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MITSUI & CO. (AUSTRALIA) LTD.

## Tax Transparency Report

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019



MITSUI & CO.

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# Message from the Chief Financial Officer

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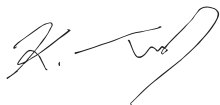
I am pleased to present the Tax Transparency Report for Mitsui & Co. (Australia) Ltd. ('MCA') Multiple Entry Consolidated ('MEC') group for the year ending 31 March 2019.

The information in this report is provided in response to the Board of Taxation's Voluntary Tax Transparency Code. All taxes, royalties and fees are paid in accordance with applicable laws and regulations.

MCA recognises the need for greater transparency between business and the wider community to enhance understanding of the corporate sector's compliance with Australia's tax laws.

We see tax as an important part of our responsibility to contribute to society and strive to demonstrate responsible behaviour, integrity and commitment to a high standard of compliance.

The report is available from the MCA website:  
**<https://www.mitsui.com/au/en/index.html>**



**MR KIYOSHI TAWADA**  
Chief Financial Officer

Mitsui & Co. (Australia) Ltd.

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# Our Business in Australia

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Mitsui & Co., Ltd. (Mitsui) is a true global conglomerate with multiple businesses operating across different industries under the one corporate group.

With nearly 44,000 employees and 500 affiliated companies, Mitsui does business in 65 countries from 138 offices around the world.

Today in Australia we are a leading exporter and a major investor with a diverse business portfolio spanning across iron ore, coal, LNG, oil, gas, power generation, transportation, construction and mining machinery, chemicals, steel products, woodchips, salt, and food.

We strive to enhance the value of our portfolio of businesses in Australia by driving synergies and seeking new opportunities to collaborate with partners from around the world.

In contributing to the sustainability of the Australian community, Mitsui actively promotes social contributions in collaboration with our group companies. International exchange, education and environment are priority areas of focus.

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# Tax Transparency Report continued

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## 1. MCA Multiple Entry Consolidated ('MEC') Tax Group

Mitsui group has a number of investments and participates in joint ventures in Australia. This tax report covers the MCA Multiple Entry Consolidated ('MEC') tax group, which comprises entities 100% owned by Mitsui & Co., Ltd, MCA's Japanese parent company. The provisional head company of the MCA MEC tax group, MCA lodges one consolidated income tax return on behalf of its wholly owned subsidiaries and other members of the MCA MEC tax group.

### *Changes to members of the MCA MEC tax group*

- In May 2018, Mitsui & Co., Ltd purchased 100% of the AWE Pty Ltd ('AWE') group resulting in AWE and its subsidiaries joining the MCA MEC tax group
- In September 2018, Hazelwood Churchill Pty Ltd and Hazelwood Pacific Pty Ltd joined the MCA MEC tax group

Please refer to Appendix 1 for members of the MCA MEC tax group.

The financial data presented in this report is quoted in Australian Dollars unless otherwise stated.

The report follows the guidelines set out in the Board of Taxation's Tax Transparency Code.

## 2. Tax Policy, Risk Management and Governance

MCA's approach to taxation aligns with our business values. MCA has a well-developed and structured risk management framework to allow tax risks to be identified, evaluated, monitored and managed. Tax is managed within that corporate governance framework and aligns with the Mitsui & Co., Ltd global tax management policy which is available via the Mitsui website: [https://www.mitsui.com/jp/en/company/outline/governance/system/pdf/global\\_tax\\_policy\\_e.pdf](https://www.mitsui.com/jp/en/company/outline/governance/system/pdf/global_tax_policy_e.pdf)

MCA's Tax Corporate Governance Policy is outlined below:

*"...In continuous striving for effective cost management we ensure all applicable tax regulations at the local level are considered. For example, to eliminate double taxation. We do not engage in artificial tax arrangements or structures as stated below:*

*1) Arrangements or structures without reasonable business purpose or commercial rationale other than the intention of tax avoidance.*

*2) Arrangements or structures which inappropriately erode the tax basis, or shift the attribution of profits from a state based on economic activities and value creation to a state in which to achieve tax avoidance..."*

The MCA tax corporate governance framework was prepared in accordance with the ATO's Tax Risk Management and Governance Review Guide. The policy sets out MCA's approach to conducting its tax affairs and dealings with tax risk, and is periodically reviewed by the MCA tax team. MCA has paid all its tax liabilities and all tax compliance obligations are up to date.

## 3. Australian Taxation Office ('ATO') Engagement

MCA values and is committed to maintaining an open, transparent and pro-active relationship with tax authorities. We proactively engage with the ATO as part of the ATO's Pre-lodgement Compliance Review Program ('PCR') which is targeted at Australia's top taxpayers, and involves ongoing real-time discussions with the ATO to discuss any of our significant transactions and/or our tax positions adopted on certain matters. MCA has been working and shall continue to work closely with the ATO in respect of the ATO's justified trust program with the goal to attaining the highest possible assurance on all identified issues.

The ATO has rated MCA as a 'key taxpayer' continuing to have a low likelihood of non-compliance with Australian Taxation law. The ATO acknowledges MCA's commitment to engage cooperatively and transparently to mitigate tax risk, including obtaining tax certainty on key transactions using Private Binding Rulings and Bilateral Advanced Pricing Arrangements.

MCA interprets tax law using relevant guidance and discusses such interpretations with tax authorities where appropriate, to review possible risks and minimise the extent of disputes. We maintain full and timely disclosure of necessary information as required by law, by providing tax authorities with information as part of regular filing or during the course of any review or audit. If any disputes arise, we will maintain an open and constructive relationship with tax authorities to achieve resolution.

#### 4. Reconciliation of Profit before Tax to Income Tax Expenses & Income Tax Payable

	FY2019 AUD ('Mil)	FY2018 AUD ('Mil)
MCA MEC group income	6,318.8	5,868.6
MCA MEC group expense	3,860.2	3,265.6
<b>Profit before tax (per 2019 MEC group tax return)</b>	<b>2,458.6</b>	<b>2,603.0</b>
Tax @ 30%	737.5	780.9
<b>Permanent Differences</b>		
Share of profits – equity accounting	(196.6)	(235.4)
Non-deductible expenses	(28.1) <sup>1</sup>	(2.8)
Under / over income tax provision	(2.0)	2.5
<b>Income tax expense</b>	<b>510.8</b>	<b>545.2</b>
Franking credits	289.4	314.7
Other temporary (provisions, accruals)	(92.3)	(19.3)
<b>Income tax payable</b>	<b>707.9</b>	<b>840.6</b>
Less: franking credits	(289.4)	(314.7)
Less: foreign tax credits / R&D credits	(1.3)	(0.6)
<b>Income tax paid</b>	<b>417.2</b>	<b>525.3</b>
<b>MCA Effective Tax Rate ('ETR')</b>	<b>20.8%<sup>2</sup></b>	<b>20.9%</b>
<b>Mitsui ETR</b>	<b>26.1%<sup>3</sup></b>	<b>18.9%</b>

The amounts above reconcile with the data to be disclosed in the ATO's Tax Transparency Report for 2019 due to be published in December 2020.

ETR is determined by dividing Income Tax Expense by Profit Before Tax and expressed as a percentage.

1 Realised foreign exchange loss on repayment of foreign currency loan principal

2 The key factor for the difference between MCA's ETR of 20.8% and the Australian corporate tax rate of 30% is the receipt of franked dividends from MCA's other Australian investments, which entitles MCA to a tax offset when calculating its Australian income tax liability

3 Refer to page 135 Mitsui & Co., Ltd. Integrated Report 2019 [https://www.mitsui.com/jp/en/ir/library/report/\\_icsFiles/afeldfile/2019/09/27/en\\_ar2019\\_all\\_r.pdf](https://www.mitsui.com/jp/en/ir/library/report/_icsFiles/afeldfile/2019/09/27/en_ar2019_all_r.pdf). Mitsui's ETR is determined based on its global operations in multiple jurisdictions and at differing corporate tax rates

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# Tax Transparency Report

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### 5. Total Tax Contributions (Other Taxes)

During the 2019 financial year, MCA paid AUD739.7 million in Commonwealth and State taxes. Total tax contributions only include the results of MCA MEC tax group.

In addition to GST, MCA also withholds PAYG withholding taxes on salaries paid to Australian employees as well as other withholding on interest payments to non-residents.

#### Federal and State taxes paid

	FY2019 AUD ('Mil)	FY2018 AUD ('Mil)
Corporate Income Tax – Australia	417.2	525.3
Fringe Benefits Tax	2.5	2.7
Payroll Tax	4.7	3.1
Stamp Duties	3.4	0.7
Mining Royalties	305.6	356.0
Other	6.3 <sup>4</sup>	-
<b>Total</b>	<b>739.7</b>	<b>887.8</b>

#### Taxes Collected on behalf of Governments

	FY2019 AUD ('Mil)	FY2018 AUD ('Mil)
GST (paid but reclaimed)	81.3	62.3 <sup>5</sup>
GST Collected	46.0	33.4 <sup>6</sup>

<sup>4</sup> Includes a variety of other taxes, not included in the above such as Petroleum Resource Rent Tax and land tax

<sup>5</sup> Correction to FY2018 disclosure

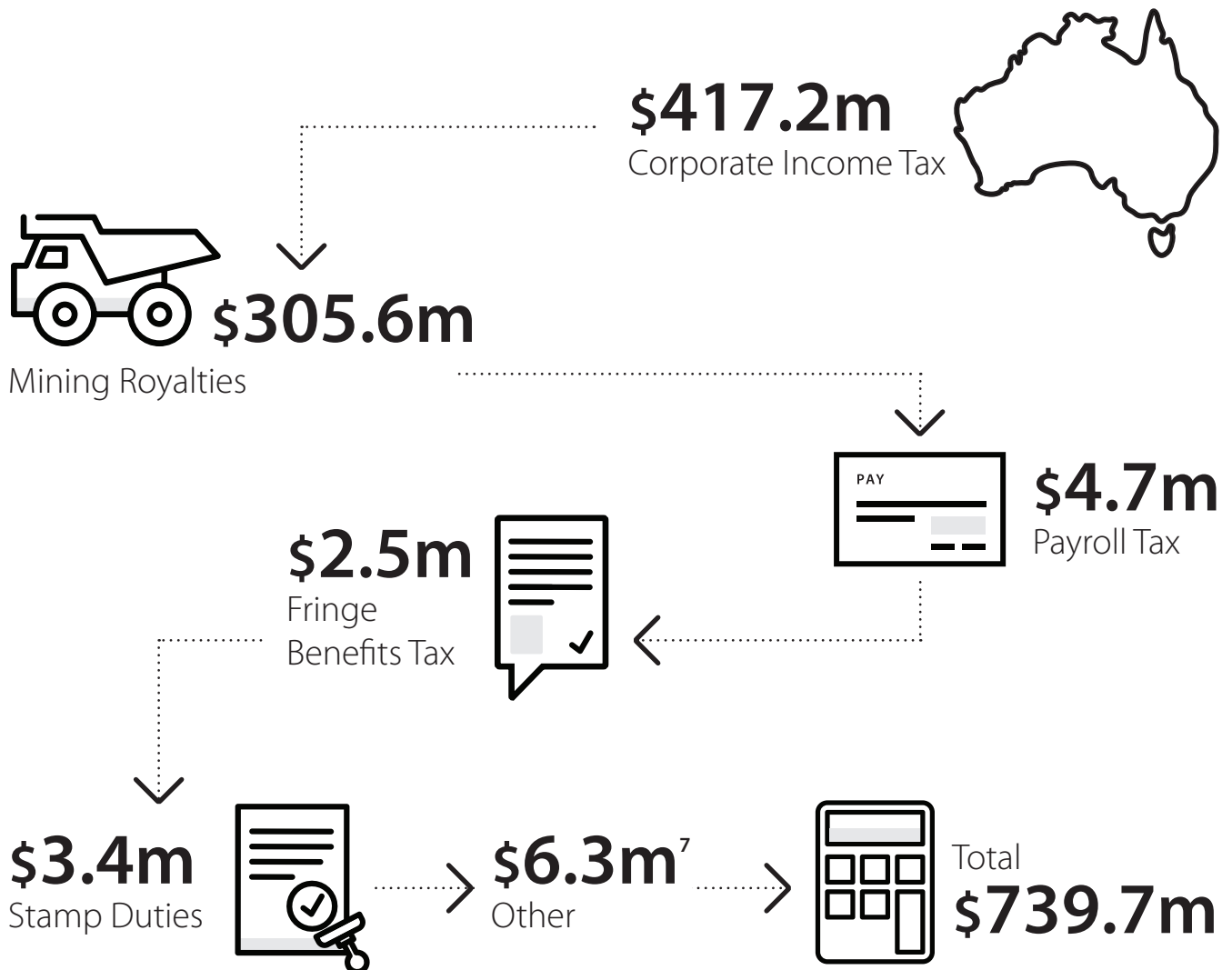
<sup>6</sup> Correction to FY2018 disclosure

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## Federal and State Taxes Paid by Mitsui

Tax period: 1 April 2018 – 31 March 2019  
AUD (Millions)

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## Taxes Collected on Behalf of Governments

AUD (Millions)



<sup>7</sup> Includes a variety of other taxes, not included in the above such as Petroleum Rent Tax and land tax

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# Tax Transparency Report

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## 6. International Related Party Dealings

The head company of MCA, Mitsui & Co., Ltd is located in Japan, with 138 offices in 66 countries/regions globally, including Australia. The Australian operations are part of Mitsui's global business and inherently involve substantial related party dealings.

For the year ended 31 March 2019, MCA's significant related party dealings were with Mitsui entities located in Japan, Singapore, China and Malaysia.

Each year, MCA discloses its related party transactions in the International Dealings Schedule, which forms part of its income tax return, as well as submission of the Australian Local File as part of the Country-by-Country reporting requirements.

MCA seeks to conduct its international related party dealings at arm's length and prepares contemporaneous transfer pricing documentation to support these positions, which is shared with the ATO.

The significant business dealings between MCA and overseas related-parties are highlighted as follows:

- Service fees paid by MCA to Mitsui & Co., Ltd. (Japan)
- Trading business transactions between MCA and Mitsui & Co., Ltd. (Japan)
- MCA operates as an in-house bank as part of the "Mitsui Global Cash Management system" for efficient use of Mitsui global funds which transacts with Japan, United States, United Kingdom and Singapore;
- MCA enters into Bilateral Advance Pricing Agreements (BAPA) to agree prices charged between significant related party transactions between Japan and Australia to reduce the risk of disputes.

## 7. Basis of Preparation

This report has been prepared in accordance with the Board of Taxation Tax Transparency Code guidelines.

### i. Entities

This report includes all amounts paid and received by MCA MEC group corporate entities which are 100% owned.

Other entities which are not wholly owned by Mitsui & Co., Ltd. have not been included in this report as disclosed in Appendix 1.

### ii. Reporting Currency

All payments are reported in Australian dollars unless otherwise stated.

### iii. Source of Information

Information has been sourced from submitted tax returns and audited financial statements.

### iv. Approach to Materiality

Materiality for disclosures has been set at the nearest million dollars.

### v. AASB Guidance

The group prepares special purpose financial statements and follows Australian Accounting Standards Board (AASB).

Deloitte are the auditors of the Mitsui & Co., Ltd. group.

### vi. Reporting Period

The report has been prepared for MCA MEC group's financial year from 1 April 2018 to 31 March 2019.

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## Appendix 1 – MCA MEC Group

MCA MEC Group as at 31 March 2019. All entities are incorporated in Australia.

1.	Mitsui & Co. (Australia) Ltd.
2.	Mitsui & Co Financial Services (Australia) Ltd
3.	Mit Power Australia Pty Ltd
4.	Mitsui Coal Holdings Pty Ltd
5.	Mitsui Bengalla Investment Pty Ltd
6.	Mitsui German Creek Investment Pty Limited
7.	Mitsui Kestrel Coal Investment Pty Limited
8.	Mitsui Moranbah North Investment Pty Ltd
9.	Mitsui Moura Investment Pty Ltd
10.	Mitsui Bussan Woodchip Oceania Pty. Ltd
11.	Bunbury Fibre Exports Pty Ltd
12.	Bunbury Fibre Plantations Pty Ltd
13.	Mitsui & Co Mineral Resources Development Pty Ltd
14.	Mitsui Iron Ore Development Pty Ltd
15.	Mitsui Iron Ore Corporation Pty. Ltd.
16.	Mitsui & Co. Iron Ore Exploration & Mining Pty. Ltd.
17.	Shark Bay Salt Pty Ltd
18.	Shark Bay Resources Pty Ltd
19.	Onslow Salt Pty Ltd
20.	Mitsui E&P Australia Pty Limited
21.	MEPAU A Pty Ltd
22.	Karugamo Energy Management Pty. Limited
23.	Mittwell Energy Resources Pty Ltd

### Other Mitsui & Co., Ltd. majority owned investments in Australia

1.	Mitsui Itochu-Iron Pty Ltd has adopted the Tax Transparency Code for the year ended 31 March 2019 and has released its own report
2.	MBK Oxyfuel Australia Pty Limited (under liquidation)

### Joined in May 2018

24.	AWE Pty Ltd
25.	AWE Energy Holdings Pty Ltd
26.	AWE (Beharra Springs) Pty Ltd
27.	AWE (Carnarvon) Pty Ltd
28.	Peedamullah Petroleum Pty Ltd
29.	AWE Petroleum Pty Ltd
30.	AWE Perth Pty Ltd
31.	AWE Administration Pty Ltd
32.	AWE Australia Pty Limited
33.	AWE Finance Pty Limited
34.	AWE Offshore Pty Limited
35.	AWE Overseas Pty Limited
36.	AWE (WA) Investment Company Pty Ltd
37.	AWE (Bass Gas) Pty Ltd
38.	AWE (Houtman) Pty Limited

### Joined in September 2018

39.	Hazelwood Pacific Pty Ltd
40.	Hazelwood Churchill Pty Ltd

