of organic foods and eco-friendly farming practices and provides import and export trade services.

The Mineral resources segment includes investment, development and production of nonferrous metals, precious metals and base metals.

The Energy segment includes investment, trading and marketing activities of natural gas, electricity and crude oil.

(In millions of U.S. dollars)

The Treasury and corporate segment includes finance-related activities such as derivatives transactions and consumer and business financing and logistics services. Also included, are the Company's interests in Sumitomo Canada Limited, Sumitomo Corporation de Mexico and Sumitomo Corporation do Brazil.

The Company evaluates segment performance based on net income (loss) attributable to the owners of the parent company. Information on the Company's reportable segments as of and for the years ended March 31, 2021 and 2020, respectively, is as follows:

	2021				2020			
Segment	Revenues	Gross profit	Income (loss)	Segment assets	Revenues	Gross profit	Income (loss)	Segment assets
Tubular products	$ 2,426	84	(314)	2,196	4,758	204	(515)	2,327
Steel and nonferrous metal	686	59	17	631	704	68	18	686
Automotive	4	1	(7)	770	7	1	(86)	797
Construction and transportation	1,118	338	76	1,939	1,185	373	92	1,929
Infrastructure	133	12	(36)	593	107	15	15	505
Chemicals and electronics	306	79	14	513	332	71	13	532
Media and digital business	4	4	11	175	15	2	4	110
Food and lifestyle	9	9	4	31	11	11	4	44
Materials, supplies & real estate	41	1	(1)	693	32	7	9	681
Mineral resources	6	6	3	64	7	7	(5)	74
Energy	940	56	(15)	428	1,054	164	87	383
Treasury and corporate	93	23	(6)	1,902	46	16	28	2,777
Intersegment eliminations	(23)	(14)	—	(1,581)	(30)	—	—	(1,586)
Total	$ 5,743	658	(254)	8,354	8,228	939	(336)	9,259

Changes in the carrying amount of goodwill for the years ended March 31, 2021 and 2020 are as follows:

	Tubular products	Construction and transportation systems	Chemicals and electronics	Treasury and corporate	Total
March 31, 2019	$ 170	90	16	1	277
Impairments	(170)	—	—	—	(170)
March 31, 2020	—	90	16	1	107
Acquisitions	—	13	—	—	13
March 31, 2021	$ —	103	16	1	120

(In millions of U.S. dollars)

(22) Commitments and Contingencies

(a) Leases as lessee

The Company leases assets including building and improvements, machinery and equipment and vehicles. Future minimum annual rental payments and the related liabilities included in the consolidated statements of financial position as of March 31, 2021 and 2020 were as follows:

		2021	2020
Undiscounted cash flows:			
Less than one year	$	62	61
Between one and five years		168	186
More than five years		121	134
Total undiscounted cash flows	$	351	381
Lease liabilities:			
Current	$	52	48
Long-term		269	269
Total	$	321	317

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property and equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease. The future minimum annual rental payments of leases under which the Company as a lessee is immaterial with rent expense of $4 for each of the years ended March 31, 2021 and 2020.

(b) Leases as lessor

The Company leases out its investment and other property under long-term operating leases. The railcars leased under these agreements are included in machinery and equipment with cost and accumulated depreciation of $11 and $5, respectively, at March 31, 2021. The minimum annual rentals as of March 31, 2021 for the next five years and thereafter were as follows:

Less than one year	$	30
Between one and five years		108
More than five years		94
	$	232

(c) Indemnification and Guarantee Agreements

The Company has outstanding guarantees for credit facilities of certain Associate companies for up to $142, of which $81 of liabilities were outstanding at March 31, 2021.

(Continued)

In the normal course of business, the Company secures certain obligations with Performance and Labor, and Material Bonds (performance bonds). In certain situations, the ability to obtain performance bonds is directly related to the Company's credit rating. As such, the Company may arrange for issuance of performance bonds through third parties. As of March 31, 2021 and 2020, the Company had $250 and $261, respectively, of such performance bonds outstanding, of which $88 and $137, respectively, were at risk in ongoing projects. These amounts are expected to decrease over time as the Company completes the work in process or transfers ownership to other companies.

The Company believes that it is not reasonably likely that it will be required to perform under the performance bonds or that any performance requirement would have a material impact on its consolidated financial statements. As a result, the estimated fair value of these agreements is considered to be immaterial to the consolidated financial statements.

As of March 31, 2021, the Company has commitments to make additional equity investments totaling approximately $14.

(d) Performance Obligations under Long-term Sales Contracts

The aggregate amount of the revenue expected to be recognized in the future related to the Company's performance obligations (unsatisfied or partially unsatisfied) resulting from long-term sales contracts was $15,904 as of March 31, 2021. The amount of revenue expected from the PSE LNG long-term sales agreement represented approximately 98% of the aggregate amount and is based on Henry Hub prices multiplied by an estimated fuel factor plus amounts for fixed costs, annual unit charges and a risk premium.

(e) Natural Gas Purchase and Liquefied Natural Gas Sale Commitments

The Company has a definitive gas purchase agreement, which commenced in 2018, with an unrelated party to purchase 350,000 MMBtu of NG per day for approximately 20 years, which will be utilized for LNG production to fulfill its sales commitments. In order to convert the NG into LNG, the Company entered into a 20-year terminal service agreement with another unrelated party. To facilitate LNG sales, a LNG sales agreement was entered into, which is also for approximately 20 years.

Although it is foreseeable that the PSE will be required to sell unavoidable excess gas acquired under the contract rather than use it for the intended purpose of converting it into LNG, management believes that it is appropriate to account for the contract as an executory contract rather than report it at its fair value.

(f) Litigation

The Company is involved in several lawsuits and regulatory inquiries and investigations incidental to its business. In the opinion of management, the outcome of such matters facing the Company will not have a material adverse effect on the financial position, cash flows or operating results of the Company.

(In millions of U.S. dollars)

(23) Selling, General and Administrative Expenses

The components of selling, general and administrative expenses were as follows for the years ended March 31, 2021 and 2020:

		2021	2020
Employee benefits expenses	$	402	423
Depreciation and amortization		101	108
Service fees		67	79
Travel and communication expenses		25	45
Office expenses and supplies		31	34
Taxes, other than income taxes		15	16
Rent expense		4	4
Other		54	57
Selling, general and administrative expenses	$	699	766

(24) Subsequent Event

The Company has evaluated subsequent events from the consolidated statement of financial position date through May 17, 2021, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.