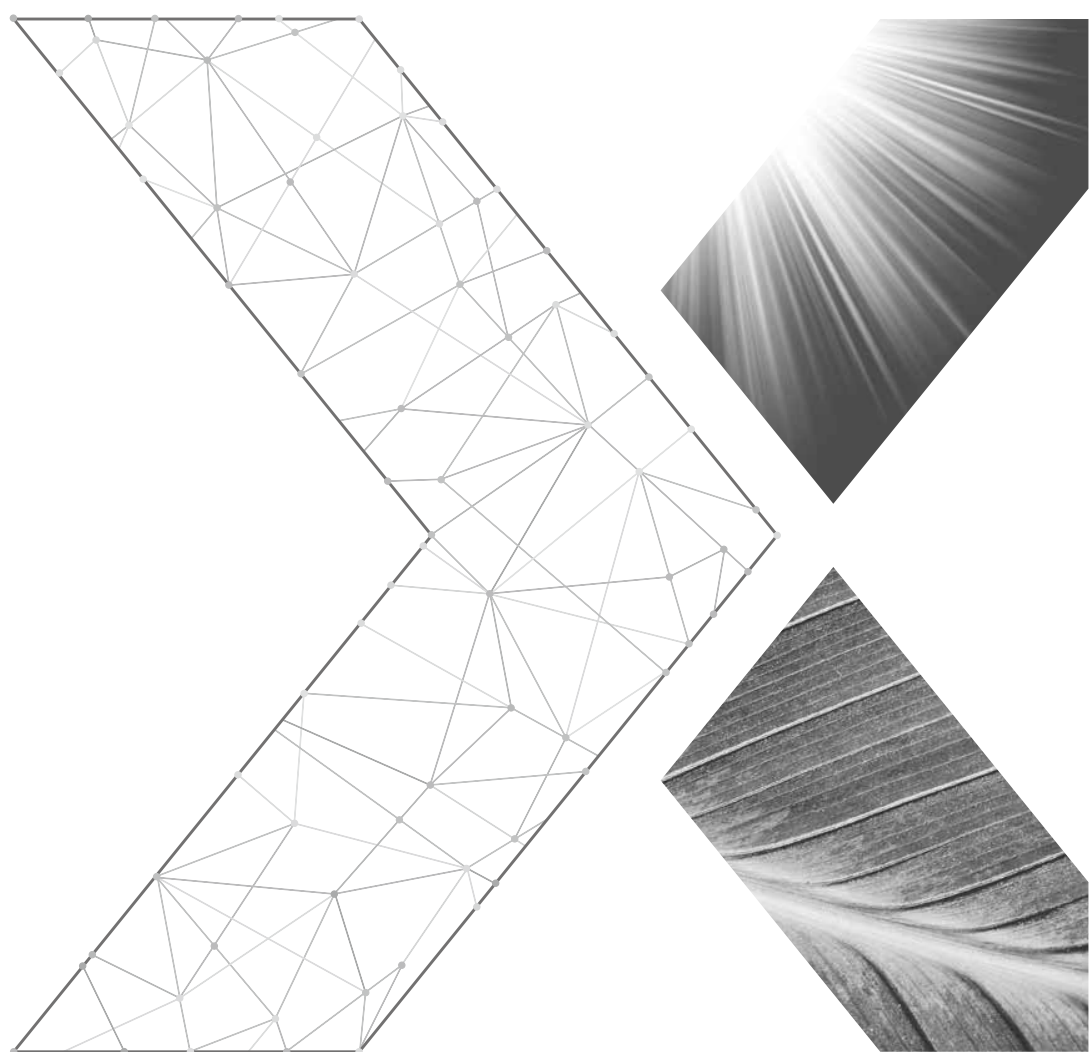


Financial Section of Integrated Report 2021

For the year ended March 31, 2021

Transforming Our Path



Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Strategic Issues

1) "Midterm Corporate Strategy 2021"

"Achieving Growth Through Business Management Model"

In November 2018, Mitsubishi Corporation (MC, the company) has conceived its latest management plan, entitled "Midterm Corporate Strategy 2021: Achieving Growth Through Business Management Model." This plan took effect from fiscal year 2019.

The new strategy lays the groundwork for MC's sustainable growth over the next three years, recognizing how worldwide economic and geopolitical changes are putting pressure on enterprises to evolve their business models. Such changes include competition between the United States and China for dominance and the so-called "Fourth Industrial Revolution" being driven by digital technologies and the emergence of platform businesses.

This medium-term management plan comprises strategy in four areas: Business Portfolio, Growth Mechanisms, HR System Reforms, and Financial Targets & Capital Policy. Through this plan, we will achieve growth predicated on simultaneously generating economic, societal, and environmental value via a business management model.

■ Business Portfolio

Under Midterm Corporate Strategy 2021, MC will be implementing a framework of portfolio-based decision making to secure a more holistic view of industry and help determine which fields to be more proactive in and where to replace its assets based on changes in the operating environment.

To optimize its portfolio, MC will analyze its businesses from a number of unique vantage points. In addition to considering quantitative information, such as the scale of a business and the amount of capital deployed, MC will be examining businesses in terms of region, industry presence and MC's level of management engagement.

■ Growth Mechanisms

MC's objective is to identify Potential Growth Sources, nurture them into Growth Drivers, and then add more value to them until they evolve into the Company's next generation of Core Businesses, and to fundamentally review those that have reached stages where it will be impossible for MC to add further value. Those reviews will include the appropriate reallocation of capital.

Naturally, MC intends to continue this cycle in the future, but with greater consciousness about maintaining the portfolio's ideal shape and balance.

Some of the more specific measures that MC will be taking are described below.

MC has set up a Business Creation Office in its Corporate Strategy & Planning Department and appointed General Managers for Business Creation to all of its Business Groups, which will allow the Company to be even more proactive in identifying Potential Growth Sources and building Growth Drivers.

MC has also appointed a Chief Digital Officer (CDO) and set up a Digital Strategy Department under that officer's charge. To address the rapid digitization of industries, the Company has assigned General Managers for Digital Strategy to each of its Business Groups.

■ HR System Reforms

MC will be reforming its HR system to: (1) Ensure that employees gain the right experience to become management professionals earlier in their careers; (2) Be more meritocratic to ensure that the right people are assigned to the right positions; and (3) Utilize management talent more widely and effectively throughout the MC Group.

MC's main objectives in HR are to continuously produce highly skilled management professionals who are capable of excelling in different fields, and to foster reciprocal growth between the Company and its employees. To achieve those objectives, MC will endeavor to swiftly identify the ideal candidate for each position, create a stronger meritocracy, implement share-based compensation and introduce a multilayered evaluation framework.

■ Financial Targets & Capital Policy

By continuously growing its Business-Related Segments and becoming more competitive in Market-Related Segments, MC will aim for ¥900 billion in consolidated net income and an even higher double-digit ROE in fiscal 2021.

In its investment and asset disposal planning, MC seeks to maintain more than 70% of all risk assets in Business-Related Segments and will decide asset allocation with the aim of maintaining an optimal balance between Business-Related Segments and Market-Related Segments.

MC will also continue to flexibly increase its dividend in line with earnings growth (i.e. extend its current progressive dividend scheme), aiming to increase its dividend payout ratio from 30% to 35% in the future.

2) “Progress on Midterm Corporate Strategy 2021”

In the year ended March 31, 2021, the Company’s performance was significantly affected by the COVID-19 pandemic. Nevertheless, in the face of the accelerating shift toward digitalization and a low-carbon or decarbonized society, MC promoted digital transformation (DX) and energy transformation (EX), both of which it regards as key issues, by employing an integrated approach. In addition, the Company has forecast ¥380.0 billion in consolidated net income in the year ending March 31, 2022.

1	Business Portfolio	<ul style="list-style-type: none"> • DX/EX Progress in “Energy & Power” segment and “downstream” areas <ul style="list-style-type: none"> - European integrated energy company, Eneco was awarded the tender for a large-scale offshore wind farm in the Netherlands. - Participated in BSD District smart city development, located in suburban Jakarta, Indonesia, and formed a partnership to start evaluation of urban city management. • Activities in “upstream” areas related to electrification progress <ul style="list-style-type: none"> - Development of the Quellaveco copper project in Peru is on-track to start production in 2022. - Acquisition of the Australian Aurukun bauxite tenement, a raw material source for lightweight, highly recyclable aluminum.
2	Growth Mechanisms	<ul style="list-style-type: none"> • Progress in DX/EX initiatives to address the key issues of the future <ul style="list-style-type: none"> - Established “Industry One”, a DX service company, with the NTT Group to deliver DX solutions for industry. - Established new JV company with Chubu Electric Power Group, that will provide customer oriented services as Power and Retail DX initiatives. - Aim to double renewable power generation capacity by FY2030 relative to FY2019 and achieve 100% non-fossil fuel generation by 2050. • Progress in asset replacement under the Value-Added Cyclical Growth Model <ul style="list-style-type: none"> - Implemented replacements of power generation and real estate development assets. - Evaluate company-wide list of loss-making businesses and strengthen turnaround and replacement policies.
3	HR System Reforms	<ul style="list-style-type: none"> • The right people at the right jobs; assignment of management personnel well aligned with their expertise. • HR development for management personnel through reinforced talent management.
4	Financial Targets & Capital Policy	<ul style="list-style-type: none"> • FY2020 results 172.6 billion yen, FY2021 forecast 380 billion yen • Continued to pay Progressive Dividends under a capital policy based on financial discipline, despite incurring significant impairments. <ul style="list-style-type: none"> - Dividends: FY2020 = 134 yen, FY2021 forecast = 134 yen
Changes in the External Environment		
<ul style="list-style-type: none"> • Vaccination against COVID-19 has started in earnest worldwide, and the economic environment is on-track for a gradual recovery. COVID-19 has changed the lifestyles of many and, as a result, digitalization has progressed further. • Governments throughout the world have declared net-zero GHG emissions and the shift toward low/zero carbon society has accelerated. • Geopolitical uncertainty centered on the hegemonic confrontation between the U.S. and China has increased. 		

(Impact of COVID-19 on Business Activities)

Although the impact of the COVID-19 pandemic on each consolidated subsidiary varies greatly by location and business, MC believes that the pandemic’s impact on the Company’s business operations will gradually taper off during the year ending March 31, 2022, as the commencement of vaccinations worldwide helps place the economy on a modest recovery track. For details on the pandemic’s primary impact on the businesses of each business group, please refer to 3) “Operating Environment in the Year Ended March 2021 and Outlook for the Year Ending March 2022 by Segment.”

3) “Operating Environment in the Year Ended March 2021 and Outlook for the Year Ending March 2022 by Segment”

(1) Natural Gas Group

In the year ended March 31, 2021, earnings decreased year over year, mainly due to a decrease in equity earnings in the LNG-related business.

Global LNG demand in 2020 remained robust and increased 11 million tons year over year to approximately 370 million tons. This was attributable to growth in LNG demand mainly in China, India and elsewhere in Asia, despite the impact of the COVID-19 pandemic. Although spot prices in Asia temporarily fell to a record low of less than US\$2 per million British thermal unit (Btu) due to the impact of the COVID-19 pandemic at the beginning of the fiscal year, prices recovered thereafter thanks to solid growth in LNG demand. As of March 31, 2021, the spot price stood at below US\$8.

Crude oil prices (Dubai spot price) temporarily plunged due to a decline in demand caused by the COVID-19 pandemic, as did LNG prices. However, as of March 31, 2021, crude oil prices were back to over US\$60/BBL thanks to coordinated production cuts by OPEC-Plus and the development of COVID-19 vaccines. Full-scale recovery in crude oil demand is expected to take time, but crude oil prices are forecast to continue to gradually recover and rise over the medium to long term, reflecting such factors as production adjustments undertaken by oil-producing countries and the normalization of economic activity.

LNG demand is expected to grow over the medium to long term, reflecting growing energy demand and LNG’s environmental advantage. As such, LNG is expected to see continued growth as a business area. Although fluctuations in crude oil prices significantly impact the operating results of the Natural Gas Group, such fluctuations in the price of crude oil might not be immediately reflected in our operating results given the time lag between such fluctuations and their impact on our operations.

(2) Industrial Materials Group

In the year ended March 31, 2021, profit for the year decreased year over year.

This was mainly attributable to decreased equity earnings in the Steel business and lower business profit in the Carbon business, reflecting rebound from one-off gains recorded in the previous year due to the reorganization of the Steel business as well as the impact of the COVID-19 pandemic. Said effects included operational suspensions and production cuts undertaken by automakers at home and abroad, as well as a drop in demand for materials used in the construction, infrastructure and energy fields, which experienced significant decline in market conditions.

Looking at the group’s business environment, although the future outlook is unclear, as resurgences of COVID-19 have been reported in some countries and regions, demand and market conditions are expected to be strong for such items as basic industrial materials, as growth in emerging economies drives the global economy. Over the medium to long term, business opportunities are expected to arise from the diversification of material-related needs that reflect the growing significance of such items as environmentally friendly lightweight materials. On the other hand, competition is also expected to intensify. Accordingly, the group is working to reexamine how it can help solve the issues facing the industries it serves and will focus on businesses in which it can effectively use its strengths and functions.

(3) Petroleum & Chemicals Group

In the year ended March 31, 2021, earnings increased significantly year over year, mainly due to rebound from losses related to crude oil trading derivatives at the Singapore petroleum subsidiary and increases in trading profit and equity earnings in the Petroleum business.

At the beginning of the fiscal year, crude oil prices (Dubai spot price) remained low due to stagnant demand caused by the global COVID-19 pandemic. However, buoyed by ongoing coordinated production cuts by OPEC-Plus and expectations for the development and rollout of COVID-19 vaccines, crude oil prices recovered to pre-pandemic levels at the end of the fiscal year.

The chemicals product market was similarly affected by the COVID-19 pandemic at the beginning of the fiscal year. However, by the fiscal year-end, the prices of key chemical products returned to pre-pandemic levels thanks to the quick recovery of the Chinese economy and consumer demand related to staying at home.

The outlook is expected to remain quite uncertain for some time due to such factors as fluctuations in demand caused by resurgences of COVID-19 and confrontation between the United States and China in addition to changes in the environment surrounding oil-producing nations. Against this background, the importance of transitioning to a low-carbon, recycling-based society will continue to grow, and changes to lifestyles related to infectious diseases are expected to bring about structural market changes. While reinforcing our core businesses, we will work to create new business leveraging our collective capabilities in petroleum and chemicals.

(The Petroleum & Chemicals Group is renamed the Petroleum & Chemicals Solution Group from the year ending March

31, 2022)

(4) Mineral Resources Group

In the year ended March 31, 2021, earnings decreased year over year, mainly due to decreased market prices that affected the Australian metallurgical coal business and rebound from one-off gains recorded in the previous year from the reorganization of the Chilean copper business.

Looking at assets held by the group, continuing operations while introducing COVID-19 countermeasures resulted in a partial decline in productivity, but production volume has not been directly affected. With regard to the business environment surrounding the core business of the group, demand for metallurgical coal, a raw material used in steelmaking, has been strong in China thanks to the country's rapid economic recovery from the COVID-19 pandemic and its robust volume of crude steel production. On the other hand, the supply of Australian metallurgical coal exceeded demand due to restrictions imposed by China on the import of such coal due to the deterioration of diplomatic relations between Australia and China. Reflecting this, coal market prices declined year on year. In the Copper business, the other core business of the group, earnings remained at a higher level than the previous year due to the influx of funds into the copper market, which retains abundant market liquidity, reflecting quantitative monetary easing policies undertaken by the central banks of major countries.

In the year ending March 31, 2022 and beyond, in the metallurgical coal business, crude steel production volume is expected to recover in Europe, India and Japan, as it has in China, and eventually exceed pre-pandemic levels. However, due to import restrictions imposed by China on Australian metallurgical coal, such coal is likely to remain in oversupply.

In addition, the current robust copper prices are partially attributable to speculative investment that may indicate disproportional expectations. Depending on economic recovery going forward, copper prices may be affected by such factors as the tightening of monetary policies.

In the medium to long term, demand for mineral resources and non-ferrous products is expected to remain firm thanks to global economic growth led by emerging economies.

(5) Industrial Infrastructure Group

In the year ended March 31, 2021, earnings decreased year over year, mainly due to rebound from one-off evaluation profit from making Chiyoda Corporation a consolidated subsidiary in the previous year and one-off losses recorded by the ship business, as well as decreased earnings in the Rental business.

The impact of the COVID-19 pandemic has been significant in the plant engineering business, industrial machinery business, ship business and aerospace business, which together constitute the group's primary business areas. In Japan, the construction equipment rental business was affected by a sales decrease attributable to delays in the commencement of construction projects and the cancellation of events due to the pandemic.

Looking at the year ending March 31, 2022 and beyond, although economic activities may continue to be affected by the pandemic in the short term, growth in demand in the industrial infrastructure field is expected to support the group's plant engineering business over the medium to long term in step with the transition to a decarbonized society. In the industrial machinery business, demand is also likely to recover from pandemic-induced declines in the construction equipment rental, machine tool, elevator, domestic agricultural machinery and other related fields. In the ship business, tightening environmental regulations is expected to spur the retirement of older commercial vessels, improving demand, and demand for gas carriers is expected to firm, reflecting growing LNG demand. In addition, the introduction of digital technologies is accelerating across business fields. Aware of this, the group will push ahead with the development of new businesses centered on providing solutions while strengthening existing businesses.

(6) Automotive & Mobility Group

In the year ended March 31, 2021, earnings decreased year over year, mainly due to impairment losses on noncurrent assets possessed by Mitsubishi Motors and structural reform expenses incurred by this subsidiary, as well as the recording of one-off losses, including impairment losses on noncurrent assets associated with overseas investees and relevant allowances.

Stagnation in the automobile market worldwide is ongoing due to the impact of the COVID-19 pandemic, resulting in a year over year decrease in numbers of automobile sold in Thailand and Indonesia-two key market regions for the group-as well as in many other countries. However, the group strove to bolster its automobile sales volume and retained market share by taking full advantage of newly incorporated online sales channels as well as conventional offline channels.

In the year ending March 31, 2022, while further reinforcing and expanding existing businesses in Thailand and Indonesia, we will work to further expand our businesses and sales, mainly in ASEAN and other developing countries. In addition, in light of CASE (Connected, Autonomous, Shared/Service, and Electric) and other structural changes to the

industry, we will advance mobility and service businesses leveraging the business foundations we have built up over the years and our locally rooted strengths.

In the year ending March 31, 2022, global stagnation in the automobile market is expected to continue for some time due to the impact of the COVID-19 pandemic. Nevertheless, the group will aim for recovery in the number of automobiles sold via online and other sales channels.

(7) Food Industry Group

In the year ended March 31, 2021, consumer markets were affected by radical changes in consumer behavior and needs in the wake of the COVID-19 pandemic due to such factors as lockdowns instituted in major cities around the world. The group's profit for the year decreased year over year, mainly due to rebound from one-off gains recorded in the previous year by the Overseas food business and one-off losses in the Overseas food material business.

In the year ending March 31, 2022, due to the ongoing COVID-19 pandemic, conditions in domestic and overseas consumer markets are expected to remain unpredictable and challenging, reflecting economic slowdown and sluggish consumption. However, we will work to stabilize revenues by aggressively utilizing digital transformation (DX) to improve the efficiency and sophistication of overall supply chains while striving to provide products and services that accurately meet consumer needs.

(8) Consumer Industry Group

In the year ended March 31, 2021, consumer lifestyles changed radically due to the COVID-19 pandemic, significantly affecting consumer market conditions surrounding the group. Retail store closures accompanying urban lockdowns overseas and voluntary efforts to avoid going out and the introduction of remote working in Japan led to growth in demand related to spending more time at home. On the other hand, store traffic declined significantly at convenience stores located in office and shopping districts. The group's profit for the year decreased significantly year over year, mainly due to the recording of impairment losses on goodwill and intangible assets at Lawson.

Going forward, the domestic business environment is expected to prove increasingly harsh due to the saturation of the consumer market amid population decline, surges in expenses for personnel and logistics due to labor shortages and increased competition as new entrants move into the consumer business from other sectors. Against this backdrop, the group announced the establishment of Industry One, Inc., a provider of DX services, in partnership with NTT Corporation. Through this joint venture, we will strive to resolve issues society is now confronting by, for example, helping retail and logistics industries improve efficiency and eliminate redundancies. The group will also take full advantage of a broad range of customer contact points encompassing both brick-and-mortar and online outlets in an effort to acquire data-driven, in-depth and region-specific insights on consumer needs. In this way, we will strive to uncover new demand and revitalize regional economies.

(9) Power Solution Group

In the year ended March 31, 2021, earnings decreased year over year. The impact of the COVID-19 pandemic on upstream businesses associated with power generation and transmission was insignificant thanks to a stable revenue model backed by long-term purchase agreements for electricity, and the pandemic's impact on the power retailing business, which is centered on B2C retailing in Europe and Japan, was similarly limited. However, earnings were negatively affected by rebound from reevaluation gains recorded in the previous year via the consolidation of the Eneco Group and the cancelation of a reduction in corporate income taxes in the Netherlands scheduled for the fiscal year.

As the market environment is influenced by a rapid shift toward a decarbonized society, business opportunities are significantly growing in the field of renewable energy development. With this in mind, we will take on initiatives to maximize the overall value of our energy chain ranging from upstream (supplier side) to downstream (consumer side) via the further expansion of the renewable energy business, not only in Europe, where we maintain a platform through Eneco, but also in Japan and the Americas. In terms of power-related digital transformation (DX), we will employ a marketing approach that builds on our customer base deeply rooted in communities and leverages digital technologies as we strive to launch services optimized to accommodate diverse customer lifestyles and their evolving needs arising from major life events.

(10) Urban Development Group

In the year ended March 31, 2021, earnings decreased year over year, mainly due to impairment losses on aircraft, a reduction in the valuation of accounts receivable recorded by the aircraft leasing business, as well as decreased equity earnings in the airport management business.

In aircraft leasing-related operations, earnings decreased in the wake of the COVID-19 pandemic due to delays in leasing fee payments by lessees whose business results were sluggish, requests for discounts on leasing fees and the revaluation of lease assets in light of economic recession and movement restrictions.

In airport management-related operations, passenger demand in 2020 declined 70% year over year. The number of passengers, especially those who use international flights, thus declined significantly, profoundly impacting both our airline- and non-airline revenues.

In the year ending March 31, 2022, although the impact of the COVID-19 pandemic still requires close attention, market conditions associated with real estate-related trading have begun to normalize. Moreover, demand for logistics and data center facilities is growing thanks to such factors as the expansion of e-commerce. Taking these factors into account, it is expected that the market will grow sustainably.

In corporate investment-related business, due to growing service demand, we expect to benefit from strong equity and stock markets, much like North American digital-related firms of our investees have. On the other hand, the impact of the COVID-19 pandemic still remains significant in some regions and sectors. We will therefore continue to monitor conditions closely.

2. Business Risks

1) Risks of Changes in Global Macroeconomic Conditions

As we conduct businesses on a global scale, our operating results are impacted by economic trends in overseas countries as well as those in Japan.

For instance, a decline in prices of energy and mineral resources could have a large impact on our resource-related import trading and earnings from business investments. Furthermore, a worldwide economic slowdown could affect our entire export-related business, including plants, construction machinery parts, automobiles, steel products, ferrous raw materials, chemical products, and other products.

In Thailand and Indonesia, we have various automobile businesses, including automobile assembly plants, distribution/sales companies and financial services companies jointly established with Japanese automakers. Since automobile sales volume reflects domestic demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant impact on earnings from our automobile operations.

In the year ended March 2021, the economies of major countries began to recover from the impact of the global COVID-19 pandemic, but the outlook remains unclear in light of such factors as additional waves of infection in countries and regions around the world. These present risks of the pace of global economic recovery rising above or falling below assumptions. We will monitor developments accordingly.

For details about the impacts of the COVID-19 on the operating environment in the year ended March 2021 and outlook for the year ending March 2022 by segment to date or in the future, please refer to the sections (Impact of COVID-19 on Business Activities) within 2) “Progress on Midterm Corporate Strategy 2022” and 3) “Operating Environment in the Year Ended March 2021 and Outlook for the Year Ending March 2022 by Segment” under “1. Strategic Issues”.

2) Market Risks

(Unless otherwise stated, calculations of the effects on profit for the year are based on profit for the year ending March 31, 2022, estimated by profit for the year ended March 31, 2021. Consolidated profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”)

(1) Commodity Market Risk

In the course of our business activities, we are exposed to various risks relating to fluctuations of commodity prices as a trader, an owner of rights to natural and energy resources, and a producer and seller of the industrial products of our investees. Product categories that may have a large impact on our operating results are as follows:

(Energy Resources)

We engage in natural gas and oil production, business development, and the liquefied natural gas (LNG) business, in North America, Southeast Asia, Australia, and other regions. Accordingly, fluctuations in oil and gas prices could have a significant impact on our operating results.

The price of Dubai crude oil fell early in the fiscal year due to a sharp drop in demand caused by the COVID-19 pandemic. Later, however, the price rapidly recovered, reflecting vaccine development and ongoing coordinated production cuts by OPEC-Plus, reaching more than US\$65/BBL in early March 2021. However, since late March, prices have entered an adjustment phase, reflecting such factors as concerns about the spread of variant strains of COVID-19.

Full-scale recovery in crude oil demand is expected to take time, but crude oil prices are expected to continue to gradually recover and rise over the medium to long term at a rate influenced mainly by production adjustments in

crude oil producing countries and the pace of economic activity normalization.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. Due mainly to the decrease in demand caused by the COVID-19 pandemic, early in the fiscal year ended March 2021, spot prices in Asia fell to record lows of below US\$2 per million British thermal unit (Btu). In the summer and autumn, prices began to rise, reflecting economic reopening in Asian countries. In January, the confluence of supply problems at multiple production facilities and an increase in demand due to a cold wave caused the price to temporarily rise to a record high of more than US\$30. Subsequently, prices stabilized at around US\$7 as of March 31, 2021.

In many cases, LNG prices are linked to crude oil prices. It is estimated that a US\$1/BBL fluctuation in the price of crude oil would have an approximate ¥2.5 billion effect on profit for the year for LNG and crude oil combined in a year, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag between such fluctuations and their impact on our operations.

(Mineral Resources)

Through a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), in Brisbane, Australia, we sell metallurgical coal, which is used for steel manufacturing. Fluctuations in the price of metallurgical coal may affect our operating results through MDP's earnings. MDP's operating results cannot be determined by the coal price alone since MDP's results are also significantly affected by fluctuations in exchange rates among the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes etc.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. It is estimated that a US\$100 fluctuation in the price per MT of copper would have a ¥1.3 billion effect on our profit for the year (a US\$10 price fluctuation per lb. of copper would have a ¥2.8 billion effect on our profit for the year). However, variables beside price fluctuations may also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings may not be determined by the copper price alone.

In addition, as production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations. If long-term stagnation is forecast in commodities markets, impairment loss on our property, plant and equipment and investments accounted for using the equity method could impact our operating results.

(2) Foreign Currency Risk

We are exposed to the risk of fluctuations in foreign currency rates against the yen in the course of our trading activities, such as export, import, and offshore trading. While we use forward contracts and other hedging strategies, there is no assurance that we can completely avoid foreign currency risk.

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit for the year. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, appreciation in the yen relative to foreign currencies has a negative impact on profit for the year. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximately ¥2.0 billion effect on profit for the year.

Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders' equity through a negative effect on exchange differences on translating foreign operations. Consequently, as needed we implement various measures to prevent increased exposure to foreign currency risk on investments, such as by hedging foreign currency risks with respect to new large investments. However, there is no assurance that we can completely avoid these risks.

(3) Stock Price Risk

As of March 31, 2021, we owned approximately ¥1,030.0 billion (market value) of marketable securities, mostly equity issues of customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above includes net unrealized gains of approximately ¥270.0 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed as marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk

As of March 31, 2021, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,644.3 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other

operating assets that are affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a timing difference, interest rate risk is offset. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income as well as other income streams such as dividends that are strongly correlated with economic cycles. Accordingly, even if interest rates increase as the economy improves, leading to higher interest expenses, we believe that these expenses would be offset by an increase in income from the corresponding assets held. However, our operating results may be negatively affected temporarily if there is a rapid rise in interest rates because increased income from commensurate assets held would fail to offset immediately the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond flexibly to market risks, we have established the Asset Liability Management (ALM) Committee. This committee establishes fund procurement strategy and manages the risk of interest rate fluctuations. However, there is no assurance that we can completely avoid these risks.

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivable and advance payments, finance, guarantees and investments as part of our various operating transactions. We are therefore exposed to credit risks in the form of losses arising from deterioration in the credit of or bankruptcy of customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging these risks. In this case, we are exposed to the credit risk of the counterparties regarding these derivative contracts.

To manage this risk, we have established credit and transaction limits for each customer as well as introduced an internal rating system. Based on internal rules determined by internal ratings and the amount of credit, we also require collateral or a guarantee depending on the credit profile of the counterparty. However, there is no guarantee that we will be able to completely avoid credit risk with these strategies. We reduce transactions and take measures to protect our receivables when there is deterioration in the credit condition of customers. We also have a policy for dealing with bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit could affect our operating results.

In particular, if the worldwide spread of COVID-19 causes severe credit crunches or worsening business performance, a resulting increase in funding difficulties or bankruptcy among our customers could impact our operating results.

4) Country Risk

We are exposed to country risks in relation to transactions and investments with overseas companies in the form of possible delays or inability to collect payments or conduct business activities due to political and socioeconomic conditions in the countries where such companies are domiciled.

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project.

Furthermore, we have established a country risk countermeasure system. The country risk countermeasure system classifies countries into categories based on risk factor type. Country risk is controlled within a certain range through the establishment of risk limits for each category.

However, even with these risk hedging measures, it is difficult to completely avoid risks caused by deterioration in the political, economic, or social conditions in the countries or regions where our customers, portfolio companies or ongoing projects are located. Such eventualities may have an impact on our operating results.

5) Business Investment Risk

We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of increasing our commercial rights and deriving capital gains. However, we are exposed to various risks related to business investments, such as the possible inability to recover our investments, exit losses, or being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the meaning and purpose of the investment, quantitatively estimate the downside risk of investments, and evaluate whether the return on the investments, based on the characteristics of the business, exceeds the expected rate of return. After investing, we formulate annual business plans for each investment and manage risks to achieve our investment goals. Furthermore, we clarify retention policies, including the sale of our equity interest or the liquidation of the investee in order to efficiently replace assets in our portfolio, in the event that the investments are generating lower earnings than indicated in the plan.

Notwithstanding these initiatives, although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and withdrawals from an investment etc.

(Specific Investments)

a. Investments in Australian Metallurgical Coal and Other Mineral Resource Interests

In November 1968, we established MDP to engage in the development of coal (metallurgical coal, which is used for steel manufacturing). In 2001, we acquired through MDP a 50% interest in the BMA metallurgical coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and have been engaging in this business with the partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest metallurgical coal businesses, currently producing 65 million tons per year. As of March 31, 2021, the book value of MDP's fixed assets is approximately ¥850.0 billion.

The commodity market risks have the potential to affect MDP's profit, in turn affecting our operating performance. For details, please refer to the section entitled "2) (1) Commodity Market Risk (Mineral Resources)."

b. Investments in Interests in Chilean Copper Assets and Other Resource Interests

We hold shares in Anglo American Sur S.A. (AAS), which holds Chilean copper resource interests, with Anglo American Plc (AAC), headquartered in London, United Kingdom, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd. In the fiscal year ended March 31, 2021, we transferred shares of AAS to Chile-based M.C. Inversiones Limitada, our core mineral resource development company in Central and South America, in order to evolve AAS's business management, including flexibly implementing initiatives in Chile with partners, and thereby raise AAS's business value. AAC holds a 50.1% ownership interest in AAS, the joint venture holds a 29.5% interest, and we hold a 20.4% interest, which we acquired for US\$4.51 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS's total copper production was approximately 370,000 tons in 2020.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, we conduct impairment tests for our investment in AAS. As AAS' production and development plans are long-term, we evaluate risk from a medium- to long-term perspective, including revisions in copper price forecasts. In relation to copper prices, we formulate a forecast, taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations. Because AAS's production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than short term price fluctuations. The book value of the investment in AAS was approximately ¥150.0 billion as of March 31, 2021.

c. Investments in Interests in Peruvian Copper Assets and Other Resource Interests

Together with AAC, headquartered in London, United Kingdom, we hold a 40% interest in Anglo American Quellaveco S.A. (AAQ), headquartered in Lima, Peru, which holds the resource interests to the Quellaveco copper mine project (Quellaveco) in Peru.

Quellaveco is one of the world's largest undeveloped copper deposits, estimated to contain 7.5 million tons (content mineral basis) of copper ore reserves, and is highly cost competitive. Construction on the project commenced in August 2018 and is advancing toward a planned production start in 2022. After production commences, copper production attributable to Mitsubishi Corporation is estimated to increase by about 120,000 tons per year.

We apply the equity method to the investment in AAQ. We conduct impairment tests for our investment in AAQ as an investment accounted for using the equity method. Quellaveco is still under development and AAQ's production and development plans are long-term. As such, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAQ than short-term price fluctuations. As such, we evaluate this investment from a medium- to long-term perspective that includes copper price forecasts. We formulate these forecasts of copper prices taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations.

The total of the investment book value and loan to AAQ is approximately ¥260.0 billion as of March 31, 2021.

d. Montney Shale Gas Development Project/LNG Canada Project

We are building a natural gas value chain in Canada, stretching from upstream resource development to LNG production, export and sales. In terms of upstream businesses, we are operating a shale gas development business through our wholly owned consolidated subsidiary CUTBANK DAWSON GAS RESOURCES LTD. with Ovintiv Inc. Our investment stake in the project is 40%, with a book value of ¥213.5 billion as of March 31, 2021.

Also, to export and sell the natural gas as LNG, we took a final investment decision (FID) on LNG Canada, together with our partners, in 2018. This project involves the construction of liquefaction facilities with annual production capacity of 14 million tons to export LNG to customers in Japan and other East Asian countries. Production is expected to commence in the mid-2020s. Shell holds a 40% interest in the project, Petronas holds 25%, Petro China holds 15%, we hold 15%, and Korea Gas Corporation holds 5%.

Risks in the commodity market have the potential to affect this project, in turn affecting our operating performance. For details, please refer to the section entitled “2) (1) Commodity Market Risk (Energy Resources).”

In addition to the items mentioned above, we are evaluating our other investments in copper asset interests, as well as investments related to crude oil, gas, and LNG in order to recognize key risks. As production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations.

e. Investment in Lawson Inc.

In 2017, we acquired an additional 16.6% of the issued shares of Lawson Inc. (Lawson) via tender offer. Combined with our existing 33.4% stake, this resulted in a majority shareholding. Accordingly, we made Lawson a consolidated subsidiary. Lawson operates a franchise system and directly managed Lawson convenience stores, an overseas convenience store business, and other peripheral businesses. As of February 28, 2021, Lawson’s convenience store network comprised approximately 14,500 stores in Japan and 3,500 stores overseas, for a total of approximately 18,000 stores.

During the year ended March 31, 2021, we recorded after-tax impairment losses of ¥83.6 billion (the portion attributable to Mitsubishi Corporation) on a portion of the intangible assets and goodwill recognized when Lawson became a subsidiary based on revisions to said subsidiary’s business plans made by Mitsubishi Corporation in light of the weakening of recent financial results and unclear outlook due to the impact of the COVID-19.

Going forward, deterioration in the business environment could affect our operating performance via the performance of Lawson or impairment losses on goodwill. The book value of this goodwill as of March 31, 2021 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is approximately ¥150.0 billion. For details, please refer to "14. INTANGIBLE ASSETS AND GOODWILL" under "Notes to Consolidated Financial Statements".

f. Investment in Eneco

In March 2020, Diamond Chubu Europe B.V., established jointly by Mitsubishi Corporation and Chubu Electric Power Co., Inc., acquired 100% of the shares of Eneco, a company that operates an integrated energy business in Europe, for approximately ¥500.0 billion.

Eneco is an integrated energy company boasting excellent competitiveness and adaptability in the business fields of renewable power generation and supply, power trading, and retail and new services.

By taking advantage of Eneco’s technological strengths and know-how in renewable energies, we are aiming to accelerate its own renewable developments in Europe and around the world. We are seizing this acquisition as an opportunity to help reduce greenhouse emissions and realize its vision of simultaneously generating economic, societal and environmental value through its businesses.

A decline in electricity demand or European macro economy could impact our operating results via Eneco’s operating results or impairment loss on the goodwill recognized when we acquired Eneco. The book value of this goodwill as of March 31, 2021 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is approximately ¥110.0 billion.

6) Risks Related to Compliance

We are engaged in businesses in all industries through many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, anti-bribery laws, international trade-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate.

We have established a Compliance Committee, which is headed by a chief compliance officer, who provides direction and supervision related to compliance with laws and regulations on a consolidated basis. Under his/her direction and supervision, in the individual business groups and corporate departments, the compliance officers of individual groups and departments plan and implement specific compliance initiatives and strive to enhance awareness of compliance. We also work to ensure that consolidated subsidiaries and affiliates (excluding listed companies) set up compliance management systems on par with that of ours.

Notwithstanding these initiatives, compliance risks cannot be completely avoided. Failure to fulfill our obligations under related laws and regulations could affect our businesses and operating results.

7) Risks from Natural and Other Types of Disasters and Crises

An unforeseeable crisis, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza or COVID-19, or a large-scale accident, acts of terrorism or riots that affect our employees and damage our offices, facilities or systems could hinder sales and production activities.

We have put in place a variety of countermeasures, including the Emergency Crisis Management Headquarters; response protocols, such as those for checking the safety and wellbeing of persons associated with us when a crisis occurs; business continuity plans (BCPs) for important operations; earthquake-proofing measures for buildings, facilities and systems (including backup of data); regular drills; and emergency stocks of necessary supplies. Furthermore, we implement business continuity management (BCM) to prepare for crises. These comprehensive management activities include formulating first response protocols and BCPs based on risk and impact analyses of all kinds of events and the continuous operation of the PDCA cycle.

In response to the global COVID-19 pandemic, we have been taking necessary measures to promptly prevent the infection of employees and halt the spread of infection, in tandem with maintaining appropriate business continuity. These efforts have been led by our Emergency Crisis Management Headquarter with the help of occupational health physicians. In Japan, under the policy of classifying the safety of employees as the highest priority while maintaining business and work operations, we have been taking appropriate measures in accordance with requests from the government at the local and national levels, such as hygiene management, cancellation of group dining and business trips, and appropriate management of the number of employees on site at a given time since the state of emergency has been declared in April 2020. Even after the state of emergency was concluded, we have been following the requests from the local and national governments as we make decisions about group dining and business trips and establish and operate work systems that incorporate working from home. Going forward, we will continue to implement necessary measures in light of conditions related to the spread of infection and requests from the national and local governments. Overseas, based on careful consideration of circumstances in each country concerning the spread of infection and healthcare, we are promptly taking such measures as moving employees and their families out of certain countries or shifting office operations to work-from-home arrangements, as well as taking the pandemic into account in decisions about redeploying employees overseas. We will continue to sufficiently confirm the safety of the situation in each country in light of local conditions and restrictions as we work to ensure appropriate business continuity.

However, no amount of preparation can completely avoid the risk of damage or other impact, and a natural or other disaster or crisis could affect our operating results.

8) Risks Related to Climate Change

The impact of climate change includes the effects of frequent extreme weather on water resources, effects on human populations and biodiversity in the natural world, as well as the attendant effects on food resources and other natural resources. These effects are of great consequence for the global environment and mankind, as well as for corporate activities, and may negatively impact our business continuity and the operating results.

Risks related to climate change are broadly categorized as transition risks (risks related to government policy and regulations, technology, markets, etc.) and physical risks. Transition risks include risks of increased operational or facility-related costs due to carbon pricing (carbon taxes, etc.), expanded regulations, or the obsolescence of products and services that rely on existing technologies. Physical risks include the impact on operations of drought or flooding. We aim to simultaneously generate economic, societal, and environmental value and, as such, have designated transitioning to a low-carbon society as one of our Key Sustainability Issues. Accordingly, we are working to address risks related to climate change.

Specifically, the Sustainability & CSR Committee identifies key risks related to climate change and assesses their potential business impact. For businesses expected to be highly impacted, we implement 2° scenario analyses based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and reflect the results in our strategy for said businesses. These efforts are reported to the Board of Directors.

In addition, the problems of climate change present new business opportunities related to developing and promoting the use of new technologies and alternative products in such areas as renewable energy, electric vehicles and ethical consumption.

3. Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other factors which it believes reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that valuations of the items which require accounting estimates are reasonable. However, these valuations include uncertainties that may be beyond the control of management. Therefore, actual results may differ from these estimates under different assumptions or conditions. Please refer to Note 2, to the consolidated financial statements, “Basis of Preparation” (5) Significant accounting judgments, estimates and assumptions, for the detail of the items which require accounting estimates and judgments and have a significant impact on our financial position and operating results.

4. Year Ended March 2021 vs. Year Ended March 2020

In the year ended March 31, 2021, although the economies of key countries moved toward recovery from COVID-19 pandemic on the whole, the rate of recovery speed varied by region and country. While recovery in China and subsequently the United States gained strength, the Japanese economy did not entirely return to normal, and economic recovery in Europe is expected to take additional time. The economies of emerging nations also improved overall, although additional waves of COVID-19 put downward pressure on the economies of some countries.

Under such circumstances, operating results for the year ended March 2021 were as follows. For details about performance and operating environment in the year ended March 2021, please refer to 2)“ Progress on Midterm Corporate Strategy 2021” and 3)“ Operating Environment in the Year Ended March 2021 and Outlook for the Year Ending March 2022 by Segment” under “1. Strategic Issues”.

1) Total Revenues

Revenues for the year ended March 31, 2021 was ¥12,884.5 billion, a decrease of ¥1,895.2 billion, or 13% year over year. This was mainly due to decreased transaction volumes in the Petroleum business.

2) Gross Profit

Gross profit was ¥1,605.1 billion, a decrease of ¥184.0 billion, or 10% year over year, mainly due to decreased market prices in the Australian metallurgical coal business and a decrease in franchise commissions from franchise stores in the Convenience store business.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses was ¥1,397.7 billion, a decrease of ¥33.5 billion, or 2% year over year, mainly due to reductions in business activities due to the impact of COVID-19.

4) Gains on Investments

Gains on investments decreased ¥4.8 billion, or 7% year over year, to ¥62.1 billion, mainly due to rebound from gains on sales of shares of affiliates in the Food Industry business and valuation gains at such affiliates recorded in the previous year.

5) Gains (Losses) on Disposal of Property, Plant and Equipment

Gains on disposal and sale of property, plant and equipment and others increased ¥1.6 billion year over year to a gain of ¥1.5 billion, mainly due to a decrease in losses on disposal and sale of property, plant and equipment and others related to stores in the Convenience store business recorded in the previous year.

6) Impairment losses on property, plant and equipment, intangible assets, goodwill and others

Impairment losses on property, plant and equipment, intangible assets, goodwill and others amounted to ¥204.0 billion, a deterioration of ¥171.1 billion, or 520% year over year, mainly due to impairment losses on goodwill to Lawson and its intangible assets.

7) Other Income (Expense)-Net

Other income (expense)-net improved ¥43.6 billion year over year, to an income amount of ¥18.0 billion, mainly due to fluctuations of foreign currency exchange.

8) Finance Income

Finance income decreased ¥55.5 billion, or 32% year over year, to ¥117.8 billion, mainly due to decreased dividend income from resource-related investments and decreased interest income as a result of lower U.S. dollar interest rates.

9) Finance Costs

Finance costs decreased ¥23.7 billion, or 34% year over year, to ¥46.3 billion, mainly due to lower U.S. dollar interest rates.

10) Share of Profit of Investments Accounted for Using the Equity Method

Share of profit of investments accounted for using the equity method decreased ¥82.2 billion, or 46% year over year, to ¥97.1 billion, mainly due to impairment losses as well as decreased earnings at Mitsubishi Motors Corporation.

11) Profit before Tax

Profit before tax decreased ¥395.4 billion, or 61% year over year, to ¥253.5 billion, for the above reasons.

12) Income Taxes

Income taxes increased ¥64.6 billion, or 114% year over year, to ¥121.3 billion, mainly due to rebound from one-off gains in the reorganization of the Chilean copper business in the previous year, despite lower profit before tax, mainly as a result of decreased earnings in the Australian metallurgical coal business.

13) Profit (Loss) for the Year Attributable to Non-Controlling Interests

Profit (loss) for the year attributable to non-controlling interests decreased ¥97.1 billion year over year to a loss of ¥40.3 billion.

14) Profit for the Year Attributable to Owners of the Parent

As a result of all the above, profit for the year attributable to owners of the Parent decreased ¥362.8 billion, or 68% year over year to ¥172.6 billion. Accordingly, ROE was 3.2%.

5. Year Ended March 2021 Segment Information

(Profit for the year, as used hereinafter, refers to "Profit for the year attributable to owners of the Parent".)

1) Natural Gas Group

The Natural Gas Group engages in the natural gas/oil exploration, production and development business and the liquefied natural gas (LNG) business in North America, Southeast Asia, Australia, Russia, and other regions.

In the year ended March 31, 2021, the group recorded revenues of ¥592.3 billion, an increase of ¥46.5 billion, or 9% year over year.

Gross profit was ¥25.0 billion, an increase of ¥4.1 billion, or 20% year over year, mainly due to an increase in trading profit in the LNG-related business.

Share of profit of investments accounted for using the equity method was ¥29.5 billion, a decrease of ¥2.9 billion, or 9% year over year, mainly due to a decrease in equity earnings in the LNG-related business.

The group recorded profit for the year of ¥21.2 billion, a decrease of ¥49.1 billion, or 70% year over year, due to the above factors as well as a decrease in dividend income in the LNG-related business.

2) Industrial Materials Group

The Industrial Materials Group engages in sales and trading, business development, and investing related to a wide range of materials, including carbon, steel products, and performance materials, serving industries including automobiles and mobility, construction, and infrastructure.

In the year ended March 31, 2021, the group recorded revenues of ¥1,571.2 billion, a decrease of ¥396.4 billion, or 20% year over year, mainly due to a decrease in transaction volumes in the Steel business.

Gross profit was ¥105.0 billion, a decrease of ¥35.1 billion, or 25% year over year, mainly due to a decrease in trading profit in the Steel business.

Share of profit of investments accounted for using the equity method was ¥3.0 billion, a decrease of ¥4.6 billion, or 61% year over year, mainly due to decreases in equity earnings in the Steel business and the Carbon business.

The group recorded profit for the year of ¥4.7 billion, a decrease of ¥21.4 billion, or 82% year over year.

3) Petroleum & Chemicals Group

The Petroleum & Chemicals Group engages in sales and trading, business development, and investing related to a wide range of oil- and chemical-related fields, such as crude oil and oil products, LPG, ethylene, methanol, salt, ammonia, plastics, and fertilizers.

In the year ended March 31, 2021, the group recorded revenues of ¥1,941.8 billion, a decrease of ¥2,091.2 billion, or 52% year over year, mainly due to a decrease in transaction volumes in the Petroleum business.

Gross profit was ¥95.5 billion, an increase of ¥34.9 billion, or 58% year over year, mainly due to the rebound from one-off losses of ¥34.3 billion related to crude oil trading derivatives at the Singapore petroleum subsidiary recorded as "Cost of revenues" etc. in the previous year.

Share of profit of investments accounted for using the equity method was ¥4.9 billion, a decrease of ¥3.2 billion, or 40% year over year, mainly due to a decrease in equity earnings in the Petrochemicals business.

The group recorded profit for the year of ¥26.2 billion, an increase of ¥38.2 billion year over year.

4) Mineral Resources Group

The Mineral Resources Group engages in "managing" business by investing in and developing mineral resources, such as

metallurgical coal, copper, iron ore, and aluminum, while leveraging high-quality and functions in steel raw materials, and non-ferrous resources and products through a global network to reinforce supply systems.

In the year ended March 31, 2021, the group recorded revenues of ¥1,853.2 billion, an increase of ¥109.9 billion, or 6% year over year, mainly due to increases in transaction prices and transaction volumes in the Mineral resources trading business amid a decrease in market prices in the Australian metallurgical coal business.

Gross profit was ¥78.6 billion, a decrease of ¥160.0 billion, or 67% year over year, mainly due to decreased market prices in the Australian metallurgical coal business.

Share of profit of investments accounted for using the equity method was ¥36.4 billion, an increase of ¥21.1 billion, or 138% year over year, mainly due to an increase in equity earnings in the Chilean iron ore business as well as the rebound from the impairment losses recorded in the Overseas smelting business in the previous year.

The group recorded profit for the year of ¥78.1 billion, a decrease of ¥134.2 billion, or 63% year over year, due to the above factors as well as the rebound from one-off gains of ¥76.7 billion related to the reorganization of the Chilean copper business recorded as "Income taxes" in the previous year.

5) Industrial Infrastructure Group

The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, machinery tools, agricultural machinery, mining machinery, elevators, escalators, ships, and aerospace-related equipment.

In the year ended March 31, 2021, the group recorded revenues of ¥580.1 billion, an increase of ¥67.5 billion, or 13% year over year, mainly due to the impact of Chiyoda Corporation becoming a consolidated subsidiary.

Gross profit was ¥88.2 billion, a decrease of ¥6.2 billion, or 7% year over year, mainly due to a decrease in trading profit in the Rental business.

Share of profit of investments accounted for using the equity method was ¥14.1 billion, a decrease of ¥15.0 billion, or 52% year over year, mainly due to the impact of Chiyoda Corporation becoming a consolidated subsidiary.

The group recorded profit for the year of ¥21.2 billion, a decrease of ¥20.2 billion, or 49% year over year, reflecting the above factors as well as the rebound from one-off gains in the previous year due to Chiyoda Corporation becoming a subsidiary and one-off losses this year in the Commercial vessels business.

6) Automotive & Mobility Group

The Automotive & Mobility Group is deeply involved in the entire automotive value chain, spanning car production to after-sales services, and especially in sales of and financing for passenger and commercial cars. The Group also engages in mobility related businesses which fulfill needs related to passenger and cargo transportation.

In the year ended March 31, 2021, the group recorded revenues of ¥753.7 billion, an increase of ¥42.6 billion, or 6% year over year.

Gross profit was ¥137.1 billion, an increase of ¥7.6 billion, or 6% year over year.

Share of profit (loss) of investments accounted for using the equity method was a loss of ¥61.4 billion, a decrease of ¥50.5 billion year over year, mainly due to a decrease in equity earnings in Mitsubishi Motors and impairment losses on property, plant and equipment in the overseas investee.

The group recorded loss for the year of ¥28.1 billion, a decrease of ¥47.7 billion year over year.

7) Food Industry Group

The Food Industry Group engages in sales, trading, business development and other operations across a wide range of business areas related to food, including food resources, fresh foods, consumer goods, and food ingredients, spanning from raw ingredient production and procurement to product manufacturing.

In the year ended March 31, 2021, the group recorded revenues of ¥1,646.9 billion, a decrease of ¥52.5 billion, or 3% year over year.

Gross profit was ¥231.3 billion, a decrease of ¥23.7 billion, or 9% year over year.

Share of profit of investments accounted for using the equity method was ¥17.0 billion, a decrease of ¥1.6 billion, or 9%

year over year.

The group recorded profit for the year of ¥39.4 billion, a decrease of ¥13.8 billion, or 26% year over year, due to the above factors as well as the rebound from one-off gains in the Overseas food business in the previous year.

8) Consumer Industry Group

The Consumer Industry Group engages in supplying products and services across a range of fields, including retail & distribution, logistics, healthcare, apparel, and tire etc.

In the year ended March 31, 2021, the group recorded revenues of ¥3,224.8 billion, a decrease of ¥183.0 billion, or 5% year over year, mainly due to a decrease in franchise commissions from franchise stores in the Convenience store business.

Gross profit was ¥683.9 billion, a decrease of ¥79.2 billion, or 10% year over year, mainly due to a decrease in franchise commissions from franchise stores in the Convenience store business and a decrease in transaction profit in the Food distribution business.

Share of profit of investments accounted for using the equity method was ¥7.1 billion, a decrease of ¥5.3 billion, or 43% year over year, mainly due to decreases in equity earnings in the Overseas apparel-related business and the Tire-related business.

The group recorded loss for the year of ¥73.2 billion, a decrease of ¥95.9 billion year over year, due to the above factors as well as the impairment losses on goodwill to Lawson and its intangible assets.

Regarding the impairment losses on goodwill to Lawson and its intangible assets, please refer to Note 14 to the consolidated financial statements "Intangible assets and goodwill".

9) Power Solution Group

The Power Solution Group engages in a wide range of business areas in power-related businesses which is the industrial base domestically and in the overseas. Specifically, the Group engages in power generating and transmission business, power trading business, power retail business, and supply of power generating and transmitting equipments. The Group also engages in lithium-ion battery production, battery service businesses such as distributed power supply business in non-electrified regions, as well as the development of hydrogen energy sources etc.

In the year ended March 31, 2021, the group recorded revenues of ¥626.2 billion, an increase of ¥544.3 billion, or 665% year over year, mainly due to the impact of the Eneco Group becoming a consolidated subsidiary.

Gross profit was ¥112.9 billion, an increase of ¥71.8 billion, or 175% year over year, mainly due to the impact of the Eneco Group becoming a consolidated subsidiary.

Share of profit of investments accounted for using the equity method was ¥19.2 billion, a decrease of ¥10.2 billion, or 35% year over year, mainly due to a decrease in equity earnings in the Overseas power business.

The group recorded profit for the year of ¥42.3 billion, a decrease of ¥9.2 billion, or 18% year over year, due to the above factors as well as the rebound from the evaluation profit due to the Eneco Group becoming a consolidated subsidiary in the previous year.

10) Urban Development Group

The Urban Development Group engages in development, operation and management businesses in a number of areas, such as urban development and real estate, corporate investing, leasing, and infrastructure.

In the year ended March 31, 2021, the group recorded revenues of ¥89.5 billion, an increase of ¥24.4 billion, or 37% year over year, mainly due to increased transactions in EPC transportation business.

Gross profit was ¥38.6 billion, an increase of ¥0.4 billion, or 1% year over year.

Share of profit of investments accounted for using the equity method was ¥27.6 billion, a decrease of ¥10.0 billion, or 27% year over year, mainly due to impairment losses etc. and decreased equity earnings in the Aircraft leasing business, as well as a decrease in equity earnings in the Airport-related business.

The group recorded profit for the year of ¥25.4 billion, a decrease of ¥8.9 billion, or 26% year over year.

6. Liquidity and Capital Resources

1) Fund Procurement and Liquidity Management

Our basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, we select and utilize, as needed, both direct financing, such as commercial paper and bonds, and indirect financing, including bank loans. We seek to use the most advantageous means, according to market conditions at the time. We have a strong reputation in the capital markets. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.

Along with continuous funding based mainly on long-term financing, we will continue to pursue a policy of securing sufficient financial liquidity.

Looking at funding activities in the year ended March 2021, following on from the year ended March 2020, we raised funds through the issuance of foreign currency denominated bonds and other means, in conjunction with efforts to improve financial soundness.

As a result of these funding activities, as of March 31, 2021, gross interest-bearing liabilities (excluding lease liabilities) stood at ¥5,644.3 billion, ¥115.8 billion lower than at March 31, 2020. Of these gross interest-bearing liabilities, 85% represented long-term financing. Hybrid finance accounted for ¥600.0 billion of interest-bearing liabilities. Rating agencies treat 50% of this balance, or ¥300.0 billion, as equity. Gross interest-bearing liabilities at the Parent were ¥4,117.7 billion, of which 78% represented long-term financing, with an average remaining period of approximately 6 years.

For the year ending March 2022, we plan to continue procuring funds from stable sources over the medium and long terms mainly through efforts to diversify funding sources. We will also continue taking steps to raise funding efficiency on a consolidated basis.

Financial markets remain unpredictable due to factors such as geopolitical risks and changes in the monetary policies of major countries. Accordingly, we will remain vigilant and secure sufficient cash and deposits, and bank commitment lines, to maintain our liquidity.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2021, 83% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance subsidiaries, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, with a view to refining consolidated management.

The current ratio as of March 31, 2021 was 132% on a consolidated basis. In terms of liquidity, we believe that the Company has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.), Mitsubishi Corporation Finance PLC (U.K.), MC Finance & Consulting Asia Pte. Ltd., and MC Finance Australia Pty Ltd. had ¥425.1 billion in short-term debt as of March 31, 2021, namely commercial paper and bonds scheduled for repayment within a year. However, since the sum of cash and deposits, commitment lines secured on a fee basis, and bond investments due to mature within a year amounted to ¥1,283.8 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥858.7 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion syndicated by major Japanese banks, a commitment line of US\$1.0 billion and a soft currency facility equivalent to US\$0.15 billion syndicated by major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody's Investors Service (Moody's), and Standard and Poor's (S&P). As of May 2020, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook negative) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2021 was ¥18,635.0 billion, an increase of ¥601.6 billion, or 3%, from March 31, 2020.

Current assets was ¥7,102.9 billion, an increase of ¥165.5 billion, or 2%, from March 31, 2020. This was mainly due to an increase in trade and other receivables attributable to increased selling price and transaction volumes in the Petroleum & Chemicals business and Mineral Resources Trading business.

Non-current assets was ¥11,532.1 billion, an increase of ¥436.1 billion, or 4%, from March 31, 2020. This was mainly due to exchange translation of property, plant and equipment resulting from the appreciation of the Australian dollar in the Australian metallurgical coal business.

Total liabilities was ¥12,096.6 billion, an increase of ¥280.1 billion, or 2%, from March 31, 2020.

Current liabilities was ¥5,370.2 billion, an increase of ¥23.9 billion, or 0%, from March 31, 2020. This was mainly due to an increase in trade and other payables attributable to increased selling price and transaction volumes in the Petroleum & Chemicals business and Mineral Resources Trading business despite the decrease in bonds and borrowings due to repayment.

Non-current liabilities was ¥6,726.4 billion, an increase of ¥256.1 billion, or 4%, from March 31, 2020. This was mainly due to an increase in long-term bonds and borrowings due to new fund procurement.

Total equity was ¥6,538.4 billion, an increase of ¥321.5 billion, or 5%, from March 31, 2020.

Equity attributable to owners of the Parent was ¥5,613.6 billion, an increase of ¥386.2 billion, or 7%, from March 31, 2020. This was mainly due to an increase in exchange differences on translating foreign operations resulting from the appreciation of the Australian dollar and retained earnings accumulated by profit for the period despite the decrease in retained earnings as result of payment of dividends.

Non-controlling interests decreased ¥64.8 billion, or 7%, from March 31, 2020, to ¥924.7 billion.

Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents and time deposits, decreased ¥157.9 billion, or 4%, from March 31, 2020, to ¥4,178.4 billion.

(March 31,2020)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	680.8	142.6	130.1	455.0	199.3	332.5
Other investments	355.0	94.9	79.9	302.3	44.9	74.0
Property, plant and equipment and Investment property	111.5	109.4	61.5	655.1	157.0	31.2
Intangible assets and goodwill	3.0	11.7	4.2	1.3	134.8	10.6
Total assets	1,519.8	1,274.0	892.8	3,005.7	1,184.6	1,511.1

(March 31,2020)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	310.9	165.3	346.1	482.3	1.4	3,246.3
Other investments	77.5	306.9	19.9	123.0	229.8	1,708.1
Property, plant and equipment and Investment property	275.9	345.3	438.0	57.4	87.4	2,329.7
Intangible assets and goodwill	154.4	733.8	303.9	2.1	35.3	1,395.1
Total assets	1,599.2	4,130.9	1,622.6	901.0	391.7	18,033.4

Note: The provisional amounts of March 31, 2020 for "Power Solution", "Others", and "Total" have been retrospectively adjusted due to the completion of the initial accounting for business combination.

(March 31,2021)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	580.5	136.5	139.3	475.2	206.2	263.4
Other investments	376.1	77.0	94.4	337.0	46.1	104.6
Property, plant and equipment and Investment property	171.2	107.7	57.4	846.7	127.6	34.2
Intangible assets and goodwill	2.4	11.5	3.3	2.2	129.8	12.2
Total assets	1,579.9	1,128.5	947.5	3,425.0	1,090.2	1,461.4

(March 31,2021)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	318.8	174.0	369.3	562.9	64.4	3,290.5
Other investments	135.7	317.1	16.6	121.0	190.4	1,816.0
Property, plant and equipment and Investment property	298.1	327.2	493.1	55.5	86.9	2,605.6
Intangible assets and goodwill	181.9	539.4	330.9	1.7	33.2	1,248.5
Total assets	1,730.8	3,876.3	1,815.0	996.2	584.2	18,635.0

3) Cash Flows

Cash and cash equivalents at March 31, 2021 was ¥1,317.8 billion, a decrease of ¥5.0 billion from March 31, 2020.

(Operating activities)

Net cash provided by operating activities was ¥1,017.6 billion, mainly due to cash flows from operating transactions, dividend income and decreases in working capital requirements due to decreased transaction volume by the impact of COVID-19, despite the payment of income taxes and interests.

Net cash provided by operating activities increased by ¥167.9 billion year over year, mainly due to the decrease in working capital resulting from decreased transactions, which are the impact of COVID-19.

(Investing activities)

Net cash used in investing activities was ¥357.3 billion. The main uses of cash were payments for the purchase of property, plant and equipment and investments and loans to affiliated companies, which exceeded inflows from the sales

of other investments and investments in affiliated companies.

Net cash used in investing activities decreased by ¥143.4 billion year over year, mainly due to rebound in relation to the Eneco acquisition in the previous year.

Main items (Segments) included in investing cash flows were as follows.

New/Sustaining Investments

- European integrated energy business (Power Solution)
- LNG-related business (Natural Gas)
- Investments in HERE Technologies (Other)
- North American real estate business (Urban Development)
- Australian metallurgical coal business (Mineral Resources)
- Copper business (Mineral Resources)

Sales and Collection

- Listed stocks (Other/Food Industry/Consumer Industry, etc.)
- North American shale business (Natural Gas)
- North American real estate business (Urban Development)

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥660.3 billion.

(Financing activities)

Net cash used in financing activities was ¥691.2 billion. The main uses of cash were repayments of lease liabilities, payments of dividends, and repayments of short-term debts.

Net cash used in financing activities increased by ¥534.6 billion year over year, mainly due to the repayments of borrowings resulting from the decreased demand for working capital.

The dividends were paid in compliance with the shareholder returns policy of progressive dividends in line with sustained profit growth. The acquisition of treasury stock was carried out in consideration of the cash flows during the period of Midterm Corporate Strategy 2018 and the appropriate capital standards, and with the aim of improving capital efficiency. Regarding financing through debt, the policy is to maintain debts at an appropriate level in light of liquidity and financial soundness.

In addition to the aforementioned operating cash flows for financial accounting purpose, in order to present the source of funds for future investments and shareholder returns appropriately, MC defined "Underlying operating cash flows (after repayments of lease liabilities)", which is operating cash flows excluding changes in working capitals whilst including repayments of lease liabilities which are necessary in the ordinary course of business activities, and "Adjusted free cash flows", which is the sum of "Underlying operating cash flows (after repayments of lease liabilities)" and investing cash flows.

Underlying operating cash flows (after repayments of lease liabilities) in the year ended March 31, 2021 was positive ¥625.2 billion, a decrease of ¥46.9 billion, year over year.

As a result, Adjusted free cash flows was positive ¥267.9 billion.

7. Significant Contracts

There were no significant contracts in the year ended March 2021.

8. R&D Activities

There were no material R&D activities in the year ended March 2021.

9. Progress on Corporate Strategy

As for the progress on the corporate strategy, please refer to "1. Strategic Issues".

Note:

Earnings forecasts and other forward-looking statements in this report are based on data currently available to management and certain assumptions that management believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ materially from these statements for various reasons.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified in the current year were:

1. Medium- to long-term price assumption of copper
2. Medium- to long-term price assumption of crude oil
3. Goodwill for Lawson, Inc.

1. Medium- to long-term price assumption of copper

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in copper mining projects in Chile and Peru. As for the Group's investments in copper mining businesses, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 294,943 million and investments accounted for using the equity method were JPY 339,754 million in the consolidated statement of financial position as of March 31, 2021. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, the medium- to long-term price assumption of copper is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term price assumption of copper have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term price assumption of copper based on forecasts of future global demand, production volume and costs of production for copper, which requires significant knowledge and expertise in this industry. In addition, these assumptions involve variability and uncertainty in long-term demand and supply, considering the potential impacts stemming from COVID-19. Furthermore, there is a wide range between the high-end and low-end of the future copper price forecasts published by multiple external sources.

Therefore, we identified the determination of the medium- to long-term price assumption of copper as a key audit matter because this price assumption requires management's significant judgement and complex determination.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term price assumption of copper used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term price assumption of copper in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.
- We inquired of management and evaluated the reasonableness of management's forecast method of the medium- to long-term price assumption of copper, including the assumption of potential impact from COVID-19 on the current copper markets and the future global demand and supply for copper.
- We evaluated the reasonableness of management's forecasts of the medium- to long-term copper price by comparing

the medium- to long-term price assumption of copper used by management with a range developed by our independent estimates of future copper prices. The range is narrower than medium- to long-term price forecasts published by multiple external sources, considering audit materiality, sensitivity to price changes and degrees of variance of prices published by multiple external sources. When we developed the range, we independently obtained the medium- to long-term price assumptions of copper from multiple external sources and assessed the independence and the experience of the external sources to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosure of the medium- to long-term price assumption of copper as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from COVID-19, by testing the consistency with the results of work we performed over medium- to long-term copper price as discussed above.

2. Medium- to long-term price assumption of crude oil

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the exploration and production of natural gas and natural gas liquefaction projects in various countries, such as Australia, Russia, Malaysia, and Canada. As for the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 347,679 million and investments accounted for using the equity method were JPY 580,146 million (total of JPY 366,663 million in LNG-related business and JPY 213,483 million in Shale gas business) in the consolidated statement of financial position as of March 31, 2021. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, the medium- to long-term price assumption of crude oil is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term price assumption of crude oil have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term price assumption of crude oil based on forecasts of future global demand, production volume and costs of production for crude oil, which requires significant knowledge and expertise in this industry. In addition, these assumptions involve variability and uncertainty in long-term demand and supply, considering the potential impacts stemming from climate change, the global energy transition and COVID-19. Furthermore, there is a wide range between the high-end and low-end of the future crude oil prices forecasts published by multiple external sources.

Therefore, we identified the determination of the medium- to long-term price assumption of crude oil as a key audit matter because this price assumption requires management's significant judgement and complex determination.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term price assumption of crude oil used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term price assumption of crude oil in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.

- We inquired of management and evaluated the reasonableness of management's forecast method of medium- to long-term crude oil price, including the assumption of potential impact on the current crude oil markets and the future global demand and supply for crude oil stemming from COVID-19 as well as potential impacts from climate change and the global energy transition.
- We evaluated the reasonableness of management's forecasts of medium- to long-term crude oil price by comparing the medium- to long-term price assumption of crude oil used by management with a range developed by our independent estimates of future crude oil prices. The range is narrower than medium- to long-term price forecasts published by multiple external sources, considering audit materiality, sensitivity to price changes and degrees of variance of prices published by multiple external sources. When we developed the range, we independently obtained the medium- to long-term crude oil price forecasts from multiple external sources and assessed the independence and the experience of the external sources to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from climate change, the global energy transition and COVID-19, by testing the consistency with the results of work performed over medium- to long-term price assumption of crude oil as discussed above.

3. Goodwill for Lawson, Inc.

Key Audit Matter Description

As one of its main businesses in the Consumer Industry segment, the Group holds investments in Lawson, Inc., a consolidated subsidiary, which operates a domestic franchise system and directly manages Lawson convenience stores, overseas convenience businesses and other peripheral business. As of March 31, 2021, goodwill of JPY 432,393 million was reported on the consolidated statement of financial position; this included the goodwill of JPY 150,043 million related to Lawson, Inc. As disclosed in Note 14, "Intangible Assets and Goodwill (4) Impairment loss on intangible assets and goodwill," to the consolidated financial statements, the Group recognized an impairment loss of JPY 145,325 million included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income for the year ended March 31, 2021, due to the revisions made to the business forecast of Lawson, Inc. as a result of the weakening of recent financial results and an uncertain business environment caused by the impact of the COVID-19 pandemic in Japan.

The recoverable amounts calculated by value in use based on the discounted future cash flow were below the book value, resulting in an impairment loss of goodwill. The key assumption with the most significant impact on the calculation of recoverable amount is the sales growth at domestic convenience stores for the next five years, which is driven mainly by the increase in the number of stores and average daily store sales. Furthermore, given that COVID-19 may continue to have a significant impact on the trends in customer visits and buying patterns, management's assumption of future sales growth is exposed to increasing uncertainty.

We identified management's assumption of future sales growth at domestic convenience stores in the impairment test of goodwill for Lawson, Inc. as a key audit matter because changes in this assumption have a significant impact on the value in use and significant judgements are made by management to determine assumption based on historical performance, trends observed at competitors and in similar industries, and the potential impacts stemming from the timing and degree of recovery from the COVID-19 pandemic.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to assumption of future sales growth in the domestic convenience store business, based on the forecasts of the number of future stores and average daily sales per store, to estimate the value in use of Lawson, Inc. included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of assumption of future sales growth based on the forecasts of the number of future stores and average daily sales per store in management's goodwill impairment evaluation.
- We inquired of management and evaluated the reasonableness of management's forecast method of future sales growth based on the number of future stores and average daily sales per store, including the assumption of potential impact stemming from COVID-19.
- We evaluated management's ability to accurately forecast sales revenue and operating margin by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's assumption of the number of future stores and average daily sales per store to estimate the value in use of Lawson, Inc., by comparing management's assumption to:
 - Business plan authorized by the management
 - Forecasted information included in analyst and industry reports for Lawson, Inc. and the Japanese convenience store and retail industries.
 - Forecast of sales for the next five years that we made independently, with the assistance of our valuation specialists, by analyzing the historical number of stores and average daily sales per store taking into consideration the recent impacts stemming from COVID-19.
- We evaluated the disclosure of the assumption of sales revenue growth as the significant unobservable input in Note 14, "Intangible Assets and Goodwill (4) Impairment loss on intangible assets and goodwill," to the consolidated financial statements, by testing the consistency with the results of work performed over the forecast of the number of future stores and average daily sales we discussed above.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

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

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this annual report as information for readers.

/s/ Deloitte Touche Tohmatsu LLC

June 25, 2021

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan (the "Act") requires management of Japanese public companies to annually evaluate whether internal control over financial reporting ("ICFR") is effective as of each fiscal year-end and to disclose the assessment to investors in a "Management Internal Control Report." The Act also requires that the independent auditor of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditor's Report ("indirect reporting"). Under the Act, these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated our ICFR as of March 31, 2021 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2021, we concluded that our internal control system over financial reporting as of March 31, 2021 was effective and reported as such in the Management Internal Control Report.

Our Independent Auditor, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditor's Report filed under the Act is attached on the following pages.

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

1 [Matters relating to the basic framework for internal control over financial reporting]

Takehiko Kakiuchi, President and CEO, and Kazuyuki Masu, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Mitsubishi Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2021, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting in a consolidation ("company-level controls"). We appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and companies that are accounted for using the equity method, from the perspective of the materiality that may affect the reliability of the Company's financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and companies that are accounted for using the equity method. We did not include those consolidated subsidiaries and companies that are accounted for using the equity method, which do not have any material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, in principle we accumulated locations and business units in descending order of total assets (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany transactions) for the prior fiscal year, and those locations and business units whose combined amount of total assets reaches approximately 2/3 of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 2/3 of consolidated income before income taxes on a consolidated basis were selected as "significant locations and business units." At the selected significant locations and business units, we included, in the scope of assessment, (i) those business processes leading to revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively-material accounts. Further, not only at selected significant locations and business units, but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

3 [Matters relating to the results of the assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan (Translation)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 25, 2021

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Yoshiaki Kitamura

Designated Engagement Partner,
Certified Public Accountant: Yuki Higashikawa

Designated Engagement Partner,
Certified Public Accountant: Noriaki Kobayashi

Designated Engagement Partner,
Certified Public Accountant: Sogo Ito

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Mitsubishi Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2020 to March 31, 2021, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified in the current year were:

1. Medium- to long-term price assumption of copper
2. Medium- to long-term price assumption of crude oil
3. Goodwill for Lawson, Inc.

1. Medium- to long-term price assumption of copper

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in copper mining projects in Chile and Peru. As for the Group's investments in copper mining businesses, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 294,943 million and investments accounted for using the equity method were JPY 339,754 million in the consolidated statement of financial position as of March 31, 2021. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, the medium- to long-term price assumption of copper is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term price assumption of copper have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term price assumption of copper based on forecasts of future global demand, production volume and costs of production for copper, which requires significant knowledge and expertise in this industry. In addition, these assumptions involve variability and uncertainty in long-term demand and supply, considering the potential impacts stemming from COVID-19. Furthermore, there is a wide range between the high-end and low-end of the future copper price forecasts published by multiple external sources.

Therefore, we identified the determination of the medium- to long-term price assumption of copper as a key audit matter because this price assumption requires management's significant judgement and complex determination.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term price assumption of copper used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term price assumption of copper in management's valuation of FVTOCI financial assets and impairment test of

investments accounted for using the equity method.

- We inquired of management and evaluated the reasonableness of management's forecast method of the medium- to long-term price assumption of copper, including the assumption of potential impact from COVID-19 on the current copper markets and the future global demand and supply for copper.
- We evaluated the reasonableness of management's forecasts of the medium- to long-term copper price by comparing the medium- to long-term price assumption of copper used by management with a range developed by our independent estimates of future copper prices. The range is narrower than medium- to long-term price forecasts published by multiple external sources, considering audit materiality, sensitivity to price changes and degrees of variance of prices published by multiple external sources. When we developed the range, we independently obtained the medium- to long-term price assumptions of copper from multiple external sources and assessed the independence and the experience of the external sources to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosure of the medium- to long-term price assumption of copper as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from COVID-19, by testing the consistency with the results of work we performed over medium- to long-term copper price as discussed above.

2. Medium- to long-term price assumption of crude oil

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the exploration and production of natural gas and natural gas liquefaction projects in various countries, such as Australia, Russia, Malaysia, and Canada. As for the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 347,679 million and investments accounted for using the equity method were JPY 580,146 million (total of JPY 366,663 million in LNG-related business and JPY 213,483 million in Shale gas business) in the consolidated statement of financial position as of March 31, 2021. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, the medium- to long-term price assumption of crude oil is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term price assumption of crude oil have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term price assumption of crude oil based on forecasts of future global demand, production volume and costs of production for crude oil, which requires significant knowledge and expertise in this industry. In addition, these assumptions involve variability and uncertainty in long-term demand and supply, considering the potential impacts stemming from climate change, the global energy transition and COVID-19. Furthermore, there is a wide range between the high-end and low-end of the future crude oil prices forecasts published by multiple external sources.

Therefore, we identified the determination of the medium- to long-term price assumption of crude oil as a key audit matter because this price assumption requires management's significant judgement and complex determination.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term price assumption of crude oil used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term price assumption of crude oil in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.
- We inquired of management and evaluated the reasonableness of management's forecast method of medium- to long-term crude oil price, including the assumption of potential impact on the current crude oil markets and the future global demand and supply for crude oil stemming from COVID-19 as well as potential impacts from climate change and the global energy transition.
- We evaluated the reasonableness of management's forecasts of medium- to long-term crude oil price by comparing the medium- to long-term price assumption of crude oil used by management with a range developed by our independent estimates of future crude oil prices. The range is narrower than medium- to long-term price forecasts published by multiple external sources, considering audit materiality, sensitivity to price changes and degrees of variance of prices published by multiple external sources. When we developed the range, we independently obtained the medium- to long-term crude oil price forecasts from multiple external sources and assessed the independence and the experience of the external sources to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from climate change, the global energy transition and COVID-19, by testing the consistency with the results of work performed over medium- to long-term price assumption of crude oil as discussed above.

3. Goodwill for Lawson, Inc.

Key Audit Matter Description

As one of its main businesses in the Consumer Industry segment, the Group holds investments in Lawson, Inc., a consolidated subsidiary, which operates a domestic franchise system and directly manages Lawson convenience stores, overseas convenience businesses and other peripheral business. As of March 31, 2021, goodwill of JPY 432,393 million was reported on the consolidated statement of financial position; this included the goodwill of JPY 150,043 million related to Lawson, Inc. As disclosed in Note 14, "Intangible Assets and Goodwill (4) Impairment loss on intangible assets and goodwill," to the consolidated financial statements, the Group recognized an impairment loss of JPY 145,325 million included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income for the year ended March 31, 2021, due to the revisions made to the business forecast of Lawson, Inc. as a result of the weakening of recent financial results and an uncertain business environment caused by the impact of the COVID-19 pandemic in Japan.

The recoverable amounts calculated by value in use based on the discounted future cash flow were below the book value, resulting in an impairment loss of goodwill. The key assumption with the most significant impact on the calculation of recoverable amount is the sales growth at domestic convenience stores for the next five years, which is driven mainly by the increase in the number of stores and average daily store sales. Furthermore, given that COVID-19 may continue to have a significant impact on the trends in customer visits and buying patterns, management's assumption of future sales growth is exposed to increasing uncertainty.

We identified management's assumption of future sales growth at domestic convenience stores in the impairment test of goodwill for Lawson, Inc. as a key audit matter because changes in this assumption have a significant impact on the value in use and significant judgements are made by management to determine assumption based on historical performance, trends observed at competitors and in similar industries, and the potential impacts stemming from the timing and degree of recovery from the COVID-19 pandemic.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to assumption of future sales growth in the domestic convenience store business, based on the forecasts of the number of future stores and average daily sales per store, to estimate the value in use of Lawson, Inc. included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of assumption of future sales growth based on the forecasts of the number of future stores and average daily sales per store in management's goodwill impairment evaluation.
- We inquired of management and evaluated the reasonableness of management's forecast method of future sales growth based on the number of future stores and average daily sales per store, including the assumption of potential impact stemming from COVID-19.
- We evaluated management's ability to accurately forecast sales revenue and operating margin by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's assumption of the number of future stores and average daily sales per store to estimate the value in use of Lawson, Inc., by comparing management's assumption to:
 - Business plan authorized by the management
 - Forecasted information included in analyst and industry reports for Lawson, Inc. and the Japanese convenience store and retail industries
 - Forecast of sales for the next five years that we made independently, with the assistance of our valuation specialists, by analyzing the historical number of stores and average daily sales per store taking into consideration the recent impacts stemming from COVID-19
- We evaluated the disclosure of the assumption of sales revenue growth as the significant unobservable input in Note 14, "Intangible Assets and Goodwill (4) Impairment loss on intangible assets and goodwill," to the consolidated financial statements, by testing the consistency with the results of work performed over the forecast of the number of future stores and average daily sales we discussed above.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2021.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2021, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgement, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

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

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2020 and 2021

ASSETS	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Current assets			
Cash and cash equivalents (Note 30)	¥1,322,812	¥1,317,824	\$11,872
Time deposits (Note 30)	101,016	148,081	1,334
Short-term investments (Notes 7, 30 and 34)	49,331	15,201	137
Trade and other receivables (Notes 8, 16, 24, 30, 31, 32, 34, 35 and 38)	3,168,074	3,269,390	29,454
Other financial assets (Notes 30, 31 and 32)	308,468	209,402	1,886
Inventories (Notes 9, 30 and 32)	1,294,479	1,348,861	12,152
Biological assets (Note 10)	58,871	74,182	668
Advance payments to suppliers	45,776	58,027	523
Assets classified as held for sale (Note 11)	46,595	41,020	370
Other current assets (Notes 30, 31 and 32)	541,968	620,905	5,594
Total current assets	6,937,390	7,102,893	63,990
Non-current assets			
Investments accounted for using the equity method (Notes 2 and 38)	3,246,335	3,290,508	29,644
Other investments (Notes 2, 7, 16, 30, 32 and 34)	1,708,071	1,816,029	16,361
Trade and other receivables (Notes 8, 16, 30, 32, 34, 35 and 38)	655,267	763,124	6,875
Other financial assets (Notes 30, 31 and 32)	134,220	93,102	839
Property, plant and equipment (Notes 12, 15 and 16)	2,232,941	2,510,238	22,615
Investment property (Notes 13 and 16)	96,709	95,419	860
Intangible assets and goodwill (Notes 5 and 14)	1,395,053	1,248,462	11,247
Right-of-use assets (Note 35)	1,429,288	1,469,700	13,241
Deferred tax assets (Note 28)	36,146	42,233	380
Other non-current assets (Note 10)	162,004	203,263	1,831
Total non-current assets	11,096,034	11,532,078	103,893
Total assets (Note 6)	¥18,033,424	¥18,634,971	\$167,883

See notes to the consolidated financial statements.

Note: The provisional amounts as of March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

LIABILITIES AND EQUITY	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,472,769	¥1,262,522	\$11,374
Trade and other payables (Notes 18, 30, 33 and 38)	2,547,012	2,665,060	24,010
Lease liabilities (Notes 35 and 36)	205,780	235,498	2,122
Other financial liabilities (Notes 30, 31, 32 and 33)	213,181	256,657	2,312
Advances from customers (Note 24)	178,689	133,474	1,202
Income tax payables	40,000	53,178	479
Provisions (Note 20)	87,564	89,268	804
Liabilities directly associated with assets classified as held for sale (Note 11)	1,167	12,762	115
Other current liabilities (Notes 30 and 31)	600,109	661,766	5,962
Total current liabilities	5,346,271	5,370,185	48,380
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	4,287,354	4,381,793	39,476
Trade and other payables (Notes 18, 30, 33 and 38)	56,692	54,893	494
Lease liabilities (Notes 35 and 36)	1,297,530	1,304,703	11,754
Other financial liabilities (Notes 30, 31, 32 and 33)	40,286	55,817	503
Retirement benefit obligation (Note 19)	123,690	129,126	1,163
Provisions (Note 20)	162,622	195,997	1,766
Deferred tax liabilities (Note 28)	469,314	569,641	5,132
Other non-current liabilities	32,771	34,426	310
Total non-current liabilities	6,470,259	6,726,396	60,598
Total liabilities	11,816,530	12,096,581	108,978
Equity			
Common stock (Note 21)	204,447	204,447	1,842
Additional paid-in capital (Note 21)	228,153	228,552	2,059
Treasury stock (Note 21)	(294,580)	(26,750)	(240)
Other components of equity			
Other investments designated as FVTOCI (Note 22)	359,974	457,123	4,118
Cash flow hedges (Notes 22 and 32)	(27,422)	(52,355)	(472)
Exchange differences on translating foreign operations (Notes 22 and 32)	82,634	379,917	3,423
Total other components of equity	415,186	784,685	7,069
Retained earnings (Notes 7 and 21)	4,674,153	4,422,713	39,844
Equity attributable to owners of the Parent	5,227,359	5,613,647	50,574
Non-controlling interests (Note 5)	989,535	924,743	8,331
Total equity	6,216,894	6,538,390	58,905
Total liabilities and equity	¥18,033,424	¥18,634,971	\$167,883

See notes to the consolidated financial statements.

Note: The provisional amounts as of March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

Consolidated Statement of Income

For the years ended March 31, 2020 and 2021

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Revenues (Notes 6, 24, 26, 32 and 35)	¥14,779,734	¥12,884,521	\$116,077
Cost of revenues (Notes 9, 14, 26 and 32)	(12,990,603)	(11,279,415)	(101,617)
Gross profit (Note 6)	1,789,131	1,605,106	14,460
Selling, general and administrative expenses (Notes 14, 25 and 35)	(1,431,232)	(1,397,707)	(12,592)
Gains (losses) on investments (Notes 5, 26, 30, 32, 37 and 38)	66,929	62,082	559
Gains (losses) on disposal and sale of property, plant and equipment and others	(62)	1,530	14
Impairment losses on property, plant and equipment, intangible assets, goodwill and others (Notes 12, 13, 14 and 15)	(32,862)	(204,047)	(1,838)
Other income (expense)-net (Notes 10, 15, 26, 27, 30 and 32)	(25,605)	17,951	162
Finance income (Note 26)	173,278	117,826	1,061
Finance costs (Notes 26, 32 and 35)	(70,038)	(46,300)	(417)
Share of profit (loss) of investments accounted for using the equity method (Notes 6 and 38)	179,325	97,086	875
Profit (loss) before tax	648,864	253,527	2,284
Income taxes (Note 28)	(56,713)	(121,286)	(1,093)
Profit (loss) for the year	¥592,151	¥132,241	\$1,191
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥535,353	¥172,550	\$1,555
Non-controlling interests	56,798	(40,309)	(364)
	¥592,151	¥132,241	\$1,191
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥348.50	¥116.86	\$1.05
Diluted (Note 29)	347.71	116.57	1.05

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2020 and 2021

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Profit (loss) for the year	¥592,151	¥132,241	\$1,191
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains (losses) on other investments designated as FVTOCI (Notes 2, 7 and 22)	(165,620)	129,453	1,166
Remeasurement of defined benefit pension plans (Notes 19 and 22)	(30,861)	29,813	269
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	(3,506)	10,719	97
Total	(199,987)	169,985	1,532
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	(5,374)	(13,882)	(125)
Exchange differences on translating foreign operations (Notes 22 and 32)	(281,332)	306,277	2,759
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	(43,032)	(11,796)	(106)
Total	(329,738)	280,599	2,528
Total other comprehensive income (loss) (Note 22)	(529,725)	450,584	4,060
Total comprehensive income (loss)	¥62,426	¥582,825	\$5,251
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥25,839	¥604,354	\$5,445
Non-controlling interests	36,587	(21,529)	(194)
	¥62,426	¥582,825	\$5,251

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2020 and 2021

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Common stock:			
Balance at the beginning of the year (Note 21)	¥204,447	¥204,447	\$1,842
Balance at the end of the year (Note 21)	204,447	204,447	1,842
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	228,340	228,153	2,055
Compensation costs related to share-based payment (Note 23)	2,568	2,049	18
Sales of treasury stock upon exercise of share-based payment	(2,215)	(1,041)	(9)
Equity transactions with non-controlling interests and others (Note 37)	(540)	(609)	(5)
Balance at the end of the year	228,153	228,552	2,059
Treasury stock:			
Balance at the beginning of the year	(8,279)	(294,580)	(2,653)
Sales of treasury stock upon exercise of share-based payment	3,706	1,652	15
Purchases and sales—net (Note 21)	(290,007)	(19,784)	(178)
Cancellation (Note 21)	—	285,962	2,576
Balance at the end of the year	(294,580)	(26,750)	(240)
Other components of equity:			
Balance at the beginning of the year (Note 22)	914,807	415,186	3,740
Other comprehensive income (loss) attributable to owners of the Parent (Note 22 and 32)	(509,514)	431,804	3,890
Transfer to retained earnings (Note 22)	9,893	(62,305)	(561)
Balance at the end of the year (Note 22)	415,186	784,685	7,069
Retained earnings: (Note 21)			
Balance at the beginning of the year	4,356,931	4,674,153	42,109
Cumulative effects of change in accounting policy	(9,079)	—	—
Adjusted balance at the beginning of the year	4,347,852	4,674,153	42,109
Profit (loss) for the year attributable to owners of the Parent	535,353	172,550	1,555
Cash dividends paid to owners of the Parent (Note 21)	(197,704)	(199,853)	(1,800)
Sales of treasury stock upon exercise of share-based payment	(1,455)	(480)	(5)
Cancellation of treasury stock (Note 21)	—	(285,962)	(2,576)
Transfer from other components of equity	(9,893)	62,305	561
Balance at the end of the year	4,674,153	4,422,713	39,844
Equity attributable to owners of the Parent	5,227,359	5,613,647	50,574
Non-controlling interests:			
Balance at the beginning of the year	940,674	989,535	8,915
Cumulative effects of change in accounting policy	(2,677)	—	—
Adjusted balance at the beginning of the year	937,997	989,535	8,915
Cash dividends paid to non-controlling interests	(41,540)	(40,866)	(368)
Equity transactions with non-controlling interests and others	56,491	(2,397)	(22)
Profit (loss) for the year attributable to non-controlling interests	56,798	(40,309)	(364)
Other comprehensive income (loss) attributable to non-controlling interests (Note 22 and 32)	(20,211)	18,780	170
Balance at the end of the year	989,535	924,743	8,331
Total equity	¥6,216,894	¥6,538,390	\$58,905
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥25,839	¥604,354	\$5,445
Non-controlling interests	36,587	(21,529)	(194)
Total comprehensive income (loss)	¥62,426	¥582,825	\$5,251

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2020 and 2021

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2020	2021	2021
Operating activities:			
Profit (loss) for the year	¥592,151	¥132,241	\$1,191
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	448,413	523,830	4,719
(Gains) losses on investments	(66,929)	(62,082)	(559)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	32,924	202,517	1,824
Finance (income) - net of finance costs	(103,240)	(71,526)	(644)
Share of (profit) loss of investments accounted for using the equity method	(179,325)	(97,086)	(875)
Income taxes	56,713	121,286	1,093
Changes in trade receivables	547,654	26,210	236
Changes in inventories	(73,356)	41,709	376
Changes in trade payables	(487,713)	74,680	673
Other - net	(77,819)	(43,217)	(389)
Dividends received	316,386	271,204	2,443
Interest received	123,957	80,350	724
Interest paid	(94,833)	(67,731)	(610)
Income taxes paid	(185,255)	(114,835)	(1,035)
Net cash provided by (used in) operating activities	849,728	1,017,550	9,167
Investing activities:			
Payments for property, plant and equipment and others	(326,014)	(388,981)	(3,504)
Proceeds from disposal of property, plant and equipment and others	40,645	47,753	430
Payments for investment property	(229)	(425)	(4)
Proceeds from disposal of investments property	4,091	1,344	12
Purchases of investments accounted for using the equity method	(201,731)	(253,316)	(2,282)
Proceeds from disposal of investments accounted for using the equity method	111,637	129,938	1,171
Acquisitions of businesses - net of cash acquired (Note 36)	(319,364)	502	5
Proceeds from disposal of businesses - net of cash divested (Note 36)	89,333	28,407	256
Purchases of other investments	(39,517)	(43,009)	(387)
Proceeds from disposal of other investments	129,293	187,756	1,690
Increase in loans receivable (Note 5)	(164,739)	(80,355)	(724)
Collection of loans receivable	67,838	50,948	459
Net (increase) decrease in time deposits	108,030	(37,859)	(341)
Net cash provided by (used in) investing activities	(500,727)	(357,297)	(3,219)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	396,603	(183,322)	(1,652)
Proceeds from long-term debts (Note 36)	699,633	795,173	7,164
Repayments of long-term debts (Note 36)	(529,415)	(759,624)	(6,844)
Repayments of lease liabilities (Notes 35 and 36)	(276,175)	(277,531)	(2,500)
Dividends paid to owners of the Parent (Note 21)	(197,704)	(199,853)	(1,800)
Dividends paid to the non-controlling interests	(41,540)	(40,866)	(368)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(31,558)	(18,325)	(165)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	113,226	12,948	116
Net (increase) decrease in treasury stock (Note 21)	(289,699)	(19,784)	(178)
Net cash provided by (used in) financing activities	(156,629)	(691,184)	(6,227)
Effect of exchange rate changes on cash and cash equivalents	(30,142)	25,943	234
Net increase (decrease) in cash and cash equivalents	162,230	(4,988)	(45)
Cash and cash equivalents at the beginning of the year	1,160,582	1,322,812	11,917
Cash and cash equivalents at the end of the year	¥1,322,812	¥1,317,824	\$11,872

See notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company"), is a diversified organization engaged in a wide variety of business activities through its network in Japan and overseas. These activities span diverse industrial sectors, including living, mobility and infrastructure, energy and power generation, from upstream natural resource development to midstream trading and manufacturing of a wide range of products and the downstream provision of consumer goods and services, as well as finance, logistics, and other service sectors. Leveraging its ability to take a holistic view across numerous industries, the Company commercializes new business models and new technologies and develops and offers new services. The principal business activities of the Company are disclosed in Note 6 "Segment Information." The consolidated financial statements of the Parent comprise the accounts of the Company, including the interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with International Financial Reporting Standards (IFRS)

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2021 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥111=US\$1, the approximate rate of exchange at March 31, 2021. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied

The Company did not apply such standards and interpretations.

(5) Significant accounting judgments, estimates and assumptions

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Impact of the COVID-19 pandemic

Although the impact of the COVID-19 pandemic had not subsided as of March 31, 2021, governmental decisions concerning countermeasures are being made with great care and consideration for the impact on economic activity, with such measures as lockdowns being minimized. At the same time, countries are intermittently implementing flexible and sizable economic support measures, while expectations are rising for the effects of vaccination, which is progressing steadily.

Given these circumstances, the timing at which the impact of the COVID-19 pandemic will subside will vary by industry and region. Overall, however, in light of economic forecasts from public institutions and other bodies, the Company assumes that the gradual economic recovery, ongoing since the latter half of the year under review, will continue through the year ending March 31, 2022.

Medium- to long-term outlook for copper and crude oil prices

The Company holds shares in entities that are engaged in the Copper business and the LNG-related business in the Mineral Resources Group and Natural Gas Group, respectively. The Company's investment balances in these businesses at March 31, 2020 and 2021 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
(Copper business)			
Other investments (financial assets measured at FVTOCI)	¥274,142	¥294,943	\$2,657
Investments accounted for using the equity method	329,313	339,754	3,061
(LNG-related business)			
Other investments (financial assets measured at FVTOCI)	¥357,133	¥347,679	\$3,132
Investments accounted for using the equity method	436,478	366,663	3,303

In addition to the above LNG-related business, in the shale gas business of natural gas segment, the amount of investments accounted for using the equity method as of March 31, 2020 and 2021 was ¥243,529 million and ¥213,483 million (\$1,923 million), respectively.

The fair value of these financial assets measured at FVTOCI is determined using the discounted cash flow model. Investments accounted for using the equity method are tested for impairment. If there are indications of impairment or reversal of impairment, the carrying amount of investment is adjusted to the recoverable amount, which is the higher of the value in use or the fair value less costs of disposal. The Company uses the discounted cash flow model to estimate value in use. The medium- to long-term copper and crude oil price forecast is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and recoverable amounts of investments accounted for using the equity method; assessing any indication of impairment as well as reversal of impairment.

The FVTOCI financial assets principally included Minera Escondida and Compania Minera Antamina for the Copper business and also included Sakhalin Energy Investment Company and Malaysia LNG Dua for the LNG-related business.

The medium- to long-term copper price assumptions are determined based on forecasts of future global demand, production volume and cost assumption. Following the Company's examination of the consistency between the Company's price assumption and the information published by several third-party institutions, the person responsible for determining the price assumption has authorized this estimate. The Company estimates that the potential impact of the COVID-19 pandemic on the medium- to long-term price assumption of copper is limited given the circumstances that global demands for copper for the year ended March 31, 2021 have been largely unchanged since the prior year and mining operations have gradually returned to normal. This is primarily due to the economic recovery in China, which represents half of the global demands for copper. The Company's estimate for the medium- to long-term price assumption for copper, which is reviewed every year, is similar to price forecasts disclosed by third parties after 2026, excluding inflationary effects (approximately US\$2.9/lb, the mean of the price forecasts as of March 2021 disclosed by analysts in financial institutions etc.).

The medium- to long-term crude oil price assumptions are determined based on forecasts of future global demand, production volume, and cost assumption. Upon the Company's examination of the consistency between the Company's price assumption and the information published by several third-party institutions, the person responsible for determining the price assumption has authorized this estimate. The Company estimates that the crude oil price will gradually recover and increase over the medium- to long-term perspective due to the production adjustments by crude oil producing countries and the recovery of economic activities whereas it is expected to take certain time for full recovery of global economics stemming from COVID-19. For the longer-term perspective, global climate change risk and energy transition will have an impact on the long-term crude oil price assumptions. When forecasting the future supply-demand, the Company refers mainly to the Stated Policies Scenarios published by the International Energy Agency (based in part on the emission reduction targets and climate change countermeasures published by countries). The medium- to long-term price assumption for Dubai crude oil, which is reviewed every year, will reach about US\$70/BBL on 2025, excluding inflationary effects, as of March 2021.

Please refer to Note 38 for impairment losses on investments accounted for using the equity method in the year ended March 31, 2020.

Other

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2022 is included in the following notes:

- Fair value of financial instruments: Notes 7 and 30
- Impairment of financial assets: Note 8
- Impairment of non-financial assets: Notes 12, 13, 14 and 15
- Measurement of defined benefit obligation: Note 19
- Provisions: Note 20
- Recoverability of deferred tax assets: Note 28

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Transfers of financial assets: Note 34
- Interests in joint arrangements and associates: Note 38

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2021 are included in the following notes:

- Segment information: Note 6
- Intangible assets and goodwill: Note 14
- Provisions: Note 20
- Income taxes: Note 28
- Interests in joint arrangements and associates: Note 38

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

The Parent consolidates the investees that it directly or indirectly controls. Therefore, the Company generally consolidates its majority-owned subsidiaries. However, even in cases where the Company does not own the majority of voting rights, if the Company is deemed to effectively control the decision-making body, the investee is treated as a consolidated subsidiary. In cases where the Company has the majority of voting rights in an investee but other shareholders have substantive rights to participate in the decision-making of the ordinary course of business of the investee, the Company does not have control, and the equity method is applied.

The consolidated financial statements include profit and other comprehensive income of subsidiaries from the day on which control was obtained to the day on which control was lost. Adjustments have been made to the financial statements of subsidiaries to adhere to the accounting policies adopted by the Company.

All intercompany accounts and transactions have been eliminated.

Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Parent's interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent.

If control over a subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets (including goodwill), liabilities and the previous carrying amount of non-controlling interest of the subsidiary, is recognized in profit. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or the cost on initial recognition of investment in associates or joint venture.

Please refer to Appendix 1. "List of subsidiaries" for the major consolidated subsidiaries.

(ii) Business combinations

Business combinations (acquisition of businesses) are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date (i.e., the day on which the Company obtains control) of the assets transferred by the Company, the liabilities incurred by the Company to former owners of the acquiree and the equity interests issued by the Company. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively.
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with the Standard.
- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment".

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company exceeds the net amount of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount.

If the net amount of identifiable assets and liabilities at the acquisition date exceeds the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company, the excess amount is immediately recognized in profit as a bargain purchase gain.

In the case of a business combination achieved in stages, equity interest in the acquiree held previously by the Company is re-measured at fair value at the acquisition date (i.e., the day on which the Company obtains control), and gains or losses incurred are recognized in profit. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or other comprehensive income where such treatment would be appropriate if the interests were disposed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the

measurement period, which does not exceed one year, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date or recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

(iii) Associates and joint ventures

The equity method is applied to investments in associates and joint ventures. An associate is an entity that is not controlled solely or jointly by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% or more but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity. Entities over which the Company is able to exert significant influence on their decisions regarding financial and operating or business policies even if it holds less than 20% of the voting rights are also included in associates. On the other hand, the equity method is not applied in cases where the Company is deemed not to have significant influence even if it holds 20% or more of the voting rights.

A joint venture is a joint arrangement (i.e., arrangement of which two or more parties have joint control) whereby the parties that have joint control have rights to the net assets of an independent entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on activities that have a significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control and those activities are undertaken jointly by the parties.

Under the equity method, the investment in an associate or a joint venture is recognized initially at cost and the carrying amount is increased or decreased to recognize the Company's share of the net assets of the associate or the joint venture after the date of acquisition. The Company's share of the profit or loss of the associate or the joint venture is recognized in the Company's profit or loss. The Company's share of the other comprehensive income of the associate or the joint venture is recognized in the Company's other comprehensive income. When the Company's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses. After the Company's interest including any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. All profits associated with intercompany transactions, excluding business transfers, have been eliminated in proportion to interests in associates and joint ventures.

An associate or a joint venture is accounted for using the equity method from the date they become an associate or joint venture. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of associates and joint ventures is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where significant influence over associates or joint control over joint ventures is lost and the application of the equity method is discontinued, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9 "Financial Instruments." The difference between the previous carrying amount and fair value of the remaining investments is recognized in profit as a gain or loss on disposal of such investments. The amount previously recognized as other comprehensive income by associates and joint ventures is accounted for by determining whether or not they should be reclassified into profit as if related assets or liabilities had been directly disposed.

(iv) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Company's share of assets, liabilities, revenues and expenses arising from the jointly controlled operating activities is recognized. All intercompany accounts and transactions have been eliminated in proportion to interests.

(v) Investment Entities

An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

In principle, investment entities measure all of their investments, including equity in the subsidiaries of the investment entities, at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments."

However, if a subsidiary of the Company qualifies as an investment entity, when the Company consolidates the investment entity, the fair value measurement applied by the investment entity to equity in its subsidiaries is reclassified to conform to the ordinary consolidation process.

Meanwhile, if an associate or joint venture of the Company qualifies as an investment entity, when the Company applies the equity

method, the fair value measurement applied by the investment entity to equity in its subsidiaries is maintained.

(vi) Reporting Date

When the Company prepares consolidated financial statements, certain subsidiaries, associates and joint arrangements prepare financial statements with a fiscal year end on or after December 31, but prior to the Parent's fiscal year end of March 31 for which unification of the fiscal year end is impracticable, since the local legal system or contractual terms among shareholders requires the fiscal year end to be different from that of the Parent. It is also impracticable for such entities to provide the provisional settlement of accounts at the end of the reporting period of the Parent due to the characteristics of the business, operations or other practical factors. Where this is the case, adjustments have been made to the consolidated financial statements of the Company for the effects of significant transactions or events that occurred between the end of the reporting period of the subsidiaries, associates or joint arrangements and that of the consolidated financial statements.

(2) Foreign currency translation

Items denominated in foreign currencies in the financial statements are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The difference arising from the retranslation of monetary items is recognized in "Other income (expense)-net" in the consolidated statement of income.

The assets and liabilities of foreign operations, such as foreign subsidiaries and associates, are translated into Japanese yen at the respective year-end exchange rates. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in "Other components of equity" on a post-tax basis.

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit. In the case of partial disposal that does not lead to the loss of control of a subsidiary, the ratio of ownership interest in the cumulative amount of exchange difference is reallocated to non-controlling interests, but no amount is recognized in profit. In other cases of partial disposal that lead to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are recognized in "Other components of equity" and accumulated in equity.

(3) Financial instruments

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date. The Company recognizes all other financial assets at the trade date on which the Company became a party to the contract concerning such financial instruments.

The Company initially recognizes financial assets at fair value. Financial assets not recorded at fair value through profit or loss also include transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of a financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

(iii) Financial assets measured at fair value

The details of fair value measurements are as described in (22) "Fair value measurements".

Among financial assets other than financial assets measured at amortized cost, debt instruments meeting both of the following requirements are measured at FVTOCI.

- The asset is held within a business model whose objective is to hold assets for both the collection of contractual cash flows and for sale.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in the fair value of debt instruments measured at FVTOCI are recognized in profit or loss in the event of the derecognition of such assets.

Financial assets other than those measured at amortized cost and those mentioned above are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects to designate some equity instruments as financial assets measured at FVTOCI if the investments are not held for trading. A financial asset is classified as held for trading if:

- (a) It has been acquired or incurred principally for the purpose of selling it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- (c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of equity instruments as financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in profit or loss, as part of finance income at the time when the right to receive payment of the dividend is established.

(iv) Impairment of financial assets measured at amortized cost and debt instruments measured at FVTOCI

The Company estimates expected credit losses on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and recognizes and measures loss allowances.

As of the reporting date, if credit risk on certain financial instruments has not increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses resulting from default events that are possible within 12 months after the reporting date.

Meanwhile, if, as of the reporting date, credit risk on certain financial instruments has increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses resulting from all possible default events over the expected lifetime of the financial instruments (expected lifetime credit losses).

Whether there is significant increase in credit risk or not is determined considering information such as changes in external and internal credit ratings and past due information, and expected credit losses are measured by reflecting factors such as time value of money, history of default events by credit rating, and reasonable and supportable forward-looking information about forecast of future economic indices which have a high correlation with each factor.

For financial assets showing evidence of credit impairment as of the reporting date, the Company estimates expected credit losses individually after taking into overall consideration such factors as investment rating, the details of investment contracts, the state of collateral, cash flow rights and priorities, and the status of the issuer.

Evidence of credit impairment is determined considering information such as significant financial difficulty of the issuer or the borrower, and a breach of contract, including past due events.

However, for trade receivables and contract assets that do not contain a significant financing component, the loss allowance is always recognized at an amount equal to expected lifetime credit losses, regardless of whether a significant increase in credit risk has occurred since initial recognition.

(v) Derecognition of financial assets

The Company derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Company neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Company recognizes the retained interest in assets and related liabilities that might be payable.

(vi) Cash and cash equivalents

Cash equivalents are short term (original maturities of three months or less), highly liquid investments (including mainly short-term time deposits) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(vii) Non-derivative financial liabilities

The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All

other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or canceled or expires.

Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition. There is no financial liability irrevocably designated as measured at fair value through profit or loss at the time of initial recognition.

(viii) Equity

Common stock

The amount of equity instruments issued by the Parent is recognized in "Common stock" and "Additional paid-in capital," and direct issue costs (net of tax) are deducted from "Additional paid-in capital."

Treasury stock

When the Company acquires treasury stock, the sum of the consideration paid and direct transaction costs after tax is recognized as a deduction from equity.

(ix) Hedge accounting and derivatives

The Company utilizes derivative instruments primarily to manage interest rate risks to reduce exposure to movements in foreign exchange rates, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities.

In the case where transactions which can mitigate market risk cannot be utilized, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

The Company assesses hedge effectiveness at the start of the hedging relationship, quarterly, or when a significant change impacting hedge effectiveness occurs by confirming whether or not the relationship is such that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are substantially offset by changes in the fair value or cash flows of the hedging instrument. The Company has determined that the effect of credit risk on hedging relationship is immaterial.

Fair value hedges

Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging derivative instruments are recognized in profit, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in "Other income (expense)-net" in the consolidated statement of income.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit from the date on which the Company discontinues hedge accounting.

Cash flow hedges

Derivative instruments designated as hedging instruments of cash flow hedges include interest rate swaps to convert floating-rate financial liabilities to fixed-rate financial liabilities, and forward exchange contracts to offset variability in functional currency-equivalent cash flows on forecasted sales transactions. Additionally, commodity swaps and futures contracts that qualify as cash flow hedges are utilized. The effective portion of changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recognized in other comprehensive income and accumulated in "Other components of equity." Derivative unrealized gains and losses included in "Other components of equity" are reclassified into profit at the time that the associated hedged transactions are recognized in profit. In cases where the hedged item is recognized as a non-financial asset or non-financial liability, the amount recognized in "Other components of equity" is reclassified as an adjustment of the initial carrying amount of the non-financial asset or non-financial liability. Ineffectiveness is recognized immediately in profit.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. Any gain or loss recognized in other comprehensive income and accumulated in "Other components of equity" at the time of discontinuing hedge accounting remains in equity and is reclassified

into profit when the forecasted transaction is ultimately recognized in profit. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in "Other components of equity" is recognized immediately in profit.

Hedges of net investment in foreign operations

The Company uses forward exchange contracts and non-derivative financial instruments such as foreign currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation. The effective portion of changes in fair values of the hedging instruments are accumulated in "Exchange differences on translating foreign operations" within "Other components of equity."

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities. The Company clearly distinguishes between derivatives used for brokerage services and trading activities from derivatives used for risk management purposes. As part of its internal control policies, the Company has set strict limits on the positions which can be taken in order to manage potential losses for these derivative transactions, and periodically monitors the open positions for compliance.

Changes in fair value of derivatives not designated as hedging instruments or held for trading purposes are recognized in profit.

(x) Financial guarantee contracts

Liabilities under financial guarantee contracts issued by the Company are initially measured at fair value and, if not designated as FVTPL, are subsequently measured at the higher of:

- The amount of loss allowance calculated according to IFRS 9 "Financial Instruments" ; or
- The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies for revenue recognition.

(xi) Offsetting financial assets and financial liabilities

If the Company currently has a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the consolidated statement of financial position.

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the moving average method or identified cost method. Net realizable value is presented in the amount of estimated selling price of inventories, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations are measured at fair value less costs to sell.

(5) Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognized in profit, except in the case where fair value cannot be measured reliably.

Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Agricultural produce harvested from biological assets is reclassified into inventories at fair value less costs to sell at the point of harvest.

(6) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs to be capitalized. If the estimated useful life of property, plant and equipment varies from component to component, each component is recognized as a separate item of property, plant and equipment.

(ii) Depreciation

Land is not depreciated. Depreciation of other classes of property, plant and equipment is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation of property, plant and equipment other than mineral resources-related property is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for vessels and vehicles mainly over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 50 years
Vessels and vehicles	2 to 25 years

Assets related to the acquisition of contractual right for the exploration, evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.

Mineral resources-related property is amortized using the unit-of-production method based on the proven or probable reserves.

The depreciation method, estimated useful life and residual value are reviewed at each period end, and amended as necessary.

(iii) Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit when the item is derecognized.

(7) Investment property

Investment property is property held to earn rentals, for long-term capital appreciation or both. Real estate held for sale in the ordinary course of business (real estate held for development and resale) and real estate held to use in the production or supply of goods or services or for administrative purposes (property, plant and equipment) are not included. The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 2 to 60 years. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is included in profit when the investment property is derecognized.

(8) Intangible assets and goodwill

(i) Research and development costs

Expenditures related to research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense as incurred. Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them. Other development costs are recognized as an expense as incurred.

(ii) Other intangible assets

Other intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized but measured at cost, net of accumulated impairment losses.

(iii) Goodwill

Initial recognition

Goodwill arising from acquisition of subsidiaries is included in "Intangible assets and goodwill" in the consolidated statement of financial position. Measurement of goodwill at the time of initial recognition is described in (1) Basis of consolidation (ii) Business combinations above.

Measurement after initial recognition

Goodwill is measured at cost, net of accumulated impairment losses. The carrying amount of investments accounted for using the equity method includes the carrying amount of goodwill.

In case of the disposal of an operation within a related cash-generating unit, goodwill is derecognized and the amount is recognized in profit.

(iv) Amortization

Other than goodwill and intangible assets with indefinite useful lives, intangible assets are amortized under the straight-line method over their estimated useful lives from the day on which the assets became available for use.

The estimated useful life of each asset is mainly as follows.

Trademarks	10 to 36 years
Software	2 to 15 years
Customer relationships	4 to 29 years
Sustainable energy subsidy	10 to 13 years

The amortization method, estimated useful life, and residual value are reviewed at each period end, and amended as necessary.

(9) Leases

Leases as lessor are classified as finance leases if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Leases other than finance leases are classified as operating leases.

A single accounting model is applied to leases as lessee, in which right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments are recognized in the consolidated statement of financial position for all leases, in principle.

(i) Lease as lessor

Amounts due from lessees under finance leases are recognized as part of "Trade and other receivables" at an amount equal to the net investment in the lease, and its finance income is allocated over the lease term on a rational basis against the gross investment in the lease and is recognized in the fiscal year to which it is attributable. Operating lease income is recognized over the term of underlying leases on a straight-line basis.

(ii) Lease as lessee

At the commencement date of the lease, lease liabilities are initially measured at the present value of future lease payments over the lease term, and right-of-use assets are initially measured at the initial amount of lease liabilities adjusted for prepaid lease payments, etc. The lease term is determined as the non-cancellable term of the lease together with the term for which the lessee is reasonably certain to exercise the option to extend the lease or to not exercise the option to terminate the lease. The initial measurement of lease liabilities is discounted at the rate implicit in the lease if it can be readily determined. If that rate cannot be readily determined, it is discounted at the lessee's incremental borrowing rate.

Subsequent to initial recognition, right-of-use assets are depreciated over the lesser of the useful life or the lease term, mainly on a straight-line basis. Interest costs and repayments of lease liabilities are reflected in the carrying amount of lease liabilities based on the interest method. In the event of a change to the lease term or lease payments determined at the commencement date of the lease, lease liabilities are remeasured to reflect the change in lease payments, and the remeasured amounts are recognized as adjustments to the carrying amounts of right-of-use assets. The impairment of right-of-use-assets is as described in (14) "Impairment of non-financial assets."

The Company elects the recognition exemption for short-term leases for leases having lease terms of 12 months or less. For these leases, neither right-of-use assets nor lease liabilities are recognized, and lease payments are recognized as an expense on a straight-line basis over the lease term. In addition, as a practical expedient regarding the separation of components of contracts is elected for the classes of underlying asset of real estates and vessels, in which non-lease components are not separately accounted from lease components; instead, lease components and any associated non-lease components are accounted as a single lease component.

(10) Oil and gas exploration and development

Oil and gas exploration and evaluation activity includes:

- Acquisition of rights to explore;
- Gathering exploration data through topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures such as geological and geophysical cost, are expensed as incurred. Exploration and evaluation expenditures such as costs of acquiring properties, drilling, and equipping exploratory wells and related plant and equipment are capitalized as property, plant and equipment or intangible assets.

The capitalized exploration and evaluation expenditures are not depreciated until production commences. Capitalized exploration and evaluation expenditures are monitored for indications of impairment. If the capitalized expenditure is determined to be impaired, an impairment loss is recognized based on the fair value.

When capitalized exploration and evaluation expenditures have been established as commercially viable by a final feasibility study, subsequent development expenditures are capitalized and amortized using the unit-of-production method.

(11) Mining operations

Mining exploration costs are recognized as an expense as incurred until the mining project has been established as technically feasible and commercially viable by a final feasibility study. Once established as technically feasible and commercially viable, costs are capitalized and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in

the costs of the inventory produced during the period that the stripping costs are incurred. To the extent the benefit is improved access to ore, the stripping costs are recognized as a property, plant and equipment or an intangible asset.

For capitalized costs related to mining operations, impairment loss is recognized based on the fair value less cost of disposal if it is determined that commercial production cannot commence or capitalized costs are not recoverable.

(12) Non-current assets held for sale

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets. This condition is regarded as met only when the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. However, this excludes those subject to measurement requirements in accordance with standards other than IFRS 5 "Non-current Asset Held for Sale and Discontinued Operations".

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Impairment of non-financial assets

(i) Assessment for impairment

If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if indicators of impairment are present. Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset. Non-financial assets other than goodwill that constitute a portion of the carrying amount of investments accounted for using the equity method are tested for impairment by investee asset, cash-generating unit, or group of cash-generating units on the basis of the carrying amounts that reflect fair value adjustment upon application of the equity method.

Assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pre-tax discount rate reflecting the risks specific to the asset or the cash-generating unit.

(ii) Cash-generating units

In cases where cash inflows are generated by multiple assets, the smallest unit that generates cash inflows more or less independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit.

A cash-generating unit, including goodwill, is set as the smallest unit at which the goodwill is monitored for internal management purposes and is a smaller unit than the operating segment. If impairment loss is recognized in relation to a cash-generating unit, the carrying amount of any goodwill allocated to the cash-generating unit is reduced first, and if there is any residual amount, other assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit in principle.

(iii) Reversal of impairment loss

Impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. However, impairment loss recognized for goodwill is not reversed. Reversal of impairment loss is recognized up to the carrying amount which is calculated on the basis that no impairment loss for the asset had been recorded in prior years.

(15) Post-employment benefits

The Company has adopted defined benefit plans and defined contribution plans.

(i) Defined benefit plans

Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Any surplus resulting from this calculation is limited to the present value of any economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. The Company re-measures benefit obligations using information provided by qualified actuaries and pension assets in each period.

Increases or decreases in benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss.

The Company recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income and such increases or decreases are recorded in "Other components of equity" which are immediately reclassified into "Retained earnings."

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more obligations than the amount contributed. Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(16) 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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

Provision for decommissioning and restoration

The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of "Property, plant and equipment", "Investment property" and "Right-of-use assets" and is depreciated over the estimated useful life of the corresponding asset. The impact of unwinding of the discount applied in establishing the net present value of the provision is recognized in "Finance costs." The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money.

(17) Share-based payment

Compensation costs related to share-based payment are measured at estimated fair value at the grant date and is recognized as an expense on a straight-line basis over the period of received service with a corresponding increase in equity. The fair values of stock options are estimated using the Monte Carlo method, and the fair value of the ESOP is estimated based on an observable market price.

(18) Revenues

(i) Revenue recognition criteria (five-step approach)

In line with the application of IFRS15, the Company recognizes revenue based on the five-step approach outlined below.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company identifies distinct goods or services included in contracts with customers and identifies performance obligations by such transaction units.

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is

a performance obligation for the Company to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission, fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income. The Company considers itself a principle of the transaction if the below indicators exist.

- The Company is primarily responsible for fulfilling the promise to provide the specified good or service.
- The Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.
- The Company has discretion in establishing the price for the specified good or service.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to customers. If the amount of consideration is undetermined at the time of revenue recognition, the consideration is estimated in a reliable manner based on formulas provided in the contract. If uncertainty is high or the transaction price cannot be reliably estimated, the consideration is not included in the transaction price. The transaction price is revised once the uncertainty is decreased and a reliable estimation becomes available. The Company adopted the practical expedient which allows it not to adjust the financing component if the period between the transfer of goods or services and receipt of payment from a customer is expected to be one year or less at the contract inception.

The incremental costs of obtaining a contract and the costs incurred to fulfill a contract that are directly associated with the contract are recognized as assets if those costs are expected to be recovered. However, as a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense if the amortization period of the assets that the Company otherwise would have recognized is one year or less.

(ii) Revenue recognition in major transactions

(Revenue recognition at a point in time (all segments))

The Company trades a wide variety of products and commodities, including metals, machinery, chemicals, and consumer goods. In the sale of products and commodities as a principal, the Company recognizes revenue when the terms of delivery have been satisfied, as it is considered that the customer has obtained control of the products or commodities and therefore the identified performance obligations (delivery of products and commodities) have been satisfied at that point. When the Company acts as an agent, in the sale of products and commodities, the Company recognizes revenue when the terms of delivery have been satisfied, as it is considered that the customer has obtained control of the products or commodities and therefore the identified performance obligations (arrangement for the delivery of products and commodities) have been satisfied at that point.

The Company also performs service-related activities. In service-related activities, the Company provides a variety of services including logistics, telecommunications, technical support and others. Revenue for service-related activities is recognized when the customer has obtained the benefits, as it is considered that the performance obligations (providing services) have been satisfied.

(Revenue recognition over time (mainly Consumer Industry segment and Industrial Infrastructure segment))

The Company performs service-related activities including the services based on franchise contracts and plant constructions based on construction contracts. If the control of the goods or services is transferred to the customer over time, revenue from franchise contracts is recognized by the profits recognized of the each franchisee. Revenue from other service-related activities is recognized by measuring progress towards complete satisfaction of the performance obligations (providing services) with mainly the input methods (in the case of construction contracts, it is mainly progress of the costs), which reliably depict the Company's performance.

For sale of products and commodities or service-related activities noted above, if the nature of the transaction is that of a performance obligation to arrange goods or services to be provided by other parties, the Company is an agent of the customer or supplier and the net amount of consideration is recognized when or as the identified performance obligations are satisfied at a point in time or over time.

(19) Service concession arrangements

A service concession arrangement is an arrangement between the "grantor" (a public sector entity) and the "operator" (a private sector entity) to provide services that give the public access to major economic and social facilities utilizing private-sector funds and expertise.

With respect to service concession arrangements, revenue and costs are allocated between those relating to construction services and those relating to operation services, and are accounted for separately. Consideration received or receivable is allocated by reference to the relative fair value of services delivered when the amounts are separately identifiable.

When the amount of the arrangement consideration (including minimum revenue guarantee) for the provision of public services is

substantially fixed by a contract, the Company recognizes revenues from construction services for public facilities (infrastructures) by the percentage-of-completion method, and recognizes the consideration as a financial asset. The Company accounts for such financial assets in accordance with IFRS 9 "Financial Instruments," and calculates interest income based on the effective interest method and recognizes it in profit.

(20) Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in profit on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are mainly conditional upon the Company acquiring non-current assets by purchase, construction or other method are recognized by deducting the grants from the carrying amount of the assets in the consolidated statement of financial position and are reclassified into profit on a systematic basis based on reasonable criteria over their useful lives.

(21) Income taxes

Income tax expenses consist of current and deferred taxes. They are recognized in profit, excluding those related to business combinations and items recognized directly in equity or other comprehensive income.

Deferred taxes are recognized for temporary differences between the financial statement and income tax bases of assets and liabilities.

For taxable temporary differences concerning subsidiaries, associates, and joint arrangements, deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries, associates, and joint arrangements are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable that future taxable income will be reduced. 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.

The Company recognizes an asset or liability for the effect of uncertainty in income taxes, and the asset or liability is measured at the amount of the reasonable estimate for uncertain tax positions when it is probable, based on the Company's interpretation of tax laws, that the tax positions will be sustained.

The Parent and its wholly owned domestic subsidiaries file a consolidated corporate income tax return as a consolidation group.

(22) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market price and valuation methodologies such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1

Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) 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: quoted prices for similar assets and 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, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3

Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

The valuation methods for all fair value measurements of assets and liabilities are determined based on the valuation policies and procedures, which include the valuation methods for fair value measurements, approved by the proper accounting personnel. The business plans and development plans which provide a basis for cash flows are decided through internal verification procedures, which include analyses of the variance between plans and results in the previous fiscal year, as well as discussions with business partners and hearings with third-party specialists. The discount rates properly reflect the risk premium, the risk free rate and the unlevered rate, with due consideration to the external environment, such as geopolitical risks. Future resource prices are a significant unobservable input for the fair value measurements of resource-related investments and are calculated based on comprehensive consideration of such factors as present prices, forecasts of supply and demand, and the price forecasts of independent third parties. Short-term prices are more likely to be significantly affected by the present price, and medium to long term prices are more likely to be significantly affected by forecasts of supply and demand and the price forecasts of independent third parties. These inputs are analyzed in comparison with the previous fiscal year and reports issued by the independent third parties in order to analyze changes in fair value. The results of fair value measurements and analyses of changes in fair value are reviewed quarterly by the accounting department of the relevant segment of the Company (which is independent of the segment's sales department) or that of the relevant subsidiary and then approved by the authorized accounting officer. The valuation policies and procedures, including the valuation methods for fair value measurements, are decided and periodically reviewed by the corporate accounting department of the Parent, based on its accounting manual.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or revised major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2021 are as follows.

The Company will apply IAS 1 (Revised) from the year ending March 31, 2022. A part of outstanding balances of commercial paper, which is supported by the long-term facility of unused credit lines are classified as non-current, but with the application of IAS 1 (Revised), the entire balances are classified as non-current up to the credit lines. Since "Bonds and borrowings"(non-current) in the consolidated statement of financial position for the year ending March 31, 2022 will fluctuate according to the demand for funds as of the reporting date, the impacts cannot be reasonably estimated. There will be no impact at the beginning of the year ending March 31, 2022.

As of March 31, 2021, potential impacts that application of IAS37 (Revised) and IFRS17 will have on the consolidated financial statements cannot be reasonably estimated.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/revised Standards and Interpretations
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2023	March 31, 2022	Clarification of requirements related to the classification of liabilities as current or non-current
IAS37 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	March 31, 2023	Clarification of costs to consider in assessing whether a contract is onerous
IFRS 17	Insurance Contracts	January 1, 2023	Undecided	Changes in accounting and disclosure requirements for insurance contracts

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

Fiscal Year Ended March 31, 2020

Significant business combinations and acquisitions of joint operations for the year ended March 31, 2020 were as follows.

Chiyoda Corporation

On July 1, 2019, the Company paid ¥70.0 billion to purchase class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company, in order to provide financial reinforcement to that company. This payment for preferred shares is included in “Increase in loans receivable” on the Consolidated Statement of Cash Flows.

The Company holds 33.57% of the voting rights to Chiyoda Corporation and had applied the equity method to its previously held equity interest in Chiyoda Corporation. However, as of September 10, 2019, the Company has received the necessary approval to exercise the conversion request rights attached to the class A preferred shares, and if it were to exercise these rights, it would hold a majority of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, Chiyoda Corporation became a consolidated subsidiary of the Company as of September 10, 2019.

The following table summarizes the fair values of the consideration paid and the previously held equity interest, as well as the assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date.

	<u>Millions of Yen</u>
	2020
Fair value of consideration paid	¥72,485
Fair value of the previously held equity interest	9,098
Total	<u>¥81,583</u>
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	¥134,203
Trade and other receivables (current)	81,562
Investments accounted for using the equity method	54,070
Intangible assets	59,057
Other assets	48,447
Trade and other payables (current)	(102,475)
Advances from customers	(123,221)
Provisions (current)	(54,024)
Bonds and borrowings (non-current)	(35,810)
Other liabilities	(31,138)
Total identifiable net assets	<u>¥30,671</u>
Non-controlling interests	¥(18,541)
Amount of goodwill recognized	69,453
Total	<u>¥81,583</u>

The Company had applied the equity method to its previously held equity interest in Chiyoda Corporation. However, due to the business combination, the equity interest and the acquired preferred shares were remeasured at fair value. As a result, total gains of ¥11,678 million were recorded as “Gains on investments” and “Other income (expense)-net” in the Industrial Infrastructure segment. Note that “Fair value of consideration paid” listed above includes the fair value of the preferred shares.

The fair values of the previously held equity interest, the preferred shares and the non-controlling interests were measured based on market assumptions by reflecting future cash flows that market participants would expect to receive to the estimates of cash flows used as the basis of business plans and discounting their present values.

The goodwill consisted primarily of goodwill arising from reasonable estimates of expected future excess revenues. This goodwill was non-deductible for tax purposes.

Eneco Groep N.V.

On March 24, 2020, the Parent acquired by bid 100% of the shares of Eneco Groep N.V. (Eneco), a company in the Netherlands, that operates an integrated energy business in Europe, through Diamond Chubu Europe B.V., established jointly with Chubu Electric Power Co., Inc. The Parent holds 80% of the voting rights of Diamond Chubu Europe B.V. As a result, Eneco became a consolidated subsidiary of the Parent as of March 24, 2020. Regarding the payment for acquisition of shares, the amount equivalent to 100% of the share is included in “Acquisition of businesses - net of cash acquired” as payment and the amount equivalent to 20% of the share is included in “Proceeds from disposal of subsidiary’s interests to the non-controlling interests” as proceeds from Chubu Electric Power Co., Inc. on the Consolidated Statement of Cash Flows.

The initial measurements of the fair value of the assets acquired, liabilities assumed, non-controlling interests and goodwill as of the acquisition date had not been completed at March 31, 2020, and as such, provisional values were recorded on the consolidated financial statements. However, these measurements were completed at March 31, 2021.

The following table summarizes the values of the consideration paid as well as assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date, after the measurement completion. The adjustments of the provisional amounts associated with the completion of the initial accounting for business combination have been retrospectively applied to the figures for the year ended March 31, 2020.

			Millions of Yen
	Provisional fair value	Subsequent adjustment	2020 Fair value after adjustment
Fair value of consideration paid	¥488,568	—	¥488,568
Recognized amount of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	¥37,660	—	¥37,660
Trade and other receivables (current)	79,105	—	79,105
Inventories	17,998	—	17,998
Other financial assets (current)	36,123	—	36,123
Property, plant and equipment	331,167	¥(15,219)	315,948
Right-of-use assets	24,736	—	24,736
Investments accounted for using the equity method	13,730	13,335	27,065
Intangible assets	213,594	(49,626)	163,968
Other financial assets (non-current)	13,987	—	13,987
Other assets	71,426	—	71,426
Trade and other payables (current)	(116,687)	—	(116,687)
Bonds and borrowings (current)	(13,657)	—	(13,657)
Other financial liabilities (current)	(34,378)	—	(34,378)
Bonds and borrowings (non-current)	(62,161)	—	(62,161)
Lease liabilities (non-current)	(22,468)	—	(22,468)
Other financial liabilities (non-current)	(13,211)	—	(13,211)
Provisions (non-current)	(15,081)	—	(15,081)
Deferred tax liabilities	(65,594)	13,143	(52,451)
Other liabilities	(70,540)	—	(70,540)
Total identifiable net assets	¥425,749	¥(38,367)	¥387,382
Non-controlling interests	¥(642)	—	¥(642)
Amount of goodwill recognized	63,461	¥38,367	101,828
Total	¥488,568	—	¥488,568

The goodwill consisted primarily of goodwill arising from reasonable estimates of expected future excess revenues. This goodwill was non-deductible for tax purposes.

The above figures are for the 100% stake in Eneco acquired by Diamond Chubu Europe B.V. As the Company holds 80% of the voting

rights to Diamond Chubu Europe B.V., "Non-controlling interests" of ¥98,609 million have been recognized on the Parent's consolidated financial statements.

In addition, the Company's power business consolidated subsidiary Diamond Generating Europe Limited had previously invested in multiple joint projects with Eneco. Due to the abovementioned business combination, some of these investments were reclassified from joint ventures to consolidated subsidiaries. Accordingly, the existing stakes held by Diamond Generating Europe Limited were remeasured at fair value. As a result, gains of ¥12,924 million were recorded as "Gains on investments" in the Power Solution segment in the previous year.

The initial measurements of the assets acquired and liabilities assumed regarding the joint projects due to the abovementioned business combination had been not completed at March 31, 2020, and as such, provisional values were recorded on the consolidated financial statements. However, these measurements were completed at March 31, 2021. The following table summarizes the fair value of the previously held equity interest as well as the values of assets acquired and liabilities assumed, after the measurement completion.

The adjustments of the provisional amounts associated with the completion of the initial accounting for business combination have been retrospectively applied to the figures for the year ended March 31, 2020.

	Millions of Yen		
	Provisional fair value	Subsequent adjustment	2020 Fair value after adjustment
Fair value of the previously held equity interest	¥28,962	—	¥28,962
Recognized amount of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	¥2,672	—	¥2,672
Property, plant and equipment	39,738	—	39,738
Investments accounted for using the equity method	2,192	¥13,406	15,598
Intangible assets	24,823	(14,108)	10,715
Other assets	2,635	—	2,635
Bonds and borrowings (non-current)	(31,214)	—	(31,214)
Other liabilities	(14,276)	3,094	(11,182)
Total identifiable net assets	¥26,570	¥2,392	¥28,962
Amount of goodwill recognized	2,392	(2,392)	—
Total	¥28,962	—	¥28,962

Pro forma information (unaudited information) based on the assumption that the acquisition date for the above two business combinations had been April 1, 2019, the beginning of the fiscal year, is as follows. The pro forma information does not include the impacts of the measurement of the fair value of the previously held equity interests or preferred shares due to the business combinations.

	Millions of Yen
	2020
Revenues	¥15,461,238
Profit for the year	581,753
Profit for the year attributable to owners of the Parent	519,238

Fiscal Year Ended March 31, 2021

There were no significant business combinations or acquisitions of joint operations for the year ended March 31, 2021.

6. SEGMENT INFORMATION

[Operating segment information]

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the President and CEO of the Parent who is the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The Company's reportable operating segments consist of the following ten business groups:

Natural Gas	The Natural Gas Group engages in the natural gas/oil exploration, production and development business and the liquefied natural gas (LNG) business in North America, Southeast Asia, Australia, Russia, and other regions.
Industrial Materials	The Industrial Materials Group engages in sales and trading, business development, and investing related to a wide range of materials, including carbon, steel products, and performance materials, serving industries including automobiles and mobility, construction, and infrastructure.
Petroleum & Chemicals	The Petroleum & Chemicals Group engages in sales and trading, business development, and investing related to a wide range of oil- and chemical-related fields, such as crude oil and oil products, LPG, ethylene, methanol, salt, ammonia, plastics, and fertilizers.
Mineral Resources	The Mineral Resources Group engages in "managing" business by investing in and developing mineral resources, such as metallurgical coal, copper, iron ore, and aluminum, while leveraging high-quality services and functions in steel raw materials, and non-ferrous resources and products through a global network to reinforce supply systems.
Industrial Infrastructure	The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, machinery tools, agricultural machinery, mining machinery, elevators, escalators, ships, and aerospace-related equipment.
Automotive & Mobility	The Automotive & Mobility Group is deeply involved in the entire automotive value chain, spanning car production to after-sales services, and especially in sales of and financing for passenger and commercial cars. The Group also engages in mobility related businesses which fulfill needs related to passenger and cargo transportation.
Food Industry	The Food Industry Group engages in sales, trading, business development and other operations across a wide range of business areas related to food, including food resources, fresh foods, consumer goods, and food ingredients, spanning from raw ingredient production and procurement to product manufacturing.
Consumer Industry	The Consumer Industry Group engages in supplying products and services across a range of fields, including retail & distribution, logistics, healthcare, apparel, and tire etc.
Power Solution	The Power Solution Group engages in a wide range of business areas in power-related businesses which is the industrial base domestically and in the overseas. Specifically, the Group engages in power generating and transmission businesses, power trading businesses, power retail businesses, and supply of power generating and transmitting equipments. The Group also engages in lithium-ion battery production, battery service businesses such as distributed power supply businesses in non-electrified regions, as well as the development of hydrogen energy sources etc.
Urban Development	The Urban Development Group engages in development, operation and management businesses in a number of areas, such as urban development and real estate, corporate investing, leasing, and infrastructure.

The accounting policies of the operating segments are the same as those described in Note 3 "Significant accounting policies." Management evaluates segment performance based on several factors, of which the primary financial measure is profit (loss) attributable to the Parent.

Intersegment transactions are priced with reference to prices applicable to transactions with third parties.

The Company's segment information at and for the years ended March 31, 2020 and 2021 was as follows:

Millions of Yen							
2020	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	¥545,822	¥1,967,594	¥4,033,043	¥1,743,309	¥512,627	¥711,057	¥1,699,406
Gross profit	20,878	140,079	60,563	238,575	94,432	129,535	254,952
Share of profit of investments accounted for using the equity method	32,420	7,582	8,086	15,251	29,117	(10,911)	18,632
Profit (loss) for the year attributable to owners of the Parent	70,261	26,067	(11,997)	212,290	41,439	19,579	53,240
Total assets	1,519,774	1,274,002	892,800	3,005,674	1,184,594	1,511,112	1,599,163

Millions of Yen							
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥3,407,811	¥81,870	¥65,091	¥14,767,630	¥12,211	¥(107)	¥14,779,734
Gross profit	763,071	41,112	38,202	1,781,399	7,517	215	1,789,131
Share of profit of investments accounted for using the equity method	12,366	29,439	37,610	179,592	148	(415)	179,325
Profit (loss) for the year attributable to owners of the Parent	22,705	51,482	34,307	519,373	16,640	(660)	535,353
Total assets	4,130,898	1,622,558	901,004	17,641,579	2,435,833	(2,043,988)	18,033,424

Millions of Yen							
2021	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	¥592,284	¥1,571,172	¥1,941,824	¥1,853,150	¥580,113	¥753,662	¥1,646,949
Gross profit	25,016	105,027	95,524	78,592	88,197	137,067	231,313
Share of profit of investments accounted for using the equity method	29,509	2,970	4,859	36,435	14,084	(61,406)	17,003
Profit (loss) for the year attributable to owners of the Parent	21,202	4,655	26,232	78,130	21,238	(28,104)	39,429
Total assets	1,579,876	1,128,501	947,528	3,425,026	1,090,182	1,461,360	1,730,763

Millions of Yen							
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥3,224,788	¥626,197	¥89,451	¥12,879,590	¥4,931	—	¥12,884,521
Gross profit	683,892	112,914	38,595	1,596,137	7,231	¥1,738	1,605,106
Share of profit of investments accounted for using the equity method	7,091	19,243	27,580	97,368	(346)	64	97,086
Profit (loss) for the year attributable to owners of the Parent	(73,249)	42,257	25,419	157,209	17,899	(2,558)	172,550
Total assets	3,876,324	1,814,988	996,154	18,050,702	2,710,802	(2,126,533)	18,634,971

Millions of U.S. Dollars

2021	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues	\$5,336	\$14,155	\$17,494	\$16,695	\$5,226	\$6,790	\$14,837
Gross profit	225	946	861	708	795	1,235	2,084
Share of profit of investments accounted for using the equity method	266	27	44	328	127	(553)	153
Profit (loss) for the year attributable to owners of the Parent	191	42	236	704	191	(253)	355
Total assets	14,233	10,167	8,536	30,856	9,821	13,165	15,592

Millions of U.S. Dollars

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	\$29,052	\$5,641	\$806	\$116,032	\$45	—	\$116,077
Gross profit	6,161	1,017	348	14,380	65	\$15	14,460
Share of profit of investments accounted for using the equity method	64	173	248	877	(3)	1	875
Profit (loss) for the year attributable to owners of the Parent	(660)	381	229	1,416	161	(22)	1,555
Total assets	34,922	16,351	8,974	162,617	24,422	(19,156)	167,883

Notes:

- "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
- "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
- The provisional amounts of "Total assets", as of March 31, 2020 for "Power Solution", "Total", and "Consolidated" have been retrospectively adjusted due to the completion of the initial accounting for business combination.
- As for the effect of losses related to the North American shale gas business in "Natural Gas" in the year ended March 31, 2020, please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of losses related to crude oil trading derivatives at the Singapore petroleum subsidiary in "Petroleum & Chemicals" in the year ended March 31, 2020, please refer to Note 26 "Income and expenses pertaining to financial instruments".
- As for the effect of the impairment losses related to the Overseas smelting business in "Mineral Resources" in the year ended March 31, 2020, please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of the recognition of deferred tax assets related to the reorganization of the Chilean copper business in "Mineral Resources" in the year ended March 31, 2020, please refer to Note 28 "Income taxes".
- As for the effect of Chiyoda Corporation becoming a consolidated subsidiary in "Industrial Infrastructure" in the year ended March 31, 2020, please refer to Note 5 "Business combinations and acquisition of joint operations".
- As for the effect of the impairment losses of investment in Mitsubishi Motors in "Automotive & Mobility" in the year ended March 31, 2020, please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of Eneco becoming a consolidated subsidiary in "Power Solution" in the year ended March 31, 2020, please refer to Note 5 "Business combinations and acquisition of joint operations".
- As for the effect of impairment losses and other losses at Mitsubishi Motors in "Automotive & Mobility", please refer to Note 38 "Interests in joint arrangements and associates".
- As for the effect of the impairment losses on goodwill to Lawson and its intangible assets in "Consumer Industry", please refer to Note 14 "Intangible assets and goodwill".

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Revenues:			
Japan	¥8,101,316	¥7,591,828	\$68,395
U.S.A	1,648,547	1,612,233	14,525
Thailand	691,583	677,500	6,103
Singapore	1,985,698	674,324	6,075
Other	2,352,590	2,328,636	20,979
Total	¥14,779,734	¥12,884,521	\$116,077
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥3,007,151	¥2,789,393	\$25,130
Australia	674,895	870,711	7,844
Netherlands	554,067	619,060	5,577
Other	1,019,062	1,143,778	10,304
Total	¥5,255,175	¥5,422,942	\$48,855

Note: Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2020 and 2021.

As for the year ended March 31, 2020, the provisional amounts of Non-current assets have been retrospectively adjusted due to the completion of the initial accounting for business combination. Consequently, the comparative information of "Netherlands" and "Other" as of March 31, 2020 has been reclassified. Please refer to Note 5 "Business combinations and acquisitions of joint operations" for details.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of short-term investments and other investments at March 31, 2020 and 2021.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2020)				
Short-term investments	—	—	¥49,331	¥49,331
Other investments	¥163,335	¥1,324,578	220,158	1,708,071
(March 31, 2021)				
Short-term investments	1,304	—	13,897	15,201
Other investments	161,815	1,442,120	212,094	1,816,029

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2021)				
Short-term investments	\$12	—	\$125	\$137
Other investments	1,458	\$12,992	1,911	16,361

The Company estimates expected credit losses on short-term investments and other investments measured at amortized cost and, when necessary, recognizes loss allowances; however, the amounts were immaterial for the years ended March 31, 2020 and 2021.

The following is a breakdown of the fair values of financial assets measured at FVTOCI at March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Marketable	¥470,671	¥573,199	\$5,164
Non-marketable	853,907	868,921	7,828
Total	¥1,324,578	¥1,442,120	\$12,992

The fair values of the main marketable securities at March 31, 2020 and 2021 were mainly as follows:

Security name	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
ISUZU MOTORS	¥45,517	¥75,660	\$682
NISSIN FOODS HOLDINGS	75,048	68,460	617
AYALA CORPORATION	38,134	64,288	579
CAP	13,507	33,431	301
SUMBER ALFARIA TRIJAYA	25,357	32,729	295
RYOHIN KEIKAKU	13,091	28,230	254
MITSUBISHI ESTATE	16,730	20,270	183
THAI UNION GROUP	16,028	18,096	163
YAMAZAKI BAKING	22,231	17,621	159
SHIN-ETSU CHEMICAL	8,585	14,890	134
AEON	33,265	11,384	103
INPEX CORPORATION	8,903	11,055	100
MITSUBISHI HEAVY INDUSTRIES	7,273	9,180	83
JAPAN METROPOLITAN FUND	2,945	7,827	71
NISSHIN SEIFUN GROUP	11,981	7,815	70
CHINA MOTOR CORPORATION	2,381	6,833	62
KATO SANGYO CORPORATION	6,086	6,390	58
INDUSTRIAL & INFRASTRUCTURE FUND	4,445	5,773	52
NAGATANIEN CORPORATION	4,608	4,868	44
SAHA PATHANA INTER-HOLDING	4,424	4,295	39

Some of the securities above at March 31, 2020 are recognized as “Assets classified as held for sale” in the consolidated statement of financial position.

The non-marketable securities primarily consisted of investments related to mineral resources. Please refer to Note 2 for the non-marketable securities and fair values of these investments for the years ended March 31, 2020 and 2021, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2020 and 2021 that were recognized for the years ended March 31, 2020 and 2021 were ¥108,017 million and ¥83,803 million (\$755 million), respectively.

With respect to financial assets measured at FVTOCI derecognized as a result of sale, etc., through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2020 and 2021 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Fair value at the time of derecognition	¥82,632	¥111,516	\$1,005
Accumulated gain or loss on disposal (before tax)	34,800	50,344	454

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2020 and 2021.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction etc., was transferred to retained earnings. The amounts transferred were ¥23,148 million (gain) and ¥31,011 million (\$279 million) (gain) for the years ended March 31, 2020 and 2021, respectively.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2020 and 2021.

Classification	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Current trade and other receivables			
Notes receivable-trade	¥282,092	¥225,641	\$2,033
Accounts receivable-trade and other	2,709,359	2,905,110	26,172
Amount not expected to be collected within 1 year included within the above account	11,994	19,609	177
Loans and other receivables	209,337	174,774	1,575
Loss allowance	(32,714)	(36,135)	(326)
Total current trade and other receivables	¥3,168,074	¥3,269,390	\$29,454
Non-current trade and other receivables			
Loans receivable	¥169,200	¥237,298	\$2,138
Other receivables	507,606	552,858	4,981
Loss allowance	(21,539)	(27,032)	(244)
Total non-current trade and other receivables	¥655,267	¥763,124	\$6,875

Short-term and long-term receivables are contractual rights to receive money. The Company recognizes loss allowances for these receivables by estimating expected credit losses based on internal ratings, current financial conditions and forward-looking information. The Company applies the simplified approach for trade receivables and contract assets that do not contain a significant financial component in accordance with IFRS15 and measures loss allowances at an amount equal to lifetime expected credit losses. For other receivables, the Company measures loss allowances at an amount equal to 12-month expected credit losses when there is no significant increase in credit risk. When there is a significant increase in credit risk, the Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for receivables that are credit-impaired as of the reporting date are measured by estimating expected credit losses individually, based upon factors related to credit ratings from applicable agencies, evaluation based on discounted cash flow, fair value of the underlying collateral, the condition of the debtor and other information.

The Company writes-off the amount of expected credit losses from the gross carrying amount of a receivable and derecognizes the receivable when the Company has no reasonable expectations of recovering the receivable in its entirety or a portion thereof. The Company recognizes loss allowances on such receivables based on the expected credit losses for the gross amount after write-off.

The following is a breakdown of the gross carrying amount of receivables before adjusting for loss allowance and the amount of loss allowance at March 31, 2020 and 2021.

(March 31, 2020)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,055,033	¥433,879	¥141,674	¥21,287	¥1,388	¥1,563
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	45,973	51,247	10,168	1,604	1,575	202
Credit-impaired receivables	29,194	4,841	9,791	17,637	1,311	7,686
Total	¥3,130,200	¥489,967	¥161,633	¥40,528	¥4,274	¥9,451

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2020 was immaterial.

(March 31, 2021)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,161,662	¥484,385	¥208,382	¥22,385	¥2,176	¥1,286
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	48,363	38,132	8,150	1,602	1,694	227
Credit-impaired receivables	45,826	15,070	11,307	22,660	2,196	8,941
Total	¥3,255,851	¥537,587	¥227,839	¥46,647	¥6,066	¥10,454

	Millions of U.S. Dollars					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	\$28,483	\$4,364	\$1,877	\$202	\$20	\$12
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	436	344	74	14	15	2
Credit-impaired receivables	413	136	102	204	20	81
Total	\$29,332	\$4,844	\$2,053	\$420	\$55	\$95

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2021 was immaterial.

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds credit enhancements such as guarantees from third parties and credit insurance, and collateral such as commodity inventory. Also, for loans for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds collateral such as vessels. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2021.

The Company has not shown the classification of "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of trade receivables that do not contain a significant financing component with original maturities of more than one year were ¥17,816 million and ¥9,929 million (\$89 million) at March 31, 2020 and 2021, respectively. These are included in "12-month expected credit losses" and "Receivables for which there have been significant increases in credit risk" within "Lifetime expected credit losses" above.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2020 and 2021 were as follows.

(Year ended March 31, 2020)

	Millions of Yen			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	¥14,321	¥2,435	¥29,646	¥46,402
Provision for expected credit losses	2,903	850	4,838	8,591
Charge-offs	(1,216)	-	(9,715)	(10,931)
Other	8,230	96	1,865	10,191
Balance at the end of the year	¥24,238	¥3,381	¥26,634	¥54,253

The change in loss allowance due to changes in expected credit losses is included in "Provision for expected credit losses". Also, "Other" principally includes additions through business combination and the effect of changes in foreign currency exchange rates.

(Year ended March 31, 2021)

	Millions of Yen			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	¥24,238	¥3,381	¥26,634	¥54,253
Provision for expected credit losses	3,307	1,394	13,123	17,824
Charge-offs	(1,869)	(1,420)	(9,331)	(12,620)
Other	171	168	3,371	3,710
Balance at the end of the year	¥25,847	¥3,523	¥33,797	¥63,167

	Millions of U.S. Dollars			
	12-month expected credit losses	Lifetime expected credit losses		Total
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	\$218	\$30	\$240	\$488
Provision for expected credit losses	30	12	118	160
Charge-offs	(16)	(13)	(84)	(113)
Other	2	2	31	35
Balance at the end of the year	\$234	\$31	\$305	\$570

The change in loss allowance due to changes in expected credit losses is included in "Provision for expected credit losses". Also, "Other" principally includes the effect of changes in foreign currency exchange rates.

The Company has not shown the classification of the loss allowance for "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of the loss allowance for trade receivables that do not contain a significant financing component with original maturities of more than one year was immaterial at March 31, 2021.

The Company uses a single consistent method without classification for the accounting treatment and risk management related to trade and other receivables. Refer to Note 3 "(3) Financial instruments" and Note 33.

9. INVENTORIES

The breakdown of "Inventories" at March 31, 2020 and 2021 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Merchandise and finished goods	¥1,030,629	¥1,077,889	\$9,711
Raw materials, work in progress and supplies	201,303	206,220	1,858
Real estate held for development and resale	62,547	64,752	583
Total	¥1,294,479	¥1,348,861	\$12,152
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥346,218	¥471,201	\$4,245

"Real estate held for development and resale" includes real estate expected to be sold more than 12 months from the end of each fiscal year.

The amount of inventories recognized as "Costs of revenues" for the years ended March 31, 2020 and 2021 was ¥12,831,448 million and ¥11,031,873 million (\$99,386 million), respectively.

Amounts related to write-down of inventories recognized as expenses were ¥10,781 million for the year ended March 31, 2020. Amounts related to write-down of inventories recognized as expenses were immaterial for the year ended March 31, 2021.

10. BIOLOGICAL ASSETS

The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets at March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Cost of biological assets	¥55,703	¥68,341	\$615
Fair value adjustments	3,638	6,295	57
Carrying amounts	¥59,341	¥74,636	672

The following is a breakdown of changes in the carrying amounts of biological assets for the year ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Balance at the beginning of year	¥71,105	¥59,341	\$535
Increase due to production	117,471	132,633	1,195
Decrease due to sales / harvest / mortality	(120,451)	(126,108)	(1,136)
Fair value adjustments	(2,313)	2,365	21
Exchange translations and others	(6,471)	6,405	57
Balance at the end of year	¥59,341	¥74,636	672

Fair value adjustments of biological assets were mainly included in "Other income (expense)-net" in the consolidated statement of income.

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a market approach based on the most relevant assumptions of price, growth rate and mortality rate at the reporting date. The valuation of biological assets is classified at Level 3 in the valuation hierarchy.

The business related to biological assets is exposed to fluctuations in prices, which is determined by global supply and demand. In order to partially mitigate the price risk, the Company enters into financial contracts in regulated marketplaces.

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada.

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the year ended March 31, 2020 and 2021.

	Tonnes	
	2020	2021
Balance at the beginning of year	110,240	96,848
Increase due to production	210,046	238,910
Decrease due to sales/harvest/mortality	(223,438)	(224,210)
Balance at the end of year	96,848	111,548

11. NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

The following non-current assets or disposal groups are classified as held for sale as of March 31, 2020 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year. Amounts related to disposal groups held for sale were immaterial for the year ended March 31, 2020, and both non-current assets and disposal groups held for sale were immaterial for the year ended March 31, 2021.

Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" or "Gains on investments" in the consolidated statement of income.

Non-current assets classified as held for sale

Other investments (marketable equity securities) of ¥25,003 million in the Food Industry segment and Consumer Industry segment were classified as held for sale as of March 31, 2020, and was measured at fair value in Level 1. Those assets were disposed during the year ended March 31, 2021.

Fair value of non-current assets or disposal groups

The fair value in Level 1 of non-current assets or disposal groups was measured by the quoted market price in an active market. The fair value in Level 2 of non-current assets or disposal groups was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the estimated sales value of the assets.

Differences between the carrying amount and the fair value of non-current assets or disposal groups held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of "Property, plant and equipment" at March 31, 2020 and 2021.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2020)							
Gross carrying amount	¥238,849	¥911,948	¥1,195,816	¥245,487	¥1,114,704	¥173,142	¥3,879,946
Accumulated depreciation and accumulated impairment losses	17,408	451,488	622,790	131,542	423,402	375	1,647,005
Carrying amount	¥221,441	¥460,460	¥573,026	¥113,945	¥691,302	¥172,767	¥2,232,941
(March 31, 2021)							
Gross carrying amount	¥238,100	¥941,905	¥1,301,041	¥206,831	¥1,438,235	¥229,166	¥4,355,278
Accumulated depreciation and accumulated impairment losses	18,720	492,606	652,980	117,727	562,596	411	1,845,040
Carrying amount	¥219,380	¥449,299	¥648,061	¥89,104	¥875,639	¥228,755	¥2,510,238
	Millions of U.S. Dollars						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2021)							
Gross carrying amount	\$2,145	\$8,486	\$11,721	\$1,863	\$12,957	\$2,065	\$39,237
Accumulated depreciation and accumulated impairment losses	169	4,438	5,883	1,060	5,068	4	16,622
Carrying amount	\$1,976	\$4,048	\$5,838	\$803	\$7,889	\$2,061	\$22,615

Carrying amounts above include property, plant and equipment subject to operating leases as lessor and consist primarily of leased vessels in the Commercial vessels-related business, which are included in "Vessels and vehicles".

The provisional amounts as of March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2020 and 2021.

Carrying amount	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2019	¥212,034	¥481,317	¥423,178	¥172,754	¥805,573	¥74,106	¥2,168,962
Cumulative effects of change in accounting policy	(224)	(24,097)	(157,958)	(47,999)	—	—	(230,278)
Adjusted balance at the beginning of the year	¥211,810	¥457,220	¥265,220	¥124,755	¥805,573	¥74,106	¥1,938,684
Additions	8,282	27,369	59,979	23,765	50,882	98,575	268,852
Additions through business combination	7,312	10,212	300,478	710	—	57,184	375,896
Disposal or reclassification to assets held for sale	(1,570)	(8,497)	(2,641)	(16,049)	(1,853)	(512)	(31,122)
Depreciation	—	(36,584)	(55,617)	(15,546)	(40,186)	—	(147,933)
Impairment losses	(2,653)	(6,861)	(1,998)	(4,839)	(883)	(50)	(17,284)
Exchange translations	(1,808)	(6,971)	(13,966)	(2,686)	(123,955)	(2,285)	(151,671)
Other	68	24,572	21,571	3,835	1,724	(54,251)	(2,481)
Balance at March 31, 2020	¥221,441	¥460,460	¥573,026	¥113,945	¥691,302	¥172,767	¥2,232,941
Additions	989	17,310	52,100	12,387	47,288	206,123	336,197
Additions through business combination	978	613	4,343	28	—	—	5,962
Disposal or reclassification to assets held for sale	(4,181)	(8,682)	(6,903)	(22,156)	(458)	(533)	(42,913)
Depreciation	—	(36,210)	(82,149)	(15,782)	(48,954)	—	(183,095)
Impairment losses	(760)	(7,606)	(1,747)	(1,626)	(471)	(51)	(12,261)
Exchange translations	1,503	7,477	37,669	1,240	180,176	(803)	227,262
Other	(590)	15,937	71,722	1,068	6,756	(148,748)	(53,855)
Balance at March 31, 2021	¥219,380	¥449,299	¥648,061	¥89,104	¥875,639	¥228,755	¥2,510,238

Millions of U.S. Dollars

Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2020	\$1,995	\$4,148	\$5,163	\$1,027	\$6,228	\$1,556	\$20,117
Additions	9	156	469	112	426	1,857	3,029
Additions through business combination	9	6	39	0	—	—	54
Disposal or reclassification to assets held for sale	(38)	(78)	(62)	(200)	(4)	(5)	(387)
Depreciation	—	(327)	(740)	(142)	(441)	—	(1,650)
Impairment losses	(7)	(68)	(16)	(15)	(4)	(0)	(110)
Exchange translations	14	67	339	11	1,623	(7)	2,047
Other	(6)	144	646	10	61	(1,340)	(485)
Balance at March 31, 2021	\$1,976	\$4,048	\$5,838	\$803	\$7,889	\$2,061	\$22,615

Notes:

1. "Other" includes transfers from construction in progress to other property, plant and equipment.
2. "Vessels and vehicles" includes "Aircraft."
3. "Cumulative effects of change in accounting policy" as of April 1, 2019 represents the impact of applying IFRS16 "Leases".
4. As for the effect of Eneco becoming a consolidated subsidiary in "Additions through business combination" for the year ended March 31, 2020, please refer to Note 5 "Business combinations and acquisition of joint operations".
5. The provisional amounts in "Additions through business combination" for the year ended March 31, 2020 and "Balance at March 31, 2020" have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

Impairment losses recognized for the years ended March 31, 2020 and 2021 were applicable to the following segments:

Segment	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Natural Gas Group	—	¥773	\$7
Industrial Materials Group	¥40	539	5
Petroleum & Chemicals Group	4,318	2,602	23
Mineral Resources Group	1,071	471	4
Industrial Infrastructure Group	2,252	1,606	14
Automotive & Mobility Group	3	503	5
Food Industry Group	625	496	4
Consumer Industry Group	8,198	5,271	48
Power Solution Group	174	—	—
Urban Development Group	604	—	—
Other	(1)	—	—
Total	¥17,284	¥12,261	\$110

Notes:

"Other" represents impairment losses attributable to the assets for corporate use, which have not been allocated to specific operating segments.

These impairment losses are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For assets that have indications of being impaired, impairment losses are calculated as the difference between the carrying amount of such assets and their recoverable amount. In the course of recognizing and measuring impairment losses, the Company measured the recoverable amount using value in use and fair value less costs to sell. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2020 and 2021.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥280,161 million and ¥278,302 million (\$2,507 million) at March 31, 2020 and 2021, respectively. The amount at March 31, 2020 and 2021 includes a contractual commitment which was incurred as a result of a final investment decision (FID) of LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The company holds a 15% interest in LNG Canada Project.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2020 and 2021.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Gross carrying amount	¥136,696	¥139,387	\$1,256
Accumulated depreciation and accumulated impairment losses	39,987	43,968	396
Carrying amount	¥96,709	¥95,419	\$860

The following is a breakdown of the activity of the carrying amounts of investment property.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Balance at the beginning of the year	¥84,514	¥96,709	\$871
Additions	17,089	4,770	44
Disposal or reclassification to assets held for sale	(1,615)	(1,546)	(14)
Depreciation	(2,332)	(4,453)	(40)
Impairment losses	(9)	(201)	(2)
Other	(938)	140	1
Balance at the end of the year	¥96,709	¥95,419	\$860

Impairment losses are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Fair value	¥121,305	¥122,298	\$1,102

The fair value of investment property is based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.

The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The amounts of rental income and fixed property taxes and other direct operating expenses arising from investment property were immaterial for the years ended March 31, 2020 and 2021.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2020 and 2021.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets at March 31, 2020 and 2021.

	Millions of Yen							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Sustainable energy subsidy	Other	Total
(March 31, 2020)								
Gross carrying amount	¥339,037	¥286,876	¥224,519	¥71,919	¥12,919	¥79,145	¥50,482	¥1,064,897
Accumulated amortization and accumulated impairment losses	28,972	137,724	19,700	2,289	6,251	—	37,713	232,649
Carrying amount	¥310,065	¥149,152	¥204,819	¥69,630	¥6,668	¥79,145	¥12,769	¥832,248
(March 31, 2021)								
Gross carrying amount	¥343,354	¥307,529	¥257,689	¥91,489	¥14,202	¥78,967	¥61,592	¥1,154,822
Accumulated amortization and accumulated impairment losses	43,169	163,872	67,695	2,546	7,061	6,713	47,697	338,753
Carrying amount	¥300,185	¥143,657	¥189,994	¥88,943	¥7,141	¥72,254	¥13,895	¥816,069

	Millions of U.S. Dollars							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Sustainable energy subsidy	Other	Total
(March 31, 2021)								
Gross carrying amount	\$3,093	\$2,771	\$2,322	\$824	\$128	\$711	\$555	\$10,404
Accumulated amortization and accumulated impairment losses	389	1,477	610	23	64	60	430	3,053
Carrying amount	\$2,704	\$1,294	\$1,712	\$801	\$64	\$651	\$125	\$7,351

The provisional amount as of March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2020 and 2021.

Millions of Yen								
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2020	¥289,332	¥141,808	¥101,666	¥77,795	¥7,754	—	¥13,230	¥631,585
Additions	21	33,459	—	2,670	16	—	17,021	53,187
Additions through business combinations	33,021	9,942	113,157	—	—	¥79,145	3,543	238,808
Disposal or reclassification to assets held for sale	(1)	(450)	—	(12)	(4)	—	(7,764)	(8,231)
Amortization	(9,241)	(29,750)	(6,754)	(72)	(399)	—	(9,699)	(55,915)
Impairment losses	(56)	(1,278)	—	(94)	—	—	(313)	(1,741)
Exchange translations	(928)	(899)	(856)	(10,699)	(526)	—	(2,979)	(16,887)
Other	(2,083)	(3,680)	(2,394)	42	(173)	—	(270)	(8,558)
End of year ended March 31, 2020	¥310,065	¥149,152	¥204,819	¥69,630	¥6,668	¥79,145	¥12,769	¥832,248
Additions	263	33,612	21,768	7,204	70	—	13,901	76,818
Additions through business combinations	—	1	1,852	—	—	—	—	1,853
Disposal or reclassification to assets held for sale	(4)	(2,040)	(224)	(5)	—	(1,766)	(1,640)	(5,679)
Amortization	(10,814)	(34,798)	(16,418)	(80)	(263)	(6,552)	(10,727)	(79,652)
Impairment losses	(5)	(2,159)	(30,949)	(1)	—	—	(267)	(33,381)
Exchange translations	2,549	1,047	5,920	12,038	776	6,572	1,484	30,386
Other	(1,869)	(1,158)	3,226	157	(110)	(5,145)	(1,625)	(6,524)
End of year ended March 31, 2021	¥300,185	¥143,657	¥189,994	¥88,943	¥7,141	¥72,254	¥13,895	¥816,069

Millions of U.S. Dollars								
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2021	\$2,793	\$1,344	\$1,845	\$627	\$60	\$713	\$115	\$7,497
Additions	2	303	196	65	1	—	125	692
Additions through business combinations	—	0	17	—	—	—	—	17
Disposal or reclassification to assets held for sale	(0)	(18)	(2)	(0)	—	(16)	(15)	(51)
Amortization	(97)	(314)	(148)	(1)	(2)	(59)	(97)	(718)
Impairment losses	(0)	(20)	(279)	(0)	—	—	(2)	(301)
Exchange translations	23	9	54	109	7	59	13	274
Other	(17)	(10)	29	1	(1)	(46)	(15)	(59)
End of year ended March 31, 2021	\$2,704	\$1,294	\$1,712	\$801	\$65	\$651	\$124	\$7,351

The provisional amount for the year ended March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

Impairment losses on intangible assets for the year ended March 31, 2021 include impairment loss of ¥30,949 million (\$279 million) on customer-related assets (related to the domestic convenience store business) of Lawson Inc. in the Consumer Industry segment. The carrying amount of the assets was ¥22,711 million (\$205 million) as of March 31, 2021. For details on the impairment test, please refer to "Impairment losses on the intangible assets and goodwill".

The Company does not amortize intangible assets with indefinite useful lives such as business rights and surface rights, given that the terms of the contracts are not set out and it is possible to sustain the value of such rights at a small cost.

At March 31, 2020 and 2021, the carrying amount of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Business rights	¥5,000	¥5,705	\$51
Fish farming license and surface rights	68,432	87,752	790
Other	4,490	4,718	43
Total	¥77,922	¥98,175	\$884

Amortization expense for intangible assets, including those internally generated, is included in "Cost of revenues" or "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses on intangible assets are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For the assets for which indications of impairment are identified, the recoverable amount are estimated, normally as value in use, and impairment losses are calculated as the difference between the carrying amount of the assets and the recoverable amount. Value in use of assets is primarily estimated based on discounted cash flows.

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥102,407 million and ¥105,611 million (\$951 million) at March 31, 2020 and 2021, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2020 and 2021.

Research and development costs recognized in net income were immaterial at March 31, 2020 and 2021.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Gross carrying amount	¥573,711	¥589,694	\$5,313
Accumulated impairment losses	(10,906)	(157,301)	(1,417)
Carrying amount	¥562,805	¥432,393	\$3,896

The following is a breakdown of the activity of the carrying amount of goodwill.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Balance at the beginning of the year	¥404,313	¥562,805	\$5,070
Additions	172,299	218	2
Impairment losses	(257)	(145,624)	(1,312)
Disposal	(6,339)	(209)	(2)
Exchange translations	(7,087)	12,492	113
Other	(124)	2,711	25
Balance at the end of the year	¥562,805	¥432,393	\$3,896

Impairment losses on goodwill are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income.

The provisional amount as of March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Notes 5 for more information.

Impairment test of goodwill and intangible assets with indefinite useful lives

The assumptions used for the impairment test of significant goodwill and intangible assets with indefinite useful lives allocated to cash-generating units were as follows:

Lawson, Inc.

The amount of goodwill as of March 31, 2020 and 2021 was ¥295,371 million and ¥150,043 million (\$1,352 million), respectively. For details of the impairment test of goodwill during the year ended March 31, 2021, please refer to “Impairment losses on the intangible assets and goodwill”.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2020 was ¥17,908 million and ¥67,674 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2021 was ¥21,598 million (\$195 million) and ¥86,710 million (\$781 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of 10 years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as on-going salmon farming projects.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2021, the Company has set the rate at 0% conservatively.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Chiyoda Corporation

For details of recognition of goodwill resulting from the consolidation of Chiyoda Corporation, please refer to Note 5 "Business combination and acquisition of joint operations".

The amount of goodwill as of March 31, 2020 and 2021 was ¥69,366 million and ¥69,331 million (\$625 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are construction revenue and gross profit margin. These assumptions reflect factors such as the current status of each project and the economic environment.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. For some businesses, future cash flows exceeding the period of the business plan were based on the leveling of historical results. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2021, the Company has set the rate at 0% conservatively. For some businesses, terminal value for the period beyond the business plan was calculated by multiplying the one-year net profit leveled by the net profit of the last year of the business plan by percentages referencing guideline company peer group forward PER multiples.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Nexamp, Inc.

The amount of goodwill as of March 31, 2020 and 2021 was ¥18,954 million and ¥17,906 million (\$161 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on fair value less cost of disposal by using the present value of future cash flows based on the business plan reflecting the most recent business environment. The level of the fair value hierarchy within which the fair value measurement is categorized is Level 3.

The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the fair value less cost of disposal are the margin of development and EPC associated with Solar Facilities and energy price forecasts. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2021, the Company has set the rate at 0% conservatively.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Eneco Groep N.V.

The amount of goodwill as of March 31, 2020 and 2021 was ¥101,828 million and ¥114,763 million (\$1,034 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are sales price assumption and supply outlook that is a precondition for sales volume. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2021, the Company has set the rate at 0% conservatively.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Impairment losses on the intangible assets and goodwill

Lawson, Inc.

During the year ended March 31, 2021, the Company recorded impairment losses on the intangible assets and goodwill recognized when Lawson Inc. became a subsidiary as impairment losses on property, plant and equipment, intangible assets, goodwill and others based on revisions to said subsidiary's business plans made by the Parent in light of the weakening of recent financial results and unclear outlook due to the impact of the COVID-19 pandemic. This comprised ¥145,325 million (\$1,309 million) in impairment losses on goodwill and ¥30,949 million (\$279 million) in impairment losses on intangible assets (customer-related assets in the domestic Consumer Industry business). These losses are included in the consolidated net income (loss) for the Consumer Industry segment (impact on profit for the year attributable to owners of the parent was ¥83.6 billion (\$753 million) loss).

Goodwill was tested for impairment after allocating its book value to the group of cash-generating units composed of the overall business of Lawson Inc., with the value in use as the recoverable value. Value in use was estimated based on the discounted present value of future cash flows based on business plans reflecting the recent business environment, with the support of an independent appraiser. The difference between the value in use and the book value was recorded as impairment losses.

The Company has formulated business plans for each major business, covering a period of 5 years. The key assumption with the most significant impact on the calculation of recoverable value is growth in sales amount, which is driven mainly by increases in the number of stores and in average daily store sales in the domestic Consumer Industry business. Demand has begun to gradually recover from the stagnation caused by the COVID-19 pandemic, and was forecast to continue to gradually increase for the purposes of impairment testing in the year ended March 31, 2021. Specifically, with current trends continuing from the year ending March 31, 2022, recovery to the level of the fiscal year ended March 31, 2020 was forecast by the year ending March 31, 2023, and a sales growth rate of 0.6% was forecast by the year ending March 31, 2026. These assumptions reflect such factors as historical performance and trends in competitors and peripheral industries. The management authorized these assumptions after considering the consistency among these factors. Note that, due to the need to align these assumptions with other inputs, including the discount rate, certain expected

improvements related to such factors as store-related initiatives to be implemented by Lawson Inc. going forward are not included. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average while incorporating the risks specific to the cash-generating unit. For impairment testing in the year ended March 31, 2021, a discount rate of 4.9% (after-tax conversion) was applied. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For impairment testing in the year ended March 31, 2021, the Company used a rate of 0%.

Customer-related assets (related to the domestic Consumer Industry business) were tested for impairment after allocating their book value to store-unit asset groups (cash-generating units). For each such asset group, the difference between the book value and the recoverable value determined using the value in use based on the discounted present value of future cash flows was recorded as impairment losses, which were reasonably classified as impairment losses on property, plant and equipment; right-of-use assets; or intangible assets (customer-related).

Note that the calculation of value in use is consistent with the abovementioned assumptions used in the testing for impairment of goodwill.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The following is a breakdown of the changes in the carrying amounts of exploration and evaluation assets for the years ended March 31, 2020 and 2021. Carrying amounts of exploration and evaluation assets are mainly recognized in "Property, plant and equipment" in the consolidated statement of financial position.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Beginning of year	¥100,450	¥84,880	\$765
Impairment and write-off of unsuccessful exploration expenditure	(81)	(11)	(0)
Exchange translations etc.	(15,489)	22,222	200
End of year	¥84,880	¥107,091	\$965

The Company's exploration and evaluation activities have also generated liabilities, of which the carrying amounts were immaterial.

The following table presents the amounts of expenses arising from exploration for and evaluation of mineral resources for the years ended March 31, 2020 and 2021. "Expenses arising from exploration for and evaluation of mineral resources" are recognized in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" and "Other income (expense) - net" in the consolidated statement of income.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Expenses arising from exploration for and evaluation of mineral resources	¥(765)	¥(1,073)	\$(10)

The Company's exploration and evaluation activities have also generated cash flows from operating activities and investment activities, of which the amounts were immaterial.

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Trade and other receivables (current and non-current)	¥105,873	¥127,374	\$1,148
Other investments (current and non-current)	470,225	510,247	4,597
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	203,723	193,694	1,745
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,129	45,129	407
Other	2,666	2,806	24
Total	¥827,616	¥879,250	\$7,921

"Other investments" above includes shares pledged as collateral by the Company in relation to project financing in which an associate or unassociated investee is the debtor.

The Parent, subsidiaries, associates and investees have borrowings under loan agreements with financial institutions, and above assets pledged as collateral are provided upon the request of the lenders.

With respect to the borrowings from financial institutions, lenders have rights to enforce the disposal of those assets pledged as collateral and may offset those proceeds against a debt, if the borrower defaults on a debt such as failure of borrower to pay any sum of matured payables, or breach the representation and warranty or the covenants.

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and, therefore, those amounts are not included in the amount of assets pledged as collateral above.

Notwithstanding the above assets pledged as collateral, substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, allow banks, under certain conditions, to require the Company to provide collateral (or additional collateral) or guarantors with respect to the loans, and to treat any collateral, whether furnished as security for certain short-term or long-term loans or otherwise, as collateral for all indebtedness to such banks.

It may be possible to regard the assets as pledged collateral for those transferred but which are not derecognized from the consolidated statement of financial position. However, the legal nature of those transactions are different from the assets pledged under collateral in normal contracts hence the Company excluded such transactions from the table above.

Meanwhile, the Company sold ¥25,849 million and ¥62,684 million (\$565 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2020 and 2021, respectively. As for similar transactions regarding to the financial assets, please refer to Note 34 (2) "Transferred financial assets that were not derecognized."

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2020 and 2021.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2020 and 2021 are consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Bank loans			
—0.7% as of March 31, 2021	¥633,667	¥487,615	\$4,393
Bonds			
—2.1% as of March 31, 2020	23,403	—	—
Commercial paper			
—△0.1% as of March 31, 2021	467,409	356,219	3,209
Bonds and borrowings (non-current liabilities) with current maturities	348,290	418,688	3,772
Total	¥1,472,769	¥1,262,522	\$11,374

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2021 or March 31, 2020.

Bonds and borrowings (non-current liabilities) as of March 31, 2020 and 2021 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Non-current liabilities with collateral:			
Banks and other financial institutions, maturing through 2034			
—principally 0.0% to 3.0% as of March 31, 2021	¥41,660	¥41,930	\$378
Banks and other financial institutions, maturing through 2038 (payable in foreign currencies)			
—principally 0.6% to 2.6% as of March 31, 2021	117,447	119,613	1,077
U.S. dollar bonds (fixed rate 4.5%, due 2021 as of March 31, 2021)	1,434	572	5
Total	¥160,541	¥162,115	\$1,460
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2080			
—principally 0.0% to 2.0% as of March 31, 2021	2,146,368	2,352,366	21,193
Banks and other financial institutions, maturing through 2036 (payable in foreign currencies)			
—principally 0.2% to 1.0% as of March 31, 2021	1,194,744	1,381,887	12,449
Japanese yen bonds (including commercial paper) (floating rate 0.7%, due 2076 as of March 31, 2021)	118,000	40,000	360
(fixed rate 0.0% to 1.7%, due 2021-2076 as of March 31, 2021)	765,036	630,906	5,684
U.S. dollar bonds (floating rate 0.8%, due 2024 as of March 31, 2021)	—	3,316	30
(fixed rate 0.4% to 3.4%, due 2022-2024 as of March 31, 2021)	164,383	169,634	1,528
Australian dollar bonds (fixed rate 4.3%, due 2021 as of March 31, 2021)	4,376	5,544	50
Hong Kong dollar bonds (fixed rate 2.6%, due 2023 as of March 31, 2021)	2,246	1,173	11
Euro bonds (floating rate 0.2%, due 2022 as of March 31, 2021)	2,421	2,608	23
Total	¥4,397,574	¥4,587,434	\$41,328
Total non-current liabilities	¥4,558,115	¥4,749,549	\$42,788
Add adjustments to fair value under fair value hedge and other	77,529	50,932	459
Total	¥4,635,644	¥4,800,481	\$43,247
Less current maturities	(348,290)	(418,688)	(3,771)
Bonds and borrowings (non-current liabilities)	¥4,287,354	¥4,381,793	\$39,476

Related information such as lines of credit, financial covenants and breakdown by due date is stated in "Liquidity risk management" of Note 33.

Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2075-2080) of ¥360,000 million (\$3,243 million). These loans are callable after the seventh and fifth year from their execution dates (First and Second Series: 2015-2016, Third Series: 2020) at the discretion of the Company, respectively.

Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2076) of ¥240,000 million (\$2,162 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2016) at the discretion of the Company.

18. TRADE AND OTHER PAYABLES

The following is a breakdown of the carrying amounts of "Trade and other payables" at March 31, 2020 and 2021.

Classification	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Current trade and other payables			
Notes and acceptances payable-trade	¥131,193	¥131,210	\$1,182
Accounts payable-trade and other payables	2,415,819	2,533,850	22,828
(Amount not expected to be settled within 1 year included within the above account)	8,641	15,770	142
Total current trade and other payables	¥2,547,012	¥2,665,060	\$24,010
Total non-current trade and other payables	¥56,692	¥54,893	\$494

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

The Parent and certain subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Japanese Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

By April 2013, the Parent had converted certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

The Parent has the obligation to make contributions to the Mitsubishi Corporation Pension Fund ("Fund") in order to cover the cost of paying pension benefits. The Fund is legally independent from the Parent, and the board of representatives comprises an equal number of representatives elected by the Parent and the Parent's employees. The chairman of the board is elected from the representatives elected from the Parent. Proceedings of the board of representatives are decided by a majority vote of the members attending. In the case of a tied vote, the chairman has the power to decide. However, with regard to important matters, the decision is made by a majority that exceeds the above.

The director of the Fund has the duty to comply with the law, the dispositions of the Minister of Health, Labour, and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the board of representatives and to faithfully perform duties for the Fund. In addition, the director is prohibited from acts that constitute conflicts of interest and from managing the Fund for the purpose of benefiting a third party.

In addition to the defined benefit pension plans, the Parent and most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The Company uses March 31 as the measurement date for the pension plans.

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2020 and 2021:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥603,152	¥614,535	\$5,536
Service cost	16,546	17,304	156
Interest cost	4,879	4,712	43
Employee contributions	—	—	—
Plan amendments	(297)	419	4
Actuarial (gain) loss	510	29,331	264
Benefits paid	(27,894)	(28,627)	(258)
Settlements and curtailments	(354)	(4,650)	(42)
Acquisitions/divestitures and other-net	22,227	(2,416)	(22)
Exchange translations	(4,234)	7,032	64
Present value of obligations under defined benefit pension plans at the end of the year	614,535	637,640	5,745
Change in plan assets:			
Fair value of plan assets at the beginning of the year	597,491	561,923	5,062
Interest income	5,204	5,056	46
Income from plan assets other than interest	(41,904)	68,639	618
Employer contributions	5,030	7,162	65
Employee contributions	22	71	1
Benefits paid	(21,916)	(22,934)	(207)
Settlements	(357)	(3,358)	(30)
Acquisitions/divestitures and other-net	22,446	(802)	(7)
Exchange translations	(4,093)	7,015	63
Fair value of plan assets at the end of the year	561,923	622,772	5,611
Effect of the asset ceiling	—	—	—
Net amount of liabilities recorded in Consolidated statement of financial position	¥52,612	¥14,868	\$134

Note: Actuarial (gain) loss arises from changes in demographic assumptions and financial assumptions.

Investment Policy

Plan assets

The Company's investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt securities and alternative assets.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Company's investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies and investment managers for the purpose of risk control and thereby pursues efficient risk management.

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2020 and 2021:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
<hr/>			
Plan assets that have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	¥127,800	¥117,645	\$1,060
Global equity securities	2,392	5,275	48
Debt instruments:			
Global debt securities	6,599	7,532	68
Cash and cash equivalents	74,092	78,703	709
Total	<hr/> 210,883	<hr/> 209,155	<hr/> 1,885
Plan assets that do not have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	15,379	21,179	191
Global equity securities	54,459	74,337	670
Debt instruments:			
Japanese debt securities	13,214	12,641	114
Global debt securities	150,045	186,512	1,680
Hedge funds	25,888	26,720	241
Life insurance company accounts	56,747	58,555	527
Cash equivalents	7,666	7,812	70
Other assets	27,642	25,861	233
Total	<hr/> 351,040	<hr/> 413,617	<hr/> 3,726
Total plan assets	<hr/> ¥561,923	<hr/> ¥622,772	<hr/> \$5,611

Notes:

1. Japanese equity securities and global equity securities include investments through funds. Global equity securities include a mixture of Japanese and non-Japanese securities which include investments through funds.
2. Japanese debt securities and global debt securities include investments through funds. Global debt securities include a mixture of Japanese and non-Japanese debt securities which include investments through funds.
3. Life insurance company accounts consist of investments in life insurance company general accounts and special accounts. General accounts are guaranteed for the principal amount and interest rate by life insurance companies while special accounts are not guaranteed for their investment return.
4. Other assets include private equity funds, real estate funds and infrastructure funds.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2020 and 2021 were as follows:

	2020	2021
Discount rate	0.8%	0.9%
Rate of increase in future compensation levels	2.3	2.2

The assumption of average longevity at pension age of the Parent was 19.4 years and 20.4 years for current pensioners, and 21.5 years and 22.8 years for employees respectively, at March 31, 2020 and 2021.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥35,545 million (\$320 million) at March 31, 2021. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥31,287 million (\$282 million).

This analysis assumes that all other variables remain constant. However, the discount rate does not always change independently.

Contributions

The Company's funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. Companies in Japan generally contribute to the extent of the amount deductible for income tax purposes.

The Company expects to contribute approximately ¥5,000 million (\$45 million) to its defined benefit pension plans during the year ending March 31, 2022.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2022	¥29,490	\$266
2023	27,535	248
2024	29,328	264
2025	31,428	283
2026	30,841	278
2027 through 2031	172,438	1,553

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were immaterial for the years ended March 31, 2020 and 2021.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥654,778 million and ¥674,845 million (\$6,080 million) for the years ended March 31, 2020 and 2021, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2020 and 2021 were as follows:

(Year ended March 31, 2020)

	Millions of Yen					Balance at the end of the year
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	
Provision for decommissioning and restoration	¥181,375	¥11,540	¥(21,541)	¥4,387	¥(5,688)	¥170,073
Provision relating to onerous contracts	590	14,147	(21,443)	—	44,098	37,392
Provision for product warranties	3,770	5,588	(2,610)	—	5,886	12,634
Other	16,399	6,941	(6,149)	—	(1,540)	15,651

(Year ended March 31, 2021)

	Millions of Yen					Balance at the end of the year
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	
Provision for decommissioning and restoration	¥170,073	¥23,134	¥(14,414)	¥4,527	¥18,443	¥201,763
Provision relating to onerous contracts	37,392	40,557	(38,111)	—	(4,058)	35,780
Provision for product warranties	12,634	11,719	(3,046)	—	415	21,722
Other	15,651	8,188	(9,330)	—	85	14,594

(Year ended March 31, 2021)

	Millions of U.S. Dollars					Balance at the end of the year
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	
Provision for decommissioning and restoration	\$1,532	\$209	\$(130)	\$41	\$166	\$1,818
Provision relating to onerous contracts	337	365	(343)	—	(37)	322
Provision for product warranties	114	106	(28)	—	4	196
Other	141	73	(84)	—	1	131

* "Other" principally includes the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of consolidation and deconsolidation.

The change for the year ended March 31, 2020, in "Other" of "Provision for decommissioning and restoration" was mainly due to the consolidation of Eneco. Please refer to Note 5 "Business combinations and acquisition of joint operations".

The changes for the year ended March 31, 2020, in "Other" of "Provision relating to onerous contracts" and "Provision for product warranties" were mainly due to the consolidation of Chiyoda Corporation. Please refer to Note 5 "Business combinations and acquisition of joint operations".

In addition to the above, "Provisions" on the consolidated statement of financial position contains provisions regarding employee benefits, etc.

Provision for decommissioning and restoration

The Company recognizes provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities.

Cash outflows related to the provision are expected to be paid over periods of up to 91 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

The consolidated subsidiaries conducting decommissioning work in the North Sea oil field project in the Natural Gas segment recorded future decommissioning costs regarding the decommissioning work as a provision for decommissioning, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets".

During the year ended March 31, 2020 and 2021, provisions for decommissioning amounting to ¥12,233 million (decrease) and ¥10,547 million (\$95 million) (decrease) were recorded as "Other" and "Provision used" due to the revision of the decommissioning plan and the costs of decommissioning the oil field, respectively.

Provision relating to onerous contracts

The Company recognizes provision relating to onerous contracts, consisting primarily of costs associated with construction contract, if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

During the year ended March 31, 2021, provisions for losses on construction contracts of Chiyoda Corporation amounting to ¥39,165 million (\$353 million) (increase) and ¥35,736 million (\$322 million) (decrease) were recorded as "Provisions made" and "Provisions used" due to the reassessments of project execution costs and the progress of the project executions, respectively.

Cash outflows related to the provision are expected to be paid over periods of up to 4 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

Provision for product warranties

The Company recognizes provision for product warranties primarily based on estimated costs associated with expenses for free repair services after sales of products and defect warranties related to completed construction works.

Cash outflows related to the provision are expected to be paid over periods of up to 10 years.

Other

"Other" includes provisions for environmental measures and others.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2020 and 2021 was as follows:

	2020 (Number of shares)	2021 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2020 and 2021 was as follows:

	2020 (Number of shares)	2021 (Number of shares)
Balance, beginning of year	1,590,076,851	1,590,076,851
Change during the year	—	(104,353,500)
Balance, end of year	1,590,076,851	1,485,723,351

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock amount.

The Companies Act provides that, subject to certain conditions, such as a resolution at a shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed under the Articles of Incorporation, subject to limitations imposed by the Companies Act.

At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.

The number of treasury stock and treasury stock held by subsidiaries and associates was 105,580,338 shares and 9,618,263 shares at March 31, 2020 and 2021, respectively. The number of treasury stock at March 31, 2020 and 2021 includes 3,308,699 shares and 3,263,133 shares of the Company held in the trust account for the benefit share ESOP, respectively.

The Parent completed the repurchase of shares pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Paragraph 3, Article 165 of the same act. This resolution was reached at the meeting of the Board of Directors held on May 9, 2019. Details are described below:

Class of shares repurchased	: Common stock
No. of shares repurchased	: 109,353,500 shares (8,999,100 shares repurchased during the year ended March 31, 2021 is included within the above number)
Aggregate repurchased amount	: 299,999,993,400 yen (19,772,845,100 yen repurchased during the year ended March 31, 2021 is included within the above amount)
Period of repurchase	: May 10, 2019 to April 30, 2020

The Parent completed the cancellation of treasury stock in accordance with Article 178 of the Companies Act. This resolution was reached at the meeting of the Board of Directors held on May 9, 2019. Details are described below:

Class of shares cancelled	: Common Stock
No. of shares cancelled	: 104,353,500 shares
	(6.6% of the total number of shares outstanding)
No. of shares outstanding after the cancellation	: 1,485,723,351 shares
Date of cancellation	: May 29, 2020

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥2,121,139 million (\$19,109 million) as of March 31, 2021. The distributable amount may change up to the effective date of the distribution of dividends in the event of the Company's due to its acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2020 and 2021 were as follows:

Resolution	Class of shares	Millions of Yen	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars
		Amount of dividends	Dividends per share			Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	¥99,982	¥63	March 31, 2019	June 24, 2019		
Board of Directors' meeting held on November 6, 2019	Ordinary shares	97,935	64	September 30, 2019	December 2, 2019		
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	101,182	68	March 31, 2020	June 22, 2020	\$912	\$0.61
Board of Directors' meeting held on November 5, 2020	Ordinary shares	99,116	67	September 30, 2020	December 1, 2020	893	0.60

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

Resolution	Class of shares	Millions of Yen	Source of dividends	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars
		Amount of dividends		Dividends per share			Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 25, 2021	Ordinary shares	¥99,128	Retained earnings	¥67	March 31, 2021	June 28, 2021	\$893	\$0.60

Management of capital

The Company manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions, etc. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2020 and 2021.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2020)				
Other investments designated as FVTOCI	¥541,970	¥(158,871)	¥(23,125)	¥359,974
Remeasurement of defined benefit pension plans	—	(33,018)	33,018	—
Cash flow hedges	(6,291)	(21,131)	—	(27,422)
Exchange differences on translating foreign operations	379,128	(296,494)	—	82,634
Total	¥914,807	¥(509,514)	¥9,893	¥415,186
(Year ended March 31, 2021)				
Other investments designated as FVTOCI	¥359,974	¥126,481	¥(29,332)	¥457,123
Remeasurement of defined benefit pension plans	—	32,973	(32,973)	—
Cash flow hedges	(27,422)	(24,933)	—	(52,355)
Exchange differences on translating foreign operations	82,634	297,283	—	379,917
Total	¥415,186	¥431,804	¥(62,305)	¥784,685

	Millions of U.S. Dollars			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2021)				
Other investments designated as FVTOCI	\$3,243	\$1,139	\$(264)	\$4,118
Remeasurement of defined benefit pension plans	—	297	(297)	—
Cash flow hedges	(247)	(225)	—	(472)
Exchange differences on translating foreign operations	744	2,679	—	3,423
Total	\$3,740	\$3,890	\$(561)	\$7,069

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Gains (losses) on other investments designated as FVTOCI	¥(7,518)	¥8,809	\$79
Remeasurement of defined benefit pension plans	(580)	1,722	16
Cash flow hedges	(2,485)	(3,148)	(28)
Exchange differences on translating foreign operations	(9,628)	11,397	103
Total	¥(20,211)	¥18,780	\$170

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2020 and 2021.

	Millions of Yen					
	2020			2021		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains (losses) on other investments designated as FVTOCI	¥(241,093)	¥75,473	¥(165,620)	¥195,031	¥(65,578)	¥129,453
Remeasurement of defined benefit pension plans	(42,414)	11,553	(30,861)	39,308	(9,495)	29,813
Share of other comprehensive income (loss) of investments accounted for using the equity method	(3,506)	—	(3,506)	12,957	(2,238)	10,719
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	(8,530)	3,156	(5,374)	(17,292)	3,410	(13,882)
Exchange differences on translating foreign operations	(269,544)	(11,788)	(281,332)	307,014	(737)	306,277
Share of other comprehensive income (loss) of investments accounted for using the equity method	(45,949)	2,917	(43,032)	(15,061)	3,265	(11,796)
Total	¥(611,036)	¥81,311	¥(529,725)	¥521,957	¥(71,373)	¥450,584

	Millions of U.S. Dollars		
	2021		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains (losses) on other investments designated as FVTOCI	\$1,757	\$(591)	\$1,166
Remeasurement of defined benefit pension plans	354	(85)	269
Share of other comprehensive income (loss) of investments accounted for using the equity method	117	(20)	97
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	(156)	31	(125)
Exchange differences on translating foreign operations	2,766	(7)	2,759
Share of other comprehensive income (loss) of investments accounted for using the equity method	(136)	30	(106)
Total	\$4,702	\$(642)	\$4,060

The following is a breakdown of cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2020 and 2021.

	Millions of Yen					
	2020			2021		
	Interest rate risk	Foreign currency risk	Commodity price risk	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	¥(2,624)	¥(5,201)	¥(5,186)	¥(14,444)	¥42,201	¥(27,800)
Reclassification adjustments to profit (loss) for the year	33	2,568	1,880	1,274	(20,095)	1,572
Total	¥(2,591)	¥(2,633)	¥(3,306)	¥(13,170)	¥22,106	¥(26,228)

	Millions of U.S. Dollars		
	2021		
	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	\$(130)	\$380	\$(250)
Reclassification adjustments to profit (loss) for the year	11	(181)	14
Total	\$(119)	\$199	\$(236)

The following is a breakdown of exchange differences on translating foreign operations included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
	Translation adjustments during the year	¥(269,665)	¥309,817
Reclassification adjustments to profit (loss) for the year	121	(2,803)	(25)
Total	¥(269,544)	¥307,014	\$2,766

The following is a breakdown of share of other comprehensive income (loss) of investments accounted for using the equity method that may be reclassified to profit or loss included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
	Net unrealized gains (losses) and translation adjustments during the year	¥(44,510)	¥(16,952)
Reclassification adjustments to profit (loss) for the year	(1,439)	1,891	17
Total	¥(45,949)	¥(15,061)	\$(136)

23. SHARE-BASED PAYMENT

The Parent unified previous stock option plans for a stock-linked compensation plan that grant the right to purchase the shares of the Parent at an exercise price of ¥1 per share from 2007 stock option plans resolved at the Board of Directors' meeting held on July 20, 2007 to the years ended March 31, 2019. The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would newly distribute stock options for a stock-linked compensation plan with market conditions.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or before June 2007

Under the class B plan (class A plan has no outstanding balance), for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the previous stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or after July 2007

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock options are vested and exercisable from the earlier of either the day after 2 years from the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plan for a stock-linked compensation plan with market conditions resolved by the Board of Directors' meetings held on or after June 2019

Under the new plans with market conditions, for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. Depending on the plans, the contractual term of the stock option is 27 years starting on the day after 3 or 2 years from the grant date. The number of stock options that can be exercised at the end of defined performance period which are set no longer than 3 years, varies depending on the Parent's share performance during such period. The stock option holders cannot exercise their stock acquisition right after 10 years from the day after leaving their position as director and executive officer of the Parent.

The share-based remuneration based on these stock option plans was immaterial for the years ended March 31, 2020 and 2021.

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the years ended March 31, 2020 and 2021.

2020	Millions of Yen						
	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥159,698	¥1,935,506	¥2,638,470	¥769,010	¥410,992	¥652,250	¥1,482,691
Revenues from other sources of revenue	386,124	32,088	1,394,573	974,299	101,635	58,807	216,715
Total	¥545,822	¥1,967,594	¥4,033,043	¥1,743,309	¥512,627	¥711,057	¥1,699,406

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,404,853	¥62,422	¥49,934	¥11,565,826	¥12,231	—	¥11,578,057
Revenues from other sources of revenue	2,958	19,448	15,157	3,201,804	(20)	¥(107)	3,201,677
Total	¥3,407,811	¥81,870	¥65,091	¥14,767,630	¥12,211	¥(107)	¥14,779,734

2021	Millions of Yen						
	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥217,463	¥1,544,168	¥1,761,661	¥640,285	¥489,112	¥700,851	¥1,403,106
Revenues from other sources of revenue	374,821	27,004	180,163	1,212,865	91,001	52,811	243,843
Total	¥592,284	¥1,571,172	¥1,941,824	¥1,853,150	¥580,113	¥753,662	¥1,646,949

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,221,611	¥581,027	¥67,612	¥10,626,896	¥4,931	—	¥10,631,827
Revenues from other sources of revenue	3,177	45,170	21,839	2,252,694	—	—	2,252,694
Total	¥3,224,788	¥626,197	¥89,451	¥12,879,590	¥4,931	—	¥12,884,521

	Millions of U.S. Dollars						
2021	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	\$1,959	\$13,912	\$15,871	\$5,768	\$4,406	\$6,314	\$12,640
Revenues from other sources of revenue	3,377	243	1,623	10,927	820	476	2,197
Total	\$5,336	\$14,155	\$17,494	\$16,695	\$5,226	\$6,790	\$14,837

	Millions of U.S. Dollars						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	\$29,024	\$5,234	\$609	\$95,737	\$45	—	\$95,782
Revenues from other sources of revenue	28	407	197	20,295	—	—	20,295
Total	\$29,052	\$5,641	\$806	\$116,032	\$45	—	\$116,077

Revenues recognized from contracts with customers include revenues recognized at a point in time (sales of products or providing services, etc. as principal or agent), as well as revenues recognized over time (providing services based on franchise contracts, plant constructions based on construction contracts, etc.).

Revenues recognized from contracts with customers in the Consumer Industry segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥314,260 million and ¥288,480 million (\$2,599 million) for the years ended March 31, 2020 and 2021. The commission includes lease income attributable to property and store equipment leases.

Revenues recognized from contracts with customers in the Industrial Infrastructure segment include revenues recognized by measuring progress of construction based on construction contracts, the amount of which was ¥200,074 million and ¥315,491 million (\$2,842 million) for the year ended March 31, 2020 and 2021.

Revenues other than the above items are mainly from the sale of goods and related services.

Revenues from other sources of revenue include revenues recognized in the scope of IFRS9 “Financial Instruments” (including the gross amount of revenues recognized from contracts to buy or sell a non-financial item that can be settled net in cash or other financial instruments, or by exchange for financial instruments at the timing of delivery) and lease income based on IFRS16 “Leases”.

The portion of the Company’s revenues accounted for by variable consideration is immaterial.

(2) Contract balance

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer (except receivables) when the right is conditioned on something other than the passage of time (for example, the entity's future performance). It is presented as "Trade and other receivables".

Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from said customer and is presented mainly as "Advances from customers".

The following is a breakdown of carrying amounts of "Contract assets" and "Contract liabilities" at the beginning and the end of the years ended March 31, 2020 and 2021. Both contract balances were mainly recognized from construction contracts in which there was a difference between the point in time when performance obligations were satisfied (progress of construction) and the right to claim arose or consideration was received. Contract assets increased due to performance obligations being satisfied before rights to claim arose (and decreased due to transfer to trade receivables when the rights to claim arose). Contract liabilities increased due to rights to claim arising before performance obligations were satisfied (and decreased due to transfer to revenues when the performance obligations were satisfied).

The changes during the year ended March 31, 2020 include additions of ¥14,819 million of "Contract assets" and ¥123,221 million of "Contract liabilities" due to the acquisition of Chiyoda Corporation as a consolidated subsidiary and addition of ¥15,429 million of "Contract liabilities" due to the acquisition of Eneco as a consolidated subsidiary.

	Millions of Yen				Millions of U.S. Dollars	
	2020		2021		2021	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥55,717	¥40,203	¥54,510	¥193,586	\$491	\$1,744
Changes during the year	(1,207)	153,383	(1,054)	(46,279)	(9)	(417)
Balance at the end of the year	¥54,510	¥193,586	¥53,456	¥147,307	\$482	\$1,327

Revenues recognized for the years ended March 31, 2020 and 2021 that were included in the contract liabilities balance at the beginning of the year were ¥21,864 million and ¥155,091 million (\$1,397 million) respectively. Revenues for the years ended March 31, 2020 and 2021 recognized (or partially recognized) from the performance obligations satisfied in the previous years were immaterial.

(3) Transaction price allocated to the remaining performance obligations

Following are the aggregate amounts of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) at the end of the years ended March 31, 2020 and 2021 and the breakdown by expected duration of the remaining performance obligation in the future.

The amounts of the transaction price are calculated based on the contracts with the customers with reference to commodity prices such as crude oil or gas, and if the consideration is variable, it is included in the transaction price only to the extent that a significant reversal in the amount of cumulative revenues recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of the years ended March 31, 2020 and 2021 was derived to a large extent from a long-term LNG sales contract with customers mainly in Japan through participating in Cameron LNG LLC ("CLNG") at Louisiana Terminal in the U.S and the LNG Canada Project in Kitimat, British Columbia, Canada. Please refer to Note 38 "Interest in joint arrangements and associates" for information of CLNG.

Contracts for which the original expected duration of revenue recognition from contract conclusion is one year or less are not included in the table below under the provisions of practical expedient adopted.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Not later than 1 year	¥852,155	¥813,426	\$7,328
Later than 1 year and not later than 5 years	1,921,460	2,356,744	21,232
Later than 5 years and not later than 10 years	1,493,533	1,595,280	14,372
Later than 10 years	2,614,883	2,431,989	21,910
Total	¥6,882,031	¥7,197,439	\$64,842

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe at March 31, 2020 and 2021, the amount of estimated consideration of which was ¥31,957 million and ¥35,590 million (\$321 million) per year.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Employee benefit expenses	¥509,317	¥519,100	\$4,677
Equipment expenses	324,145	325,231	2,930
Transportation and warehousing expenses	145,727	146,521	1,320
Outsourcing expenses	96,169	92,466	833
Advertising and sales promotion expenses	86,511	74,435	671
Office expenses	71,276	59,095	532
Others	198,087	180,859	1,629
Total	¥1,431,232	¥1,397,707	\$12,592

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains on investments," "Finance income" and "Finance costs" for the years ended March 31, 2020 and 2021.

Classification	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Gains on investments			
Financial assets measured at FVTPL	¥4,299	¥8,596	\$77
Subsidiaries, investments accounted for using the equity method and other	62,630	53,486	482
Total gains on investments	¥66,929	¥62,082	\$559
Finance income			
Interest income			
Financial assets measured at amortized cost	28,325	21,587	194
Financial assets measured at FVTPL	30,578	7,089	64
Total interest income	¥58,903	¥28,676	\$258
Dividend income			
Financial assets measured at FVTOCI	114,375	89,150	803
Total dividend income	¥114,375	¥89,150	\$803
Total finance income	¥173,278	¥117,826	\$1,061
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(64,170)	(40,199)	(362)
Derivatives	15,110	14,555	131
Others	(20,978)	(20,656)	(186)
Total finance costs	¥(70,038)	¥(46,300)	\$(417)

"Others" under Interest expense includes expenses incurred from "Lease liabilities". Please refer to Note 35 for more information.

In addition to the above, net gains of ¥34,231 million and net losses of ¥126,125 million (\$1,136 million) in "Revenues/Cost of revenues," and net losses of ¥2,773 million and net gains of ¥9,311 million (\$84 million) in "Other income (expense)-net" were caused by the derivatives not being designated as hedging instruments, for the years ended March 31, 2020 and 2021, respectively. Part of these net gains and losses were offset by fair value adjustments of inventories carried at fair value and exchange translations of receivables and payables denominated in foreign currencies. "Revenues/Cost of revenues" includes net losses of ¥34.1 billion on crude oil derivative trading carried out in violation of internal rules by a local employee at a consolidated subsidiary in Singapore for the year ended March 31, 2020. Please refer to Note 32 for gains and losses on hedges.

Furthermore, for the years ended March 31, 2020 and 2021, interest income from financial assets measured at amortized cost amounted to ¥30,881 million and ¥24,748 million (\$223 million), respectively, and interest expense pertaining to financial liabilities measured at amortized cost amounted to ¥19,723 million and ¥17,672 million (\$159 million), respectively. These incomes and expenses were included primarily in "Revenues/Cost of revenues."

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2020 and 2021.

27. OTHER INCOME (EXPENSE)-NET

The amounts of net foreign exchange gains and losses included in "Other income (expense)-net" in the consolidated statement of income were ¥34,188 million of losses and ¥9,482 million (\$85 million) of losses for the years ended March 31, 2020 and 2021, respectively.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 30.6%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Current tax	¥138,461	¥113,204	\$1,020
Deferred tax	(81,748)	8,082	73
Income taxes	56,713	121,286	1,093
Income taxes recognized in other comprehensive income	(81,311)	71,373	642
Total	¥(24,598)	¥192,659	\$1,735

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2020 and 2021 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2020	2021
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(7.3)	(9.7)
Expenses not deductible for income tax purposes	0.1	0.0
Effect of the recoverability of deferred tax assets	0.2	4.4
Tax benefits recognized for accumulated losses of certain subsidiaries	(13.9)	(1.0)
Difference of tax rates for foreign subsidiaries	(0.8)	(4.9)
Effect of taxation on dividends	(0.3)	(0.1)
Impairment losses on goodwill (Note 2)	—	17.5
Other-net (Note 3)	0.1	11.0
Effective income tax rate on income before income taxes in the consolidated statement of income	8.7%	47.8%
Less effect of income from investments accounted for using the equity method	7.3	9.7
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 4)	16.0%	57.5%

Notes:

- The reconciliation is rounded to one decimal place.
- As for the effect of the impairment losses on goodwill to Lawson, please refer to Note 14 "Intangible assets and goodwill".
- Regarding "Other-net" for the year ended March 31, 2021, the tax effect of undistributed profit related to interests in affiliated companies etc. amounting to 3.9%, the estimated effect upon the assumption of adopting the deduction method rather than crediting the foreign taxes in the Parent's tax return amounting to 2.4%, and the effect of the accumulation of deferred tax liabilities at the consolidated subsidiaries in the Power Solution segment due to the cancellation of a reduction in corporate income tax rates in the Netherlands amounting to 2.1% are included.
- To exclude the effect of "Share of profit of investments accounted for using the equity method" included in profit before tax in the consolidated statements of income which cause the difference between the effective tax rate and the combined statutory tax rate, "Effective income tax rate on income before income taxes of the Parent and subsidiaries" is disclosed.

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Assets:			
Loss allowance	¥16,895	¥18,200	\$164
Accrued pension and retirement benefits	38,335	30,354	273
Property, plant and equipment, Investment property and Intangible assets	29,418	32,498	293
Short-term investments and Other investments	16,922	24,287	219
Net operating loss carry forwards	55,982	96,594	870
Provisions and other	63,525	72,396	652
Derivatives	38,261	18,049	163
Other*	165,363	83,131	749
Gross deferred tax assets	424,701	375,509	3,383
Liabilities:			
Short-term investments and Other investments	293,674	342,000	3,081
Property, plant and equipment, Investment property and Intangible assets**	348,735	372,319	3,354
Investments accounted for using the equity method	115,552	122,831	1,107
Other	99,908	65,767	593
Gross deferred tax liabilities	857,869	902,917	8,135
Net deferred tax liabilities	¥(433,168)	¥(527,408)	\$(4,752)

* "Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the years ended March 31, 2020 and 2021.

** The provisional amount as of March 31, 2020 has been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 "Business combinations and acquisitions of joint operations" for details.

During the year ended March 31, 2020, the Company decided to liquidate MC Resource Development Ltd. (hereinafter "MCRD"), a wholly owned subsidiary that holds a 20.4% equity stake in Anglo American Sur S.A., an owner of Chilean copper mine interests, following a review of its operating structure. In conjunction with this move, the Chile-based M.C. Inversiones Limitada, the MC Group's core mineral resource development operating company in Latin America, is expected to assume operations from MCRD. As this decision necessitated the recognition of deferred tax assets arising from losses recorded by MCRD in past fiscal years, the amount of income taxes incurred by the mineral resources segment decreased by ¥76,747 million. Moreover, the Company recognized deferred tax liabilities totaling ¥32,267 million resulting from exchange differences on translating foreign operations in connection with investment in MCRD. These deferred tax assets and liabilities are included in "Other", respectively.

During the year ended March 31, 2021, due to the liquidation of MCRD, the above deferred tax assets and liabilities recognized during the year ended March 31, 2020 have realized, and consequently, net operating loss carry forwards arose in the Parent's tax consolidation group. However, the Parent still recognizes deferred tax assets corresponding to the national tax in Japan, as the Parent has analyzed and expects to generate a stable taxable income at the tax consolidated subsidiaries and therefore concluded that it was probable that the deferred tax assets will be recovered by future consolidated taxable income. These deferred tax assets are included in "Net operating loss carry forwards" in the table above.

No deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements where the Parent considers that the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. At March 31, 2020 and 2021, the amount of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements on which deferred tax liabilities were not recognized in the Company's consolidated financial statements were ¥1,705,546 million and ¥1,891,854 million (\$17,044 million), respectively.

The Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2020 and 2021 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Not later than 5 years	¥65,348	¥150,945	\$1,360
Later than 5 years and not later than 10 years	229,132	366,741	3,304
Later than 10 years and not later than 15 years	24,684	32,858	296
Later than 15 years	1,111,982	1,213,800	10,935
Total	¥1,431,146	¥1,764,344	\$15,895

The amounts of deductible temporary differences associated with investments in subsidiaries, on which deferred tax assets were not recognized in the Company's consolidated financial statements at March 31, 2020 and 2021 were ¥846,644 million and ¥590,044 million (\$5,316 million), respectively, and are not included in the above.

Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan but did not recognize deferred tax assets on the local tax, considering the recoverability, as of March 31, 2020 and 2021, were ¥703,879 million and ¥702,859 million (\$6,332 million), respectively, which are included in the above table and the amount of deductible temporary differences associated with investments in subsidiaries.

29. EARNINGS PER SHARE

Reconciliations of the basic and diluted profit for the years attributable to owners of the Parent per share are as follows:

	Yen		U.S. Dollars
	2020	2021	2021
Profit for the year attributable to owners of the Parent per share			
Basic	¥348.50	¥116.86	\$1.05
Diluted	347.71	116.57	1.05
			Millions of U.S. Dollars
	2020	2021	2021
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥535,353	¥172,550	\$1,555
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,536,161	1,476,572	
Effect of dilutive securities:			
Share-based remuneration	3,481	3,691	
Diluted outstanding shares	1,539,643	1,480,263	

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following is a breakdown of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and 2021.

(March 31, 2020)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,142,578	¥275	—	—	¥1,142,853
Short-term investments and other investments					
Financial assets measured at FVTPL	10,940	530	¥151,865	—	163,335
Financial assets measured at FVTOCI	470,671	59	853,848	—	1,324,578
Trade and other receivables					
Financial assets measured at FVTPL	28	68,628	27,138	—	95,794
Financial assets measured at FVTOCI	—	54,692	—	—	54,692
Derivatives	231,438	1,131,114	12,006	¥(931,870)	442,688
Inventories and other current assets	3,585	762,899	—	—	766,484
Total assets	¥1,859,240	¥2,018,197	¥1,044,857	¥(931,870)	¥3,990,424
Liabilities					
Derivatives	186,909	986,742	5,913	(931,709)	247,855
Total liabilities	¥186,909	¥986,742	¥5,913	¥(931,709)	¥247,855

Notes:

1. There were no material transfers between different levels during the year ended March 31, 2020.
2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

(March 31, 2021)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,178,702	—	—	—	¥1,178,702
Short-term investments and other investments					
Financial assets measured at FVTPL	13,824	¥379	¥148,916	—	163,119
Financial assets measured at FVTOCI	573,199	110	868,811	—	1,442,120
Trade and other receivables					
Financial assets measured at FVTPL	5	40,519	33,880	—	74,404
Financial assets measured at FVTOCI	—	57,759	—	—	57,759
Derivatives	213,303	973,576	9,982	¥(894,357)	302,504
Inventories and other current assets	23,925	965,865	—	—	989,790
Total assets	¥2,002,958	¥2,038,208	¥1,061,589	¥(894,357)	¥4,208,398
Liabilities					
Derivatives	236,713	967,558	9,293	(893,754)	319,810
Total liabilities	¥236,713	¥967,558	¥9,293	¥(893,754)	¥319,810

(March 31, 2021)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	\$10,619	—	—	—	\$10,619
Short-term investments and other investments					
Financial assets measured at FVTPL	125	\$3	\$1,342	—	1,470
Financial assets measured at FVTOCI	5,164	1	7,827	—	12,992
Trade and other receivables					
Financial assets measured at FVTPL	0	365	305	—	670
Financial assets measured at FVTOCI	—	520	—	—	520
Derivatives	1,921	8,772	90	\$(8,058)	2,725
Inventories and other current assets	216	8,701	—	—	8,917
Total assets	\$18,045	\$18,362	\$9,564	\$(8,058)	\$37,913
Liabilities					
Derivatives	2,132	8,717	84	(8,052)	2,881
Total liabilities	\$2,132	\$8,717	\$84	\$(8,052)	\$2,881

Notes:

1. There are no material transfers between different levels during the year ended March 31, 2021.

2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

Please refer to Note 10 for the details of biological assets.

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis using unobservable inputs for the years ended March 31, 2020 and 2021.

(Year ended March 31, 2020)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥159,439	¥5,912	¥(2,286)	¥35,744	¥(39,886)	¥(7,058)	¥151,865	¥5,680
FVTOCI	910,405	—	(52,282)	2,543	(6,272)	(546)	853,848	—
Trade and other receivables								
(FVTPL)	40,881	(724)	(3,046)	70,411	(75,381)	(5,003)	27,138	(4,126)
Other financial assets								
(Derivatives)	8,211	10,354	(29)	3,557	—	(10,087)	12,006	6,122
Other financial liabilities								
(Derivatives)	4,644	6,128	354	1,653	—	(6,866)	5,913	3,470

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.

2. There were no material transfers between different levels during the year ended March 31, 2020.

3. "Increase due to purchases and other" of "Trade and other receivables (FVTPL)" includes increase of ¥70.0 billion due to purchase of class A preferred shares issued via third-party allotment by Chiyoda Corporation on July 1, 2019 and "Decrease due to sales and other" includes decrease due to the acquisition of Chiyoda Corporation as a consolidated subsidiary on September 10, 2019. Please refer to Note 5 "Business combinations and acquisition of joint operations" for more information.

(Year ended March 31, 2021)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/unrealized gains (losses) included in profit for the year	Net realized/unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥151,865	¥4,322	¥2,161	¥11,877	¥(18,979)	¥(2,330)	¥148,916	¥4,186
FVTOCI	853,848	—	21,425	1,958	(8,420)	—	868,811	—
Trade and other receivables (FVTPL)	27,138	3,663	2,277	7,025	—	(6,223)	33,880	3,940
Other financial assets (Derivatives)	12,006	9,848	(748)	2,043	—	(13,167)	9,982	5,115
Other financial liabilities (Derivatives)	5,913	6,751	1,512	3,939	—	(8,822)	9,293	2,703

(Year ended March 31, 2021)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/unrealized gains (losses) included in profit for the year	Net realized/unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	\$1,368	\$39	\$20	\$107	\$(171)	\$(21)	\$1,342	\$38
FVTOCI	7,692	—	193	18	(76)	—	7,827	—
Trade and other receivables (FVTPL)	244	33	21	63	—	(56)	305	35
Other financial assets (Derivatives)	108	89	(7)	19	—	(119)	90	46
Other financial liabilities (Derivatives)	53	61	14	35	—	(79)	84	24

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2021.

Gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in "Gains on investments" in the consolidated statement of income, and the amount recognized as other comprehensive income (loss) is included in "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

The amount recognized as other comprehensive income (loss) for short-term investments and other investments (FVTOCI) measured at FVTOCI is included in "Gains (losses) on other investments designated as FVTOCI" and "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

Gains (losses) on trade and other receivables (FVTPL) included in profit for the year are recognized in "Other income (expense)-net" in the consolidated statement of income.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents are cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments are primarily marketable equity securities valued at the quoted market price in an active market. Level 3 short-term investments and other investments are primarily non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables

Trade and other receivables measured at fair value on a recurring basis are primarily non-recourse receivables and loan receivables which will be transferred to third parties through a Receivable Purchase Facility, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating. Trade and other receivables are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the corresponding assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by the income approach based on unobservable inputs such as estimated future market prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories and other current assets

Level 1 and Level 2 inventories and other current assets are primarily inventories of nonferrous metals held for trading purposes and assets related to precious metals leasing, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories and other current assets include costs to sell, which are immaterial.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

Quantitative information about Level 3 Fair Value Measurements

The following tables present information about valuation techniques and unobservable inputs used for the major Level 3 assets measured at fair value by the significant and unobservable inputs at March 31, 2020 and 2021.

(March 31, 2020)

Classification	Fair value (Millions of Yen)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥685,652	Discounted cash flow	Discount rate	8.4%

(March 31, 2021)

Classification	Fair value (Millions of Yen)	Fair value (Millions of U.S. Dollars)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥697,954	\$6,288	Discounted cash flow	Discount rate	8.6%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Substantial changes in such inputs cause the fair value to substantially fall (rise).

In addition to the above, the long-term price of crude oil and copper is one of the significant unobservable inputs used in measuring the fair value of nonmarketable equity securities related to LNG business and copper business. Please refer to Note 2 for the details of the long-term price assumptions.

Fair value of financial instruments measured at amortized cost

The following is a breakdown of the carrying amounts and fair values of financial instruments that are measured at amortized cost at March 31, 2020 and 2021.

	Millions of Yen				Millions of U.S. Dollars	
	2020		2021		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Short-term investments and other investments	¥269,489	¥271,665	¥225,991	¥224,866	\$2,036	\$2,026
Trade and other receivables	3,134,069	3,147,758	3,311,553	3,337,672	29,834	30,069
Liabilities						
Bonds and borrowings	5,760,123	5,699,365	5,644,315	5,638,314	50,850	50,796
Trade and other payables	2,599,664	2,599,224	2,716,549	2,716,418	24,473	24,472

Fair value measurement of financial instruments measured at amortized cost

Cash equivalents and time deposits

The fair values of cash equivalents and time deposits measured at amortized cost are not disclosed because the carrying amounts approximate their fair values.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost are mainly domestic and foreign debt securities and non-marketable investments such as guarantee deposits. The fair values of short-term investments and other investments classified in Level 1 were ¥100,166 million and ¥67,908 million (\$612 million), those in Level 2 were ¥13,855 million and ¥10,178 million (\$92 million), and those in Level 3 were ¥157,644 million and ¥146,780 million (\$1,322 million) for the years ended March 31, 2020 and 2021, respectively.

Short-term investments and other investments classified in Level 1 are valued at the quoted market price in an active market, and Short-term investments and other investments in Level 2 are valued at the quoted market price of the same assets in an inactive market, using market approach. Short-term investments and other investments classified in Level 3 are valued based on estimated future cash flows using income approach.

Trade and other receivables

For trade and other receivables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other receivables that do not have short maturities are determined using a discounted cash flow based on estimated future cash flows which incorporate the characteristics of the receivables, including principal and contractual interest rates, and discount rates reflecting the Company's assumptions related to credit spread. Both of them are mainly classified in Level 2.

Bonds and borrowings

The fair values of bonds and borrowings are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities, and classified in Level 2.

Trade and other payables

For trade and other payables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other payables that do not have short-term maturities are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities, and classified in Level 2.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offset amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2020 and 2021 were as follows.

(March 31, 2020)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥1,374,558	¥1,179,564
Offset amount	(931,870)	(931,709)
Amount presented in the consolidated statement of financial position	442,688	247,855
Other financial assets (current)	308,468	—
Other current assets (current)	—	—
Other financial assets (non-current)	134,220	—
Other financial liabilities (current)	—	213,181
Other current liabilities (current)	—	(5,612)
Other financial liabilities (non-current)	—	40,286
Amount presented in the consolidated statement of financial position	442,688	247,855
Amount not offset in the consolidated statement of financial position		
Financial instruments	(98,872)	(98,872)
Cash collateral payables	(33,701)	(9,368)
Net	¥310,115	¥139,615

(March 31, 2021)

	Millions of Yen		Millions of U.S. Dollars	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Derivatives	Derivatives	Derivatives	Derivatives
Gross amount (before offsetting)	¥1,196,861	¥1,213,564	\$10,783	\$10,933
Offset amount	(894,357)	(893,754)	(8,058)	(8,052)
Amount presented in the consolidated statement of financial position	302,504	319,810	2,725	2,881
Other financial assets (current)	209,402	—	1,886	—
Other current assets (current)	—	—	—	—
Other financial assets (non-current)	93,102	—	839	—
Other financial liabilities (current)	—	256,657	—	2,312
Other current liabilities (current)	—	7,336	—	66
Other financial liabilities (non-current)	—	55,817	—	503
Amount presented in the consolidated statement of financial position	302,504	319,810	2,725	2,881
Amount not offset in the consolidated statement of financial position				
Financial instruments	(84,114)	(84,114)	(758)	(758)
Cash collateral payables	(32,700)	(65,634)	(294)	(591)
Net	¥185,690	¥170,062	\$1,673	\$1,532

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and creates a right of set off but the agreement does not automatically grant the right of set off.

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loan in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set off for the Company but do not grant the right of set off automatically.

Also, the Company does not include the amount related to securities lending transactions and sale-and-repurchase transactions in Note 34 (2) “Transferred financial assets that were not derecognized” and in the table above, while these agreements provide a right of set off for the Company in the same way as reverse repurchase transactions.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, forward exchange contracts, currency swaps and commodity futures contracts. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2020 and 2021.

		Millions of Yen				Millions of U.S. Dollars	
		2020		2021		2021	
Hedging instruments		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges							
Interest rate contracts	Current	¥771	¥435	¥1,017	¥128	\$9	\$1
	Non-current	83,225	5,622	63,197	8,988	570	81
Foreign exchange contracts	Current	40	1	251	86	2	1
	Non-current	467	—	1,024	61	9	1
Commodity contracts	Current	—	—	11,245	4,634	101	41
Sub-total		84,503	6,058	76,734	13,897	691	125
Cash flow hedges							
Interest rate contracts	Current	2,088	34	213	1,470	2	13
	Non-current	2,243	6,665	122	6,144	1	55
Foreign exchange contracts	Current	2,679	3,009	7,958	2,074	72	19
	Non-current	1,068	1,571	320	250	3	2
Commodity contracts	Current	19,136	10,324	10,395	25,272	94	228
	Non-current	5,711	7,619	446	12,313	4	111
Sub-total		32,925	29,222	19,454	47,523	176	428
Hedge of the net investment in foreign operations							
Foreign exchange contracts	Current	1,017	3,898	29	6,533	0	59
Foreign-currency-denominated debt	Non-current	—	61,079	—	46,366	—	418
Sub-total		1,017	64,977	29	52,899	0	477
Total		¥118,445	¥100,257	¥96,217	¥114,319	\$867	\$1,030

The derivative instruments above are included in "Other financial assets" or "Other financial liabilities", and the foreign currency-denominated debt above is included in "Bonds and borrowings" in the consolidated statement of financial position.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2020 and 2021. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2020)

Risk category	Type of hedge	Hedging instrument	Nominal amount
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,517,000 Million yen
			1,520,000 Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	1,003,157 Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	528,712 Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	100,000 Thousand U.S. Dollars
		Cash flow hedges	400,000 Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars buy / British Pounds sell foreign exchange contract	147,341 Thousand U.S. Dollars
		Euros buy / British Pounds sell foreign exchange contract	189,180 Thousand Euros
		Norwegian Kroner buy / Euros sell foreign exchange contract	143,454 Thousand Euros
		U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,724,568 Thousand U.S. Dollars
		Australian Dollars sell / Japanese Yen buy foreign exchange contract	664,300 Thousand Australian Dollars
U.S. Dollars denominated debt	561,230 Thousand U.S. Dollars		
British Pounds sell / Euros buy foreign exchange contract	116,000 Thousand British Pounds		
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	310,000 Thousand U.S. Dollars
Commodity price risk	Cash flow hedges	Natural Gas forward long contract	92,593,998 MMBTU
		Natural Gas forward short contract	103,147,497 MMBTU
		Natural Gas Fixed receive / floating pay commodity swap	253,994,287 MMBTU
		Power future sell contract	2,075,275 MWH

(March 31, 2021)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,540,000 Million yen	
			1,500,000 Thousand U.S. Dollars	
		Fixed pay / floating receive interest rate swap	648,516 Thousand U.S. Dollars	
	Cash flow hedges	Fixed pay / floating receive interest rate swap	587,961 Thousand Euros	
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	150,000 Thousand U.S. Dollars	
			400,000 Thousand U.S. Dollars	
	Cash flow hedges	U.S. Dollars buy / British Pounds sell foreign exchange contract	183,467 Thousand U.S. Dollars	
		Euros buy / British Pounds sell foreign exchange contract	247,177 Thousand Euros	
		Norwegian Kroner buy / Euros sell foreign exchange contract	127,175 Thousand Euros	
		Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	1,128,000 Thousand Canadian Dollars	
		Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,670,222 Thousand U.S. Dollars
			Australian Dollars sell / Japanese Yen buy foreign exchange contract	639,200 Thousand Australian Dollars
			U.S. Dollars denominated debt	418,805 Thousand U.S. Dollars
			British Pounds sell / Euros buy foreign exchange contract	117,000 Thousand British Pounds
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	310,000 Thousand U.S. Dollars	
Commodity price risk	Fair value hedges	Gold future short contract	123,600 TOZ	
		Silver future short contract	21,985,000 TOZ	
		Platinum future short contract	186,250 TOZ	
	Cash flow hedges	Natural Gas forward long contract	87,660,000 MMBTU	
		Natural Gas forward short contract	144,714,000 MMBTU	
		Natural Gas Fixed receive / floating pay commodity swap	270,204,618 MMBTU	
		Power Fixed receive / floating pay commodity swap, Power option, Power future sell contract / future buy contract	13,157,484 MWH	

The following are the carrying amounts of the hedged items and the accumulated amounts of main fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2020 and 2021.

(March 31, 2020)

Millions of Yen				
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Interest rate risk	Trade and other receivables	¥16,951	¥1,537	—
	Other investments	97,135	3,280	—
	Bonds and borrowings	1,770,565	80,280	¥605
Foreign currency risk	Bonds and borrowings	10,870	281	—

(March 31, 2021)

Millions of Yen				
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Interest rate risk	Trade and other receivables	¥16,774	¥1,018	—
	Other investments	58,616	1,887	—
	Bonds and borrowings	1,766,393	55,145	¥456
Foreign currency risk	Trade and other receivables	1,303	3	—
	Bonds and borrowings	16,607	621	—
Commodity price risk	Inventories and other current assets	107,661	4,530	—

(March 31, 2021)

Millions of U.S. Dollars				
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
Interest rate risk	Trade and other receivables	\$151	\$9	—
	Other investments	528	17	—
	Bonds and borrowings	15,913	497	\$4
Foreign currency risk	Trade and other receivables	12	0	—
	Bonds and borrowings	150	6	—
Commodity price risk	Inventories	970	41	—

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2020 and 2021.

(March 31, 2020)

Risk category	Type of hedge	Millions of Yen	
		Other components of equity recognized by continuing hedges	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(24,802)	—
Foreign currency risk	Cash flow hedges	(2,134)	—
	Net investment hedges	(22,909)	¥(90,774)
Commodity price risk	Cash flow hedges	(486)	—

(March 31, 2021)

Risk category	Type of hedge	Millions of U.S. Dollars		Millions of U.S. Dollars	
		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
		Other components of equity recognized by continuing hedges		Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	
Interest rate risk	Cash flow hedges	¥(40,732)	\$(367)	¥(66)	\$(1)
Foreign currency risk	Cash flow hedges	10,664	96	—	—
	Net investment hedges	(26,479)	(239)	(94,404)	(850)
Commodity price risk	Cash flow hedges	(22,221)	(200)	—	—

(2) Impact of hedging activities on the consolidated statements of income and other comprehensive income
The following are the gains or losses related to hedging activities for the years ended March 31, 2020 and 2021.

(Year ended March 31, 2020)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2020.

Risk category	Millions of Yen	
	Change in fair value of hedging instrument	Change in value of hedged item
Interest rate risk	¥(3,796)	¥3,277
Foreign currency risk	(4,873)	5,277
Commodity price risk	37	(37)

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2020.

Cash flow hedges

Risk category	Millions of Yen		Millions of Yen	
	Amount of gain (loss) recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(2,624)	Finance costs	¥(33)	
Foreign currency risk	(5,201)	Other income (expense)-net	(2,568)	
Commodity price risk	(5,186)	Revenues/ (Cost of revenues)	(1,880)	

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2020. During the year ended March 31, 2020, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period. Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2020.

Net investment hedges

Risk category	Millions of Yen		Millions of Yen	
	Amount of loss recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥105	Gains on investments	¥199	

Hedge ineffectiveness related to net investment hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2020.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2020.

Risk category	Millions of Yen	
	Change in fair value of hedging instrument	Change in value of hedged item
Foreign currency risk	¥1,912	¥(8,965)

(Year ended March 31, 2021)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2021.

Risk category	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥(22,841)	\$(206)	¥23,167	\$209
Foreign currency risk	622	6	(772)	(7)
Commodity price risk	(4,530)	(41)	4,530	41

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2021.

Cash flow hedges

Risk category	Millions of Yen	Millions of U.S. Dollars	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
	Amount of gain (loss) recognized in OCI (effective portion)			Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(14,444)	\$(130)	Finance costs	¥(1,274)	\$(11)
Foreign currency risk	42,201	380	Other income (expense)-net	20,095	181
Commodity price risk	(27,800)	(250)	Revenues/ (Cost of revenues)	(1,572)	(14)

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2021.

Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2021.

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2021.

Risk category	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥(4,912)	\$(44)	¥4,912	\$44
Foreign currency risk	6,787	61	(6,787)	(61)
Commodity price risk	(33,648)	(303)	33,648	303

Net investment hedges

Risk category	Millions of Yen	Millions of U.S. Dollars	Account in the consolidated statement of income	Millions of Yen	Millions of U.S. Dollars
	Amount of loss recognized in OCI (effective portion)			Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥2,756	\$25	Gains on investments	¥(1,271)	\$(11)

Hedge ineffectiveness related to net investment is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2021.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2021.

Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Foreign currency risk	¥(18,507)	\$(167)	¥16,638	\$150

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for further information regarding hedging activities.

Interest rate risk management

The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2020 and 2021, the Company had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,760.1 billion and ¥5,644.3 billion (\$50.8 billion), respectively. Since almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by increases in interest rates. Since a rise in interest rates produces an increase in income from these assets, although there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond to market risks, the Parent has an ALM (Asset Liability Management) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations.

Assuming that the interest rate increased/decreased by 1% at March 31, 2020 and 2021, its impact on net income and total equity would be immaterial.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2020 and 2021 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2020 (Billion Yen)	2021 (Billion Yen)	2021 (Million U.S. Dollars)
U.S. Dollar	¥19.4	¥19.1	\$172
Australian Dollar	11.4	10.6	95
Euro	4.6	4.9	44

Commodity price risk management

The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management strategies. Although these contracts are generally not designated as hedging instruments except in certain cases where the contracts are designated as cash flow hedges, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

At March 31, 2020 and 2021, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity was immaterial.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.

At March 31, 2020 and 2021, the Company owned ¥481.5 billion and ¥587.0 billion (\$5.3 billion) of marketable securities. These investments are mostly equity issues of customers and suppliers which are exposed to the risk of fluctuations in share prices. Those amounts are based on fair value and not including equity issues of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2020 and 2021, the increase or decrease in total equity would amount to approximately ¥33.0 billion and approximately ¥41.0 billion (\$0.4 billion), respectively. As most of the marketable securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable investments at March 31, 2020 and 2021.

Credit risk management

The Company is exposed to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company to experience credit loss. To manage the credit risk, the Company maintains credit and transaction limits for each customer. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The contract amount of guarantees and the amount of financial assets in Note 8 represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 41 for details of guarantees.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for Lease Liabilities) by due date at March 31, 2020 and 2021 was as follows, excluding

the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for Lease Liabilities by due date.

(March 31, 2020)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,472,325	¥2,067,549	¥2,142,720	¥5,682,594
Trade and other payables	2,537,140	38,349	28,215	2,603,704
Other financial liabilities (derivatives)	213,181	33,558	6,728	253,467
Financial guarantee contracts	183,281	147,886	231,547	562,714
Total	¥4,405,927	¥2,287,342	¥2,409,210	¥9,102,479

(March 31, 2021)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,261,848	¥1,885,926	¥2,445,609	¥5,593,383
Trade and other payables	2,649,290	40,828	29,835	2,719,953
Other financial liabilities (derivatives)	256,657	42,051	13,766	312,474
Financial guarantee contracts	165,745	45,485	209,224	420,454
Total	¥4,333,540	¥2,014,290	¥2,698,434	¥9,046,264

(March 31, 2021)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	\$11,369	\$16,990	\$22,032	\$50,391
Trade and other payables	23,867	368	269	24,504
Other financial liabilities (derivatives)	2,312	379	124	2,815
Financial guarantee contracts	1,493	410	1,885	3,788
Total	\$39,041	\$18,147	\$24,310	\$81,498

The Company maintains lines of credit in both bilateral and syndicated structure arranged by various banks. The short-term and long-term portions of unused lines of credit totaled ¥281,200 million and ¥590,560 million, respectively, at March 31, 2020 and ¥300,447 million (\$2,707 million) and ¥534,033 million (\$4,811 million), respectively, at March 31, 2021. Those amounts are not including the amount of overdraft contracts.

The lines of credit include syndicated Japanese yen facilities of ¥510,000 million (\$4,595 million) held by the Parent and foreign currency facilities arranged by both bilateral and syndicated structure for major currencies equivalent to \$1,300 million and for soft currencies equivalent to \$150 million held by the Parent and foreign subsidiaries at March 31, 2021. The Parent and the subsidiaries are required to comply with certain financial covenants to maintain these facilities.

The Parent utilizes its long-term portions of unused lines of credit, discussed above, totaling ¥410,000 million (\$3,694 million) which terminate in December 2025 to support its commercial paper program. The commercial paper program is used to fund working capital and other general corporate requirements as needed. The Company had outstanding commercial paper that was recognized on the consolidated statement of financial position for this purpose, of which the carrying amount was ¥401,000 million and ¥200,007 million (\$1,802 million) at March 31, 2020 and 2021, respectively.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2020 and 2021 were as follows:

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 600 million (¥77,880 million, or \$702 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 600 million (¥77,880 million, or \$702 million). The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a servicer, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2020 and 2021 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Total amount of the loan receivables derecognized	¥42,957	¥35,005	\$315
Total amount of consideration received	42,785	34,865	314

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as "Trade and other receivables (current and non-current)". The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2020 and 2021.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2020 and 2021.

The fair value of the assets and liabilities are measured on a recurring basis by the same method mentioned above and the changes in fair value are recognized in "Other income (expense)-net".

The balance of the main accounts related to the facility as of the years ended March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Balance of transferred receivables (the principal amount outstanding)	¥71,799	¥77,919	\$702
Fair value of future interest income	2,351	2,474	22
Maximum amount of exposure to losses	9,666	10,494	95

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2020 and 2021. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2020 and 2021.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2020 and 2021 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default.

The transferred financial assets were included in "Trade and other receivables" totaling ¥17,997 million and ¥8,913 million (\$80 million) at March 31, 2020 and 2021, respectively. The liabilities associated to the transferred financial assets were included in "Bonds and borrowings" totaling ¥17,997 million and ¥8,913 million (\$80 million) at March 31, 2020 and 2021, respectively. The Company is not allowed to use the transferred financial assets until the associated liabilities are settled when payments for the transferred financial assets are made.

The transferee has recourse only to the transferred assets. The carrying amount of transferred financial assets and the associated liabilities approximate fair value.

The Company provides some debt securities for securities lending transactions and sale-and-repurchase transactions. In respect of securities lending transactions, the Company lends securities and receives cash as collateral while the rights to receive interest income from the securities and the risks of price fluctuations are retained. In respect of sale-and-repurchase transaction, the Company sells a security and agrees to repurchase it at a fixed price on a future date and retains the risks of price fluctuations. The Company continues to recognize these securities because they do not qualify for derecognition.

The amounts of these securities were ¥41,837 million and ¥8,345 million (\$75 million) as “Short-term investments”, and ¥47,743 million and ¥48,936 million (\$441 million) as “Other investments” at March 31, 2020 and 2021, respectively. The liabilities associated with the cash received as collateral were included in “Bonds and borrowings” totaling ¥89,336 million and ¥55,486 million (\$500 million) at March 31, 2020 and 2021, respectively. The liabilities will be settled at the time of returning back and repurchase and the Company does not have the ability to use these securities until the settlement.

The carrying amount of these securities and the associated liabilities approximate fair value.

35. LEASES

Lessee

Leases as lessee

The Company leases, as lessee, mainly real estates including land, buildings and structures for convenience store business, offices, distribution center, as well as equipment and fixtures for business operation etc., and vessels. Some of these leases contain options to terminate and/or extend the lease. The Company reflects these options upon initial recognition of "Right-of-use assets" and "Lease liabilities" by evaluating the enforceability of those options as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business, etc. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise, etc.

The following is a breakdown of changes in the carrying amounts of "Right-of-use assets" for the year ended March 31, 2020 and 2021.

Carrying amount	Millions of Yen				
	Real estate	Machinery and equipment	Vessels and vehicles	Other	Total
Balance at April 1, 2019	¥1,137,835	¥172,029	¥107,382	¥17,029	¥1,434,275
Additions	229,306	71,662	34,582	4,600	340,150
Depreciation	(162,353)	(47,094)	(22,955)	(8,248)	(240,650)
Disposals	(85,306)	(1,689)	(2,444)	(41)	(89,480)
Impairment losses	(11,529)	(2,287)	(4)	—	(13,820)
Exchange translations	(2,490)	(705)	(3,346)	(2,242)	(8,783)
Other	8,245	(1,525)	232	644	7,596
Balance at March 31, 2020	¥1,113,708	¥190,391	¥113,447	¥11,742	¥1,429,288
Additions	255,669	34,906	33,434	7,777	331,786
Depreciation	(177,964)	(46,834)	(21,923)	(8,429)	(255,150)
Disposals	(27,139)	(1,008)	(322)	(2,309)	(30,778)
Impairment losses	(10,659)	(2,366)	(49)	(76)	(13,150)
Exchange translations	4,042	982	3,762	2,638	11,424
Other	(4,761)	3,586	(1,678)	(867)	(3,720)
Balance at March 31, 2021	¥1,152,896	¥179,657	¥126,671	¥10,476	¥1,469,700

Carrying amount	Millions of U.S. Dollars				
	Real estate	Machinery and equipment	Vessels and vehicles	Other	Total
Balance at April 1, 2020	\$10,033	\$1,715	\$1,022	\$106	\$12,876
Additions	2,303	315	301	70	2,989
Depreciation	(1,603)	(422)	(198)	(76)	(2,299)
Disposals	(244)	(9)	(3)	(21)	(277)
Impairment losses	(96)	(21)	—	(1)	(118)
Exchange translations	37	9	33	24	103
Other	(43)	32	(14)	(8)	(33)
Balance at March 31, 2021	\$10,387	\$1,619	\$1,141	\$94	\$13,241

Notes:

- "Additions" includes the increase of "Right-of-use assets" due to subsequent measurement of "Lease liabilities", etc. in addition to increases due to the commencement of new leases.
- "Disposals" includes the decrease of "Right-of-use assets" due to subsequent measurement of "Lease liabilities", etc. in addition to decreases due to the termination of leases.
- "Other" includes additions through business combinations and transfers to other accounts, etc.

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2020 and 2021.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2020	2021	2021
Interest expense on lease liabilities	Finance costs	¥(12,559)	¥(11,518)	\$(104)
Expense related to short-term leases	Selling, general and administrative expenses	(30,018)	(22,205)	(199)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(11,563)	(11,191)	(101)
Income from subleasing right-of-use assets	Revenues	56,427	46,881	422

Total cash outflow for leases as lessee for the year ended March 31, 2020 and 2021 were ¥328,933 million and ¥321,209 million (\$2,894 million), respectively. The cash outflow included in the measurement of “Lease liabilities” are included in Financing activities as “Repayments of lease liabilities”, and the cash outflow not included in the measurement of “Lease liabilities” are included in Operating activities.

The breakdown of future lease payments included in the measurement of “Lease liabilities” at March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Not later than 1 year	¥219,058	¥248,834	\$2,242
Later than 1 year and not later than 5 years	694,449	696,994	6,279
Later than 5 years	686,174	714,531	6,437
Sub-total	¥1,599,681	¥1,660,359	\$14,958
Less amount representing interest	(96,371)	(120,158)	(1,082)
Lease liabilities	¥1,503,310	¥1,540,201	\$13,876

The amount of leases not yet commenced to which the lessee is committed at March 31, 2020 and 2021 were ¥241,163 million and ¥186,280 million (\$1,678 million), respectively.

The amount includes contractual commitments of leases as lessee of real estates for convenience store business, contractual commitments of the LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in the LNG Canada Project.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of lease payments receivable by receipt period and the present value of lease payments receivable, and the components of the outstanding receivables under finance leases at March 31, 2020 and 2021 were as follows:

	Components of receivables under finance lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021	2020	2021	2021
Lease payments receivable						
Not later than 1 year	¥154,936	¥171,498	\$1,545	¥147,428	¥163,659	\$1,474
Later than 1 year and not later than 2 years	126,898	136,182	1,227	115,424	123,967	1,117
Later than 2 years and not later than 3 years	92,918	102,725	925	81,025	89,936	810
Later than 3 years and not later than 4 years	63,049	68,655	619	52,850	57,813	521
Later than 4 years and not later than 5 years	43,294	45,888	413	34,326	37,023	334
Later than 5 years	84,407	91,453	824	56,793	63,220	569
Sub-total	¥565,502	¥616,401	\$5,553	¥487,846	¥535,618	\$4,825
Estimated unguaranteed residual value of leased assets	2,121	2,016	18			
Gross investment in the lease	¥567,623	¥618,417	\$5,571			
Less unearned income	(77,656)	(80,830)	(728)			
Finance lease receivables	¥489,967	¥537,587	\$4,843			
Less loss allowance	(4,274)	(6,066)	(55)			
Receivables under finance leases (net of loss allowance)	¥485,693	¥531,521	\$4,788			

The following are the amounts mainly recognized in the consolidated statement of income related to finance leases as lessor for the year ended March 31, 2020 and 2021.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2020	2021	2021
Finance income on the net investment in the lease	Revenues	¥31,378	¥26,952	\$243

Operating leases as lessor

The Company leases, as lessor, vessels, real estates and other industrial machinery under operating leases.

The breakdown of lease payments receivable at March 31, 2020 and 2021 were as follows. Variable lease payments receivable that do not depend on an index or a rate, such as variable lease income included in franchise commissions from franchised stores, are not included.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Not later than 1 year	¥37,609	¥38,240	\$345
Later than 1 year and not later than 2 years	27,557	26,870	242
Later than 2 years and not later than 3 years	23,574	20,435	184
Later than 3 years and not later than 4 years	17,532	12,959	117
Later than 4 years and not later than 5 years	9,995	10,581	95
Later than 5 years	24,682	33,475	301
Total	¥140,949	¥142,560	\$1,284

The amount of lease income for the year ended March 31, 2020 and 2021 were ¥118,151 million and ¥108,693 million (\$979 million), respectively.

In addition, as for the variable lease income included in franchise commissions from franchised stores which is recognized in "Revenues" in the consolidated statement of income, please refer to Note 24 "Revenues".

As for "Property, plant and equipment" subject to operating leases as a lessor, please refer to Note 12 "Property, plant and equipment".

36. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2020 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Acquisition of businesses:			
Consideration for acquisition (cash and cash equivalents)			
Total amount of consideration for acquisition	¥494,429	¥8,697	\$78
Cash and cash equivalents of acquired businesses	175,065	9,199	83
Consideration for acquisition (net of cash and cash equivalents of acquired businesses)	319,364	(502)	(5)
Fair value of assets acquired (excluding cash and cash equivalents)			
Trade and other receivables	163,171	10,126	91
Inventories	22,893	13,760	124
Property, plant and equipment and investment property	371,268	6,443	58
Intangible assets and goodwill	423,928	2,571	23
Right-of-use assets	35,388	327	3
Investments accounted for using the equity method	83,327	—	—
Other	145,889	1,550	14
Total acquired assets	¥1,245,864	¥34,777	\$313
Fair value of liabilities assumed			
Bonds and borrowings	146,144	17,859	162
Trade and other payables	224,681	3,476	31
Advances from customers	123,285	153	1
Provisions	72,505	2,344	21
Deferred tax liabilities	74,658	1,214	11
Other	155,441	—	—
Total liabilities assumed	¥796,714	¥25,046	\$226

For details of the acquisitions of businesses, please refer to Note 5 "Business combinations and acquisition of joint operations". The provisional amounts for the year ended March 31, 2020 have been retrospectively adjusted due to the completion of the initial accounting for business combination. Please refer to Note 5 for more information.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Disposals of businesses:			
Consideration for sales (cash and cash equivalents)			
Total amount of consideration for sales	¥103,912	¥32,094	\$289
Cash and cash equivalents of sold businesses	14,579	3,687	33
Consideration for sales (net of cash and cash equivalents of sold businesses)	89,333	28,407	256
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	12,411	10,840	98
Inventories	8,518	2,033	18
Property, plant and equipment and investment property	35,985	39,082	352
Intangible assets and goodwill	8,427	616	6
Investments accounted for using the equity method	87,521	—	—
Other	13,424	12,443	112
Total sold assets	¥166,286	¥65,014	\$586
Liabilities sold			
Bonds and borrowings	30	21,383	193
Trade and other payables	43,079	10,937	99
Other	10,016	4,100	36
Total sold liabilities	¥53,125	¥36,420	\$328
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	40,077	24,561	221

Assets recognized due to loss of control (net of liabilities) principally include Investments accounted for using the equity method.

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2020 and 2021.

(Year ended March 31, 2020)

	Millions of Yen			
	Balance at April 1, 2019	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2019	Cash flows
Bonds and borrowings	¥5,092,099	—	—	¥563,798
Lease liabilities	285,277	¥1,218,971	¥1,504,248	(273,152)

	Millions of Yen					
	Non-cash changes					
	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2020
Bonds and borrowings	¥(58,356)	¥946	¥166,114	—	¥(4,478)	¥5,760,123
Lease liabilities	(9,905)	—	36,441	¥342,437	(96,759)	1,503,310

(Year ended March 31, 2021)

	Millions of Yen			
	Balance at April 1, 2020	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2020	Cash flows
Bonds and borrowings	¥5,760,123	—	—	¥(147,773)
Lease liabilities	1,503,310	—	—	(277,531)

	Millions of Yen					
	Non-cash changes					
	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2021
Bonds and borrowings	¥73,379	¥(25,223)	¥(2,895)	—	¥(13,296)	¥5,644,315
Lease liabilities	10,893	—	(4,030)	¥331,786	(24,227)	1,540,201

(Year ended March 31, 2021)

	Millions of U.S. Dollars			
	Balance at April 1, 2020	Cumulative effects of change in accounting policy	Adjusted balance at April 1, 2020	Cash flows
Bonds and borrowings	\$51,893	—	—	\$(1,331)
Lease liabilities	13,543	—	—	(2,500)

	Millions of U.S. Dollars					
	Non-cash changes					
	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2021
Bonds and borrowings	\$661	\$(227)	\$(26)	—	\$(120)	\$50,850
Lease liabilities	98	—	(36)	\$2,989	(218)	13,876

Notes:

1. Cash flows related to "Bonds and borrowings" are included in "Net increase (decrease) in short-term debts", "Proceeds from long-term debts" and "Repayments of long-term debts" in the consolidated statement of cash flows.
2. Cash flows related to "Lease liabilities" are included in "Repayments of lease liabilities", "Net increase (decrease) in short-term debts" and "Proceeds from long-term debts" in the consolidated statement of cash flows.
3. "Other" in "Lease liabilities" for the year ended 31 March, 2020 and 2021 principally includes decreases due to cancellation of lease contracts and remeasurement of lease liabilities.

37. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control were immaterial for the years ended March 31, 2020 and 2021.

The gains (losses) associated with the loss of control of subsidiaries

Gains (losses) associated with the loss of control of subsidiaries (before tax) were ¥51,350 million and the portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were ¥30,505 million for the year ended March 31, 2020.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥50,417 million (\$454 million) for the year ended March 31, 2021, which is included in "Gains on investments" in the consolidated statement of income.

The portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were ¥20,542 million (\$185 million) for the year ended March 31, 2021.

Subsidiaries with material non-controlling interests

<u>Company Name</u>	<u>Voting Rights held by non-controlling interests</u>
Metal One Corporation (Japan)	40.00%
Diamond Chubu Europe B.V. (Netherlands)	20.00%
Lawson, Inc. (Japan)	49.88%

Entity of which the Company has control regardless of the possession of less than half of the voting rights

Chiyoda Corporation

The Company has purchased class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company. The Company holds 33.57% of the voting rights to Chiyoda Corporation and if it were to exercise the conversion request rights attached to the class A preferred shares, it would hold 82.06% of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, the Company accounts for Chiyoda Corporation as a consolidated subsidiary.

38. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX"), which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")

The Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company with an investment in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation ("KOGAS") holding a 25% ownership interest. Under the shareholder's agreement with KOGAS, significant decisions regarding Sulawesi LNG Development's operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method as a joint venture.

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam International Limited

The Company holds a 17.36% ownership interest in Olam International Limited ("Olam"), an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam issued were exercised and the Company's voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

(3) Material joint arrangements

BMA metallurgical coal business

Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of metallurgical coal which is used for steel manufacturing. The Company holds through MDP a 50% interest in BMA metallurgical coal business in Queensland, Australia, as a joint operation with a partner, BHP.

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021	2020	2021	2021
Profit for the year	¥82,130	¥49,541	\$446	¥97,195	¥47,545	\$429
Other comprehensive income	(17,318)	13,244	120	(29,220)	(14,321)	(129)
Comprehensive income	¥64,812	¥62,785	\$566	¥67,975	¥33,224	\$300

Impairment losses on investments accounted for using the equity method

In the year ended March 31, 2020, the Company recorded impairment losses of ¥25,865 million on its investment in Mitsubishi Motors Corporation, in which the Company currently holds a 20.02% equity stake, as "Share of profit (loss) of investments accounted for using the equity method". This was due to revisions to the Company's initial investment plan for Mitsubishi Motors Corporation based on an assessment of the latest demand trends in the automobile market. The Company also recorded impairment losses of ¥8,366 million as "Gains on investments".

In the measurement of impairment losses on individual assets recognized as part of the investment in Mitsubishi Motors Corporation and the value of goodwill included in the carrying amount of the investment, cash generating asset groups that are largely independent from the cash inflows attributable to other assets or asset groups, or the entire investment in Mitsubishi Motors Corporation is treated

as an independent cash-generating unit.

The fair value of the individual assets was estimated based on the income approach, and the recoverable value of goodwill included in the carrying amount of the investment was estimated based on the value in use calculated using the discounted present value of the future cash flows from the investee. The differences between these estimates and the respective carrying amounts were recorded as impairment losses. These losses are included in consolidated net income for the Automotive & Mobility segment.

The estimation of the future cash flows, which served as a basis for the calculation of the value in use, took into account the impact of the COVID-19 pandemic. Although the pandemic-related stagnation in demand was expected to continue through the end of the first half of the year ending March 31, 2021, demand was expected to begin to gradually recover thereafter, returning to the same level as for the year ended March 31, 2020 by the year ending March 31, 2023 and continuing to grow onward.

In the year ended March 31, 2020, the Company recorded a ¥10,409 million loss included in "Share of profit (loss) of investments accounted for using the equity method" in connection with operating results of some wells owned by CUTBANK RIDGE PARTNERSHIP (CRP), in which CUTBANK DAWSON GAS RESOURCES LTD., a wholly owned subsidiary of the Company, holds a 40% interest, due to such factors as the recent plunge in crude oil prices. This amount is included in consolidated net income for the Natural Gas segment.

Given the impact of the COVID-19 pandemic, the excess crude oil supply worldwide, and the recent plunge in crude oil prices, the Company recorded the aforementioned loss based on a comprehensive assessment of such factors as the profitability of wells in which it holds interests in the year ended March 31, 2020. The Company assumed that crude oil prices would recover gradually, even as they remained at low levels, and would turn into approximately US\$75/BBL (Dubai spot price) for its medium- to long-term forecasts, excluding the effects of inflation.

As production and development activities under the CRP project are long-term, medium- to long-term price forecasts have a more significant impact on the investment's valuation than short-term price fluctuations. With this in mind, the Company formulates its forecasts for crude oil and gas prices in reference to the future fundamentals of the supply-demand environment and other data obtained from such external sources as public agencies. The carrying amount of the Company's investment in the CRP project was ¥243.5 billion as of March 31, 2020.

In addition, in the year ended March 31, 2020, the Company posted impairment losses of ¥4,698 million in connection with its investment in an overseas refinery business as "Share of profit (loss) of investments accounted for using the equity method" due to such factors as the revision of its medium- to long-term price forecasts. Moreover, the Company recorded impairment losses of ¥5,455 million as part of "Gains on investments". These losses are included in consolidated net income for the Mineral Resources segment.

In the year ended March 31, 2021, the Company recorded impairment losses on property, plant and equipment and other losses of ¥32,400 million (\$292 million) in Mitsubishi Motors Corporation, in which the Company currently holds a 20.02% equity stake, as "Share of profit (loss) of investments accounted for using the equity method." These impairment losses were attributable to updates to Mitsubishi Motors Corporation's future vehicle sales forecasts due to revisions to its regional strategies and decisions made about reorganizing its production lines as a result of the formulation of the new medium-term management plan. These losses are included in consolidated net income for the Automotive & Mobility segment.

The estimation of the future cash flows used in the measurement of these impairment losses takes into account the impact of the COVID-19 pandemic. Same as in estimates described in the notes to the consolidated financial statements for the year ended March 31, 2020, this estimation is based on the assumption that the recovery in demand that has been ongoing since the second half of the year ended March 31, 2021 will continue through the year ending March 31, 2022.

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021	2020	2021	2021
Sale of goods / rendering of service	¥119,442	¥146,854	\$1,323	¥299,065	¥283,264	\$2,552
Goods purchased / service received	109,550	139,105	1,253	697,627	677,295	6,102

(6) Assets and liabilities of the Company to joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021	2020	2021	2021
(Assets)						
Trade receivables	¥53,996	¥46,079	\$415	¥96,624	¥83,539	\$753
Loans and other	89,265	83,001	748	98,406	176,745	1,592
(Liabilities)						
Trade payables	42,281	51,090	460	137,276	175,096	1,577
Borrowings and other	81,372	118,490	1,067	237,283	202,554	1,825

In addition to the above, as of March 31, 2020 and 2021, the Company provided ¥153,766 million and ¥80,767 million (\$728 million), respectively, of credit guarantees for certain joint ventures, and ¥359,827 million and ¥305,850 million (\$2,755 million), respectively, of credit guarantees for certain associates.

The Company has also entered into substantial purchase commitments with joint ventures and associates as of March 31, 2020 and 2021. The outstanding purchase commitments amounted to ¥247,254 million and ¥516,627 million (\$4,654 million), respectively with joint ventures, and ¥260,207 million and ¥250,846 million (\$2,260 million), respectively with associates. The amount of the outstanding purchase commitments as of March 31, 2021, newly includes long-term purchase contracts of methanol due to the launch of commercial operations of the plant.

Furthermore, the Company has entered into substantial sales commitments with joint ventures as of March 31, 2020 and 2021. The outstanding sales commitments amounted to ¥214,705 million and ¥216,376 million (\$1,949 million), respectively.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in the U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.

In relation to most of the LNG the Company plans to purchase, the Company also entered into long-term LNG sales contracts with customers mainly in Japan.

39. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE.

Non-consolidated SEs

The SEs that the Company does not consolidate due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

Total assets of the SEs that the Company does not consolidate, which are related to infrastructure, real-estate related businesses, shipping-related businesses and others, were ¥95,349 million, ¥82,243 million, ¥62,311 million and ¥190,183 million, respectively, at March 31, 2020, and ¥119,181 million (\$1,074 million), ¥98,756 million (\$890 million), ¥63,786 million (\$575 million) and ¥196,242 million (\$1,767 million), respectively, at March 31, 2021.

The following table summarizes the carrying amounts of assets in the Company's consolidated statement of financial position and the Company's maximum exposures to losses as a result of the Company's involvement in these SEs at March 31, 2020 and 2021.

The information of the SEs represents the latest one available to the Company.

	Millions of Yen		Millions of
	2020	2021	U.S. Dollars
Carrying amounts of assets in the Company's consolidated statement of financial position	¥103,222	¥106,475	\$959
Maximum exposure to losses	105,527	108,780	980

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consisted primarily of "Investments accounted for using the equity method" and "Other investments". The carrying amounts of liabilities in the Company's consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2020 and 2021.

There is a difference between the carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs and the maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these SEs. Maximum exposures to losses do not represent anticipated losses probable of occurring due to the Company's involvement with the SEs, and are considered to exceed the anticipated losses considerably.

40. TRANSACTIONS WITH MANAGEMENT PERSONNEL

The amounts of remuneration for the Parent's directors for the year ended March 31, 2020 and 2021 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Monthly remuneration	¥1,276	¥1,026	\$9
Bonuses	330	—	—
Reserved retirement remuneration	97	80	1
Stock option	463	309	3
Total remuneration	¥2,166	¥1,415	\$13

Reserved retirement remuneration is set aside in a certain amount every year as consideration for the performance of duties, and the accumulated amount is calculated and paid in full upon retirement of a director by resolution of the Board of Directors.

The amount of "Stock option" is the amount recognized in the consolidated statement of income and is different from the amount acquired from the execution and sales of stock options.

41. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2020 and 2021 amounting to ¥209,928 million and ¥172,976 million (\$1,558 million), respectively.

The amount of contracted commitments at March 31, 2020 and 2021 includes the amount of the loan agreement for the copper mine project in Peru, in the amount of \$1,759 million and \$1,810 million respectively for necessary funds regarding project development and for the associate which is involved in leasing business, in the amount of ¥70,000 million (\$631 million) for working capital requirement.

Eneco has energy purchase commitments at March 31, 2020 and 2021 amounting to ¥1,306,820 million and ¥1,343,567 million (\$12,104 million), respectively under long-term energy purchase contracts.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2020 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2021	2021
Financial guarantees			
Outstanding amount	¥562,714	¥420,454	\$3,788
Maximum potential amount of future payments	835,265	686,573	6,185
Performance guarantees			
Outstanding amount	257,798	415,215	3,741
Maximum potential amount of future payments	257,798	415,215	3,741

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2021 will expire within 10 years, with certain credit guarantees expiring by the end of 2045. Should the customers, suppliers and the companies accounted for using the equity method fail to perform obligations under the terms of the transaction or financing arrangement, the Company would be required to perform obligations on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reinsurance as necessary.

At March 31, 2020 and 2021, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥5,514 million and ¥7,099 million (\$64 million), respectively.

At March 31, 2020 and 2021, financial guarantees include ¥56,756 million and ¥52,817 million (\$476 million) of letters of credit issued for bills discounted.

For a part of performance guarantees, the Company mitigates the risk through arrangements entered into between partners of a consortium in construction contracts whereby a party attributable to the cause of indemnification shall bear the cost, and/or such as recourse provisions from bank, parent company guarantee.

As of March 31, 2021, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a \$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit is \$1,533 million at March 31, 2020 and 2021 and is included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2020 and 2021, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to \$1,503 million and \$1,367 million, respectively. The amount is included in "Financial guarantees – Outstanding amount" in the table.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

42. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 25, 2021.

Mitsubishi HC Capital Inc.

As of March 31, 2021, the Company held an approximately 25% stake of Mitsubishi UFJ Lease & Finance Company Ltd. and an approximately 3% stake of Hitachi Capital Corporation. These two companies integrated their operations through an absorption-type merger that took effect on April 1, 2021, with Mitsubishi UFJ Lease & Finance Company Ltd. as the surviving company and Hitachi Capital Corporation as the merged company, forming Mitsubishi HC Capital Inc.

As of April 1, 2021, the Company held approximately 17% of the shares of Mitsubishi HC Capital Inc. and has increased its holdings up to 18% as of date of submission of these Consolidated Financial Statements and continue to collaborate on its future growth and development. Although the Company holds less than 20% of the voting rights to Mitsubishi HC Capital Inc., said company's shareholder composition, excluding Mitsubishi UFJ Financial Group and the Company, is widely distributed, and the Company's voting rights have a relatively high significance. Furthermore, the Company has significant influence (power to participate in financial and operating policy decisions) over Mitsubishi HC Capital Inc. through directors and senior vice presidents of asset finance and other important business domains dispatched by the Company. As such, the Company will continue to account for its investment in Mitsubishi HC Capital Inc. using the equity method. The impact of this merger on the Company's profit or loss as of April 1, 2021 cannot be estimated as of the date of submission of these Consolidated Financial Statements, because Mitsubishi HC Capital Inc. has not completed its initial measurements of assets acquired and liabilities assumed.

Dividends

The Parent was authorized at the general shareholders' meeting held on June 25, 2021 to pay a cash dividend of ¥67 (\$0.60) per share, or a total of ¥99,128 million (\$893 million) to shareholders of record on March 31, 2021.

The Company has discontinued the disclosure of the distribution of stock options since the year ended March 31, 2021 as there is no materiality.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 25, 2021.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2021 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	Mitsubishi Corporation Exploration Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn.Bhd. (Malaysia)	100.00
	Diamond Gas International Pte. Ltd. (Singapore)	100.00
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Ltd. (Canada)	100.00
	Others (35 Companies)	
Industrial Materials Group	ASAHI KIZAI CO., LTD. (Japan)	63.49 (50.26)
	Isuzu Corporation (Japan)	56.60 (56.60)
	M.O.Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	SUS-TECH Corporation (Japan)	75.00 (75.00)
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	CANTAK Corporation (Canada)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One (China) Corporation (China)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	METAL ONE SERVICE ASIA (GUANGZHOU, CHINA) CO., LTD. (China)	100.00 (100.00)
	PLATEPLUS, INC. (U.S.A.)	100.00 (100.00)
	Others (82 Companies)	
	Petroleum & Chemicals Group	Chuo Kagaku Co., Ltd. (Japan)
Mitsubishi Corporation Energy Co., Ltd. (Japan)		100.00
Mitsubishi Corporation Plastics Ltd. (Japan)		100.00
Mitsubishi Shoji Chemical Corporation (Japan)		100.00
Others (36 Companies)		
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	M.C. Inversiones Limitada (Chile)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MITSUBISHI CORPORATION RTM CHINA LIMITED (China)	100.00 (100.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (10 Companies)	

Business Segment	Company Name	Voting Rights (%)
Industrial Infrastructure Group	CHIYODA CORPORATION (Japan)	33.57
	CHIYODA KOSHO CO., LTD. (Japan)	100.00 (100.00)
	MC Shipping Ltd. (Japan)	100.00
	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	CHIYODA INTERNATIONAL CORPORATION (U.S.A.)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	P.T. CHIYODA INTERNATIONAL INDONESIA (Indonesia)	100.00 (100.00)
	Others (64 Companies)	
Automotive & Mobility Group	FF SHEFFE B.V. (The Netherlands)	80.00
	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73 (41.66)
	Others (30 Companies)	
	Food Industry Group	Dai-Nippon Meiji Sugar Co., Ltd. (Japan)
Foodlink Corporation (Japan)		99.42
Gourmet Delica Co., Ltd (Japan)		98.33
JAPAN FARM HOLDINGS (Japan)		92.66
MC Agri Alliance Ltd. (Japan)		70.00
Mitsubishi Corporation Life Sciences Limited (Japan)		100.00 (100.00)
Nihon Shokuhin Kako Co., Ltd. (Japan)		59.88
Nitto Fuji Flour Milling Co., Ltd. (Japan)		64.88
Nosan Corporation (Japan)		100.00
Seto Futo Co., Ltd. (Japan)		86.63 (20.00)
Toyo Reizo Co., Ltd. (Japan)		95.08
AGREX ASIA PTE. LTD. (Singapore)		100.00
Agrex do Brasil S.A. (Brazil)		100.00
AGREX, Inc. (U.S.A.)		100.00 (100.00)
ASIA MODIFIED STARCH CO., LTD (Thailand)		100.00 (100.00)
Cermaq Group AS (Norway)		100.00 (100.00)
Indiana Packers Corporation (U.S.A.)		80.00 (10.00)
MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC. (U.S.A.)		100.00 (100.00)
Princes Limited (U.K.)		100.00
Riverina (Australia) Pty Ltd (Australia)		100.00
Others (115 Companies)		

Business Segment	Company Name	Voting Rights (%)
Consumer Industry Group	LAWSON BANK, INC. (Japan)	95.00 (95.00)
	LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS, INC. (Japan)	100.00 (100.00)
	Lawson, Inc. (Japan)	50.12
	MC DATA PLUS (Japan)	100.00
	MC Healthcare, Inc. (Japan)	80.00
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	92.15
	Mitsubishi Shokuhin Co., Ltd. (Japan)	61.99 (0.01)
	SEIJO ISHII CO., LTD (Japan)	100.00 (100.00)
	Others (60 Companies)	
Power Solution Group	MC Retail Energy Co., Ltd. (Japan)	100.00 (5.37)
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Power Ltd. (Japan)	100.00
	Mitsubishi Corporation Power Systems, Inc. (Japan)	100.00
	DGA Ho Ping B.V. (The Netherlands)	100.00
	DGA Ilijan B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (China)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	Eneco Groep N.V. (The Netherlands)	100.00 (100.00)
	NEXAMP, INC (U.S.A.)	97.36 (97.36)
	Others (571 Companies)	

Business Segment	Company Name	Voting Rights (%)
Urban Development Group	Diamond Realty Management Inc. (Japan)	100.00
	DRI INDIA CO., LTD. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	53.67
	DIAMOND MOBILITY AUSTRALIA PTY LTD (Australia)	100.00
	Diamond RC Holding Limited (China)	100.00
	DIAMOND REALTY INVESTMENTS CHINA CO., LTD. (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	(100.00)
	DIAMOND REALTY MANAGEMENT AMERICA INC. (U.S.A)	(100.00)
	DRIC PERIDOT LIMITED (China)	60.00
	JAPAN AIRPORT MANAGEMENT LLC (Mongolia)	70.00
	JAPAN HIGHWAYS INTERNATIONAL B.V (The Netherlands)	71.96
	MC ALABANG, INC. (Philippines)	100.00
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC DIAMOND REALTY INVESTMENT PHILIPPINES, INC. (Philippines)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC NORTH AMERICA INVESTMENT LLC (U.S.A)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	(100.00)
	MC UK Investment Ltd. (U.K.)	100.00
	PT DIAMOND DEVELOPMENT INDONESIA (Indonesia)	100.00
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	(0.02)
	Others (91 Companies)	53.52

Business Segment	Company Name	Voting Rights (%)
Others	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (7 Companies)	
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (China)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.40 (47.40)
	Others (31 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

June 25, 2021

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Kazuyuki Masu, Chief Financial Officer, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the assets, liabilities, financial position and profit or loss of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole; and
- to the best of his knowledge, the management report includes a fair review of the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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