**102nd (Year ended March 31, 2021)**

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MITSUI & CO., LTD.

# Items Disclosed on the Internet Concerning Notice of the 102nd Ordinary General Meeting of Shareholders

## Business Report



## Consolidated Financial Statements



## Non-Consolidated Financial Statements

## Subscription Rights to Shares, etc.

### 1. Overview of the Subscription Rights to Shares, etc. Granted to and Held by Officers, etc. of the Company as Compensation for Execution of Duties as of March 31, 2021

### (1) Subscription Rights to Shares Held by Directors, Audit & Supervisory Board Members, and Managing Officers

| Year of issuance (Date of resolution of issuance) | Number of subscription rights to shares | Class and number of shares to be issued | Issue price | Amount of assets to be contributed upon exercise | Exercise period |
|---|---|---|---|---|---|
| Year ended March 31, 2015 (July 4, 2014) | 39 | 3,900 shares of common stock | Issued without contribution | ¥1 per share | From July 28, 2017 to July 27, 2044 |
| Year ended March 31, 2016 (July 8, 2015) | 204 | 20,400 shares of common stock | Issued without contribution | ¥1 per share | From July 28, 2018 to July 27, 2045 |
| Year ended March 31, 2017 (July 13, 2016) | 1,061 | 106,100 shares of common stock | Issued without contribution | ¥1 per share | From July 29, 2019 to July 28, 2046 |
| Year ended March 31, 2018 (July 5, 2017) | 1,762 | 176,200 shares of common stock | Issued without contribution | ¥1 per share | From July 20, 2020 to July 19, 2047 |
| Year ended March 31, 2019 (July 4, 2018) | 1,949 | 194,900 shares of common stock | Issued without contribution | ¥1 per share | From July 25, 2021 to July 24, 2048 |

### (2) Breakdown

| Year of issuance (Date of resolution of issuance) | Directors (excluding External Directors) | | Audit & Supervisory Board Members | | Managing Officers | |
|---|---|---|---|---|---|---|
| | Number of subscription rights to shares | Number of holders | Number of subscription rights to shares | Number of holders | Number of subscription rights to shares | Number of holders |
| Year ended March 31, 2015 (July 4, 2014) | 39 | 1 | – | – | – | – |
| Year ended March 31, 2016 (July 8, 2015) | 82 | 2 | 41 | 1 | 81 | 1 |
| Year ended March 31, 2017 (July 13, 2016) | 721 | 4 | 151 | 2 | 189 | 3 |
| Year ended March 31, 2018 (July 5, 2017) | 926 | 5 | 142 | 2 | 694 | 10 |
| Year ended March 31, 2019 (July 4, 2018) | 1,109 | 9 | 116 | 2 | 724 | 19 |

Notes:

1. Stock-based compensation stock option with stock price conditions for Officers have been abolished pursuant to a resolution of the Ordinary General Meeting of Shareholders held on June 20, 2019.
2. The holding status for Managing Officers who concurrently serve as Directors is listed in the Directors field.
3. The subscription rights to shares held by Audit & Supervisory Board Members were granted when the individuals in question served as Directors or Managing Officers, and were not granted during their terms as Audit & Supervisory Board Members.
4. The class and total number of shares to be issued upon exercise of subscription rights to shares as of March 31, 2021 (including those held by retirees) was 1,478,700 shares of common stock.
5. The main exercise conditions of the subscription rights to shares are the same as those described below in 2. Overview of the subscription rights to shares, etc. granted to the Company's employees, etc. as compensation for execution of duties during the fiscal year ended March 31, 2021.

## 2. Overview of the Subscription Rights to Shares, etc. Granted to the Company's Employees, etc. as Compensation for Execution of Duties During the Fiscal Year ended March 31, 2021

| | | | |
|---|---|---|---|
| Name | The First Subscription Rights to Shares of the Company (stock options as stock-based compensation with stock price conditions) during the fiscal year ended March 31, 2021 | | |
| Date of resolution of issuance | July 10, 2020 | | |
| Number of subscription rights to shares | 0 rights | 0 rights | 298 rights |
| Number of granted persons | Directors of the Company (excluding External Directors):<br>0 persons | Managing Officers of the Company not concurrently serving as Directors (excluding Managing Officers outside Japan):<br>0 persons | Retired Managing Officers: 4 persons |
| Class and number of shares to be issued upon exercise of subscription rights to shares | 0 shares of common stock of the Company | 0 shares of common stock of the Company | 29,800 shares of common stock of the Company |
| Issue price of subscription rights to shares | Issued without contribution | | |
| Amount of assets to be contributed upon exercise of subscription rights to shares | ¥1 per share | | |
| Exercise period of subscription rights to shares | From July 29, 2023 to July 28, 2050 | | |
| Main conditions for exercise of subscription rights to shares | (1) Holders of subscription rights to shares may no longer exercise the subscription rights to shares after a period of 10 years has elapsed from the subsequent day on which the holders lose their positions as Directors, and/or Managing Officers, and/or Audit & Supervisory Board Members of the Company.<br>(2) Holders of subscription rights to shares may exercise all of the subscription rights to shares only when, as the stock price conditions, the Company's stock price growth rate over 3 years from the allotment date is equal to or exceeds the TOPIX (Tokyo Stock Price Index) growth rate and on the other hand, when such rate falls below the TOPIX growth rate, reflecting the degree, they may exercise only part of such subscription rights to shares allotted (please refer to details of stock price conditions below). | | |

Notes:

1. The four retired Managing Officers were granted subscription rights to shares the Company withheld while they were residing outside Japan.
2. Of the four retired Managing Officers, one Managing Officer was an officer at a subsidiary of the Company at the time the subscription rights to shares were granted.

[Details of Stock Price Conditions]

1. When the **Company's stock price growth rate**[*1] is equal to or exceeds the **TOPIX (Tokyo Stock Price Index) growth rate**[*2]: All of the subscription rights to shares granted may be exercised.
2. When the Company's stock price growth rate falls below the TOPIX growth rate: **Only part of the subscription rights to shares granted**[*3] may be exercised.

*1 The Company's stock price growth rate shall be calculated by the formula below based on the Company's stock price growth rate for the period of three years from the allotment date to the first date of the exercise period.

A: The average closing price for the Company's common stock on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the first date of the exercise period of the subscription rights to shares falls

B: The total amount of dividends per common share of the Company for the period from the allotment date to the first date of the exercise period of the subscription rights to shares

C: The average closing price for the Company's common stock on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the allotment date falls

**The Company's stock price growth rate = (A + B) / C**

*2 The TOPIX growth rate shall be calculated by the formula below based on the TOPIX growth rate for the period of three years from the allotment date to the first date of the exercise period.

D: The average closing price for TOPIX on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the first date of the exercise period of the subscription rights to shares falls

E: The average closing price for TOPIX on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the allotment date falls

**TOPIX growth rate = D / E**

*3 **Number of exercisable subscription rights to shares = Number of subscription rights to shares granted × (the Company's stock price growth rate / TOPIX growth rate)**

**Details of Independent Auditor**

**1. Name of Independent Auditor**

Deloitte Touche Tohmatsu LLC

**2. Remuneration Paid to Independent Auditor**

The remuneration paid by the Company and its consolidated subsidiaries to the Independent Auditor relating to the fiscal year under review is as follows.

(Millions of Yen)

| Classification | Audit Fees | Non-Audit Fees |
|---|---|---|
| The Company | 781 | 4 |
| Consolidated subsidiaries | 716 | 39 |
| Total | 1,497 | 43 |

Notes:

1. The Company has not drawn any distinction between the remuneration for the audit services pursuant to the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan in the agreement with the Independent Auditor.
2. Based upon the Practical Guidelines for Cooperation with Independent Auditors released by the Japan Audit & Supervisory Board Members Association, having obtained necessary materials and received reports from Directors, related departments, and the Independent Auditor, and having reviewed the auditing plans, the status of execution of duties by the Independent Auditor, the grounds for calculation of remuneration estimates and other matters in the previous fiscal year, the Audit & Supervisory Board gives consent to remunerations for the Independent Auditor in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.
3. Some subsidiaries are subject to audits performed by certified public accountants and audit corporations (including those who have equivalent qualifications in foreign countries) other than the Company's Independent Auditor.

**3. Non-Audit Services**

The Company has engaged its Independent Auditor to provide "tax-related services", etc., being services falling outside the scope of Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

**4. Policy for Decisions on Dismissal or Non-Reappointment of Independent Auditor**

The Company has the following policy on the dismissal of, and decisions not to reappoint, the Independent Auditor.

1) The tenure of the Independent Auditor is one year, and they may be reappointed.

2) The election, dismissal and/or non-reappointment of the Independent Auditor is/are resolved by the Audit & Supervisory Board to be referred for discussion and resolution at the General Meeting of Shareholders. The reappointment of the Independent Auditor is determined by resolution of the Audit & Supervisory Board.
3) Other than the Company's convenience, where the Independent Auditor has breached or contravened law or regulation such as the Companies Act of Japan or the Certified Public Accountants Act, or has conducted itself in breach of public policy or breached its contract of engagement, the Audit & Supervisory Board considers whether or not it is appropriate to refer the dismissal or non-reappointment of the Independent Auditor to the General Meeting of Shareholders for discussion and resolution.
4) The Audit & Supervisory Board may dismiss the Independent Auditor with the approval of each Audit & Supervisory Board Member if the circumstances outlined in the respective provisions of Article 340, Paragraph 1 of the Companies Act of Japan apply.

**Necessary Systems to Ensure Appropriate Operations and Status of Operations of the Systems**

An outline of "Necessary systems to ensure appropriate operations" (pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act of Japan) of the Company and the status of operations of the systems are as follows. In the fiscal year ended March 31, 2021, physical meetings and visiting audits were restricted due to the COVID-19 pandemic, however, in order to operate the necessary systems to ensure appropriate operations, the Company established and maintained each internal control system by utilizing online meetings and/or video messages, etc. based on measures to prevent the spread of infection.

As for the systems above, further details can be found via the following link on the website of the Company (https://www.mitsui.com/jp/en/company/outline/governance/index.html).

**1. Systems to Ensure that Directors and Employees Comply with Laws and Regulations, and the Articles of Incorporation**

1) The Company has established the "BUSINESS CONDUCT GUIDELINES FOR EMPLOYEES AND OFFICERS OF MITSUI & CO., LTD.", based on its positioning of compliance by officers and employees in the course of carrying out their duties as one of the most important priorities of the Company.
2) The Company has established the Compliance Committee, headed by the Chief Compliance Officer (CCO), and carries out compliance training and other measures to ensure and improve awareness of compliance issues. The Company establishes several internal and external whistle-blowing lines, and conducts periodical auditing to ensure its compliance regime is observed while also taking disciplinary actions on violations.
3) Audit & Supervisory Board Members monitor the observance of all relevant laws and regulations and the Articles of Incorporation, among other things, by Directors and employees in the performance of their duties.
4) The Company has appointed External Directors to strengthen the supervisory function of the Board of Directors and has established various advisory committees that include External Members as committee members, in order to enhance objectivity and transparency of management.

**Status of Operations of the Above Systems**

- Compliance

  Every year, the Company requires all officers and employees to submit a written pledge promising to comply with the BUSINESS CONDUCT GUIDELINES FOR EMPLOYEES AND OFFICERS OF MITSUI & CO., LTD., etc., makes compliance-related handbooks available to them, and carries out compliance workshops, seminars, and awareness surveys. The Company is working to ensure thorough compliance and instill integrity in ways that better match frontline conditions by introducing the "Compliance Administrator" system in the fiscal year ended March 31, 2020. In the fiscal year ended March 31, 2021, the Company implemented "With Integrity Month" with the theme of "Act with integrity" in accordance with the Values defined in the Company's management philosophy (Mission, Vision, Values). In addition to the global sharing of integrity-related video messages from the CEO and CCO, as well as all External Members, activities also included seminars run by external presenters. The

Company also streamed the content of Compliance Committee deliberations widely to employees via web conferencing tools and created opportunities for management and employees to think about compliance and integrity together through real-time discussion and Q&A. We have also continued sharing information about critical compliance-related cases that have occurred within the Mitsui & Co. group with the aim of preventing similar situations from recurring. Rules relating to the whistleblowing system, which serves as the core internal control mechanism for discovering problems, were revised to reflect recent developments, such as amendments to laws. There are eight reporting routes under this system, including reporting to the Audit & Supervisory Board Members. Various initiatives to improve confidence in the whistleblowing system and encourage people to use it when necessary have been continuously implemented. For example, the CCO and other officers issue messages to encourage people to speak up if they believe that there is a compliance-related issue. Further, in addition to training programs about the whistleblowing system, posters are displayed on company premises, and a video introducing the whistleblowing system was posted on the intranet. Twice each year the compliance framework status is reported to the Corporate Management Committee and the Board of Directors for their review, and active discussions are held to further improve the framework. In addition, the number of Compliance Committee meetings was increased to four times per year, with four Business Unit COOs attending each meeting, with the aim of sharing the content of deliberations and creating a compliance structure that encompasses frontline perspectives.

- Monitoring by the Audit & Supervisory Board Members

  The Audit & Supervisory Board Members conduct audits of the decision-making process of the management team through attending meetings of the Board of Directors and other important meetings, such as meetings of the Corporate Management Committee and inspecting decision-making documents, and monitor the execution of duties through auditing activities including regular meetings with the management team and coordination with the Independent Auditor and the Internal Auditing Division.

- Strengthening the Supervisory Function of the Board of Directors and Enhancing the Objectivity and Transparency of Management

  The Company appointed five External Directors from diverse backgrounds to utilize their expert knowledge in management and oversight. External Directors provide opinions and viewpoints based on various specialties and are significantly contributing to strengthening the supervisory functions through diverse analyses of topics deliberated by the Board of Directors. The value of the off-site free discussion sessions for Directors and Audit & Supervisory Board Members in the fiscal year ended March 31, 2020 was confirmed in the evaluation of the effectiveness of the Board of Directors in that year. For that reason, free discussion sessions were also held in the fiscal year ended March 31, 2021. The "Sustainable revenue growth strategies considering ESG and our Materiality", and the "DX Strategy" were discussed at a free discussion session in November 2020, and the "Mitsui Engagement Survey (the results of an engagement-related questionnaire survey of employees of the Company and its global group companies)" at a session in March 2021. The advisory committees of the Board of Directors, the Governance Committee (four meetings), the Nomination Committee (nine meetings), and the Remuneration Committee (three meetings) carried out discussion in light of the opinions of External Members and put effort into ensuring the objectivity and transparency of management. The Governance Committee discussed the clarification of the expected roles and functions of each advisory committee, and agendas for the Board of Directors meetings and free discussion sessions for Directors and Audit & Supervisory Board Members during the fiscal year, as well as the evaluation of the effectiveness of the Board of Directors for the fiscal year. The Nomination Committee worked to provide more opportunities for External Members to learn about candidates for Directors and Managing Officers and enhance the information and materials provided. It also considered, formulated, and discussed the CEO succession plan. The Remuneration Committee discussed the policy on determining remuneration for individual directors in response to amendments to the Companies Act and formulated a specific process for the payment of assessment-linked bonuses to Managing Officers introduced in the previous fiscal year. In addition, the External Members Meeting, which consists of External Directors and External Audit & Supervisory Board Members, convened 13 times during the fiscal year ended March 31, 2021 to discuss topics that included FY 2020 Full Year Results and Medium-term Management Plan, DX Comprehensive Strategy, and Our Efforts in Response to Climate Change / Decarbonization.

**2. Systems to Store and Control Information Related to Duties Performed by Directors**

In accordance with its Rules on Information Management etc., the Company stores and controls important information such as the minutes of the General Meetings of Shareholders and meetings of the Board of Directors.

**Status of Operations of the Above Systems**

To properly evaluate its decision-making process, the Company promptly creates, stores and manages the minutes from important meetings such as the General Meetings of Shareholders and meetings of the Board of Directors.

Furthermore, the Company implements thorough information management based on the Rules on Information Management etc., and of confidential information, information requiring particularly high-level control is indicated as "Classified and Sensitive Information" and placed under stricter control limiting the information handlers.

**3. Regulations and Systems Related to Management of Risk of Loss**

1) The Chief Operating Officers of business units and regional business units of the Company manage risks of losses ("Risks") that arise from businesses within the scope of their authority.
2) Corporate Staff Unit of the Company have established an integrated risk management system to holistically manage the various Risks that the Company faces in its businesses, centered on the Corporate Management Committee and the Portfolio Management Committee.
3) The Company responds to crises and emergency situations by establishing the Crisis Management Headquarters, etc. in accordance with the "Crisis Management Headquarters Regulations" and the "Emergency Business Continuity Management Regulations".

**Status of Operations of the Above Systems**

The Company appropriately operates a system for the segregation of authority and an internal approval system, and the Corporate Staff Unit oversees and supports the decision-making of the Business Units, thus thoroughly managing the Risks arising from business activities.

Furthermore, through the prior setting of credit limits, etc. for customers and monitoring by specialized divisions, the Company manages quantitative Risks such as credit risk and country risk.

In the fiscal year ended March 31, 2021, the Portfolio Management Committee held 12 meetings and continued to provide appropriate risk management at the company-wide level by monitoring portfolios across the entire company, discussing portfolio strategies from the perspectives of asset efficiency and sustainability, verifying progress on company-wide cash flow allocations, and reviewing action policies and strategies in the Strategic Focus areas identified in the Medium-term Management Plan.

The Corporate Management Committee deliberated on risk exposure and controls by risk category, operational risk surveys, and country-specific risk response policies, and reviewed the administration of compliance systems.

**4. Systems to Ensure Effective and Efficient Execution of Duties by Directors**

1) Efficient management performance is pursued through having the Board of Directors oversee each Director in the performance of his/her duties and the use of a Managing Officer System.
2) The Company has established various committees, such as the Corporate Management Committee and the Portfolio Management Committee, to enhance efficient and appropriate management decisions.
3) The Company has constructed a business unit system and regional unit system to enable timely management decisions, and implemented an internal approval system where its Representative Directors make the final decision in the best interest of the Company, following deliberations conducted by the relevant Corporate Staff Unit.
4) Management initiatives are implemented in accordance with the Medium-term Management Plan and annual business plans, with the Board of Directors regularly verifying upon progress.

**Status of Operations of the Above Systems**

The Company smoothly operates an internal approval system through coordination between the Business Units and the Corporate Staff Unit. Furthermore, through thorough evaluation at the various meetings, including the meetings of the Corporate Management Committee and the meetings of the Portfolio Management Committee, the Company realizes appropriate and efficient management decision making.

Prior to meetings of the Board of Directors, the Board of Directors Secretariat screens proposed resolutions and matters to be reported based on the Companies Act of Japan and internal rules, ensuring that the oversight of each Director in the performance of his/her duties is conducted appropriately and efficiently by the Board of Directors.

To evaluate the progress of actions taken in response to management issues, proposals and reports are carried out at meetings of the Board of Directors regarding company-wide issues, not limited to individual proposals. In the fiscal year ended March 31, 2021, in addition to the deliberation of the Medium-term Management Plan, proposals and reports were made regarding the topics such as the revision of the Company's management philosophy (Mission, Vision, Values), impact of the spread of COVID-19 and geopolitical risks on the Company's business, the Company's asset portfolios, risk exposure and controls, and status of cyber securities.

Furthermore, the Company reviews the various rules related to internal procedures as needed, working to make the execution of operations more efficient.

**5. Systems to Ensure Proper Operations in the Group**

1) Based on the general principle of maintaining the autonomy of its affiliated companies, the Company appropriately manages affiliated companies, understanding the management status and maintaining a group-wide management framework, while providing for the Company's participation in the management and/or governance of its affiliated companies as appropriate to its equity investor status.
2) The Company requires its major affiliated companies to conduct regular auditing to check their observance of all relevant laws and regulations, and internal regulations.
3) The Company requests to build an appropriate whistle-blowing line for affiliated companies, requests the prohibition of the disadvantageous treatment of whistleblowers, and, in the event that affiliated companies detect a violation of compliance by the officers or employees of the Company, the matter may be reported to the Compliance Committee, through the whistle-blowing lines, either internally or externally.

**Status of Operations of the Above Systems**

Depending on their relationship with the Company, the Company requires its subsidiaries and associated companies to comply with its "Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles", or to develop internal control systems equivalent to the Company's system.

Furthermore, the Company designates its officers and employees as the supervising officers of the affiliated companies to manage the affiliated companies in accordance with the "Rules on Duties of Supervising Officers of Affiliated Companies". The Company dispatches its staff of the Internal Auditing Division to the major affiliated companies to serve as a Full-time Audit & Supervisory Board Member, and strengthen the oversight of the Group.

Also, while increasing the effectiveness of the consolidated group's business operations, the Company established the "Mitsui Global Business Management Guidelines" with the goal of maximizing the added value created by each company. In doing so, the Company is promoting organic cooperation between each group company and sharing of the management resources, functions, and networks that each company possesses.

In the fiscal year ended March 31, 2021, the Company worked to enhance the compliance of the group by conducting a compliance awareness survey at major domestic affiliated companies continuing from the fiscal year ended March 31, 2020 and making the Compliance Handbook available to major domestic affiliated companies. The Company continued to disseminate the "Mitsui & Co. Group Conduct Guidelines - With Integrity". The Company also continued to operate the "Guidelines on the Establishment of Compliance Systems at Affiliated Companies", which notes the best practice for developing and enhancing the compliance structure, to help enhance the independent and self-reliant compliance structure of affiliated companies. We are increasing the number of countries where the Global Group Hotline is applicable, which is used to report issues related to antimonopoly or corruption prevention laws in Japan and overseas and seek advice.

## 6. Matters Related to Employees Assigned to Assist Audit & Supervisory Board Members, the Independence of Such Employees from Directors, and Ensuring the Effectiveness of Audit & Supervisory Board Members' Directions to Such Employees

1) The Company establishes the Audit & Supervisory Board Member Division and allocates three or more staff.
2) The organizational change and personnel change of employees of the Audit & Supervisory Board Member Division are determined with the approval of the Audit & Supervisory Board Members.

**Status of Operations of the Above Systems**

As of March 31, 2021, the Audit & Supervisory Board Member Division is staffed with five dedicated employees to assist the Audit & Supervisory Board Members in their duties.

Furthermore, decisions on the personnel change of employees of the Audit & Supervisory Board Member Division were made by the responsible Director with the approval of the Audit & Supervisory Board Members.

## 7. Systems to Report to and Collecting Information by Audit & Supervisory Board Members

1) Audit & Supervisory Board Members may attend the meetings of the Board of Directors, the meetings of the Corporate Management Committee and other important meetings, receive important in-house documentation and materials, have regular meetings with Chairman, President, CCO and other Directors, Managing Officers, or other management staff, and receive information on the Company including information on affiliated companies.
2) Directors should immediately report to the Audit & Supervisory Board in the event of discovery of circumstances that carry the potential risk of serious loss or consequence to the Company.
3) Audit & Supervisory Board Members audit and supervise the state of the management of its major affiliated companies through visiting of those affiliated companies and collaborating with the Audit & Supervisory Board Members of those companies.

**Status of Operations of the Above Systems**

The abovementioned system has been established and is in operation, in which Audit & Supervisory Board Members promptly receive reports from the person in charge of the relevant department in the event that there is a problem that could have a significant impact on the Company. Also, through attending the meetings of the Board of Directors and its advisory committees, having regular meetings with Chairman and President, sharing information and exchanging opinions at meetings with External Directors and regular meetings with the Independent Auditor and the Internal Auditing Division, Audit & Supervisory Board Members work to collect and examine information of the Company. In addition to the above, Full-time Audit & Supervisory Board Members work to collect and examine information on the day-to-day management performance of the Company, through attending important meetings including meetings of the Corporate Management Committee, having regular meetings with the Directors, Managing Officers, and General Managers of the Corporate Staff Unit, sharing information and viewing important documentation, exchanging opinions at meeting with full-time audit & supervisory board members of subsidiaries and other means, and share those information with External Audit & Supervisory Board Members at the Audit & Supervisory Board and via written communication.

The Audit & Supervisory Board Members designate some of the affiliated companies positioned important for the fiscal year both in Japan and overseas as “Important Affiliated Companies Designated by the Audit & Supervisory Board”, make visits to these designated affiliated companies or hold online meetings with their management, exchange views with the local independent auditors of these companies, and proactively collect information on the management status of affiliated companies on a global group basis.

As outlined above, the Company has established and effectively operates the abovementioned system in which important matters and problematic events arising in relation to the global business management of the Company are reported to Audit & Supervisory Board Members in a timely and appropriate manner.

## 8. Other Systems to Ensure Effective Auditing by Audit & Supervisory Board Members

1) Directors maintain an appropriate environment for auditing and supervising of the management activities of the Audit & Supervisory Board Members.

2) The Audit & Supervisory Board Members may request cooperation from the Internal Auditing Division, the Legal Division, and the Global Controller Division, as well as other divisions with regard to their auditing and supervising.
3) The Audit & Supervisory Board Members maintain close contact with the Independent Auditor.
4) The Audit & Supervisory Board Members may request the assistance of legal counsel and other external expert professional advisors.
5) The Company is responsible for the costs associated with the execution of Audit & Supervisory Board Members' duties.

**Status of Operations of the Above Systems**

Regarding the audit environment and the cooperation given to Audit & Supervisory Board Members by the Internal Auditing Division, the Legal Division, the Global Controller Division, and other divisions, the Members hold regular meetings with and receive reports from those corporate units and also gather information needed for the audit activities by investigating specific individual cases and continually monitoring particular items with the cooperation of the relevant corporate units. Audit & Supervisory Board Members conduct effective auditing in collaboration with the Internal Auditing Division and the Independent Auditor through monthly regular individual meetings with each of them, triangular meetings, and feedback sessions carried out by the Internal Auditing Division in the presence of the audited division (audited affiliated company), in and at which the Audit & Supervisory Board Members participate and state independent comments on the audited division or company. Audit & Supervisory Board members also help to assess the appropriateness of accounting audits by exchanging opinions with the Independent Auditor on topics that include the independence of the Independent Auditor, its frameworks for the performance of its duties, and its quality control frameworks. Furthermore, the Audit & Supervisory Board consults as necessary with legal counsel on auditing operations.

The Company secured the required budget for the execution of the Audit & Supervisory Board Members' duties, including related legal fees, and bore the expenses related to the execution of Audit & Supervisory Board Members' duties.

**9. Systems and Basic Philosophy Related to the Rejection of Anti-Social Forces**

The Company ensures all officers and employees fully understand the Company's basic philosophy with regard to the rejection of anti-social forces, including the forbidding of transactions with anti-social forces or with parties that have relations with anti-social forces, and also cooperates with external professionals such as the police and attorneys at law, through the establishment of a response unit for the handling of such matters.

**Status of Operations of the Above Systems**

The Company ensures the thorough rejection of anti-social forces by all officers and employees, and in individual business activities, conducts screening utilizing a checklist for the elimination of anti-social forces at the stage of consideration of new projects.

# Consolidated Financial Statements

## Consolidated Statements of Changes in Equity

Year ended March 31, 2021

(Millions of Yen)

| | Attributable to owners of the parent | | | | | | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus | Retained Earnings | Other Components of Equity | Treasury Stock | Total | | |
| **Balance as at April 1, 2020** | ¥341,776 | ¥402,652 | ¥3,362,297 | ¥ (223,910) | ¥ (65,138) | ¥3,817,677 | ¥243,255 | ¥4,060,932 |
| Profit for the year | | | 335,458 | | | 335,458 | 14,923 | 350,381 |
| Other comprehensive income for the year | | | | 629,194 | | 629,194 | 16,471 | 645,665 |
| **Comprehensive income for the year** | | | 335,458 | 629,194 | | 964,652 | 31,394 | 996,046 |
| **Transaction with owners:** | | | | | | | | |
| Dividends paid to the owners of the parent | | | (135,476) | | | (135,476) | | (135,476) |
| Dividends paid to non-controlling interest shareholders | | | | | | | (13,982) | (13,982) |
| Acquisition of treasury stock | | | | | (71,337) | (71,337) | | (71,337) |
| Sales of treasury stock | | (125) | (154) | | 280 | 1 | | 1 |
| Cancellation of treasury stock | | | (46,722) | | 46,722 | – | | – |
| Compensation costs related to share-based payment | 304 | 1,771 | | | | 2,075 | | 2,075 |
| Equity transactions with non-controlling interest shareholders | | (8,060) | | 888 | | (7,172) | (8,200) | (15,372) |
| **Transfer to retained earnings** | | | 32,386 | (32,386) | | – | | – |
| **Balance as at March 31, 2021** | ¥342,080 | ¥396,238 | ¥3,547,789 | ¥373,786 | ¥ (89,473) | ¥4,570,420 | ¥252,467 | ¥4,822,887 |

Year ended March 31, 2020 (Supplementary Information)

(Millions of Yen)

| | Attributable to owners of the parent | | | | | | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | Capital Surplus | Retained Earnings | Other Components of Equity | Treasury Stock | Total | | |
| **Balance as at April 1, 2019** | ¥341,482 | ¥387,335 | ¥3,078,655 | ¥463,270 | ¥ (7,576) | ¥4,263,166 | ¥267,142 | ¥4,530,308 |
| Cumulative effect of changes in accounting policies | | | (5,306) | | | (5,306) | | (5,306) |
| **Balance as at April 1, 2019 after changes in accounting policies** | 341,482 | 387,335 | 3,073,349 | 463,270 | (7,576) | 4,257,860 | 267,142 | 4,525,002 |
| Profit for the year | | | 391,513 | | | 391,513 | 19,799 | 411,312 |
| Other comprehensive income for the year | | | | (650,961) | | (650,961) | (22,207) | (673,168) |
| **Comprehensive income for the year** | | | 391,513 | (650,961) | | (259,448) | (2,408) | (261,856) |
| **Transaction with owners:** | | | | | | | | |
| Dividends paid to the owners of the parent | | | (139,071) | | | (139,071) | | (139,071) |
| Dividends paid to non-controlling interest shareholders | | | | | | | (14,130) | (14,130) |
| Acquisition of treasury stock | | | | | (58,092) | (58,092) | | (58,092) |
| Sales of treasury stock | | (167) | (363) | | 530 | 0 | | 0 |
| Compensation costs related to share-based payment | 294 | 317 | | | | 611 | | 611 |
| Equity transactions with non-controlling interest shareholders | | 15,167 | | 650 | | 15,817 | (7,349) | 8,468 |
| **Transfer to retained earnings** | | | 36,869 | (36,869) | | – | | – |
| **Balance as at March 31, 2020** | ¥341,776 | ¥402,652 | ¥3,362,297 | ¥ (223,910) | ¥ (65,138) | ¥3,817,677 | ¥243,255 | ¥4,060,932 |

## Consolidated Statements of Comprehensive Income [Supplementary Information] (Unaudited)

(Millions of Yen)

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| **Profit for the Year** | ¥ 350,381 | ¥ 411,312 |
| **Other Comprehensive Income:** | | |
| Items that will not be reclassified to profit or loss: | | |
| Financial assets measured at FVTOCI | 477,184 | (376,024) |
| Remeasurements of defined benefit plans | 32,514 | (7,007) |
| Share of other comprehensive income of investments accounted for using the equity method | 1,671 | (11,239) |
| Income tax relating to items not reclassified | (119,092) | 79,856 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation adjustments | 174,725 | (152,404) |
| Cash flow hedges | (831) | (10,070) |
| Share of other comprehensive income of investments accounted for using the equity method | 86,445 | (205,343) |
| Income tax relating to items that may be reclassified | (6,951) | 9,063 |
| Total other comprehensive income | 645,665 | (673,168) |
| **Comprehensive Income for the Year** | **¥ 996,046** | **¥ (261,856)** |
| | | |
| **Comprehensive Income for the Year Attributable to:** | | |
| Owners of the parent | ¥ 964,652 | ¥ (259,448) |
| Non-controlling interests | 31,394 | (2,408) |

## Segment Information [Supplementary Information] (Unaudited)

Year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of Yen)

| | Iron & Steel Products | Mineral & Metal Resources | Energy | Machinery & Infrastructure | Chemicals | Lifestyle |
|---|---|---|---|---|---|---|
| Revenue | 436,579 | 1,396,902 | 838,598 | 792,200 | 1,933,795 | 2,373,082 |
| Gross Profit | 21,184 | 251,150 | 62,887 | 107,729 | 124,904 | 133,782 |
| Share of Profit (Loss) of Investments Accounted for Using the Equity Method | 4,309 | 70,390 | 18,820 | 95,268 | 11,304 | 13,445 |
| Profit (Loss) for the Year Attributable to Owners of the parent | 2,119 | 179,917 | 27,161 | 45,935 | 43,520 | 12,724 |
| Core Operating Cash Flow | 2,030 | 308,146 | 123,156 | 78,700 | 62,513 | 19,776 |
| Total Assets at March 31, 2021 | 566,020 | 2,566,491 | 2,566,305 | 2,291,278 | 1,345,469 | 2,009,315 |

| | Innovation & Corporate Development | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Revenue | 236,120 | 8,007,276 | 2,960 | (1) | 8,010,235 |
| Gross Profit | 107,001 | 808,637 | 2,377 | 451 | 811,465 |
| Share of Profit (Loss) of Investments Accounted for Using the Equity Method | 13,883 | 227,419 | 472 | 19 | 227,910 |
| Profit (Loss) for the Year Attributable to Owners of the parent | 50,161 | 361,537 | (19,379) | (6,700) | 335,458 |
| Core Operating Cash Flow | 55,147 | 649,468 | (12,128) | 20,798 | 658,138 |
| Total Assets at March 31, 2021 | 1,191,842 | 12,536,720 | 7,202,925 | (7,223,800) | 12,515,845 |

Year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) (As restated)

(Millions of Yen)

| | Iron & Steel Products | Mineral & Metal Resources | Energy | Machinery & Infrastructure | Chemicals | Lifestyle |
|---|---|---|---|---|---|---|
| Revenue | 492,291 | 1,173,163 | 893,647 | 1,065,065 | 2,171,610 | 2,495,813 |
| Gross Profit | 24,554 | 225,966 | 141,123 | 134,596 | 116,757 | 134,924 |
| Share of Profit (Loss) of Investments Accounted for Using the Equity Method | 13,121 | 59,152 | 45,211 | 88,372 | 11,540 | 34,996 |
| Profit (Loss) for the Year Attributable to Owners of the parent | 4,749 | 183,273 | 57,835 | 89,356 | 22,332 | 32,034 |
| Core Operating Cash Flow | 2,153 | 243,716 | 206,459 | 86,841 | 35,841 | 20,494 |
| Total Assets at March 31, 2020 | 539,599 | 1,921,883 | 2,566,282 | 2,360,321 | 1,217,737 | 1,907,621 |

| | Innovation & Corporate Development | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Revenue | 185,921 | 8,477,510 | 8,017 | (1,397) | 8,484,130 |
| Gross Profit | 60,099 | 838,019 | 1,010 | 394 | 839,423 |
| Share of Profit (Loss) of Investments Accounted for Using the Equity Method | 16,984 | 269,376 | 179 | (323) | 269,232 |
| Profit (Loss) for the Year Attributable to Owners of the parent | 14,568 | 404,147 | (4,995) | (7,639) | 391,513 |
| Core Operating Cash Flow | 3,916 | 599,420 | (39,114) | 725 | 561,031 |
| Total Assets at March 31, 2020 | 1,198,286 | 11,711,729 | 7,142,647 | (7,048,084) | 11,806,292 |

Notes:
1. "All Other" includes the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies.
   Total assets of "All Other" at March 31, 2020 and March 31, 2021 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.
2. Transfers between reportable segments are made at cost plus a markup.
3. Profit (Loss) for the Year Attributable to Owners of the parent of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
4. Formerly, Core Operating Cash Flow was calculated by eliminating the sum of the "Changes in Operating Assets and Liabilities" from "Cash Flows from Operating Activities" as presented in the Consolidated Statements of Cash Flows. From the year ended March 31, 2021, it is calculated by additionally deducting the "Repayments of lease liabilities" as presented in the "Cash Flows from Financing Activities". In accordance with this change, Core Operating Cash Flow for the year ended March 31, 2020 has been restated.
5. In order to accelerate our multifaceted, flexible initiatives that combine various kinds of knowledge from different business domains, a part of business of next-generation electric power was transferred from the "Machinery & Infrastructure" segment to the "Energy" segment, in conjunction with the creation of the Energy Solutions Business Unit in "Energy" segment, during the year ended March 31, 2021. In accordance with this change, the segment information for the year ended March 31, 2020 has been restated to conform to the current and previous fiscal year.
6. As described in the Note in Consolidated Statements of Income, the Company has reconsidered the presentation of revenue from certain transactions, and has presented revenues based on the results of the reconsideration for the current and previous fiscal year.

## Notes to Consolidated Financial Statements (Year ended March 31, 2021)

### Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

1. Subsidiaries and equity accounted investees

(1) Subsidiaries 280

Mitsui Oil Exploration Co., Ltd., Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd., Mitsui Sakhalin Holdings B.V., MITSUI COAL HOLDINGS PTY., LTD., and others

(2) Equity accounted investees (associated companies and joint ventures) 234

Japan Australia LNG (MIMI) Pty. Ltd., P.T. Paiton Energy, Penske Automotive Group, Inc. and others

A total of 486 subsidiaries and equity accounted investees are excluded from the above. These include companies which are sub-consolidated or accounted for under the equity method by subsidiaries other than trading subsidiaries.

2. Basis of consolidated financial statements

The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards ("IFRSs"), in compliance with Article 120, paragraph 1 of the Ordinance on Company Accounting. In accordance with the provision of the paragraph, certain disclosures required on the basis of IFRSs have been omitted.

3. Summary of Significant Accounting Policies

***Consolidation***

The consolidated financial statements include the accounts of the Company, its subsidiaries (which are controlled either directly or indirectly through voting or similar rights), and structured entities ("SEs"). They are collectively called the "companies", where the Company or one of its subsidiaries have control. SEs are entities controlled through means other than voting or similar rights. The word "control" is used based on its definition in IFRS 10 "Consolidated Financial Statements", so that the companies consider all facts and circumstances, including existing rights and substantive rights included within agreements with investees.

The consolidated financial statements include financial statements of certain subsidiaries with different fiscal year-ends from that of the Company, as the Company considers it impracticable to unify the fiscal year-ends of such subsidiaries with that of the Company.

Major consolidated subsidiaries with different fiscal year-ends include subsidiaries that operate exploration, development and production of oil and gas. As the Company is a non-operator in such operations and the financial information is prepared by the operators, the Company is unable to obtain necessary information from the operators in time for the preparation of the Company's year end consolidated financial statements. For the same reasons, it is also impracticable to prepare additional financial statements for these subsidiaries as of the same date as the Company's year-end date. Therefore, financial information for such subsidiaries with fiscal year-ends of December 31 is included in the Company's consolidated results.

There are other consolidated subsidiaries for which it is also considered impracticable to unify on fiscal year-ends with the Company's year-end date due to requirements of local laws and regulations, and it is also impracticable to prepare additional financial statements for these subsidiaries as of the same date as the Company's year-end date due to certain facts and circumstances such as local business practices and the environment surrounding their respective accounting systems. The fiscal year-ends of such consolidated subsidiaries are mainly December 31.

Adjustments are made for the effects of significant transactions or events that occur between the ends of the fiscal years of such consolidated subsidiaries and that of the Company.

Changes in the companies' ownership interests that are made while retaining their controlling financial interests in their subsidiaries are accounted for as equity transactions. When the companies cease to have their controlling financial interests, any retained investments are measured at their fair value at that date.

The difference between the fair value and the carrying amount of the retained non-controlling investments is recognized as gain (loss) on securities and other investments – net.

***Investments in associated companies and joint arrangements***

Associated companies are entities over which the Company and its subsidiaries own 20% or more of the voting rights. The exceptions to this rule include the entities in which it can be clearly demonstrated that the Company and its subsidiaries are unable to exercise significant influence over the financial and operating policy decisions of the investees, or those whereby the companies have the ability to exercise significant influence despite holding less than 20% ownership. Investments in associated companies are accounted for using the equity method.

Joint arrangements are arrangements in which decisions about relevant activities require the unanimous consent of the parties sharing control. When the parties that have joint control of the arrangement have substantial rights to the assets and obligations for the liabilities, relating to the arrangement, the arrangement is a joint operation. When an arrangement is structured through a separate vehicle and the parties that have joint control of the arrangement have rights to the net assets of the arrangement, the arrangement is classified as a joint venture. A joint operation is accounted for by recognizing the assets, liabilities, revenues and expenses relating to its interest in the joint operation. A joint venture is accounted for using the equity method.

Robe River Iron Associates (the Company's percentage of ownership: 33%), which conducts iron ore mining activities in Australia, is a major joint operation.

The consolidated financial statements include some associated companies, joint ventures and joint operations with different fiscal year-ends from that of the Company. It is impracticable to unify the fiscal year-ends due to the requirement of local laws and regulations and relationships with other shareholders, it is also impracticable to prepare additional financial statements as of the same date as the financial statements of the companies due to certain factors such as local business practices and the environment surrounding their respective accounting systems. The fiscal year-ends of associated companies, joint ventures and joint operations are generally December 31.

Adjustments are made for the effects of significant transactions or events that occur between the ends of the fiscal years of such associated companies, joint ventures and joint operations and that of the Company.
The companies discontinue the use of the equity method from the date when an investment ceases to be an associated company or a joint venture. Any retained investments are measured at their fair value at that date, and the difference between the fair value and the carrying amount of the retained investments is recognized as gain (loss) on securities and other investments – net. Regarding impairment of investments accounted for using the equity method, please refer to "*Impairment and its reversal of non-financial assets and investments accounted for using the equity method*".

***Business combinations***

In accordance with IFRS 3 "Business Combinations", all business combinations are accounted for using the acquisition method. This is a method where all assets and liabilities of an acquired company, including non-controlling interests, are measured at fair value. The differences between consideration transferred and the net fair value of identifiable assets and liabilities are recognized as goodwill when the consideration transferred is in excess of the net fair value of identifiable assets and liabilities. If the net fair value of identifiable assets and liabilities exceed the consideration transferred, the excess is recognized immediately as a gain in the Consolidated Statements of Income for the year.

***Foreign currency translation***

The assets and liabilities of foreign subsidiaries and equity accounted investees are translated into Japanese yen using the spot exchange rate at the respective reporting date. All income and expense accounts are translated into Japanese yen using average rates of exchange for the respective reporting period. The resulting translation adjustments are recognized in other components of equity.

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of transactions. At the end of each reporting period, monetary assets and liabilities, and non-monetary assets and liabilities measured at fair value denominated in foreign currencies are translated into functional currencies using the spot exchange rate at the reporting date. The exchange differences arising from translation are recognized in profit for the year.

Non-monetary items measured at historical cost denominated in foreign currencies are translated using the spot exchange rate at the date of transaction.

***Cash equivalents***

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments which are readily convertible into cash and have no significant risk of change in value. These include certificates of deposit, time deposits, financing bills and commercial paper with original maturities of three months or less.

***Inventories***

Inventories, consisting mainly of commodities and materials for sale, are measured at the lower of cost and net realizable value. The cost of inventory items that is not ordinarily interchangeable is assigned by using specific identification of their individual costs. For those items which are interchangeable, the costs are mainly assigned by using the weighted-average cost formula. Inventories acquired for the purpose of being sold in the near term to profit from fluctuations in price are measured at fair value less costs to sell, and changes in the fair value less costs to sell are recognized in profit for the year.

***Financial instruments***

<u>Non-derivative financial assets</u>

Trade and other receivables are recognized at fair value on initial recognition. Regular purchases of other financial assets are recognized at fair value on the trade date. These financial assets are derecognized if they satisfy any of the following conditions:

- the contractual rights to the cash flows from the financial asset have expired; or
- the contractual rights to receive the cash flows of the financial asset have been transferred, and substantially all risks and rewards of the ownership of financial asset have been transferred.

Non-derivative financial assets are classified and measured as follows:

Non-derivative financial assets that are debt instruments are measured at amortized cost if they meet the following two criteria held for the purpose of collecting contractual cash flows and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortized cost is calculated by using the effective interest rate method. For financial assets measured at amortized cost, the companies consider if an impairment has occurred. Please see *Impairment of financial assets* regarding impairment.

Equity financial instruments and non-derivative financial assets that do not satisfy the requirements to be measured at amortized cost are measured at fair value through profit or loss (“FVTPL”). However, for certain equity financial instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the companies elect at initial recognition to designate these instruments as at fair value through other comprehensive income (“FVTOCI”).

When financial assets measured at FVTOCI are derecognized, the accumulated other components of equity are directly reclassified to retained earnings without being recognized in profit for the year. Dividend income received on financial assets measured at FVTOCI is recognized in profit for the year in principle.

*Non-derivative financial liabilities*

The companies have non-derivative financial liabilities including corporate bonds and loans payable, trade and other payables, and other financial liabilities. Corporate bonds issued by the companies are recognized on the issue date and all other non-derivative financial liabilities are recognized on the trade date at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The companies derecognize a non-derivative financial liability only when it is extinguished (that is, the underlying obligation specified in the contract is discharged, cancelled or expires).

*Impairment of financial assets*

For financial assets that are measured at amortized costs, the companies measure the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial asset has not increased significantly since initial recognition, and measure the loss allowance at an amount equal to lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition. However, for trade receivables recognized based on the IFRS 15 "*Revenue from Contracts with Customers*" and contract assets, the loss allowance is measured at an amount equal to the lifetime expected credit loss without assessing whether the credit risk on a financial asset has increased significantly since initial recognition.

When determining significant increases in the credit risk and measuring expected credit losses, both quantitative and qualitative information is considered to provide reason and support. The information includes reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings.

The loss allowance is measured by a function using probability of default, loss given default, discount factor and exposures based on this information. In addition to this, the companies determine that the credit risk on a financial asset has increased significantly since initial recognition in principal when contractual payments are more than 30 days past due.

Information such as significant financial difficulty of the issuer or the debtor or a breach of contract such as payments past due are used for determining if any of the counterparties is in the default. If the debtor is under legal reorganization and in financial failure or has issues repaying debts due to financial difficulty, although it may not yet be in financial failure, or the principal and interest payments are 90 days past due as of the reporting date, the companies determine that the default has occurred and an objective evidence of credit impairment exists. The loss allowance for the credit-impaired financial asset is also measured in the same way as financial assets that are not credit-impaired. In addition, loss allowance for certain credit-impaired financial asset is individually measured by the estimation of expected credit losses by using the present value of expected future cash flows discounted at the effective interest rate based on the original terms of the contract, or at fair value of the collateral if their value depends on the collateral based on the latest information and events.

The financial assets are directly written off when certain conditions are met. The following are examples of when it is reasonably determined that all or part of a financial asset is not collectable: write-off of financial assets by legal liquidation, obtaining of evident facts that suggest that it is impossible for the debtors to repay their debts from their perceived solvency and/or asset situation, and arrearage of payment after a certain period of time after a suspension of business operations.

The provision or the reversal of loss allowance is recognized in profit for the year.

*Finance income and costs*

Finance income and costs consist of items such as interest income, interest expense, dividend income and gain or loss on hedging instruments recognized in profit for the year. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the rights of the companies to received dividends vest. See *Derivative instruments and hedging activities* for accounting for gains or losses arising from hedging instruments.

*Derivative instruments and hedging activities*

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business. In order to mitigate or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity futures, forwards, options and swap contracts.

These derivative instruments hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use derivative instruments and non-derivative financial instruments, such as foreign currency-denominated debt, to hedge foreign currency exposure to net investments in foreign operations. The companies recognize all derivative instruments as an asset or a liability at fair value as at the date on which they become party to the relevant agreement. Subsequent to initial recognition, derivative instruments are measured at fair value with any changes in fair value accounted for as follows:

- Hedging relationships affected by interest rate benchmark reform

  *Interest rate benchmark reform – Phase 1*

  The companies have applied "Interest rate benchmark (Amendments to IFRS 9, IAS 39 and IFRS 7)" issued in September 2019 from April 1, 2020 and have applied the following exceptions to certain hedge accounting requirements for hedging relationships affected by interest rate benchmark reform.
  - For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the companies assume that the benchmark interest rate is not altered as a result of interest rate benchmark reform.
  - For a cash flow hedge of a forecast transaction designated as a hedged item, the companies assume that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the occurrence of the forecast transaction is highly probable.
  - When determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the companies assume that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The companies will cease to apply the exceptions above for assessing the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For highly probable assessment of forecast transaction designated as a hedged item, the companies will cease to apply the exceptions above when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

- Fair value hedges

  Derivative instruments held for the purpose of eliminating the risk of changes in the fair value of hedged items are designated as fair value hedges and subject to the assessment of hedge effectiveness. To the extent that they satisfy the requirements for hedge accounting, the companies include the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments mainly as interest expense.

- Cash flow hedges

  Derivative instruments held for the purpose of offsetting the variability in cash flows of the hedged items are designated as cash flow hedges. To the extent that they are effective, any changes in fair value are recognized in other comprehensive income until cash flows of the hedged item affect gain or loss. The amounts previously recognized in other comprehensive income are reclassified into profit for the year mainly as interest expense and other income (expense) - net when earnings are affected by the hedged items.

- Hedges of net investments in foreign operations

  Foreign currency transaction gain or loss on derivative instruments and non-derivative financial instruments that are designated as hedging instruments and deemed effective to reduce the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as a hedge. The amounts in other components of equity are reclassified into profit for the year mainly as gain (loss) on securities and other investments-net when the related investment is sold completely or partially, or the liquidation of the investment is completed. The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are recorded immediately in profit for the year mainly as other income (expenses) - net.

- Derivative instruments for trading purposes
  The Company and certain subsidiaries use derivative instruments for trading purposes within certain position and loss limits. Derivative instruments for trading purposes are measured at fair value and changes in fair value are recorded in profit for the year as other revenue.

*Offsetting financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

***Leasing***

The companies are engaged in finance and operating lease businesses. Leases are classified as finance leases whenever they transfer substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases. For finance leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized as revenue over the term of underlying leases using the straight-line method.

The companies are also lessees of various assets. If a contract is, or contains, a lease, leases are recognized as a lease liability and a corresponding right-of-use asset at the date at which the asset is available for use by the companies. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to interest expense over the lease term at a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease term includes periods of an option to extend the lease if the lessee is reasonably certain to exercise that option and an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Note that short-term leases and leases for which the underlying asset is of low value apply exemption rules of the standards, and recognize the lease payments associated with those leases as an expense mainly on straight-line basis over the lease term.

***Property, plant and equipment***

Property, plant and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for land and projects in progress, is computed principally under the straight-line method, using rates based on the estimated useful lives of the related assets. The estimated useful lives for buildings and vessels and aircrafts are primarily 2 to 50 years and 3 to 20 years, respectively. Equipment and fixtures are primarily depreciated using the straight-line method (the estimated useful lives are primarily 2 to 30 years) or the unit-of-production method. Mineral rights are primarily amortized using the unit-of-production method.

***Investment property***

Investment property is measured by using the cost model and is stated at cost less accumulated depreciation and impairment losses. Depreciation of investment property is computed principally under the straight-line method, using rates based upon the estimated useful lives of the related investment property. The estimated useful lives for investment properties are primarily 2 to 50 years.

***Intangible assets***

Intangible assets include goodwill arising from the acquisition of subsidiaries.
Intangible assets are measured based on the cost model and intangible assets with finite estimated useful lives are stated at cost less accumulated amortization and impairment losses. Goodwill and intangible assets

with indefinite estimated useful lives are not amortized and are presented at cost less accumulated impairment losses.
Software is primarily amortized over 5 years using the straight-line method.

***Impairment and its reversal of non-financial assets and investments accounted for using the equity method***

Non-financial assets and investments accounted for using the equity method are quarterly assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the non-financial asset and investment are estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. For investments accounted for using the equity method, the entire carrying amount of the investment is tested for impairment as a single asset.
The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal and its value in use and is determined as an individual asset, when the asset generates cash inflows that are largely independent of those from other assets or groups of assets.
Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount. The impairment loss is then recognized in loss for the year. For assets other than goodwill, an assessment is made quarterly as to whether there is any indication of impairment that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed as income in profit for the year. The amount is reversed to the extent that the increased carrying amount of an asset does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized. An impairment loss recognized for goodwill is not reversed.

***Oil and gas producing activities***

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. The costs of acquiring properties, costs of drilling and equipping exploratory wells, and costs of development wells and related plant and equipment are capitalized, and amortized using the unit-of-production method. Exploratory well costs are expensed if economically recoverable reserves are not found. Other exploration costs, such as geological and geophysical costs, are expensed as incurred.

Proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the recoverable amount. Unproved properties are assessed whenever there is an indication of impairment, and if the unproved properties are determined to be impaired, impairment losses are charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

***Mining operations***

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using either the unit-of-production method or straight-line method based on the proven and probable reserves.
In surface mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as "stripping costs". During the development of a mine, before production commences, such costs are generally capitalized as part of development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs in relation to minerals produced during the fiscal year are variable production costs to be considered as a component of mineral inventory costs. These are recognized as a component of costs in the same period as the related revenues from sales of the minerals. On the other hand, post-production stripping costs incurred that relate to minerals to be produced in the subsequent fiscal year

are capitalized, and are amortized using either the unit-of-production method or straight-line method based on the proved and probable reserves.

***Provisions***

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

*Asset retirement obligations*

The companies recognize costs of dismantling and removing assets mainly related to mining and oil and gas production facilities, and the companies record the provision for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the asset. Over time, the liability is increased to its present value to reflect the passage of time, and the capitalized cost is depreciated over the useful life of the related asset.

***Employee benefits***

The Company and certain subsidiaries have defined benefit pension plans and severance indemnity plans. The costs of defined benefit pension plans and severance indemnity plans are accrued based on amounts determined using actuarial procedures based on the projected unit credit method. The Company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the consolidated statements of financial position. The remeasurements of defined benefit pension plans are recognized immediately in other components of equity in equity and are transferred to retained earnings on recognition.

The Company and certain subsidiaries also have defined contribution pension plans. Payments to defined contribution pension plans are recognized as an expense when employees have rendered service.

***Revenue recognition***

Revenue is recognized as follows:

*Revenue from contracts with customers*

Revenue from contracts with customers is recognized at the time when the performance obligations are satisfied, based on the 5 step approach (1. Identifying the contract with a customer, 2. Identifying the performance obligations of the contract, 3. Determining the transaction price, 4. Allocating the transaction price to performance obligations in the contract and 5. Recognizing the revenue when the entity satisfies a performance obligation). Upon the identification of the performance obligations of the contract, a consideration of whether an entity is a principal or an agent is made, and if the nature of the entity's promise is a performance obligation to provide the specified goods or services as a principal, revenue is recognized at the gross amount, and if the nature of the entity's promise is a performance obligation to arrange for the provision of goods or services by another party, then revenues received as an agent is recognized at the amount of any fee or commission to which it expects to be entitled or as a net amount. Revenue is recognized when (or as) the companies satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer when (or as) the customer obtains control of that asset. The time when the customer obtains control of that asset is determined based on the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

The companies' main performance obligation are the sale of various products; the sale of a wide variety of manufactured products such as metals, chemicals, foods, and general consumer merchandise; the sales of coal, iron ore, oil, and gas; and the development and sale of real estate. The companies recognize revenue based on the transfer, acceptance by the customer, or the dispatch of goods for domestic transactions, and recognize revenue based on the transfer of the risks and costs, which is determined by the incoterms, for international transactions. In case that the performance obligation is rendering of services such as logistic and warehouse, information and communication, technical support, and arrangements related to the order, financing or delivery for commissions, revenue is recognized at the time when the completion of services or the elapse of period for rendering services. In regard to determining the time when the customer obtains control of that asset, the verified right to receive the consideration, the legal title, the physical possession, the significant risk and rewards, and the acceptance are assessed.

The consideration is normally received within a year and performance obligation do not include a significant financing component.

For transactions where the performance obligation is satisfied over time, and only if its progress towards complete satisfaction of the performance obligation can be reasonably measured, revenue is recognized by measuring the progress towards the completion of the satisfaction of the performance obligation. Even if the progress towards complete satisfaction of a performance obligation may not be reasonably measurable, if the costs incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized only to the extent of the costs incurred until the progress can be reasonably measured.

Other revenue

Other revenue principally includes revenues from leasing activities in real estate, rolling stock, ocean transport vessels, aircraft, equipment and, others; revenues from derivative commodity instruments and derivative financial instruments held for trading purposes; revenues from FVTPL investments; and revenues from financing. See accounting policies for *Leasing* and *Derivative instruments and hedging activities* for revenue recognition policies regarding leasing and derivative transactions, respectively.

***Income taxes***

Income taxes comprise current taxes and deferred taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards or tax credit carryforwards are expected to reverse. Deferred tax assets are recognized except for cases where such deferred tax assets are not deemed to be recoverable.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and equity accounted investees, unless the companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are applicable to the expected manner of recovery or settlement by management.

Upon the introduction of the Expansion of the Petroleum Resource Rent Tax Act in Australia, companies are allowed to elect to use market value as a starting base for transitional projects existing at May 1, 2010. A company electing to use the market value approach can obtain a deduction for the amortization of the market value of the project. The Company's Australian subsidiaries and equity accounted investees apply the market value approach. The Petroleum Resource Rent Tax is regarded as an income tax subject to tax effect accounting in accordance with IAS 12 "Income Taxes" and deferred tax assets have been recognized for the operating assets based on the differences in book values for financial reporting purposes and their tax bases except for the portion that is deemed not to be recoverable. In determining recoverability, several tax deductible items such as royalties and the impact of future augmentation, which will be incurred on tax losses carried forward in the Petroleum Resource Rent Tax, have been considered.

The companies recognize uncertain tax positions in income taxes in the consolidated financial statements if it is not probable that the taxation authority will accept an uncertain tax treatment.

***Earnings per share***

Basic earnings per share attributable to owners of the parent are computed by dividing profit for the year attributable to owners of the parent by the weighted-average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. Diluted earnings per share attributable to owners of the parent reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

**Changes in Accounting Policies**

The companies applied the following new standards for the Consolidated Financial Statements from April 1, 2020.

| IFRS | Title | Summaries |
|---|---|---|
| IFRS 3 | Business Combinations (amended in October 2018) | Amendment of definition of a business |

Impacts from the application of IFRS 3 "Business Combinations" amended in October 2018 on the Consolidated Financial Statements are immaterial.

**Changes in Presentation**

(Consolidated Statements of Changes in Equity)
Compensation costs related to stock options and share performance-linked restricted stock are integrated in "Compensation costs related to share-based payment" from the fiscal year ended March 31, 2021. Compensation costs related to the share-based compensation plan for employees introduced in the fiscal year ended March 31, 2021 is also included in this account.

**Accounting Estimates**

The following is a list of items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on the accounting estimates, and which may have a significant impact on the consolidated financial statements for the next fiscal year.
Note that the global economic recovery is expected to be boosted by additional economic measures in major countries as well as by widespread availability of vaccinations. China, which controlled the spread of infection during the early stage, is already on a recovery path, and the U.S., which is expanding large-scale financial measures, is expected to return to the level before the COVID-19 outbreak in the first half of the year. Then, Japan is expected to return to the pre-COVID-19 level by the end of the year and Europe by next year. Regarding to the economic recovery from COVID-19, the Company expects that COVID-19 will gradually subside by widespread availability of vaccinations, however, the pace of economic recovery varies among products, businesses, and locations. The estimates are determined based on each situation.

1. Impairment and its reversal of non-financial Assets and Investments in Equity Accounted investee

(1) Amount recorded on the consolidated statements of financial position

| | |
|---|---|
| Property, plant and equipment | ¥ 2,175,072 million |
| Investment property | ¥ 274,847 million |
| Intangible assets | ¥ 188,555 million |
| Investments accounted for using the equity method | ¥ 3,044,001 million |

(2) Other information
The Company and its subsidiaries perform impairment tests for non-financial assets (property, plant and equipment, investment property and intangible assets) and investments accounted for using the equity method as described in "3. Summary of Significant Accounting Policies". In addition, the Company and its consolidated subsidiaries perform an impairment's reversal test, except for goodwill.

Of the recoverable amount, the fair value is assessed as the price in an orderly transaction between market participants, such as the market price of marketable investments in equity accounted investees and the price on the appraisal report by the independent third party.
The value in use is estimated using cash flow projections and discount rates based on the business plan authorized by our management or, if this is not available, on the operating plan reflecting the most recent condition of the non-financial asset, and a profit margin which is deemed to be the market average and the risks inherent in the non-financial assets or cash-generation units is used as discount rate to calculate value in use.
The factors to be considered when estimating future cash flow and determining discount rates vary because of the difference in nature of the assets and in operating circumstances, such as location, owner, operator, profitability and other factors.
For example, with respect to non-financial assets or cash-generating units related to resource businesses such as crude oil, future cash flows are estimated using the oil price and the Company forecasts that Brent Crude price will be in a range of US$60/bbl to US$70/bbl, considering the recent market price and several third parties' forecasts.
These estimates may be affected by uncertain future operating circumstances and changes in the external environment, and if actual cash flows differ from the estimates or the discount rate is revised, it may have a significant impact on the amount of recoverable amount in the consolidated financial statements for the next fiscal year.

2. Revaluation of financial instruments

(1) Amount recorded on the consolidated statements of financial position

| | |
|---|---|
| Trade and other receivables (Current) | ¥ 1,811,990 million |
| Trade and other receivables (Non-current) | ¥ 305,952 million |
| Other investment | ¥ 1,955,607 million |

(2) Other information

Trade and other receivables

The Company and its subsidiaries measure the loss allowance for trade and other receivables as described in "3. Summary of Significant Accounting Policies".
The Estimates in measuring the loss allowance may be affected by future changes in credit risk and other factors. If the expected credit losses are revised due to existence of significant increase in credit risk and credit impairment, the amount of the loss allowance may be significantly affected in the consolidated financial statements for the next fiscal year.

Other investments

The Company and its subsidiaries measure other investments at fair value other than financial assets measured at amortized cost as described in "3. Summary of Significant Accounting Policies".
Other investments include non-marketable other investments measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risk of the investee. They are classified as level 3 considering the degree to which these inputs are observable in the relevant markets.
Cash flow projections used in the discounted cash flow method are based on the business plan authorized by investee's management, and a profit margin which is deemed to be the market average and the risks inherent in the investment is used as discount rate to calculate fair value.
The fair value of non-marketable investment in the LNG project as of March 31, 2021 included in other investments was ¥315,653 million, and the significant unobservable inputs used in measuring the fair value was the price of crude oil.
The Company forecasts that Brent Crude price will be in a range of US$60/bbl to US$70/bbl, considering the recent market price and several third parties' forecasts.
These estimates may be affected by uncertain future operating circumstances and changes in the external environment, and if actual cash flows differ from the estimates or the discount rate is revised, it may have a significant impact on the amount of fair value in the consolidated financial statements for the next fiscal year.

3. Provisions

(1) Amount recorded on the consolidated statements of financial position

| | |
|---|---|
| Provisions (Current) | ¥ 36,909 million |
| Provisions (Non-current) | ¥ 261,365 million |

(2) Other information

The Company and its subsidiaries record an asset retirement obligation for costs of dismantling and removing assets mainly related to mining and oil and gas production facilities as provisions as described in “3. Summary of Significant Accounting Policies”.

The estimates of an asset retirement obligation may be affected by uncertain future operating circumstances and changes in the external environment, and if costs of dismantling and removing assets is revised, it may have a significant impact on the amount of an asset retirement obligation in the consolidated financial statements for the next fiscal year.

4. Measurement of defined benefit obligations

(1) Amount recorded on the consolidated statements of financial position

| | |
|---|---|
| Retirement benefit liabilities | ¥ 40,253 million |

(2) Other information

The Company and certain subsidiaries record the difference between the defined benefit obligation related to defined benefit pension plans and severance indemnity plans and the fair value of plan assets as retirement benefit liabilities as described in “3. Summary of Significant Accounting Policies”.

The estimates of defined benefit obligation are based on actuarial various assumptions, including discount, retirement and mortality rate. Differences in actual results or revisions to these actuarial assumptions may have a significant impact on the amount of defined benefit obligation in the consolidated financial statements for the next fiscal year.

5. Recoverability of deferred tax assets

(1) Amount recorded on the consolidated statements of financial position

| | |
|---|---|
| Deferred tax assets | ¥ 112,055 million |

(2) Other information

The Company and its subsidiaries determine the recoverability of deferred tax assets as described in “3. Summary of Significant Accounting Policies”.

The amount of recoverable deferred tax assets are estimated based on all available evidence including the timing when the temporary differences, tax loss carryforwards or tax credit carryforwards are expected to reverse and the forecast of future taxable incomes of the Company and its subsidiaries. The future taxable income is estimated mainly based on expected resource prices, reserve estimation by external institutions and long-term sales agreements.

The estimates of recoverability of deferred tax assets may be affected by uncertain future economic conditions and other factors, and if the forecast of future taxable incomes is revised or statutory tax rates are changed, it may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the next fiscal year.

**Changes in Accounting Estimates**

The significant changes in accounting estimates in the Consolidated Financial Statements are as follows.

(Impairment losses for the Moatize coal mine business and Nacala Corridor rail & port infrastructure business in Mozambique)

Mitsui & Co. Mozambique Coal Finance Limited, Mitsui & Co. Nacala Infrastructure Finance Limited and Mitsui & Co. Nacala Infrastructure Investment B.V., which lends to Mozambique coal business, or lend to and invest in Mozambique rail & port infrastructure business, recognized full impairment to the carrying amount for both investment and loans of ¥73,599 million as a loss allowance for doubtful debt, a loss on loans measured at FVTPL, an impairment loss included in share of profit (loss) of investments accounted for using the equity method and an impairment loss for investments accounted for using the equity method, due to the decrease of our production assumptions based on the revision of the production plan and the decline in the coal prices which are based on several third parties' mid-long term forecasts. In the Consolidated Statements of Income, a loss allowance is recorded for ¥44,823 million (Mineral & Metal Resources ¥35,858 million, Machinery & Infrastructure ¥8,965 million) in "Selling, general and administrative expenses", a loss on loans measured at FVTPL is recorded for ¥21,657 million (Mineral & Metal Resources ¥17,326 million, Machinery & Infrastructure ¥4,331 million) in "Other income (expense) -net", an impairment loss included in share of profit (loss) of investments accounted for using the equity method is recorded for ¥4,727 million (Mineral & Metal Resources ¥3,782 million, Machinery & Infrastructure ¥945 million) in "Share of Profit (Loss) of Investments Accounted for Using the Equity Method" and an impairment loss for investments accounted for using the equity method is recorded for ¥2,392 million (Mineral & Metal Resources ¥1,914 million, Machinery & Infrastructure ¥478 million) in "Gain (loss) on securities and other investments-net", respectively.

(Loss related to selling the entire interest in Caserones copper mine business)
Mitsui & Co., Ltd. and its subsidiary, Mitsui Bussan Copper Investment & Co., Ltd., in Mineral & Metal Resources segment which invest and lend to Caserones copper mine business, recognized a loss of ¥7,215 million, with the conclusion and the completion of the basic agreement to sell the entire interest as a part of reorganization and reconstructing of asset portfolio. In the Consolidated Statements of Income, a loss allowance for the related lending and others is recorded for ¥8,308 million in "Selling, general and administrative expenses" and a loss for the related investments accounted for using the equity method is recorded for ¥888 million in "Gain (loss) on securities and other investments - net", and the profit of the realized foreign currency translation adjustment on disposal of foreign operations and others is recorded for ¥1,981 million in "Gain (loss) on securities and other investments - net", respectively.

(Impairment loss for the oil development business)
Mitsui E&P Italia A S.r.l., a subsidiary in the Energy Segment engaged in the onshore oil development in the Basilicata region in Italy, recognized an impairment loss of ¥23,351 million in "Impairment reversal (loss) of fixed assets - net" in the Consolidated Statements of Income, of which impairment loss of property, plant and equipment is ¥16,169 million and impairment loss of goodwill is ¥7,182 million, by reducing the carrying amount of the goodwill and production equipment and others to the recoverable amount of ¥158,206 million. The impairment loss was mainly related to a decline in the crude oil price. The recoverable amount above represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit.

(Impairment loss for the locomotive leasing business in Europe)
Mitsui Rail Capital Europe B.V., a subsidiary in the Machinery & Infrastructure Segment engaged in the locomotive leasing business in Europe, recognized an impairment loss of ¥9,300 million in "Impairment reversal (loss) of fixed assets - net" in the Consolidated Statements of Income by reducing the carrying amount of the locomotives, goodwill and others to the recoverable amount of ¥79,651 million. Out of the impairment loss, the amount of property, plant and equipment is ¥5,138 million, and the amount of goodwill and others is ¥4,162 million. The impairment loss was mainly related to a lower operating ratio of the locomotives.
The recoverable amount of property, plant and equipment represented the value in use and the fair value less costs of disposal, and the recoverable amount of goodwill and others represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit. The fair value less costs of disposal is based on the reasonable price considering the recent sale cases of the asset being valued, and the fair value is classified as level 3.

(Loss related to the passenger rail franchise business in the United Kingdom ("UK"))
The passenger rail franchise business in the UK in the Machinery & Infrastructure Segment, which is invested and financed by the Company and its equity method investee, has been in continuous discussions regarding early termination of the franchise agreements under effect of the COVID-19 pandemic, and finally has received the final valuation of termination payments by the UK Department for Transport ("DfT"). The Company recognized a loss to the carrying amount for investments, loans, future loan contribution

obligations of ¥11,013 million as a loss allowance for doubtful debt, a provision for loss on guarantees, an impairment loss included in share of profit (loss) of investments accounted for using the equity method and additional losses included in share of profit (loss) of investments accounted for using the equity method for future loan contribution obligations, based on the final valuation of termination payments presented by the DfT and the status of discussions to date. In the Consolidated Statements of Income, a loss allowance for doubtful debt is recorded for ¥4,902 million in “Selling, general and administrative expenses”, a provision for loss on guarantees is recorded for ¥1,457 million in “Other income (expenses) - net”, an impairment loss and additional losses included in share of profit (loss) of investments accounted for using the equity method is recorded for ¥4,654 million in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method”, respectively.

(Recognition of deferred tax assets in the U.S. energy subsidiaries)
The Company transferred and reorganized investment subsidiaries in U.S. oil and gas project business to MBK Energy Holdings USA Inc. (“MEH”) on November 30, 2020 for the centralization of management of the oil and gas projects in the U.S. Due to this reorganization, the Company recognized deferred tax assets mainly relating to tax losses in MEH’s subsidiaries to be realized against future taxable income generated primarily from long-term service agreements of U.S. LNG project, and gain of ¥39,030 million has been recognized in “Income Taxes” on the Consolidated Statement of Income for the year ended March 31, 2021.

(Change in estimate for asset retirement obligations)
Mitsui E&P Australia Pty Ltd, a subsidiary in the Energy Segment, has changed its estimate of the asset retirement obligations as the decommissioning costs associated with Enfield project based on new information on the decommissioning costs from the operator.
The increase of ¥7,654 million in asset retirement obligations due to this change in estimate has been recorded in “Other income (expense) - net” in the Consolidated Statements of Income because the depreciation of fixed assets has been completed.

**Notes to Consolidated Statements of Financial Position**

1. Pledged assets and related liabilities
(1) Assets pledged as collateral ¥ 743,964 million
The following assets are pledged as collateral for certain short-term debt, long-term debt, and guarantee of contracts, etc.:

| | |
|---|---|
| Cash and deposits | ¥ 123,098 million |
| Trade and other receivables (current and non-current) | ¥ 17,484 million |
| Investments | ¥ 523,826 million |
| Property, plant and equipment (after deducting accumulated depreciation and impairment losses) | ¥ 79,554 million |
| Other | ¥ 2 million |

(2) Liabilities related to the assets pledged as collateral ¥ 105,442 million

2. Loss allowance for doubtful receivables directly deducted from trade and other receivables

| | |
|---|---|
| (current and non-current) | ¥ 121,624 million |
| (current) | ¥ 22,246 million |
| (non-current) | ¥ 99,378 million |

3. Accumulated depreciation and impairment losses of property, plant and equipment ¥ 2,609,838 million

4. Accumulated depreciation and impairment losses of investment property ¥ 55,556 million

5. Accumulated amortization and impairment losses of intangible assets ¥ 229,296 million

6. Contingent liabilities

(Guarantees)

The table below summarizes the maximum potential amount of future payments of the companies' guarantees as of March 31, 2021.

| | |
|---|---|
| Financial Guarantees | ¥ 1,644,605 million |
| Performance Guarantees | ¥ 138,006 million |

The maximum potential amounts of future payments of the companies' guarantees bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.

The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, or operating results of the companies is remote at March 31, 2021.

(Taxation on capital gain in India)

Earlyguard Limited ("EG"), a UK subsidiary of Mitsui & Co., Ltd., received a tax payment notice dated January 21, 2020 which requested payment of 24.0 billion Indian Rupees (¥36.0 billion) from Indian tax authority.

The taxable income of this notice is the capital gain on sales of Finsider International Company Limited (a UK company that owned 51% of Sesa Goa, an Indian iron ore company) shares held by EG in April 2007. Although EG treated the capital gain properly according to the tax laws at that time, the tax payment notice has been issued. On February 17, 2021, EG commenced arbitration under the UK-India bilateral investment treaty in order to dispute this tax payment notice.

The company does not expect a significant impact on our consolidated financial position, operating results and cash flow at this stage.

**Notes to Consolidated Statements of Changes in Equity**

1. Number of common stock issued as of March 31, 2021
   1,717,104,808 shares
   48,628,466 shares of the Company's treasury stock (including shares held by associated companies) are included in the number of common stock issued, of which 3,896,000 shares are in regard to a share-based compensation plan for employees.

2. Dividends from capital surplus and/or retained earnings
   (1) Amount of dividends paid

| Resolution | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 19, 2020 | ¥68,301 | ¥40 | March 31, 2020 | June 22, 2020 |
| Board of Directors' meeting held on October 30, 2020 | ¥67,331 | ¥40 | September 30, 2020 | December 2, 2020 |

   (2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year.
   The following resolution on dividends on common stock has been proposed on the agenda of the ordinary general meeting of shareholders to be held on June 18, 2021.

| | |
|---|---|
| ① Total amount of dividends (Millions of yen) | ¥75,258 |
| ② Dividends per share (Yen) | ¥45 |
| ③ Record date | March 31, 2021 |
| ④ Effective date | June 21, 2021 |

   The dividends will be paid from retained earnings.

3. The type and number of shares to be issued upon the exercise of stock acquisition rights as of March 31, 2021 (except for those shares whose first date of exercise period has not passed).
   477,900 shares

**Financial Instruments**

1. General information
   The companies' basic funding policy is to secure liquidity required for their smooth operations and to maintain the strength and soundness of the statement of financial position. In order to achieve their objectives, their principal strategy is to obtain long-term funds from financial institutions and through the issuance of corporate bonds. In addition, the companies hold sufficient cash and highly-liquid short-term financial instruments in order to maintain liquidity to flexibly meet capital requirements and to minimize the harmful effect of the deteriorated financial market on future debt-service requirements.

   Credit risk associated with notes and accounts receivable is managed through approvals of credit lines by management and monitoring counterparty's operations continuously.
   Other investments mainly consisting of financial assets measured at FVTOCI and FVTPL are measured at fair value on a quarterly basis.
   The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business. In order to offset or reduce these risks, the companies use various derivative instruments.

   The companies have strictly separated the trading sections from the sections that record the results and positions of derivative instruments. Executive officers in charge of risk management assess derivative instruments and the market risks surrounding these instruments, and establish the companies' risk management policy, based on comprehensive evaluation and analysis periodically reported from independent risk management sections.

2. Fair value of financial instruments

The following table presents the carrying amount and fair value of financial instruments included within the Consolidated Statement of Financial Position as of March 31, 2021. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts are approximately the same as its fair values.

(Unit: Millions of Yen)

| | March 31, 2021 | | |
|---|---|---|---|
| | Carrying amount | Fair value | Difference |
| Financial Assets | | | |
| Non-current Assets | | | |
| Other investments (*) | 1,955,607 | 1,956,445 | 838 |
| Trade and other receivables and Other financial assets (*) | 447,800 | 447,800 | – |
| Financial Liabilities | | | |
| Non-current Liabilities | | | |
| Long-term debt, less current portion and Other financial liabilities (*) | 4,111,842 | 4,160,354 | 48,512 |

(*) The Other investments include financial assets measured at amortized cost.
The fair values of Other financial assets and Other financial liabilities approximate their respective carrying amounts.
Trade and other receivables include loans receivable. Long-term debt, less current portion includes borrowings and bonds.
Derivative assets and derivative liabilities are included in current and non-current Other financial assets and Other financial liabilities, respectively. These are measured at fair value and their carrying amounts are ¥ 246,776 million and ¥ 241,942 million, respectively.

(1) Other investments

Publicly-traded other investments are measured using quoted market prices. Non-marketable other investments are measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. Regarding non-marketable other investments, the fair value of the main investments in the mineral & metal resources projects increased by ¥26,644 million, mainly due to the rise in iron ore prices for the year ended March 31, 2021.

(2) Trade and other receivables and Long-term debt, less current portion

The fair values of non-current receivables with floating rates, including long-term loans receivable, and long-term debt with floating rates approximately equal their respective carrying amounts. The fair values of non-current receivables with fixed rates and long-term debt with fixed rates are estimated by discounted cash flow analysis, using interest rates currently available for similar types of loans, accounts receivable and borrowings with similar terms and remaining maturities.

(3) Other financial assets and liabilities

Derivative financial instruments are mainly measured by discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements. Exchange-traded derivative commodity instruments are measured using quoted market prices. Certain derivative commodity instruments are measured using the quoted prices obtained from the market, financial information providers, and brokers.

## Notes to Investment Property

1. Status of investment property
   The Company and certain subsidiaries own rental office buildings and rental commercial facilities in Tokyo and other areas.

2. Fair value of investment property
   The carrying amount of investment property as of March 31, 2021 was ¥274,847 million and fair value of investment property was ¥540,199 million.

   The carrying amount of investment property is measured at cost less any accumulated depreciation and accumulated impairment losses. The fair value of investment property as of March 31, 2021 is based on a valuation conducted by independent valuation appraisers who have recent experience in the locations and categories of the investment property being valued, and have the appropriate and recognized professional qualifications (such as a registered appraiser). The valuation is based on inputs such as estimated rents and discount rates using primarily the income approach and conforms to the standards of the country where the investment property is located.

## Per Share Information

| | |
|---|---|
| Equity attributable to owners of the parent per share | ¥ 2,739.28 |
| Basic earnings per share attributable to owners of the parent | ¥ 199.28 |
| Diluted earnings per share attributable to owners of the parent | ¥ 199.18 |

In a calculation of per share information, the number of shares related to the share-based compensation plan for employees is included in the number of treasury stock. The number of treasury stock is deducted from the number of shares of common stock issued, in a calculation of the average number of shares of common stock outstanding. The average number of treasury stock is 35,615,918 shares.

## Subsequent Events

Stock Repurchase

At the meeting of the Board of Directors held on April 30, 2021, the Company resolved to repurchase its stock in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan. Details of the repurchase are as follows.

1. Purpose of stock repurchase
   To enhance shareholder return and to improve capital efficiency

2. Details of repurchase
   (1) Class of share
       Common stock of the Company
   (2) Total number of shares of common stock to be repurchased
       Up to 30 million shares (1.8% of the total number of shares outstanding excluding treasury stock)
   (3) Total amount
       Up to ¥50,000 million
   (4) Period
       From May 6, 2021 to June 23, 2021
   (5) Repurchase method
       Auction market on Tokyo Stock Exchange

Subscription of convertible bonds

On April 30, 2021, the Company entered into a subscription agreement for the convertible bonds with an aggregate principal of JPY 100 billion issued by PT CT Corpora (“CT”), the holding company of CT Corp, an Indonesian conglomerate. The convertible bonds will consist of two tranches denominated in JPY 67 billion and JPY 33 billion, where the JPY 33 billion tranche replaces the existing corporate bond of the same amount issued by CT which the Company had subscribed to in November 2018. The closing of the convertible bond subscription has not yet been completed, and is subject to fulfillment of mutually agreed conditions precedent, which is expected to be in the 2nd quarter of the fiscal year ending March 31, 2022.

Impact on Mozambique LNG project due to evolution of the security situation in northern Mozambique
The Company participates in the Mozambique LNG Project through Mitsui E&P Mozambique Area 1 Limited, its joint venture in the Energy Segment. In April 2021, all project personnel evacuated the project site due to the deteriorating security situation in northern Mozambique where the project site is located, and on April 26, the project operator, TOTAL S.A. of France, announced that it had declared force majeure under the Joint Operating Agreement.
While the Company intends to closely examine the project's future prospects, it does not expect a significant impact on our consolidated financial position, operating results and cash flow at this stage.

**Other matters**

(The Fire Incident of Intercontinental Terminals Company LLC)
On March 17, 2019 (US time) a fire began at the Deer Park tank terminal of Intercontinental Terminals Company LLC ("ITC"), a wholly owned U.S. subsidiary of Mitsui & Co., Ltd. The Deer Park tank terminal is located in the outskirts of Houston, Texas. The fire partially damaged tanks owned by ITC. ITC has resumed its operation after discussions with related authorities. Harris County Fire Marshal's Office released its final report with respect to the fire incident on December 6, 2019 (US time) and the report classified the fire as accidental, while not specifying the cause of the fire. The cause of the fire is still under investigation by other relevant authorities.
The profit and loss related to this incident recognized in the year ended March 31, 2021, and the outstanding balance of related provision as of March 31, 2021 are immaterial.
There are multiple lawsuits that have been brought against ITC in relation to this incident. These lawsuits are at the early stages and the ultimate outcome of these lawsuits is not expected to have significant impact on our consolidated financial position, operating results and cash flow.

# Non-Consolidated Financial Statements

## Statements of Changes in Equity

Year ended March 31, 2021

(Millions of Yen)

| | Shareholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital Surplus | | Retained Earnings | | | | |
| | | | | | Other Retained Earnings | | | |
| | Common Stock | Capital Reserve | Total Capital Surplus | Legal Reserve | General Reserve | Special Reserve | Retained Earnings - Carry Forward | Total Retained Earnings |
| **Balance at beginning of current year** | 341,775 | 368,052 | 368,052 | 27,745 | 176,851 | 1,619 | 1,151,426 | 1,357,643 |
| Changes of items during the year | | | | | | | | |
| Cash dividends | | | | | | | (135,632) | (135,632) |
| Net Income | | | | | | | 139,834 | 139,834 |
| Acquisition of treasury stock | | | | | | | | |
| Disposal of treasury stock | | | | | | | (154) | (154) |
| Cancellation of treasury stock | | | | | | | (46,582) | (46,582) |
| Compensation costs related to share-based payment | 304 | 304 | 304 | | | | | |
| Net changes during the year of items in valuation and translation adjustments | | | | | | | | |
| Total changes of items during the year | 304 | 304 | 304 | – | – | – | (42,534) | (42,534) |
| **Balance at end of current year** | 342,080 | 368,356 | 368,356 | 27,745 | 176,851 | 1,619 | 1,108,892 | 1,315,108 |

| | Shareholders' Equity | | Valuation and Translation Adjustments | | | Share Subscription Rights | Total Equity |
|---|---|---|---|---|---|---|---|
| | Treasury Stock | Total Shareholders' Equity | Net Unrealized Gains on Available-for-Sale Securities | Deferred Losses on Derivatives under Hedge Accounting | Total Valuation and Translation Adjustments | | |
| **Balance at beginning of current year** | (64,977) | 2,002,493 | 73,924 | (70,741) | 3,183 | 714 | 2,006,390 |
| Changes of items during the year | | | | | | | |
| Cash dividends | | (135,632) | | | | | (135,632) |
| Net Income | | 139,834 | | | | | 139,834 |
| Acquisition of treasury stock | (71,292) | (71,292) | | | | | (71,292) |
| Disposal of treasury stock | 280 | 125 | | | | (125) | 0 |
| Cancellation of treasury stock | 46,582 | – | | | | | – |
| Compensation costs related to share-based payment | | 609 | | | | 20 | 629 |
| Net changes during the year of items in valuation and translation adjustments | | | 347,612 | (52,913) | 294,698 | | 294,698 |
| Total changes of items during the year | (24,429) | (66,354) | 347,612 | (52,913) | 294,698 | (104) | 228,239 |
| **Balance at end of current year** | (89,407) | 1,936,138 | 421,536 | (123,654) | 297,881 | 609 | 2,234,630 |

## Year ended March 31, 2020 (Supplementary Information)

(Millions of Yen)

| | Shareholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Capital Surplus | | Retained Earnings | | | | |
| | | | | | Other Retained Earnings | | | |
| | Common Stock | Capital Reserve | Total Capital Surplus | Legal Reserve | General Reserve | Special Reserve | Retained Earnings - Carry Forward | Total Retained Earnings |
| **Balance at beginning of current year** | 341,481 | 367,758 | 367,758 | 27,745 | 176,851 | 1,619 | 907,467 | 1,113,684 |
| Changes of items during the year | | | | | | | | |
| Cash dividends | | | | | | | (139,071) | (139,071) |
| Net Income | | | | | | | 383,393 | 383,393 |
| Acquisition of treasury stock | | | | | | | | |
| Disposal of treasury stock | | | | | | | (363) | (363) |
| Compensation costs related to share-based payment | 293 | 293 | 293 | | | | | |
| Net changes during the year of items in valuation and translation adjustments | | | | | | | | |
| Total changes of items during the year | 293 | 293 | 293 | – | – | – | 243,958 | 243,958 |
| **Balance at end of current year** | 341,775 | 368,052 | 368,052 | 27,745 | 176,851 | 1,619 | 1,151,426 | 1,357,643 |

| | Shareholders' Equity | | Valuation and Translation Adjustments | | | | |
|---|---|---|---|---|---|---|---|
| | Treasury Stock | Total Shareholders' Equity | Net Unrealized Gains on Available-for-Sale Securities | Deferred Losses on Derivatives under Hedge Accounting | Total Valuation and Translation Adjustments | Share Subscription Rights | Total Equity |
| **Balance at beginning of current year** | (7,553) | 1,815,370 | 342,256 | (107,887) | 234,369 | 857 | 2,050,597 |
| Changes of items during the year | | | | | | | |
| Cash dividends | | (139,071) | | | | | (139,071) |
| Net Income | | 383,393 | | | | | 383,393 |
| Acquisition of treasury stock | (57,953) | (57,953) | | | | | (57,953) |
| Disposal of treasury stock | 529 | 166 | | | | (166) | 0 |
| Compensation costs related to share-based payment | | 587 | | | | 22 | 609 |
| Net changes during the year of items in valuation and translation adjustments | | | (268,332) | 37,146 | (231,186) | | (231,186) |
| Total changes of items during the year | (57,423) | 187,122 | (268,332) | 37,146 | (231,186) | (143) | (44,206) |
| **Balance at end of current year** | (64,977) | 2,002,493 | 73,924 | (70,741) | 3,183 | 714 | 2,006,390 |

## Notes to Non-Consolidated Financial Statements (Year ended March 31, 2021)

### Significant Accounting Policies

1. Securities are classified and accounted for as follows:
   Trading securities, whose costs of sales are determined by the moving-average method, are stated at market value. Held-to-maturity debt securities are stated at amortized cost, determined by the straight-line method. Investments in subsidiaries and associated companies are stated at cost, determined by the moving-average method.
   Marketable available-for-sale securities, whose costs of sales are determined by the moving-average method, are reported at market value at year-end, with unrealized gains and losses reported in a separate component of equity.
   Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method.
   Except for trading securities, those securities whose market value or equity in net assets is materially lower than carrying value on and around the balance sheet date are devaluated after determining whether the value could be recoverable.

2. Derivatives are stated at fair value.

3. Inventories are stated at cost. Cost is determined principally by the specific identification method and, for certain items, by the moving-average method or the first-in, first-out method. The balance sheet amount is calculated by reducing book value when the contribution of inventories to profitability declines. Inventories for trading purpose are stated at market value.

4. Depreciation of tangible assets is computed using the declining-balance method. Depreciation of buildings (excluding equipment and fixtures) acquired on or after April 1, 1998 and depreciation of equipment and fixtures and structures acquired on or after April 1, 2016, are computed using the straight-line method. The estimated useful lives for the majority of tangible assets are as follows: Leased-out Property: 5-50 years; Buildings and Structures: 6-50 years.
   Amortization of intangible assets is computed using the straight-line method. Software for the Company's own use is amortized based on the straight-line method over the period it can be used (five years mainly).

   Leased assets are included in their fixed asset category and are depreciated using the straight-line method over the lease period.

5. To provide for possible losses on collection, the allowance for doubtful receivables that is set aside for receivables in general is computed using the actual ratio of bad debts. For certain receivables, the amount deemed unrecoverable is set aside in the allowance on an individual basis.

   The liability for retirement benefits is recorded based on projected benefit obligations and plan assets at the balance sheet date of the Corporate Pension Fund plan and other retirement benefit plans. Estimated retirement benefits are attributed to periods of service under the plan's benefit formula. Unrecognized prior service cost is amortized over seven years from the date of the revision of the pension plan, which is shorter than the average remaining service period of employees. The unrecognized actuarial gain or loss that arose in the current year is amortized over seven years starting with the following fiscal year, which is shorter than the average remaining service period of employees.
   The difference between projected benefit obligations, after deducting the portion corresponding to unrecognized actuarial gain or loss and unrecognized prior service cost, and plan assets is recorded as the liability for retirement benefits or long-term prepaid expense ("Other" of "Investments and other assets") in the balance sheet.

   To provide for contingent losses on the obligation for guarantees and commitments to subsidiaries and others, a certain amount is set aside as deemed necessary, considering the financial condition of the primary obligor.

6. Receivables and Payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates on the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

7. For derivatives which meet hedge accounting criteria, except for available-for-sale securities, gains or losses on derivatives are deferred until realization of the hedged items. For derivatives which meet hedge accounting criteria for available-for-sale securities, fair value hedge accounting is applied. Foreign currency forward exchange contracts to hedge monetary assets and liabilities denominated in foreign currencies are stated at fair value and accounted for under the principle method of the Accounting Standards for Financial Instruments. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements is recognized on an accrual basis and included in interest expense or income.

   The Company enters into derivative financial instrument transactions such as foreign exchange forward contracts and foreign currency borrowings to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies, net investments in foreign operations and forward contracts of trade. The Company also enters into derivative financial instrument transactions such as interest rate swap to hedge interest rate risk in the course of business activities. As for market risk, the Company enters into derivative financial instrument transactions such as commodity future, forward to hedge market risk of commodities and trading contracts.

   Apart from trading transaction risks, market volatility risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business are hedged using derivative financial instruments and foreign currency borrowings, considering the specific risk characteristics based on internal risk control policies.

   The effectiveness between the hedging instruments and the hedged items is evaluated considering individual transaction characteristics.

   The “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” issued on September 29, 2020 (ASBJ Practical Issues Task Force (PITF) No.40) has been applied from the fiscal year ended March 31, 2021. The hedging relationships which PITF No.40 are applied are as follows.

| | |
|---|---|
| (1) Hedge accounting method: | Special hedge accounting for interest rate swaps or deferred hedge accounting |
| (2) Hedging instruments: | Interest rate swaps |
| (3) Hedged items: | Long-term borrowings or bonds |
| (4) Objective of the hedge: | To offset the fair value change or to fix the cash flows |

8. All transactions are accounted for net of national and/or regional consumption taxes.
   The consolidated taxation system has been applied. The amount of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the tax law prior to enactment of the “Act Partially Amending the Income Tax Act” (Act No.8 of 2020), following the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No.39), without applying the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting”(ASBJ Guidance No.28).

**Changes in Presentation**

(Statements of Changes in Equity)
Compensation costs related to stock options and share performance-linked restricted stock are integrated in “Compensation costs related to share-based payment” from the fiscal year ended March 31, 2021. Compensation costs related to the share-based compensation plan for employees introduced in the fiscal year ended March 31, 2021 is also included in this account.

**Accounting Estimates**

The following is an item for which the amount was recorded in the financial statements for the current fiscal year based on the accounting estimates, and which may have a significant impact on the financial statements for the next fiscal year.
Note that the global economic recovery is expected to be boosted by additional economic measures in major countries as well as by widespread availability of vaccinations. China, which controlled the spread of infection during the early stage, is already on a recovery path, and the U.S., which is expanding large-scale financial measures, is expected to return to the level before the COVID-19 outbreak in the first half of the year. Then, Japan is expected to return to the pre-COVID-19 level by the end of the year and Europe by next year. Regarding to the economic recovery from COVID-19, the Company expects that COVID-19 will gradually subside by widespread availability of vaccinations, however, the pace of economic recovery varies among products, businesses, and locations. The estimates are determined based on each situation.

1. Valuation of investments and ownership in subsidiaries and affiliates
 (1) Amount recorded on the statements of financial position
 Investments and ownership in subsidiaries and associated companies
 ¥2,941,820 million (Items for which it is extremely difficult to determine the fair value)

 (2) Other information
 For investments and ownership in subsidiaries and affiliates for which it is extremely difficult to determine the fair value, if the market value or equity in net assets is materially lower than carrying value on and around the balance sheet date, the investments and ownership are devaluated after evaluating the value could be recoverable.
 Since the evaluation of recoverability of the value is based on the business plans of subsidiaries and affiliates, it may be affected by uncertain future economic environment and other factors. If the actual results do not meet the plan, it may have a significant impact on the evaluation of recoverability in the financial statements for the next fiscal year.

**Notes to Balance Sheets**

1. Pledged assets and related liabilities

(Unit: Millions of Yen)

| Assets pledged as collateral | | Details | | |
|---|---|---|---|---|
| Type | Book Value at End of Period | For Long-Term Borrowings (Note 1) | As Security for Trading Contracts | For Guarantees |
| Accounts receivable, trade | ¥127 | ¥127 | – | – |
| Investments in Securities, Investments and ownership in subsidiaries and associated companies | ¥236,211 | – | ¥3,247 | ¥232,964 |
| Others (Note 3) | ¥36,206 | – | ¥36,206 | – |
| Total | ¥272,544 | ¥127 | ¥39,453 | ¥232,964 |

Note 1: Corresponds to the long-term borrowings secured of ¥43 million.
Note 2: In addition to the above, bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, immediately to provide collateral, which is not specified in the loan agreements, were ¥171,642 million.
Note 3: Security deposits and guarantee deposits related to business and derivative transactions are mainly included.

2. Monetary assets held as collateral from others, for which the Company has free disposal rights: ¥4,173 million

3. Accumulated depreciation of tangible assets: ¥41,162 million

4. Accumulated amortization of intangible assets: ¥12,595 million

5. Contingent liabilities

(1) Guarantees

(Unit: Millions of Yen)

| The guaranteed | Amount of guarantee (Note 1) |
|---|---|
| 1. Guarantees related to trading partner bank borrowings, trade payables and other | |
| Mitsui & Co. Cameron LNG Sales, LLC | ¥782,143 |
| Oriente Copper Netherlands B.V. | 185,830 |
| Mitsui & Co. Energy Trading Singapore Pte. Ltd. | 172,405 |
| Japan Arctic LNG B.V. | 116,199 |
| MOZ LNG1 Financing Company LTD. | 82,257 |
| Mitsui E&P Italia A S.r.l. | 71,590 |
| MEPAU A Pty Ltd. | 58,606 |
| Cameron LNG, LLC | 55,891 |
| Corredor Logistico Integrado de Nacala S.A. | 55,779 |
| PHC Holdings Corporation | 54,143 |
| Other-230 companies | 1,552,488 |
| Sub-total (Note 2) | 3,187,335 |
| 2. Guarantees related to bank borrowings of overseas trading subsidiaries | |
| Mitsui & Co. (Middle East) B.S.C.(c) | 346,792 |
| Mitsui De Mexico, S. de R.L. de C.V. | 8,149 |
| Other-5 overseas trading subsidiaries | 3,353 |
| Sub-total | 358,296 |
| Grand total | ¥3,545,632 |

Note 1: For joint guarantee agreements with two or more guarantors or guarantee agreements with re-guarantees by other companies, the amounts presented above only include the portion which the Company bears under such agreements.

Note 2: Pledged investments and other letters similar to guarantees amounting to ¥233,014 million are included.

Note 3: Presented above are mainly subsidiaries and associated companies whose guarantee fee amounts and their payment conditions have been determined individually considering their business substance.

(2) Notes receivable discounted amount to ¥61,079 million

Export bills of exchange under letters of credit, discounted at intermediary banks but not yet paid by the banks extending the letters of credit, of ¥58,002 million are included in notes receivable discounted.

6. Receivables from and payables to subsidiaries and associated companies:

Short-term receivables: ¥432,824 million    Long-term receivables: ¥232,497 million

Short-term payables: ¥493,858 million    Long-term payables: ¥9,309 million

**Notes to Statements of Income**

1. Transactions with subsidiaries and associated companies:

| | |
|---|---|
| Sales: | ¥707,005 million |
| Purchases: | ¥615,525 million |
| Other non-operating transactions: | ¥526,522 million |

2. Loss on write-down of investments in securities and subsidiaries and associated companies
"Loss on write-down of investments in securities and subsidiaries and associated companies" of ¥ 195,524 million for the year ended March 31, 2021 mainly consists of below.

| | |
|---|---|
| Moatize coal mine business and Nacala Corridor rail & port infrastructure business in Mozambique: | ¥ 94,837 million |
| Onshore oil field business in Italy: | ¥ 38,991 million |

**Note to Statements of Changes in Equity**

Number of treasury stock as of March 31, 2021

| | |
|---|---|
| Common stock | 48,598,359 shares |

Out of the number of treasury stock above, 3,896,000 shares are related to the share-based compensation plan for employees.

**Tax-Effect Accounting**

The principal items, which comprise deferred tax assets and deferred tax liabilities, were as follows:

(Unit: Millions of Yen)

| | |
|---|---|
| Deferred tax assets | |
| Allowance for doubtful receivables | ¥ 25,392 |
| Allowances for the obligation for guarantees and commitments | 3,236 |
| Investments in securities, subsidiaries and associated companies | 349,986 |
| Impairment loss of fixed assets | 5,591 |
| Accrued bonuses | 9,195 |
| Deferred losses on derivatives under hedge accounting | 38,333 |
| Loss carryforwards (Note) | 83,048 |
| Others | 7,436 |
| Subtotal deferred tax assets | 522,217 |
| Valuation allowance | (522,217) |
| Total deferred tax assets | – |
| Deferred tax liabilities | |
| Net unrealized gains on available-for-sale securities | 147,424 |
| Pension and severance costs | 7,328 |
| Total deferred tax liabilities | 154,752 |
| Net deferred tax liabilities | ¥ 154,752 |

Note: ¥66,971 million of deferred tax assets arising from loss carryforwards will expire within 5 years and ¥16,077 million will expire after 5 to 10 years.

**Transactions with Related Parties**

Company Name: Mitsui Oil Exploration Co., Ltd.
Relationship: Subsidiary
Ownership of Voting Shares: 74.261% direct ownership
Relationship with Related Parties: Dispatching directors and deposits received
Transaction Content: Deposits received
Transaction Amount: ¥267,826 million
Amounts as of the current fiscal year-end: ¥318,787 million
Transaction Conditions and Transaction Policy: Financing condition is determined considering market interest rates.

Company Name: MBK USA HOLDINGS, INC.
Relationship: Subsidiary
Ownership of Voting Shares: 100% direct ownership
Relationship with Related Parties: Dispatching directors
Transaction Content: Exchanging stocks and Acquiring new shares
Transaction Amount: Exchanging stocks ¥40,053 million, Acquiring new shares ¥38,731 million
Transaction Conditions and Transaction Policy: The Company conducted the share exchange with this company for the efficient management of subsidiaries in the United States.
Acquiring new shares is determined considering the demands for finance in subsidiaries of this company.

**Per Share Information**

| | | |
|---|---|---|
| Equity per share | ¥ | 1,339.30 |
| Basic earnings per share | ¥ | 83.07 |
| Diluted earnings per share | ¥ | 83.03 |

In a calculation of per share information, the number of shares related to the share-based compensation plan for employees is included in the number of treasury stock. The number of treasury stock is deducted from the number of shares of common stock issued, in a calculation of the average number of shares of common stock outstanding. The average number of treasury stock is 35,585,817 shares.

**Subsequent Events**

Stock Repurchase
At the meeting of the Board of Directors held on April 30, 2021, the Company resolved to repurchase its stock in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan. Details of the repurchase are as follows.

1. Purpose of stock repurchase
   To enhance shareholder return and to improve capital efficiency

2. Details of repurchase
   (1) Class of share
       Common stock of the Company
   (2) Total number of shares of common stock to be repurchased
       Up to 30 million shares (1.8% of the total number of shares outstanding excluding treasury stock)
   (3) Total amount
       Up to ¥50,000 million
   (4) Period
       From May 6, 2021 to June 23, 2021
   (5) Repurchase method
       Auction market on Tokyo Stock Exchange

Subscription of convertible bonds

On April 30, 2021, the Company entered into a subscription agreement for the convertible bonds with an aggregate principal of JPY 100 billion issued by PT CT Corpora ("CT"), the holding company of CT Corp, an Indonesian conglomerate. The convertible bonds will consist of two tranches denominated in JPY 67 billion and JPY 33 billion, where the JPY 33 billion tranche replaces the existing corporate bond of the same amount issued by CT which the Company had subscribed to in November 2018. The closing of the convertible bond subscription has not yet been completed, and is subject to fulfillment of mutually agreed conditions precedent, which is expected to be in the 2nd quarter of the fiscal year ending March 31, 2022.

Impact on Mozambique LNG project due to evolution of the security situation in northern Mozambique

The Company participates in the Mozambique LNG Project through Mitsui E&P Mozambique Area 1 Limited, its joint venture in the Energy Segment. In April 2021, all project personnel evacuated the project site due to the deteriorating security situation in northern Mozambique where the project site is located, and on April 26, the project operator, TOTAL S.A. of France, announced that it had declared force majeure under the Joint Operating Agreement.

While the Company intends to closely examine the project's future prospects, it does not expect a significant impact on our financial position and operating results at this stage.