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

Financial Statements as of and
for the Years Ended March 31, 2021 and 2020, and
Independent Auditors' Report

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Financial Statements as of and for the Years Ended March 31, 2021 and 2020, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Mitsui & Co. (U.S.A.), Inc. (the ''Company'') (an ultimate wholly-owned subsidiary of Mitsui & Co., Ltd.), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitsui & Co. (U.S.A.), Inc. as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

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

Deloitte & Touche LLP

New York, NY
June 4, 2021

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

Statements of Financial Position
March 31, 2021 and 2020

	Notes	(In thousands) 2021	2020
ASSETS			
Current Assets:			
Cash and cash equivalents		$ 259,798	$ 426,989
Short-term loan receivables	4, 5, 16	305,155	423,127
Current portion of long-term loan receivables	4, 5, 16	5,559	414,468
Trade and other receivables	4, 5, 16	411,574	413,373
Inventories		100,459	109,467
Advance payments to suppliers		9,208	2,995
Other current assets		43,854	28,774
Total current assets		1,135,607	1,819,193
Non-Current Assets:			
Investments in subsidiaries and associates	3	1,022,085	845,553
Other investments	4, 14	109,979	110,101
Long-term loan receivables, less current portion	4, 5, 16	1,458,922	1,125,384
Derivative assets	4, 14	—	3,585
Property, plant, and equipment	7	148,875	160,215
Deferred tax assets	13	35,591	40,927
Total non-current assets		2,775,452	2,285,765
Total assets		$ 3,911,059	$ 4,104,958
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term debt	8, 16	$ 1,369,520	$ 1,804,794
Current portion of long-term debt and lease liabilities	4, 8, 16	326,080	474,879
Trade and other payables	8, 16	298,556	317,825
Other current liabilities	13, 16	9,038	7,160
Total current liabilities		2,003,194	2,604,658
Non-Current Liabilities:			
Long-term debt, less current portion	4, 8, 16	1,023,649	776,208
Lease liabilities, less current portion	6	123,886	130,222
Retirement benefit liabilities	9	55,840	68,560
Other non-current liabilities	13	23,118	25,088
Total non-current liabilities		1,226,493	1,000,078
Total liabilities		3,229,687	3,604,736
Equity:			
Common stock, no par value—authorized 2,000 shares; issued, fully paid, and outstanding 1,050 shares		350,000	350,000
Additional paid-in capital		118,934	118,934
Retained earnings		214,644	22,301
Accumulated other comprehensive income	10	(2,206)	8,987
Total equity		681,372	500,222
Total liabilities and equity		$ 3,911,059	$ 4,104,958

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

Statements of Comprehensive Income
Years Ended March 31, 2021 and 2020

	Notes	(In thousands) 2021	2020
Revenue	11, 16	$ 776,764	$ 968,153
Cost		(727,706)	(918,733)
Gross Profit		49,058	49,420
Other Income (Expenses):			
Selling, general, and administrative expenses	6, 7, 12	(134,187)	(149,478)
Other income	3, 4, 16	73,457	88,873
Other expense	3, 4, 5, 14	(17,581)	(48,336)
Total other expenses—net		(78,311)	(108,941)
Finance Income (Cost):			
Interest income	4, 16	38,891	74,304
Dividend income	4	173,840	41,343
Interest expense	4, 6, 16	(30,837)	(79,783)
Total finance income—net		181,894	35,864
Profit (loss) before Income Taxes		152,641	(23,657)
Income Tax Expense	13	9,860	(14,068)
Profit (loss) for the Year Attributable to Owner of the Company		162,501	(37,725)
Other Comprehensive Income (Loss):			
Items that will not be reclassified to profit or loss:			
Remeasurements of equity instruments	10	9,341	67,963
Remeasurements of defined benefit plans	9, 10	14,521	(15,230)
Income tax relating to items not reclassified to profit or loss	10	(5,213)	(12,479)
Total other comprehensive income		18,649	40,254
Comprehensive Income for the Year Attributable to Owner of the Company		$ 181,150	$ 2,529

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

Statements of Changes in Equity
Years Ended March 31, 2021 and 2020

(In thousands, except number of shares)

	Notes	Common stock Shares	Common stock Amounts	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance as of April 1, 2019		1,050	$ 350,000	$ 118,934	$ 14,849	$ 13,910	$ 497,693
Loss for the year					(37,725)		(37,725)
Other comprehensive income for the year	10					40,254	40,254
Transfer to retained earnings	10				45,177	(45,177)	—
Balance as of March 31, 2020		1,050	$ 350,000	$ 118,934	$ 22,301	$ 8,987	$ 500,222
Profit for the year					162,501		162,501
Other comprehensive income for the year	10					18,649	18,649
Transfer to retained earnings	10				29,842	(29,842)	—
Balance as of March 31, 2021		1,050	$ 350,000	$ 118,934	$ 214,644	$ (2,206)	$ 681,372

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

Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	(In thousands)	
	2021	2020
Operating Activities:		
Profit (loss) for the year	$ 162,501	$ (37,725)
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation and amortization	15,156	14,681
Provision for receivables	50	(308)
Loss on investments—net	2,697	29,325
Loss on disposition of property, plant and equipment	697	—
Finance income—net	(181,894)	(35,864)
Income tax expense	(9,860)	14,068
Changes in operating assets and liabilities:		
Change in trade and other receivables	1,272	(33,946)
Change in inventories	9,008	14,929
Change in advance payments to suppliers	(6,213)	(1,070)
Change in trade and other payables	(19,269)	(4,934)
Other—net	(11,697)	12,031
Interest received	40,206	73,450
Interest paid	(35,865)	(80,774)
Dividends received	84,566	54,755
Income taxes paid	(6,517)	(1,443)
Net cash provided by operating activities	44,838	17,175
Investing Activities:		
Additional investments	(95,400)	(50,126)
Return of capital on investments	7,043	9,920
Proceeds from sales of investments	25,596	86,205
Net change in short-term loan receivables of three months or less	157,825	(171,301)
Issuance of loan receivables of more than three months	(189,302)	(414,450)
Collections of loan receivables of more than three months	229,690	327,464
Purchases of property, plant, and equipment	(2,122)	(5,116)
Net cash provided by (used in) investing activities	133,330	(217,404)
Financing Activities:		
Net change in short-term debt of three months or less	(435,274)	514,980
Proceeds from debt of more than three months	355,200	123,578
Repayments of debt of more than three months	(255,560)	(193,283)
Repayments of lease liabilities	(9,725)	(8,126)
Net cash (used in) provided by financing activities	(345,359)	437,149
Net Change in Cash and Cash Equivalents	(167,191)	236,920
Cash and Cash Equivalents at Beginning of Year	426,989	190,069
Cash and Cash Equivalents at End of Year	$ 259,798	$ 426,989

Supplemental Cash Flow Information:		
Non-cash investing and financing activities:		
In-kind dividend to owner of the Company	—	12,321
Disposition of investment (Note 3)	239,559	—
Acquisition of investment (Note 3)	346,086	—
In-kind dividend received from investment (Note 3)	89,274	—
Lease liabilities	2,391	140,741
Collection and issuance of loan receivables (Note 16)	370,800	—
Proceeds and repayments of debt of more than three months (Note 16)	224,136	140,200

1. Reporting Entity

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

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

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

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

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

Statement of Compliance with International Financial Reporting Standards

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

Separate Financial Statements

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

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

Use of Estimates and Judgments

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

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

- Impairment loss on investments in subsidiaries and associates—Note 3
- Revaluation of financial instruments—Notes 4, 5, and 14
- Allowance for receivables—Note 5
- Impairment loss on property, plant, and equipment

- Measurement of defined benefit obligations—Note 9
- Recoverability of deferred tax assets—Note 13
- Fair value measurement—Note 14
- Contingent liabilities—Note 15

Impact of COVID-19 Pandemic

In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. In response, measures were taken by government on national, state, and local levels where the Company, its affiliates, its suppliers, and its customers operate, including travel restrictions, quarantines, and limitations and shutdowns of business operations. While the Company has experienced limited disruptions as it continues to cooperate with these measures, including temporarily mandating all employees to work from home, the pandemic has not had a significant financial impact on the Company during the years ended March 31, 2021 and 2020.

The extent of the impact that the COVID-19 pandemic will have on the Company's future financial and operational results will depend on developments of the COVID-19 virus, the duration and scope of government orders and restrictions, and the extent of the pandemic on global economic conditions. The estimates and assumptions underlying the financial statements are based on the information available as of March 31, 2021 and 2020, including judgments about the ultimate adverse impact of COVID-19 on the economic conditions and the Company's market and which may change substantially over time.

Summary of Significant Accounting Policies

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

Foreign currency transactions

Foreign currency transactions are translated into U.S. dollars using the spot exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollar amounts using year-end exchange rates and the resulting gains and losses are recognized in earnings. During the years ended March 31, 2021 and 2020, net foreign exchange gain or loss was not material.

Investments in subsidiaries and associates

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

Financial instruments

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

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

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

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

Allowance for receivables:

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

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

See Note 5 for further analysis of allowance for receivables.

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

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

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

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

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

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

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

Lease

The Company adopted IFRS 16, Leases, effective April 1, 2019. The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at April 1, 2019. See below for the impact on the transition at April 1, 2019.

i. As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise of fixed payments, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract.

(In thousands, except where otherwise noted)

The Company recognizes lease payments received under operating leases as other income on a straight-line basis over the lease term.

Impact on transition at April 1, 2019

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

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

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under the previous accounting policy. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- used hindsight when determining the lease term.

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	April 1, 2019
Right-of-use assets—property, plant and equipment—net	$ 130,963
Deferred tax asset	1,772
Lease liabilities	147,282
Other current liabilities	(8,567)
Retained earnings	(5,980)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted-average rate applied is 3.4%.

	April 1, 2019
Operating lease commitments at March 31, 2019	$ 210,577
Discounted using the incremental borrowing rate at April 1, 2019	149,992
Recognition exemption for leases of low-value assets	(77)
Recognition exemption for leases with less than 12 months of lease term at transition	(2,633)
Lease liabilities recognized at April 1, 2019	147,282

Property, plant, and equipment

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

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

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

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

Inventories

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

The cost of inventories recognized as an expense during the year in respect of continuing operations was $691,848 and $878,596 during the years ended March 31, 2021 and 2020, respectively.

Revenue recognition

In accordance with IFRS 15, *Revenue from Contracts with Customers*, revenue from contracts with customers is recognized at the timing of the satisfaction of the performance obligations, based on the 5 step approach:

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

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

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

Employee benefits

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

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

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

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

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

Income taxes

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

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

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

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

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

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

Provisions

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

Financial guarantees

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

New Accounting Standards

The Company adopted the amendment to IFRS 3 *Business Combinations* on April 1, 2020. This amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company.

In August 2020, the IASB issued *Interest Rate Benchmark Reform-Phase 2*, amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurements*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16. The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The amendments are effective for the Company from the fiscal year beginning April 1, 2021. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for the Company from the fiscal year beginning April 1, 2023, as amended, with earlier application permitted. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

(In thousands, except where otherwise noted)

3. Investments in Subsidiaries and Associates

The Company prepares separate financial statements and records investments in subsidiaries and associates at cost less impairment. The changes in the investments in subsidiaries and associates for the years ended March 31, 2021 and 2020 consisted of the following:

	Investments in subsidiaries	Investments in associates	Total
Balance at April 1, 2019	$ 622,636	$ 224,943	$ 847,579
Additions	—	37,311	37,311
Disposals	—	(5,476)	(5,476)
Impairment	(36,358)	2,497	(33,861)
Balance at March 31, 2020	$ 586,278	$ 259,275	$ 845,553
Additions	71,400	351,859	423,259
Return of Capital	—	(168)	(168)
Disposals	(239,559)	—	(239,559)
Impairment	(7,000)	—	(7,000)
Balance at March 31, 2021	$ 411,119	$ 610,966	$ 1,022,085

The following are significant activities reflected in the table above:

Additions

Additions to investments in subsidiaries during the year ended March 31, 2021 represent additional investment made in MBK Real Estate Holdings Inc. and an investment in Shiko Beauty Inc. for $68.4 million and $3.0 million, respectively.

Additions to investments in associates during the year ended March 31, 2021 mainly represent the equity interest in NuMit LLC ("NuMit") for approximately $346.1 million, which was originally held by Game Changer Holdings Inc.("GCH"), a wholly-owned subsidiary. GCH merged with the Company on March 31, 2021 to simplify organizational structure and streamline reporting. Investment in NuMit was recognized at the carrying value recorded by GCH at the time of the merger. The difference between the carrying value of investment in GCH and net assets recognized at merger is recorded as dividend income at approximately $105.6 million, of which approximately $16.3 million represents cash. Net assets consisted of investment in NuMit, income tax payable of approximately $4.7 million and deferred tax liabilities of approximately $12.6 million.

Additions to investments in associates during the year ended March 31, 2020 mainly relate to the acquisition of shares in Capitala Investment Advisors, LLC and MKU Holdings, Inc. in the amount of approximately $19.9 million and $15.6 million, respectively.

Disposals

Disposals in investments in subsidiaries during the year ended March 31, 2021 represent the dissolution of GCH for approximately $239.6 million as the result of the merger with the Company.

Disposals in investments in associates during the year ended March 31, 2020 included the sale of the Company's shares in Yorozu Automotiva do Brasil Ltda. ("Yorozu") to a third party for a selling price of approximately $5.5 million.

Impairments

During the year ended March 31, 2021, the Company recorded an impairment loss on its investment in Acieta LLC for $7 million. The impairment was recognized due to the investment's continuous operating loss.

(In thousands, except where otherwise noted)

During the year ended March 31, 2020, the Company recorded an impairment loss on its investment in Mitsui Foods, Inc. ("MFI") of approximately $36.4 million. The impairment of MFI was recognized in conjunction with a reorganization plan, which included a transfer of its main business, coffee trading, to Mitsui & Co. Coffee Trading (USA), Inc., executed during the year ended March 31, 2021.

The impairment losses were included in other expense in the accompanying statements of comprehensive income for the years ended March 31, 2021 and 2020.

During the year ended March 31, 2020, the Company recorded a recovery of impairment loss on its investment in Yorozu of approximately $2.4 million from the sale of Yorozu in other income in the accompanying statement of comprehensive income.

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

Details of the significant investments in subsidiaries and associates at March 31, 2021 and 2020 were as follows:

Subsidiaries:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2021	2020
Game Changer Holdings Inc.	United States	—	100
Intercontinental Terminals Company LLC	United States	100	100
MBK Real Estate Holdings Inc.	United States	80	100
Mitsui de Mexico, S. de R.L. de. C.V.	Mexico	100	100
Mitsui Foods, Inc.	United States	100	100
Mitsui Plastics, Inc.	United States	100	100
United Grain Corporation of Oregon	United States	80	80

Associates:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2021	2020
Android Industries, LLC	United States	33	33
AWC Investments, Inc.	United States	29	29
Capitala Investment Advisors, LLC	United States	20	20
MAG Aliança Automóveis do Brasil SSC	Brazil	50	50
MKU Holdings, Inc.	United States	16	16
Novus International, Inc.	United States	37	37
NuMit LLC	United States	50	—
Penske Automotive Group, Inc.	United States	3 [1]	3 [1]
Road Machinery LLC	Mexico[2]	50	50

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

(In thousands, except where otherwise noted)

4. Financial Instruments and Related Matters

Trade and Other Receivables and Derivative Assets

Trade and other receivables and derivative assets as of March 31, 2021 and 2020 consisted of the following:

	2021	2020
Current:		
Trade and other receivables:		
Unrelated parties	$ 198,626	$ 238,993
Parent and affiliates	214,053	175,435
Allowance for receivables	(1,105)	(1,055)
Total	$ 411,574	$ 413,373
Non-current—		
Derivative assets	$ —	$ 3,585

Other Investments

The carrying amounts of other investments as of March 31, 2021 and 2020 were as follows:

	2021	2020
Equity instruments measured at FVTPL	$ 63,003	$ 42,889
Debt instruments measured at FVTPL	10,019	14,000
Equity instruments measured at FVTOCI	36,957	53,212
Total	$ 109,979	$ 110,101

Equity and Debt Instruments Measured at FVTPL

The fair value of equity and debt instruments measured at FVTPL as of March 31, 2021 and 2020 were as follows:

	2021	2020
Unlisted securities	$ 73,022	$ 56,889

There were no individually significant equity and debt instruments measured at FVTPL as of March 31, 2021 and 2020.

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

The Company recorded a net gain of $4,303 and $4,536 on sales and valuation of equity and debt instruments measured at FVTPL for the years ended March 31, 2021 and 2020, respectively. Net gain and loss on equity and debt instruments measured at FVTPL are included in other income (expense) in the accompanying statements of comprehensive income for the years ended March 31, 2021 and 2020.

Equity Instruments Measured at FVTOCI

The fair value of equity instruments measured at FVTOCI as of March 31, 2021 and 2020 were as follows:

	2021	2020
Publicly listed securities	$ 5,178	$ 20,826
Unlisted securities	31,779	32,386
Total	$ 36,957	$ 53,212

There were no individually significant equity instruments measured at FVTOCI as of March 31, 2021 and 2020.

(In thousands, except where otherwise noted)

Derecognized Equity Instruments Measured at FVTOCI

During the years ended March 31, 2021 and 2020, the Company disposed of certain equity instruments measured at FVTOCI because it determined such equity instruments no longer met the Company's business strategies. The fair value at the date of derecognition and cumulative gains on disposal—net related to the equity instruments were as follows:

	2021	2020
Fair value of the equity instruments at the date of derecognition	$ 25,597	80,729
Cumulative gains on disposition—net	24,040	74,173

The Company received no dividends from the disposed equity instruments measured at FVTOCI during the years ended March 31, 2021 and 2020.

Finance Income and Cost

The finance income and finance cost for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Interest income:		
Amortized cost	$ 38,616	$ 73,919
Debt instruments measured at FVTPL	275	385
Total	$ 38,891	$ 74,304
Dividend income:		
Subsidiaries and associates	$ 173,680	$ 41,213
Equity instruments measured at FVTOCI	160	130
Total	$ 173,840	$ 41,343
Interest expense—		
Amortized cost	$ (30,837)	$ (79,783)

Fee income and expense arising from financial assets measured at amortized cost were immaterial for the years ended March 31, 2021 and 2020.

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

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

The carrying amounts and fair value of long-term loan receivables and long-term debt as of March 31, 2021 and 2020 were as follows:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loan receivables, including current portion	$ 1,464,481	$ 1,468,578	$ 1,539,852	$ 1,553,356
Long-term debt, including current portion	1,340,208	1,343,702	1,240,568	1,249,224

Capital Management and Financial Risk Management

(1) Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Board of Directors manages the level of dividends to the shareholder to maintain an optimal capital structure. No changes were made in the objectives, policies, or processes during the years ended March 31, 2021 and 2020. The capital of the Company consists of equity attributable to MUH.

(2) Credit risk

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

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

There were no significant concentration of trade receivables at March 31, 2021 and 2020.

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

(3) Liquidity risk

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

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

(4) Interest rate risk

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

The impact on profit before income taxes assuming a 1% rise in interest rates is a lower profit of approximately $5.9 million and $6.2 million for the years ended March 31, 2021 and 2020, respectively. This sensitivity analysis is calculated by multiplying the net amounts of floating-rate financial assets and liabilities as of March 31, 2021 and 2020 by 1%, without considering future changes in the balance, the effect of exchange rate fluctuations, or the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts and assuming that all other variables are constant.

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

(In thousands, except where otherwise noted)

(5) Foreign currency exchange rate risk

The Company has limited exposure to foreign currency exchange rate risk as most of its receivables and payables arising from transactions such as purchases and sales of products and services and financial transactions are denominated in U.S. dollars. The Company uses foreign exchange forward contracts to reduce the remaining risks from the receivables and payables which are foreign currency-denominated. The impact on profit before income taxes assuming a 1% rise in exchange rate of any currency was not material for the years ended March 31, 2021 and 2020.

(6) Contingent earnouts

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

Derivative Instruments

The following table presents the fair value of derivative instruments not designated as hedging instruments as of March 31, 2021 and 2020:

		2021		2020	
		Assets	Liabilities	Assets	Liabilities
Contingent earnouts	Non-current	$ —	$ —	$ 3,585	$ —

Non-current derivative assets are included in non-current derivative assets on the accompanying statements of financial position.

5. Receivables and Related Allowances

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

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

(In thousands, except where otherwise noted)

An analysis of receivables as of March 31, 2021 and 2020 were as follows:

	2021	2020
Loan receivables – performing	$ 1,769,636	$ 1,962,979
Trade receivables:		
Less than 30 days past due (including not past due)	$ 406,784	$ 399,698
30-89 days past due	1,899	1,246
90 days or more past due	471	509
Other receivables	3,525	12,975
Total	$ 412,679	$ 414,428

Changes in Allowance for Receivables

The analysis of the changes in allowance for receivables, all of which are provided for trade receivables, for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Balance at April 1,	$ 1,055	$ 1,363
Provision for receivables	50	(308)
Balance at March 31,	$ 1,105	$ 1,055

All of loan and other receivables are categorized in Stage 1 and were provided with no allowance for receivables at March 31, 2021 and 2020.

Impaired Receivables

All of the loan receivables are classified as performing and there were no impaired loan receivables at March 31, 2021 and 2020. In addition, there were no past due or non-accrual loan receivables at March 31, 2021 and 2020.

6. Leases

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

(In thousands, except where otherwise noted)

The changes in recognition of cost, accumulated depreciation, and the carrying amount of right-of-use assets during the years ended March 31, 2021 and 2020 are as follows:

Cost:

	Buildings	Equipment and fixtures	Total
Recognition of right-of-use asset on initial application of IFRS 16	$ 166,399	$ 1,094	$ 167,493
Additions	864	758	1,622
Balance at March 31, 2020	$ 167,263	$ 1,852	$ 169,115
Additions	2,391	—	2,391
Dispositions	(9,398)	—	(9,398)
Balance at March 31, 2021	$ 160,256	$ 1,852	$ 162,108

Accumulated depreciation:

	Buildings	Equipment and fixtures	Total
Recognition of right-of-use asset on initial application of IFRS 16	$ 35,929	$ 601	$ 36,530
Depreciation expense	11,405	271	11,676
Balance at March 31, 2020	$ 47,334	$ 872	$ 48,206
Depreciation expense	11,678	345	12,023
Dispositions	(9,398)	—	(9,398)
Balance at March 31, 2021	$ 49,614	$ 1,217	$ 50,831

Carrying amount:

	Buildings	Equipment and fixtures	Total
Balance at March 31, 2020	$ 119,929	$ 980	$ 120,909
Balance at March 31, 2021	$ 110,642	$ 635	$ 111,277

The following is a schedule of future minimum lease payments under noncancellable leases as of March 31, 2021 and 2020:

	2021	2020
Not later than 1 year	$ 14,004	$ 15,276
Later than 1 year and not later than 5 years	48,922	48,889
Later than 5 years	108,685	119,488
Total	$ 171,611	$ 183,653
Future financial cost	(38,204)	(42,912)
Present value of future minimum lease payments	$ 133,407	$ 140,741

In addition, at March 31, 2021, the Company has a noncancelable office lease commencing in July 2021. Total future minimum lease payments under this lease is $4,112 for its 10-year lease term.

(In thousands, except where otherwise noted)

The following is schedules of future minimum sublease payments to be received under noncancellable operating leases as of March 31, 2021 and 2020:

	2021	2020
Not later than 1 year	$ 2,953	$ 2,868
1 to 2 years	2,619	808
2 to 3 years	2,648	832
3 to 4 years	2,184	857
4 to 5 years	1,764	434
Later than 5 years	7,633	—
Total	$ 19,801	$ 5,799

The following is a schedule of amounts recognized in profit or loss during the years ended March 31, 2021 and 2020:

	2021	2020
Interest on lease liabilities	$ (4,787)	$ (5,053)
Income from sub-leasing right-of-use assets	2,808	2,898
Expenses relating to short-term leases	(4,477)	(4,005)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	—	(81)

The total cash outflow for leases recognized in the statement of cash flows during the years ended March 31, 2021 and 2020 was $18,987 and $17,266, respectively.

7. Property, Plant, and Equipment

The changes in acquisition cost, accumulated depreciation, and the carrying amount of property, plant, and equipment for the years ended March 31, 2021 and 2020 were as follows:

Acquisition cost:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at March 31, 2019	$ 36,338	$ 6,295	$ 5,109	$ 6,230	$ 53,972
Recognition of right-of-use asset on initial application of IFRS 16	166,399	1,094	—	—	167,493
Adjusted balance at April 1, 2019	202,737	7,389	5,109	6,230	221,465
Additions	874	835	4,458	539	6,706
Disposals	—	(79)	—	(111)	(190)
Reclassification	6,711	2,547	(9,400)	142	—
Balance at March 31, 2020	210,322	10,692	167	6,800	227,981
Additions	2,453	41	1,658	361	4,513
Disposals	(10,198)	(178)	—	—	(10,376)
Balance at March 31, 2021	$ 202,577	$ 10,555	$ 1,825	$ 7,161	$ 222,118

(In thousands, except where otherwise noted)

Accumulated depreciation:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at March 31, 2019	$ 7,193	$ 3,501	$ —	$ 6,046	$ 16,740
Recognition of right-of-use asset on initial application of IFRS 16	35,929	601	—	—	36,530
Adjusted balance at April 1, 2019	43,122	4,102	—	6,046	53,270
Depreciation/amortization expense	13,427	1,150	—	104	14,681
Disposals	—	(74)	—	(111)	(185)
Balance at March 31, 2020	$ 56,549	$ 5,178	$ —	$ 6,039	$ 67,766
Depreciation/amortization expense	13,670	1,251	—	235	15,156
Disposals	(9,501)	(178)	—	—	(9,679)
Balance at March 31, 2021	$ 60,718	$ 6,251	$ —	$ 6,274	$ 73,243

Carrying amount:

	Land and buildings	Equipment and fixtures	Construction in progress	Software	Total
Balance at March 31, 2020	$ 153,773	$ 5,514	$ 167	$ 761	$ 160,215
Balance at March 31, 2021	141,859	4,304	1,825	887	148,875

Total depreciation and amortization expense of $15,156 and $14,681 is included in selling, general, and administrative expenses in the accompanying statement of comprehensive income for the years ended March 31, 2021 and 2020, respectively.

The amount of contractual commitments for the acquisition of property, plant and equipment as of March 31, 2021 and 2020 is $936 and $98, respectively.

8. Financial Liabilities

Short-term Debt

Short-term debts as of March 31, 2021 and 2020 consisted of the following:

	2021		2020	
		Interest Rate		Interest Rate
Affiliates	$ 1,369,520	0.01%	$ 1,779,794	1.45%
Financial institution	—	—	25,000	1.03%
Total	$ 1,369,520		$ 1,804,794	

The interest rates represent weighted-average rates in effect as of March 31, 2021 and 2020.

At March 31, 2021 and 2020, unused lines of credit for short-term financing from third-party financial institutions were $695 million and $670 million, respectively.

(In thousands, except where otherwise noted)

Long-term Debt

Long-term debts as of March 31, 2021 and 2020 consisted of the following:

	2021		2020	
		Interest Rate		Interest Rate
Affiliates	$ 1,340,208	1.01% to 3.86%	$ 1,240,568	1.56% to 3.86%
Less current portion	(316,559)		(464,360)	
Long-term debt, less current portion	$ 1,023,649		$ 776,208	

Trade and Other Payables

Trade and other payables as of March 31, 2021 and 2020 were measured at amortized cost and consisted of the following:

	2021	2020
Current:		
Trade and other payables:		
Trade creditors	$ 165,606	$ 151,503
Parent and affiliates	117,310	151,909
Accrued expenses	15,640	14,413
Total	$ 298,556	$ 317,825

Liquidity Risk Analysis

The contractual maturities of financial liabilities as of March 31, 2021 and 2020 were as follows:

	2021		
	Not later than 1 year	Later than 1 year and not later than 5 years	Total
Short-term debt	$ 1,369,520	$ —	$ 1,369,520
Trade and other payables	298,556	—	298,556
Long-term debt (including current portion)	316,559	1,023,649	1,340,208

	2020		
	Not later than 1 year	Later than 1 year and not later than 5 years	Total
Short-term debt	$ 1,804,794	$ —	$ 1,804,794
Trade and other payables	317,825	—	317,825
Long-term debt (including current portion)	464,360	776,208	1,240,568

(In thousands, except where otherwise noted)

9. Employee Benefits

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

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

Changes in Defined Benefit Obligations and Plan Assets

The following table sets forth the changes in the Company's defined benefit obligations and plan assets for the years ended March 31, 2021 and 2020:

	Pension plan		Post-retirement welfare plan	
	2021	2020	2021	2020
Change in defined benefit obligations:				
Defined benefit obligations at beginning of year	$ 144,723	$ 128,859	$ 26,294	$ 21,689
Service cost	2,883	2,504	1,072	957
Interest expense	4,246	4,650	803	819
Actuarial loss – financial assumption changes	2,550	16,427	121	3,808
Actuarial (gain) – demographic assumption changes	(788)	(1,023)	(447)	(823)
Actuarial (gain) loss – experience adjustments	993	672	3,512	(574)
Plan participants' contributions	—	—	421	449
Benefits paid from plan assets	(8,778)	(7,366)	(1,082)	(914)
Plan amendments and curtailments	1,622	—	—	883
Defined benefit obligations at end of year	147,451	144,723	30,694	26,294
Change in plan assets:				
Fair value of plan assets at beginning of year	102,457	98,048	—	—
Interest income	3,064	3,618	—	—
Return on plan assets (excluding interest income)	20,462	3,257	—	—
Contributions by the employer	5,600	5,400	661	465
Plan participants' contributions	—	—	421	449
Benefits paid from plan assets	(8,778)	(7,366)	(1,082)	(914)
Others	(500)	(500)	—	—
Fair value of plan assets at end of year	122,305	102,457	—	—
Net defined benefit liabilities at end of year	$ 25,146	$ 42,266	$ 30,694	$ 26,294

(In thousands, except where otherwise noted)

Components of Net Defined Benefit Costs

Net defined benefit costs of the Company's defined benefit plans for the years ended March 31, 2021 and 2020 included the following components:

	Pension plan		Post-retirement welfare plan	
	2021	2020	2021	2020
Service cost	$ 2,883	$ 2,504	$ 1,072	$ 957
Interest expense	4,246	4,650	803	819
Interest income	(3,064)	(3,618)	—	—
Plan amendments and curtailments	1,622	—	—	883
Others	500	500	—	—
Net defined benefit costs	$ 6,187	$ 4,036	$ 1,875	$ 2,659

Information about Shared Risks under Common Control

There is no contractual agreement or stated policy for charging to individual Group Companies the net defined benefit costs for the pension plan as a whole measured in accordance with IAS 19. For the years ended March 31, 2021 and 2020, contributions and plan expenses are shared among the participating Group Companies based on their respective headcount. During the years ended March 31, 2021 and 2020, the Company received from Group Companies approximately $0.9 million for their share of the contributions to the pension plan. The Company recorded such contributions received from Group Companies as a reduction of net defined benefit costs.

Assumptions

The weighted-average assumptions used to determine the Company's defined benefit obligations as of March 31, 2021 and 2020 were as follows:

	2021	2020
Pension plan:		
Discount rate	3.1%	3.0%
Rate of increase in future compensation levels	3.0	3.0
Post-retirement welfare plan—		
Discount rate	3.2	3.1

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

The rate of increase in future compensation levels was 3.0% in determining the defined benefit obligation of the pension plan for the years ended March 31, 2021 and 2020. The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of the post-retirement welfare plan, because the benefit formula of the post-retirement welfare plan does not contain factors relating to compensation levels.

(In thousands, except where otherwise noted)

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

	Impact of change in assumption on defined benefit obligations as of March 31, 2021	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$8,543 increase	$3,144 increase
0.5% increase in discount rate	$7,761 decrease	$2,738 decrease
1.0% decrease in salary increase rate	$3,218 decrease	—
1.0% increase in salary increase rate	$3,410 increase	—
1.0% decrease in health care trend rate	—	$4,328 decrease
1.0% increase in health care trend rate	—	$5,533 increase

	Impact of change in assumption on defined benefit obligations as of March 31, 2020	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$8,498 increase	$2,812 increase
0.5% increase in discount rate	$7,697 decrease	$2,436 decrease
1.0% decrease in salary increase rate	$3,536 decrease	—
1.0% increase in salary increase rate	$3,738 increase	—
1.0% decrease in health care trend rate	—	$4,048 decrease
1.0% increase in health care trend rate	—	$5,244 increase

The discount rate sensitivity was measured by adjusting the discount rate up and down by 0.5% for the pension plan and the post-retirement welfare plan as of March 31, 2021 and March 31, 2020. The sensitivity due to the salary increase rate was measured by adjusting the salary increase assumption up and down by 1.0% for the pension plan. The sensitivity due to health care trend rate was measured by adjusting the health care trend rate assumption up and down by 1.0% for the post-retirement welfare plan.

Plan Assets

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

(In thousands, except where otherwise noted)

The fair value of the pension plan assets as of March 31, 2021 and 2020 by asset class was as follows:

	2021			2020		
	Quoted market price in an active market			Quoted market price in an active market		
Asset Class	Available	Not available	Total	Available	Not available	Total
Equity instruments (US)	$ —	$ 42,548	$ 42,548	$ —	$ 31,815	$ 31,815
Equity instruments (Non-US)	—	21,559	21,559	—	18,344	18,344
Debt securities	—	51,457	51,457	—	45,777	45,777
Life insurance company general accounts	—	6,670	6,670	—	6,453	6,453
Cash and deposits	71	—	71	68	—	68
Total	$ 71	$ 122,234	$ 122,305	$ 68	$102,389	$102,457

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

Cash Flows

Contributions

The Company expects to contribute $6 million and $1 million to the pension plan and the post-retirement welfare plan, respectively, for the year ending March 31, 2022. The funding of the pension plan is through a combination of contributions received from the employer and investment income generated by the pension plan's investments. The funding level is designed to comply with requirements of the Employee Retirement Income Security Act of 1974, the 21st Century Act and the Highway and Transportation Funding Act of 2014, the Pension Protection Act of 2006, and the Internal Revenue Code. These requirements include minimum funding levels. The Company creates and implements the funding policy and monitors the funding level with the assistance of the pension plan's enrolled actuary and investment consultant.

Maturity profile

The weighted average duration of the benefit payments for the pension plan is 11.1 years and 11.3 years as of March 31, 2021 and 2020, respectively. The weighted average duration of the benefit payments for the post-retirement welfare plan is 18.5 years and 19.3 years as of March 31, 2021 and 2020, respectively.

In addition to the above defined pension plan and post-retirement welfare plan, Mitsui USA has a defined contribution plan. The defined contribution plan expense was approximately $2 million and $1 million for the years ended March 31, 2021 and 2020, respectively.

(In thousands, except where otherwise noted)

10. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Remeasurements of equity instruments:		
Balance at beginning of year	$ 8,987	$ 13,910
Increase during the year	7,632	51,803
Transfer to retained earnings	(18,825)	(56,726)
Balance at end of year	$ (2,206)	$ 8,987
Remeasurements of defined benefit plans:		
Balance at beginning of year	$ —	$ —
Decrease during the year	11,017	(11,549)
Transfer to retained earnings	(11,017)	11,549
Balance at end of year	$ —	$ —
Total:		
Balance at beginning of year	$ 8,987	$ 13,910
Increase (decrease) during the year	18,649	40,254
Transfer to retained earnings	(29,842)	(45,177)
Balance at end of year	$ (2,206)	$ 8,987

Each component of other comprehensive income and related tax expense for the years ended March 31, 2021 and 2020 was as follows:

	2021			2020		
	Pre-tax	Tax effect	Net	Pre-tax	Tax effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of equity instruments	$ 9,341	$ (1,709)	$ 7,632	$ 67,963	$ (16,160)	$ 51,803
Remeasurements of defined benefit plans	14,521	(3,504)	11,017	(15,230)	3,681	(11,549)
Total	$ 23,862	$ (5,213)	$ 18,649	$ 52,733	$ (12,479)	$ 40,254

11. Revenue

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

	2021	2020
Revenue from contracts with customers:		
As principal	$ 763,114	$ 953,961
As agent	13,650	14,192
Total	$ 776,764	$ 968,153

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

	2021	2020
Receivables, included in trade and other receivables	$ 411,574	$ 413,373
Contract assets	—	—
Contract liabilities – included in other current liabilities	454	234

The contract liabilities relate to advance payments received from customer for goods which are scheduled to be delivered in the subsequent year.

(In thousands, except where otherwise noted)

The Company's performance obligations related to advance payments received from customers of $234 at March 31, 2020 was recognized in revenue upon delivery of goods in the year ended March 31, 2021. The Company's performance obligations related to advance payments received from customers of $454 at March 31, 2021 is expected to be recognized in revenue upon delivery of goods in the year ending March 31, 2022. There are no other remaining performance obligations that are unsatisfied at March 31, 2021 and 2020.

No assets were recognized from the costs to obtain or fulfill a contract with a customer as of March 31, 2021 and 2020.

12. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2021 and 2020 consisted of the following:

	2021	2020
Personnel expenses	$ 86,197	$ 86,895
Professional service expenses	13,106	15,232
Travel and entertainment expenses	544	12,428
Other	34,340	34,923
Total	$ 134,187	$ 149,478

13. Income Taxes

Income tax (benefit) expense recognized for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Current:		
Federal	$ (188)	$ 5,165
State and local	2,765	930
Total current	2,577	6,095
Deferred	(12,437)	7,973
Total	$ (9,860)	$ 14,068

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended March 31, 2021 and 2020 is as follows:

	2021	2020
Statutory U.S. federal tax rate	21.0%	21.0%
Increase (decrease) in tax rate resulting from:		
State income taxes, net of federal benefit	1.1	(2.3)
Non-deductible expenses	0.1	(7.3)
Dividend received deduction	(9.9)	45.6
Return to provision true-up	(1.6)	1.5
Investment basis difference	(16.9)	(94.6)
Reserves for tax contingencies	(0.4)	(17.9)
Global Intangible Low-taxed Income tax	(0.4)	(0.7)
Tax audit assessment	(0.0)	(2.0)
Others—net	0.5	(2.8)
Effective income tax rate	(6.5)%	(59.5)%

(In thousands, except where otherwise noted)

The tax effects of significant temporary differences and carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	2021	2020
Deferred tax assets:		
Allowance for receivables and other reserves	$ 1,394	$ 1,380
Inventories	159	182
Investment basis	1,646	10,831
Accrued expenses	4,893	4,805
Liabilities of defined benefit plans	12,876	15,863
Net operating loss carryforward and credit carryforward	26,380	19,328
Transaction costs	2,172	2,026
Lease liability	30,529	32,565
Other	1,006	1,161
Total deferred tax assets	$ 81,055	$ 88,141
Deferred tax liabilities:		
Depreciation and amortization	(16,540)	(14,991)
Deferred gain	(3,460)	(4,248)
Right of use assets	(25,464)	(27,975)
Net deferred tax assets	$ 35,591	$ 40,927

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in response to the COVID-19 pandemic. In accordance with IAS 12 – *Income Taxes,* the impact of a change in tax law is recorded in the period of enactment or substantial enactment. The CARES Act, among other provisions, permits federal net operating loss carryforwards and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows net operating loss incurred in the tax years 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The CARES Act had no material impact to the Company's financial statements as of and for the year ended March 31, 2021.

The Company is included in the consolidated federal income tax return of MUH beginning with the year ended March 31, 2015. The Company had filed a consolidated federal income tax return as the Mitsui USA consolidated tax group through the year ended March 31, 2014. Although the Company had federal net operating loss carryforwards, computed on a stand-alone basis, as of March 31, 2014, no deferred tax asset has been recorded since the Company's net operating losses were fully utilized by other members of the Mitsui USA consolidated tax group in prior years. At March 31, 2021 and 2020, the Company has a federal net operating loss of approximately $91 million and $61 million, respectively, which will expire primarily in the year ending March 31, 2038. The Company recorded a deferred tax asset of approximately $19 million and $12 million on the net operating loss carryforward at March 31, 2021 and 2020, respectively, as it is probable that the net operating loss carryforward will be realized in the foreseeable future.

The Company files certain state returns on a stand-alone basis and has state net operating loss carryforwards of approximately $120 million and $113 million as of March 31, 2021 and 2020, respectively, which will expire primarily between the years ending March 31, 2022 and 2042, with a few exceptions where the net operating loss can be carry forwarded indefinitely. The Company has determined, at March 31, 2021 and 2020, it is probable that state net operating losses will be realized. Accordingly, the Company has recorded deferred tax assets of approximately $7.2 million and $6.9 million for the entire state net operating loss carryforwards as of March 31, 2021 and 2020, respectively.

The Company also has foreign tax credit carryforwards of approximately $16 million and $19.4 million as of March 31, 2021 and 2020, respectively. If not used, these credits will generally expire between the years ending March 31, 2022 and 2032. The Company has determined, at March 31, 2021 and 2020, it is not probable that foreign tax credit will be realized in the foreseeable future. Accordingly, the Company has not recorded the deferred tax assets related to the foreign tax credit carryforwards as of March 31, 2021 and 2020.

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

The Company had a liability for uncertain tax positions of approximately $18 million and $19 million, respectively as of March 31, 2021 and 2020 including interest and penalties of approximately $1 million and $1.2 million as of March 31, 2021 and 2020, respectively. These amounts are reported in other non-current liabilities in the accompanying statements of financial position. The Company recognizes unrecognized tax benefits and the related interest and penalties as a component of income tax expense (benefit).

The Company is subject to income taxes in the U.S. and withholding taxes in various foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state, local, and foreign income tax examinations for years ended before March 31, 2018.

14. Fair Value Measurement

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

(In thousands, except where otherwise noted)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and 2020 were as follows:

	2021			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets:				
Other investments:				
Equity and debt instruments measured at FVTPL	$ —	$ —	$ 73,022	$ 73,022
Equity instruments measured at FVTOCI	5,178	—	31,779	36,957
Total other investments	5,178	—	104,801	109,979
Derivative assets—				
Contingent earnouts	—	—	—	—
Total assets	$ 5,178	—	$104,801	$ 109,979

	2020			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets:				
Other investments:				
Equity and debt instruments measured at FVTPL	$ —	$ —	$ 56,889	$ 56,889
Equity instruments measured at FVTOCI	20,826	—	32,386	53,212
Total other investments	20,826	—	89,275	110,101
Derivative assets—				
Contingent earnouts	—	—	3,585	3,585
Total assets	$ 20,826	—	$ 92,860	$ 113,686

There were no liabilities measured at fair value on a recurring basis as of March 31, 2021 and 2020. No assets or liabilities were transferred between Levels 1 and 2 during the years ended March 31, 2021 and 2020.

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

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

Derivative instruments: Derivative foreign exchange contracts are measured by discounted cash flow analysis using foreign exchange and are classified as Level 2. Contingent earnouts are measured by discounted cash flow analysis using discount rates and the probability of milestone achievement and are classified as Level 3.

(In thousands, except where otherwise noted)

The reconciliation of equity and debt instruments measured at FVTPL on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Balance at beginning of year	$ 56,889	$ 51,458
Net gains	4,303	4,536
Purchases	18,227	10,815
Capital returns	(6,875)	(9,920)
Reclassification	478	—
Balance at end of year	$ 73,022	$ 56,889
Net change in unrealized gains still held at end of year	$ 4,303	$ 2,597

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

The reconciliation of equity instruments measured at FVTOCI on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Balance at beginning of year	$ 32,386	$ 47,895
Other comprehensive income (loss)	(607)	2,702
Purchases	—	2,000
Transfers out of Level 3*	—	(20,211)
Balance at end of year	$ 31,779	$ 32,386

* Certain securities that were measured at FVTOCI became publicly-traded during the year ended March 31, 2020.

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

The reconciliation of contingent earnouts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Balance at beginning of year	$ 3,585	$ 7,690
Remeasurement loss*	(3,585)	(4,105)
Balance at end of year	$ —	$ 3,585
Net change in unrealized losses still held at end of year	$ (3,585)	$ (4,105)

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

(In thousands, except where otherwise noted)

The valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value on a recurring basis as of March 31, 2021 and 2020 were as follows:

	2021		
	Balance	Unobservable inputs	Range
Equity and debt instruments measured at FVTPL:			
Income approach/market approach	$ 57,790	Discount rate	16.0%
Cost approach	15,232	—	
Total FVTPL	73,022		
Equity instruments measured at FVTOCI:			
Income approach/market approach	$ 9,001	Revenue multiple Variable rate	3.0x – 5.8x 64.8%
Cost approach	22,778	—	
Total FVTOCI	31,779		
Contingent earnouts:			
Income approach	$ —	Discount rate Probability of milestone achievement	14.0% – 17.0% 0.0%

	2020		
	Balance	Unobservable inputs	Range
Equity and debt instruments measured at FVTPL:			
Income approach/market approach	$ 44,065	Discount rate	8.2% – 16.0%
Cost approach	12,824	—	
Total FVTPL	56,889		
Equity instruments measured at FVTOCI:			
Income approach/market approach	$ 11,042	Revenue multiple Variable rate	5.8x – 6.0x 44.2%
Cost approach	21,344	—	
Total FVTOCI	32,386		
Contingent earnouts:			
Income approach	$ 3,585	Discount rate Probability of milestone achievement	14.0% – 17.0% 0.0% – 61.0%

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

(In thousands, except where otherwise noted)

15. Contingent Liabilities

Guarantees

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

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

The Company believes that the likelihood to perform guarantees which would materially affect the Company's financial position, results of operations, or cash flows is remote at March 31, 2021 and 2020.

The following table summarizes the maximum potential amount of future payments and outstanding amount of the Company's guarantees as of March 31, 2021 and 2020. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

	2021	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 25,240	$ 25,001
Guarantees for associates and other affiliates	75,619	19,825
Total	$ 100,859	$ 44,826

	2020	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 20,192	$ 20,192
Guarantees for associates and other affiliates	92,602	10,647
Total	$ 112,794	$ 30,839

The table below summarizes the maximum potential amount of future payments for the Company's guarantees by the remaining contractual periods as of March 31, 2021 and 2020.

	2021	2020
Not later than 1 year	$ 68,160	$ 45,500
Later than 1 year and not later than 5 years	3,600	43,020
Later than 5 years	29,099	24,274
Total	$ 100,859	$ 112,794

(In thousands, except where otherwise noted)

Letter of Credit

At March 31, 2021 and 2020, the Company had commercial letters of credit outstanding of approximately $23.9 million and $18.7 million, respectively.

Litigation

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

16. Related Party Transactions

During the year, the Company has various transactions with related parties in the normal course of business. The related party balances and transactions included within the financial statements as of March 31, 2021 and 2020 and for the years ended March 31, 2021 and 2020 are as follows:

Statements of financial position:

	2021	2020
Trade and other receivables:		
Parent	$ 182,971	$ 127,039
Subsidiaries	2,573	6,047
Associates	2,662	3,644
Other affiliates	25,847	38,705
Short-term loan receivables and current portion of long-term loan receivables:		
Subsidiaries	62,923	297,150
Associates	199,073	412,109
Other affiliates	48,718	102,336
Long-term loan receivables, less current portion:		
Subsidiaries	1,151,797	1,125,384
Associates	307,125	—
Trade and other payables:		
Parent	75,550	103,304
Subsidiaries	604	4,126
Associates	—	55
Other affiliates	41,156	44,424
Short-term debt and current portion of long-term debt:		
Parent	1,210,177	1,121,673
Subsidiaries	33,539	13,473
Associates	14,691	29,616
Other affiliates	421,964	1,079,392
Long-term debt, less current portion—		
Other affiliates	1,023,649	776,208
Tax due to MUH*	4,350	—

* The Company files federal consolidated tax returns with MUH. Tax due to MUH represents the payables between the Company and MUH based on a tax sharing agreement. Tax due to MUH is included in other current liabilities in the accompanying statements of financial position.

(In thousands, except where otherwise noted)

Statements of comprehensive income:

	2021	2020
Revenue from related parties:		
Parent	$ 49,021	$ 46,957
Subsidiaries	272	352
Other affiliates	12,674	11,245
Purchases from related parties:		
Parent	169,115	259,478
Subsidiaries	2	6,206
Associates	—	183
Other affiliates	110,270	82,654
Service income included in other income:		
Parent	45,277	53,982
Subsidiaries	3,058	3,040
Associates	701	587
Other affiliates	6,528	7,621
Interest income:		
Parent	593	928
Subsidiaries	19,495	41,086
Associates	14,974	14,543
Other affiliates	811	2,249
Interest expense:		
Parent	1,309	21,211
Subsidiaries	50	424
Associates	36	776
Other affiliates	23,633	39,153

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

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

The Company provided approximately $3,337 million and $3,159 million line of credit to subsidiaries and affiliates effective on March 31, 2021 and 2020, respectively. Those lines of credit generally expire within a year.

The Company had available line of credit of $1,340 million and $1,941 million with an affiliate effective on March 31, 2021 and 2020, respectively. The lines of credit expire within a year. See Note 8 for more details on debt with affiliates and other parties.

During the years ended March 31, 2021, the Company renewed loan receivables with original maturities of more than three months with certain subsidiaries and affiliates in the total amount of $370,800, without cash settlement. During the years ended March 31, 2021 and 2020, the Company renewed debt with original maturities of more than three months with a subsidiary of Mitsui Japan in the amount of $224,136 and $140,200, respectively, without cash settlement.

The Company provides various types of guarantees to the benefit of subsidiaries and affiliated companies. See Note 15 for more details on guarantees. The Company's loan receivables guaranteed by Mitsui Japan are $952,676 and $425,043 at March 31, 2021 and 2020, respectively.

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

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

Remunerations for members of the Board of Directors, who are considered as key management personnel, for the years ended March 31, 2021 and 2020 were $2,929 and $2,332, respectively.

17. Ultimate Parent and Controlling Party

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

Mitsui & Co., Ltd.
Investor Relations Division
2-1, Otemachi 1-chome, Chiyoda-ku
Otemachi One
Tokyo 100-8631, Japan

18. Authorization of Issuance of Financial Statements

The issuance of the financial statements was authorized by Sayu Ueno, President and Chief Executive Officer, and Masao Kurihara, Senior Vice President and Chief Financial Officer, on June 4, 2021

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