Management's Discussion and Analysis

Overview

In the fiscal period under review (the twelve-month period from April 1, 2020 to March 31, 2021, hereinafter the "fiscal 2020"), the global economy remained extremely harsh due to various restrictions imposed to stem the spread of coronavirus. Although the economy has shown signs of recovery after restrictions were lifted, some countries and regions have repeatedly imposed restrictions due to continued outbreaks.

In Japan as well, the manufacturing sector has shown signs of recovery but the outlook remains uncertain as the government has made several emergency declarations due to continued outbreaks.

On the other hand in the domestic chemical industry, the situation was temporarily harsh because of the pandemic but utilization of naphtha crackers is headed toward a recovery as the economy begins to recover.

Under these circumstances, the Mitsui Chemicals Group (hereafter "the Group") worked for business expansion and growth in three business domains—Mobility, Health Care, and Food & Packaging—while also creating and developing Next Generation Business and further enhancing competitiveness in the area of Basic Materials.

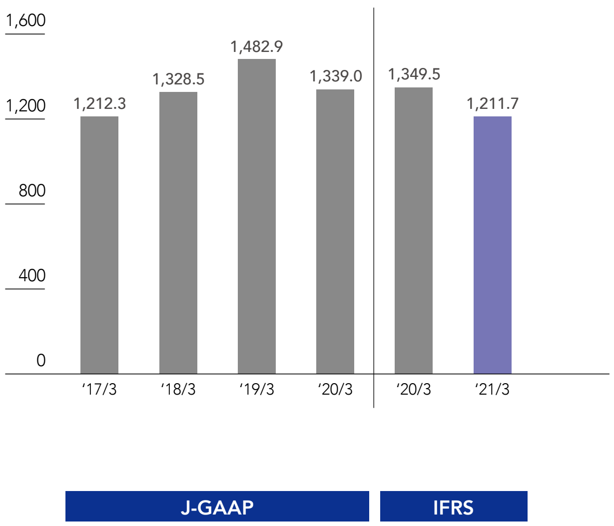
In Mobility, there has been diversified needs for lighter, more comfortable vehicles in the automotive industry in addition to a shift toward electric cars and needs for improved fuel economy. Regarding polypropylene compounds, which are contributing for lighter vehicles, our first production base in Europe began commercial operations. In addition, aiming to seize growing demand in Asia, we expanded the production facilities of our base in Thailand. As for our gear oil additive LUCANT™, which helps improve the fuel economy and longevity of automobiles, we completed construction of a new plant in Ichihara Works to meet expanding global demand. And regarding APEL™, which is mainly used in smartphone camera lenses in the information communication technology (ICT) industry, we began construction of a new plant in Osaka Works to meet a rapid increase in demand.

In Health Care, in addition to declining birthrates and aging populations in advanced countries and growing economies in emerging markets, health consciousness is rising due in part to current measures to address the pandemic. In non-woven fabric, to meet the robust demand for masks and medical staff support in light of the pandemic, our subsidiary Sunrex Industry Co., Ltd. established a production system for non-woven fabric for medical gowns and expanded production facilities for TEKNOROTE™ mask nose clamps. Regarding our ophthalmic lens materials boasting the world-leading market share, we expanded our product lineup by purchasing COTEC GmbH to manufacture, market, and research water-repellent and anti-refractive coating materials. In addition, as for dental materials, we concluded a capital business alliance agreement with SHOFU INC., which is a manufacturer of dental materials and equipment, with the aim of enhancing corporate value and raising our presence in the market.

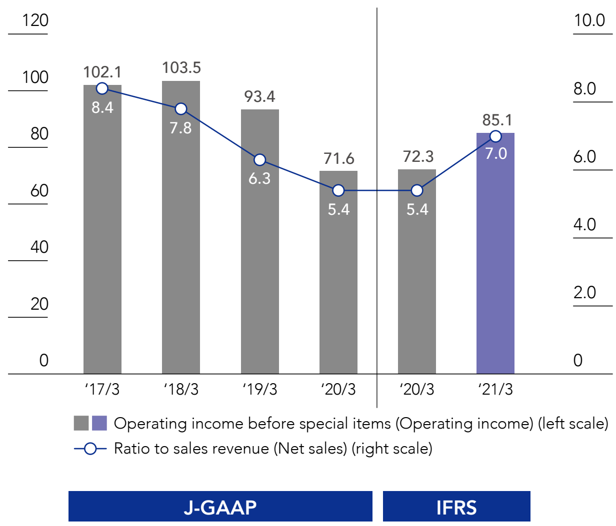
In Food & Packaging, food security is becoming a major social issue amid global population growth and climate change. With standards of living in Asia rising, the packaging field is seeing growing needs for more highly functional products with a smaller environmental footprint. In performance films and sheets, we decided to expand production facilities for ICROS™ Tape, which commands the largest share of the global market for protective tape used in semiconductor manufacturing processes. In agrochemicals, the Group acquired registration in Japan for its insecticide BROFREYA™ SC, which utilizes the new agent TENEBENAL™ as the active ingredient. Pesticide-resistant pests have become a major problem in crop production and we will continue to help combat the issue.

In Basic Materials, which is centered on petrochemicals and basic chemicals, the Group provides materials to various manufacturing fields, including automobiles, residences, consumer electronics, infrastructure and packaging. As a strategic foundation, we have moved

Sales revenue (Net sales) (Billions of yen)



Operating income before special items (Operating income)/ Ratio to sales revenue (Net sales) (Billions of yen, %)



forward to enhance, expand, optimize and reconstruct downstream products in order to strengthen competitiveness. We strove to further rationalize our crackers, such as by reducing and stabilizing costs through raw material diversification and improving energy efficiency through the installation of a new gas turbine. In order to enhance downstream products, the Group has resolved Honshu Chemical Industry Co., Ltd., which possesses high level of technology in the area of performance polymers relating to ICT, Mobility and Health Care, to become a subsidiary through a tender offer.

Moreover, the Group continues to minimize negative impact on profit or loss by shrinking inventory and reducing fixed costs.

Concept for Selection of Accounting Standard

Based on the Group's development of global business activities, the Group voluntarily adopted IFRS from the first quarter of fiscal 2020 for the purpose of improving international comparability of financial information in capital markets and enhancing its business management by unifying accounting standards across the Group.

In addition, the Group uses operating income before special items as a management indicator, which is operating income excluding non-recurring items.

Operating Results

Sales revenue

Sales revenue decreased 137.8 billion yen, or 10.2%, compared with the previous fiscal year to 1,211.7 billion yen. This was mainly attributable to decrease in sales prices due to the fall in naphtha and other raw materials and fuel prices, in addition to decrease in sales resulting from the spread of coronavirus.

Operating income before special items

Operating income before special items was 85.1 billion yen, an increase of 12.8 billion yen or 17.7% year on year. This result was due to favorable terms of trade and reduction of fixed costs, despite of decrease in sales resulting from the spread of coronavirus.

Operating income

Operating income was 78.1 billion yen, increased 13.5 billion yen or 20.9% year on year. This result was mainly due to increase of operating income before special items.

Financial income/expenses

Financial income/expenses worsened 0.1 billion yen year on year to 3.9 billion yen loss, due to a decline of dividend income received.

Income before income taxes

As a result of the aforementioned factors, income before income taxes amounted to 74.2 billion yen, an increase of 13.4 billion yen or 22.1% year on year.

Net income attributable to owners of the parent

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 57.9 billion yen, an increase of 23.9 billion yen or 70.4% compared with the previous fiscal year. Basic earnings per share for the period were 298.00 yen.

Segment information

Results by Business Segment

The status of each segment during fiscal 2020 is as follows.

Mobility

Sales revenue decreased 52.4 billion yen compared with the previous fiscal year to 315.5 billion yen and comprised 26% of total sales. Operating income before special items decreased 12.9 billion yen to 30.2 billion yen year on year. The decrease in income was due to slowing demand for automobile.

In elastomers, performance compounds, overseas polypropylene compound, and solution business, sales decreased due to the impact of coronavirus.

In performance polymers, the Group captured demand and sales remained healthy for ICT-related products.

Millions of yen

Mobility	2021/3	2020/3	Change (%)
Sales revenue	¥315,480	¥367,910	(14.3)
Operating income before special items	30,177	43,104	(30.0)
Total assets	346,837	367,094	(5.5)
Depreciation and amortization	17,463	17,919	(2.5)
Capital expenditures	21,136	33,501	(36.9)

Health Care

Sales revenue increased 0.7 billion yen year on year to 143.9 billion yen and comprised 12% of total sales. Operating income before special items increased 6.7 billion yen to 19.9 billion yen, mainly due to healthy sales in nonwoven fabrics.

In vision care materials, sales of ophthalmic lens materials stayed firm.

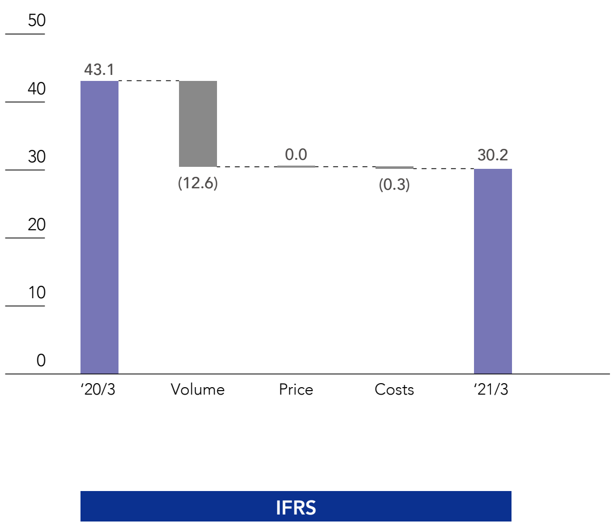
In nonwoven fabrics, sales of masks, medical gowns and disposable diapers stayed healthy.

In dental materials, sales decreased due to the impact of coronavirus.

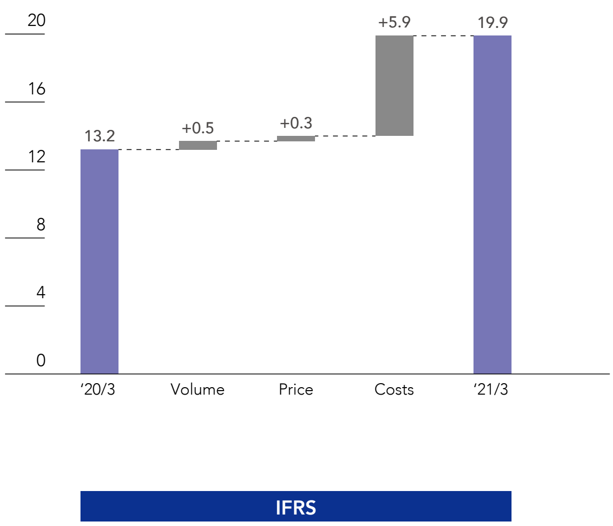
Millions of yen

Health Care	2021/3	2020/3	Change (%)
Sales revenue	¥143,933	¥143,147	0.5
Operating income before special items	19,852	13,233	50.0
Total assets	199,251	195,956	1.7
Depreciation and amortization	10,991	11,865	(7.4)
Capital expenditures	9,582	11,271	(15.0)

Mobility (Change in operating income before special items)
(Billions of yen)



Health Care (Change in operating income before special items)
(Billions of yen)



Food & Packaging

Sales revenue decreased 3.6 billion yen compared with the previous fiscal year to 197.7 billion yen and comprised 16% of total sales. On the other hand, operating income before special items increased 5.0 billion yen to 22.0 billion yen year on year, due to healthy sales in agrochemicals and industrial films and sheets.

In coatings & engineering materials, sales decreased due to the impact of coronavirus.

In performance films and sheets, sales were firm mainly in industrial films and sheets.

In agrochemicals, overseas sales were healthy.

Millions of yen

Food & Packaging	2021/3	2020/3	Change (%)
Sales revenue	¥197,700	¥201,309	(1.8)
Operating income before special items	21,989	17,003	29.3
Total assets	253,218	242,414	4.5
Depreciation and amortization	10,419	9,705	7.4
Capital expenditures	13,485	16,586	(18.7)

Basic Materials

Sales revenue decreased 78.1 billion yen compared with the previous fiscal year to 541.4 billion yen and accounted for 45% of total sales. On the other hand, operating income before special items increased 10.2 billion yen to 19.6 billion yen, due to improved overseas market.

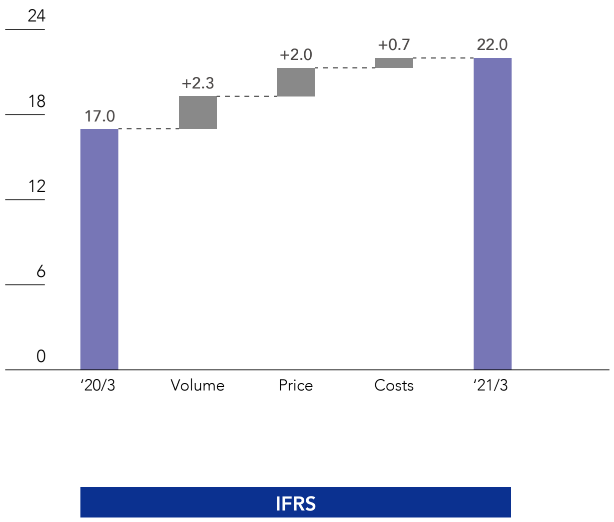
Naphtha cracker operating rates were lower than the previous fiscal year due to decreased demand of downstream products, which was impacted by coronavirus. Performances of polypropylene was affected by slowing demand for automotive products.

For Bisphenol A and Acetone, overseas market was at higher level than the previous fiscal year.

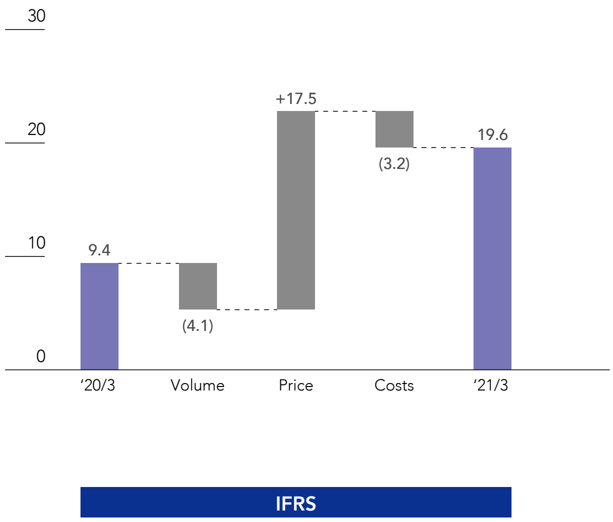
Millions of yen

Basic Materials	2021/3	2020/3	Change (%)
Sales revenue	¥541,382	¥619,520	(12.6)
Operating income before special items	19,642	9,396	109.0
Total assets	606,146	597,162	1.5
Depreciation and amortization	32,245	30,476	5.8
Capital expenditures	39,376	38,247	3.0

Food & Packaging (Change in operating income before special items) (Billions of yen)



Basic Materials (Change in operating income before special items) (Billions of yen)



Others

Sales revenue decreased 4.4 billion yen to 13.2 billion yen, comprised 1% of total sales. On the other hand, operating loss before special items was 1.1 billion yen, a decrease of 1.8 billion yen compared to the previous year.

Millions of yen

Others	2021/3	2020/3	Change (%)
Sales revenue	¥13,230	¥17,636	(25.0)
Operating loss before special items	(1,045)	(2,981)	(64.9)
Total assets	80,790	66,993	20.6
Depreciation and amortization	4,862	5,311	(8.5)
Capital expenditures	9,156	6,433	42.3

Sales revenue

Billions of yen

			Increase (Decrease)		
	2021/3	2020/3	Total	Volume contribution	Price contribution
Mobility	¥ 315.5	¥ 367.9	¥ (52.4)	¥(43.1)	¥ (9.3)
Health Care	143.9	143.2	0.7	0.2	0.5
Food & Packaging	197.7	201.3	(3.6)	5.3	(8.9)
Basic Materials	541.4	619.5	(78.1)	(4.2)	(73.9)
Others	13.2	17.6	(4.4)	—	(4.4)
Total	¥1,211.7	¥1,349.5	¥(137.8)	¥(41.8)	¥(96.0)

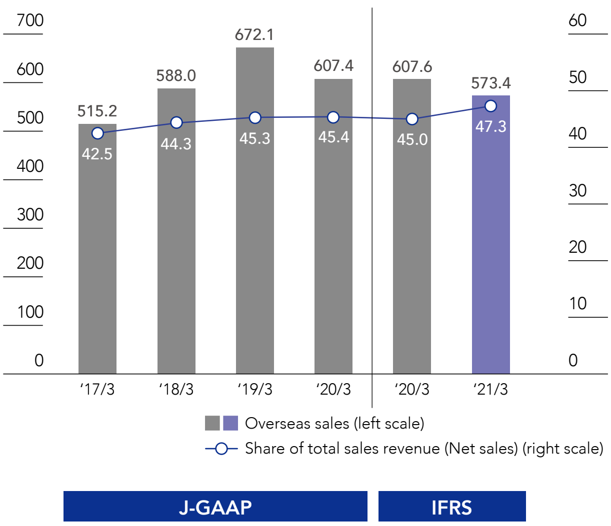
Operating income before special items

Billions of yen

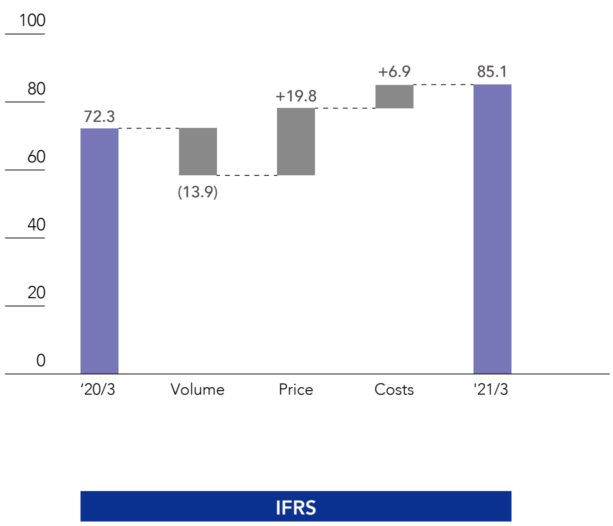
			Increase (Decrease)			
	2021/3	2020/3	Total	Volume contribution	Price*	Fixed and other cost differential
Mobility	¥30.2	¥43.1	¥(12.9)	¥(12.6)	¥ 0.0	¥(0.3)
Health Care	19.9	13.2	6.7	0.5	0.3	5.9
Food & Packaging	22.0	17.0	5.0	2.3	2.0	0.7
Basic Materials	19.6	9.4	10.2	(4.1)	17.5	(3.2)
Others	(1.1)	(2.9)	1.8	—	—	1.8
Adjustments	(5.5)	(7.5)	2.0	—	—	2.0
Total	¥85.1	¥72.3	¥ 12.8	¥(13.9)	¥19.8	¥ 6.9

*Price = Price contribution + Variable cost differential

Overseas sales/Share of total sales revenue (Net sales)
(Billions of yen, %)



Operating income before special items (Billions of yen)



Financial Position

Assets

Total assets at the end of fiscal year stood at 1,558.1 billion yen, an increase of 27.6 billion yen compared with the end of the previous fiscal year.

Liabilities

Total liabilities at the end of fiscal year decreased 44.8 billion yen compared with the previous fiscal year-end to 876.0 billion yen. Interest-bearing debt amounted to 563.8 billion yen, a decrease of 35.6 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.2%, a decrease of 3.0 percentage points.

Net Assets

Total equity was 682.1 billion yen, an increase of 72.4 billion yen compared with the previous fiscal year-end. The ratio of equity attributable to owners of the parent was 39.0%, an increase of 4.4 percentage points.

Accounting for the aforementioned factors, the net debt-equity ratio stood at 0.60 at the end of the fiscal year, 0.21 point decrease from the previous fiscal year-end.

Capital Resources and Liquidity

Cash Flow

Cash and cash equivalents (hereafter called "net cash") at the end of the fiscal year increased 31.4 billion yen to 196.0 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 32.1 billion yen to 174.3 billion yen due to increase of income before income taxes and decrease of income taxes paid.

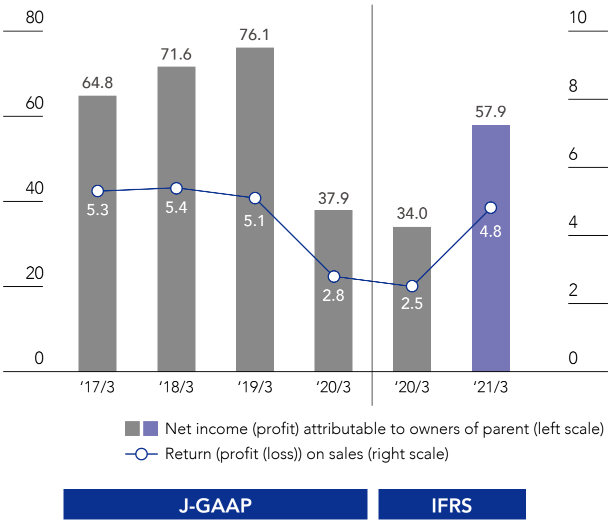
Cash Flows from Investing Activities

Net cash used in investing activities decreased 31.6 billion yen compared with the previous fiscal year to 77.5 billion yen, mainly due to decrease of cash outflows from capital expenditure.

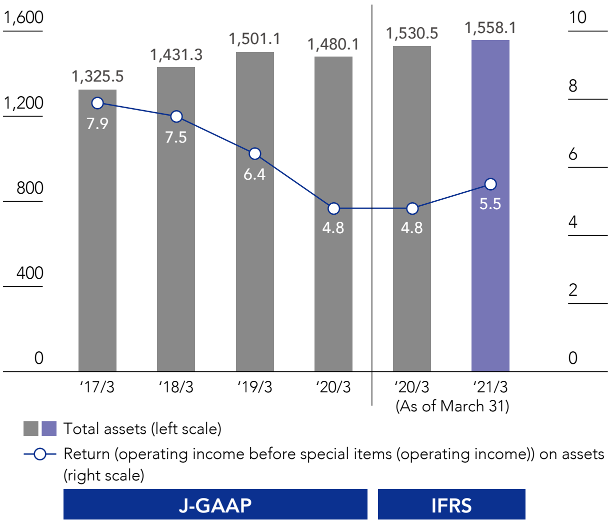
Cash Flows from Financing Activities

Net cash used in financing activities increased 62.6 billion yen compared with the previous fiscal year to 69.0 billion yen due primarily to increase of repayments of interest-bearing debt.

Net income (profit) attributable to owners of parent (Billions of yen, %)



Total assets/Return (operating income before special items (operating income)) on assets (Billions of yen, %)



Cash Flows-Related Performance Indicators

	2021/3 (As of March 31, 2021)	2020/3 (As of March 31, 2020)	2019/3 (As of March 31, 2019)	2018/3 (As of March 31, 2018)	2017/3 (As of March 31, 2017)
Shareholders' Equity Ratio (%)	39.0	34.6	36.8	35.7	33.9
Shareholders' Equity Ratio on a Market Value Basis (%)	44.0	25.6	34.7	46.6	41.5
Ratio of Interest-bearing Debt to Cash Flows	3.2	4.2	4.4	5.6	4.4
Interest Coverage Ratio (Times)	37.1	25.5	19.9	14.8	17.3

Notes: - Shareholders' Equity Ratio: Shareholders' equity to total assets.
- Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets.
- Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows.
- Interest Coverage Ratio: Cash flows to interest paid.
- Each of the indicators was calculated using consolidated financial figures.
- The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
- Operating cash flow figures have been used for cash flow calculations.
- Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.
- Figures before FY2018 are based on Japanese GAAP.

Fund Procurement

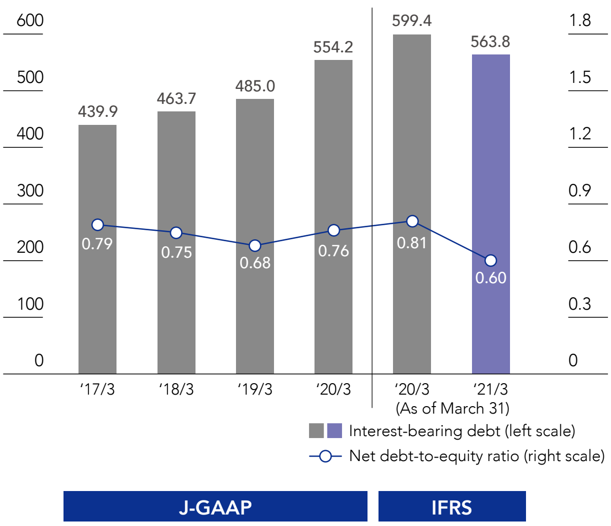
In connection with its fund procurement activities, the Group adopts the following basic policies.

1. Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans, and commercial paper whenever necessary.
2. Utilize a certain level of indirect financing to preserve the stability of fund procurement activities.
3. Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

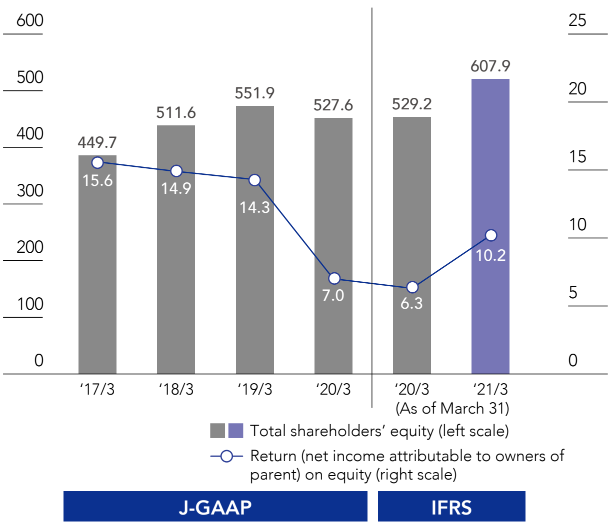
Financial Liquidity

With regard to asset efficiency, the Group will ensure sufficient levels of liquidity in hand while at the same time securing alternative sources of fund procurement, including credit and overdraft facilities.3. Outlook for Fiscal 2021 (Year Ending March 31, 2022)

Interest-bearing debt/Net debt-to-equity ratio (Billions of yen, %)



Total shareholders' equity/Return (net income attributable to owners of parent) on equity (Billions of yen, %)



Capital Expenditures (Summary)

The Company and its consolidated subsidiaries undertook capital expenditures totaling 93.2 billion yen in fiscal 2020. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Mobility

The Company carried out construction to install new production facilities for Lucant® at its Ichihara Plant.

The Company carried out construction to install new production facilities for APEL® at its Osaka Plant.

The total amount of capital expenditures in the Mobility segment was 21.1 billion yen.

Health Care

The total amount of capital expenditures in the Health Care segment was 9.6 billion yen.

Food & Packaging

The total amount of capital expenditures in the Food & Packaging segment was 13.5 billion yen.

Basic Materials

The total amount of capital expenditures in the Basic Materials segment was 39.4 billion yen.

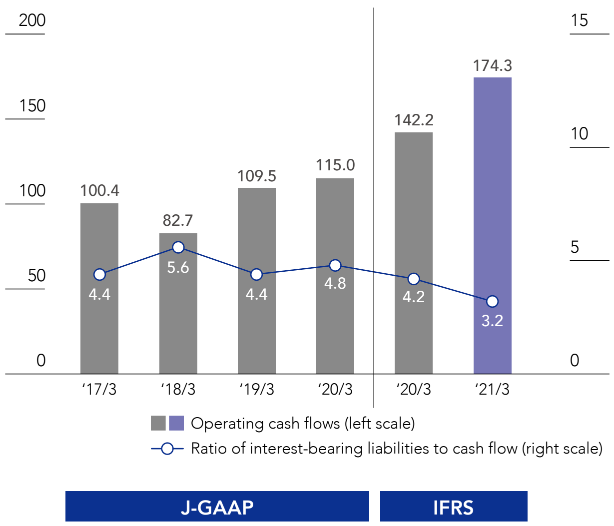
Others

The total amount of capital expenditures in the Others segment was 9.2 billion yen.

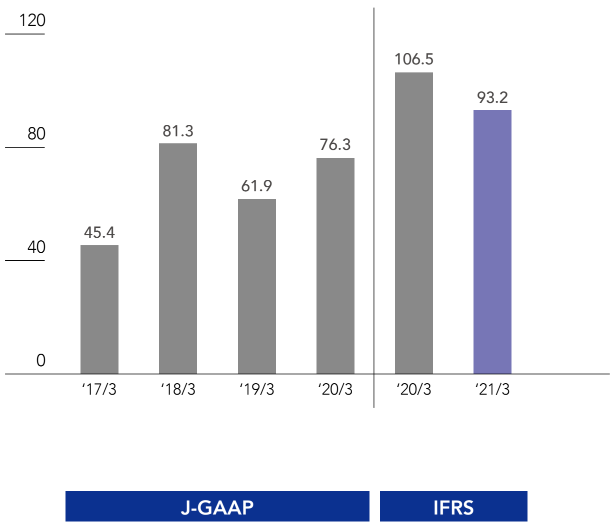
Corporate Expenses

The total amount of capital expenditures recorded under corporate expenses was 0.4 billion yen and was related to the development of new businesses.

Operating cash flows/Ratio of interest-bearing liabilities to cash flow (Billions of yen, %)



Capital expenditure (Billions of yen)



Research and Development

Research and development at Mitsui Chemicals, Inc. and its consolidated subsidiaries is conducted by their research and development divisions. The research and development expenses in fiscal 2020 amounted to 33.8 billion yen. The Group's research and development organizations are as listed as below:

R&D Planning & Coordination Division
Mitsui Chemicals Singapore R&D Center Pte. Ltd.
Synthetic Chemicals Laboratory
Polymeric Materials Laboratory
Functional Materials Laboratory
Process Technology Center
Mobility Development Center

Major research and development issues confronting corporate research, development for new businesses and each business sector, and their research and development expenses for fiscal 2020 are briefly stated as follows.

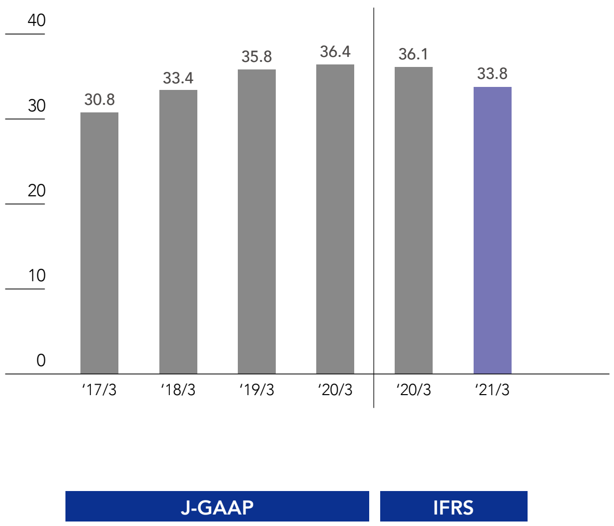
Mobility

The Company engages in the development of elastomers, performance compounds, and performance polymer resins in the Mobility domain. In fiscal 2020, the Company placed considerable weight on development activities encompassing new elastomers and performance compounds for automotive materials, and new performance polymer resins for ICT and optical materials. Research and development expenses related to this segment were 8.6 billion yen for the fiscal year.

Health Care

The Company engages in development in the Health Care domain in such areas as vision-care materials, personal-care materials, and highly functional non-woven fabrics. Kulzer GmbH and Sun Medical Co., Ltd. engage in the product development of oral-care materials, both in conjunction with the Company and separately. In fiscal 2020, efforts were mainly directed toward dental materials, non-woven fabrics for hygiene applications, and biocatalysts. Research and development expenses related to this segment were 3.7 billion yen for the fiscal year.

R&D expenses (Billions of yen)



Food & Packaging

The Company engages in the development of packaging materials and of coatings and adhesives for ICT applications in the Food & Packaging domain. Mitsui Chemicals Tohcello, Inc. develops films and sheets for packaging, while also working with the Company on developing functional products for ICT fields. In addition, Mitsui Chemicals Agro, Inc. develops products for agriculture and disease prevention applications. In fiscal 2020, priority was placed on recycling technology for packaging materials, new products in the ICT field, and development of new bulk agrochemicals. Research and development expenses related to this segment were 9.4 billion yen.

Basic Materials

The Company continues to develop streamlined processes for phenol and its derivative products, industrial chemicals such as hydroquinone, purified terephthalic acid (PTA), and PET resin for strengthening its business in the Basic Materials domain. In addition, the Company is developing high-performance polymerization catalysts that strengthen the competitiveness of its polyolefin resin, and together with Prime Polymer Co., Ltd. is developing new brands and products for polyolefin resins and PP compounds. Mitsui Chemicals & SKC Polyurethanes Inc. is active in the development of polyurethane foam materials. Research and development expenses related to this segment were 4.9 billion yen.

Development for New Businesses

The Company is engaged in research and development activities with the aim of creating "new business centered on proprietary materials that contribute to solving social issues." A particular focus is on ICT and robot materials and energy solutions businesses, as well as the promotion of the open innovation needed to spearhead these efforts. In addition, Mitsui Chemicals Singapore R&D Centre Pte Ltd. conducts research and development with a view to formulating new businesses originating in the Asia/Pacific region. Moreover, in fiscal 2020, the Company worked on fiber-reinforced composite materials and composite materials using metal and resin injection assembly technology, as well as the development of lighter automotive components.

Research and development expenses related to new businesses creation amounted to 2.9 billion yen. These are presented in corporate expenses and other segments.

Corporate Research

The Company plays a central role in the development of fundamental technology and innovative new technology needed to maintain, strengthen, and expand the products and services of each business segment. In recent years, it has particularly worked on cutting-edge fundamental technologies in the fields of materials informatics and sensitivity evaluation technology, and actively acquired new technology through open innovation. Moreover, in terms of initiatives to address recent environmental issues and calls for carbon neutrality the Company is focusing on research and development related to chemical and materials recycling, the switch to biomass raw materials, and carbon capture usage (CCU).

Research and development expenses relating to corporate research amounted to 4.3 billion yen and were allocated among all reportable segments.

Business Risks

The Group recognizes that management activities may be threatened by a wide range of implicit and explicit risks. For this reason, the Group is dedicated to crafting initiatives to prevent or mitigate the escalation of these risks.

The items detailed below represent some of the risks that could potentially and adversely impact the Group's future operating performance and financial position. Readers are cautioned that this partial list does not constitute all of the risks faced by the Group.

Please note that the risks discussed below were those deemed relevant as of March 31, 2021.

(1) External operating environment

The Group's business may be influenced by certain elements of the operating environment outside of the Group, including customer, market, alliance partner trends and the business operations of rival firms as well as changes in legal systems. In the event that actual circumstances upon which the Group's business strategies basis are changed as a result of these environmental influences, the Group's ability to implement these strategies on schedule could be impaired, and anticipated results may not materialize. With respect to products, a variety of risks could conceivably result in a decline in profitability. These include, but are not limited to, an erosion of market demand, loss of customers, a deterioration in market conditions or decline in sales volume significantly exceeding forecasts caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced products, and the emergence of alternative products. Profitability may also decline due to drastic changes in the cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. In readiness for such changes due to the external environment, constant vigilance is maintained within each business division, while the most important issues are discussed by the Company-wide Strategy Committee and the conclusions are reflected in the yearly strategy review for each business. The occurrence of any or all of these risks could adversely impact the Group's business development as well as operating performance and financial position. However, it is not possible to efficiently estimate the probability of these risks materializing or their concrete impacts, etc.

The course of the COVID-19 pandemic remains unpredictable, and there is a possibility of further reductions in sales demand and production or stoppages at the Group's production facilities due to the enactment of public health restrictions on activity, or other negative impacts on the Group. The Company has made an energetic response to these risks with measures that emphasize cash flow, including strict control of inventories and related items, restriction of non-essential and non-urgent expenditures, increased borrowing limits and securing of cash reserves, while at the same time keeping a close watch on demand trends and taking action to secure the supply chain. Meanwhile, on March 4, 2020, Mitsui Chemicals set up a COVID-19 Infection Response Division, presided over by the officer responsible for the Risk Compliance Committee. The new division is gathering information on the impact on each of the Group's domestic and overseas bases and related matters and formulating the necessary measures to reduce personnel infection risk (teleworking, staggered work hours, etc.). The division reports to the Board of Directors on the information gathered from the Company's bases and the response measures taken. At the same time, the Company continues to explore sustainable new ways of working based on the themes of infection prevention, operational efficiencies, and effective communication.

(2) Overseas activities (Country risk)

The Group is involved in a wide range of activities outside of Japan, from the export of products to production at overseas bases. These activities overseas are subject to various risks, including difficulties in securing personnel, deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, labor unrest, and the outbreak of terrorism or warfare. Through the regional headquarters located in each of its main overseas regions (Asia Pacific, China, Americas, and Europe), the Company's constantly gathers information from its affiliates in the regions and countries where they operate, and additionally appoints a Regional Safety Officer in the main countries where they are located who works to ensure stable business continuity in the event of changes in public safety or health. In the event of a risk materializing, the safety officer liaises with Tokyo Head Office and responds accordingly. It is not possible to efficiently estimate the probability of such risks materializing or their concrete impacts, etc. The occurrence of such risks could impair the Group's business activities overseas, which may adversely impact operating performance.

(3) Causes of changes in segment operating performance

The Group engages in the manufacture and sale of a wide array of products led by mobility, health care, food & packaging and basic materials. In fiscal 2020, the mobility segment was particularly hard hit by the COVID-19 pandemic, but the segment has been on a recovery trend after bottoming out in the first quarter. Meanwhile, in the health care and food & packaging segments, sales remained brisk in the areas of nonwoven fabrics for face masks and industrial films. Although the pandemic has yet to show signs of abating, the Group expects demand in fiscal 2021 to grow, buoyed by moves toward an economic turnaround, chiefly in the manufacturing sector, as well as ongoing firm conditions in overseas markets. Other assumed risks for each key business are as set out below.

The Company carries out an annual strategy review for each business following discussion at the Company-wide Strategy Committee to take account of changes in the internal and external environment, business risks, and other factors. In this way, the Group does its utmost to prevent risk from materializing and to minimize its impact if it does.

i. Mobility

Mobility segment products are primarily produced from ethylene, propylene, and other naphtha derivatives. Segment product earnings could be adversely impacted by temporary delays in passing higher raw material prices on to product prices in the event of a sharp increase in naphtha supply prices caused by circumstances in the Middle East or global economic conditions. Specific risks and opportunities recognized in this business division are as follows:

• Downward pressure on automotive demand due to resurgence of COVID-19 and the semiconductor supply shortage.
• Delayed recovery in manufacturing operations.
• Shifts in the development cycles of automotive products and the emergence of new key players.
• Moves toward weight reduction in automobiles.
• Growing demand for materials development to address needs for improved comfort and electrification.
• Calls for greater use of recycled materials and biomaterials in light of mounting efforts to reduce environmental load.

ii. Health Care

Health care segment product earnings could be adversely impacted by price competition caused by the business expansion of rivals. Specific risks and opportunities recognized in this business division are as follows:

Vision care materials
• Global market expansion.

Nonwovens
• Slowing exports of children's disposable diapers.
• Steady domestic growth of adult disposable diapers.
• Intensified competition in East and Southeast Asia.

Dental materials
• Rapidly changing trends in the digital technology market and market expansion.

iii. Food & Packaging

Coating/functional materials and performance films and sheets are primarily produced from polyethylene, polypropylene and other naphtha derivatives handled by the Basic Materials segment. Eearnings from these products could be adversely impacted by delays in passing higher raw material prices on to product prices in the event of a sharp swing in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.

Agrochemicals earnings could be adversely affected by such factors as changing global weather patterns, the appearance of harmful insects, and fluctuations in the cost of tests required for the development and registration of new products.

Specific risks and opportunities recognized in this business division are as follows:

• Impact on existing businesses from changes in environmental laws and regulations.
• Calls to reduce food loss and waste plastic.
• Agrochemicals: market expansion in Asia and South America, expansion of agrochemical peripherals market (epidemic prevention).
• Packaging materials: market expansion in Asia, market stagnation in Japan.
• ICT: market expansion in 5G, high-function displays, CASE demand, etc.
• China and emerging economies: future development uncertain.
• COVID-19 impact on development and procurement.

iv. Basic Materials

Petrochemicals products are primarily produced from naphtha. Naphtha supply volume and prices could fluctuate sharply due to circumstances in the Middle East or global economic conditions. In the event of a sharp increase or decrease in naphtha prices, segment product earnings could be adversely impacted by delays in passing such fluctuations on to product prices, the emergence of inventory valuation losses, or other factors.

Basic chemicals products could be adversely impacted by a rapid deterioration in market conditions caused by an oversupply, as these products are vulnerable to fluctuations in this overcrowded market.

More specific risks and opportunities recognized in this business division are as follows:

• Shift to high-performance packaging.
• Advances in digital technology and biotechnology.
• Influx of US shale-derived polyolefin naphtha.
• Economic slowdowns and turbulence due to US-China trade friction and COVID-19.
• Turbulence in Asian markets for crude oil and big-market products.
• Aggressive imports and worsening export conditions due to a strong yen.
• Shrinking domestic demand, slowing growth in the Chinese economy.
• Expansion of demand in environmental response field.

(4) Financial risks

Major financial risks faced by the Group are increased concerns about customer confidence due to deteriorating economic conditions, currency exchange losses due to dramatic fluctuations in exchange rates, and rising interest rates and a reluctance to lend by financial institutions with respect to fund procurement. The occurrence of any one of these risks could adversely impact the Group's financial position.

(5) Accidents and disasters

As part of its committed efforts to "Safety is our top priority," the Group pursues a policy of safety as the top priority and vigorously promotes OHSAS 18001 certification of the occupational health and safety management systems used in its production activities at works. Business continuity plans have also been formulated to quickly reestablish the business chain of command in the event that head office functions are affected by a major earthquake in the Tokyo metropolitan area. These include the establishment of a Company-wide Response Headquarters at the Osaka Works. Nevertheless, the Group faces risks from a variety of unforeseen events, including damage to production facilities caused by natural disasters such as major earthquakes and typhoons, plant accidents, and accidents during the course of product transport or storage at warehousing facilities outside the Group. It is not possible to efficiently estimate the probability of such risks materializing or their impacts, etc., but their occurrence might not only impede plant operations or the supply of products to customers, thereby adversely impacting the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

(6) Quality

To uphold its quality assurance system, the Group vigorously promotes efforts to obtain ISO 9001 certification of the quality management systems at each of its plants. Nevertheless, the Group faces risks from the discovery of unforeseen quality defects in its products and product liability lawsuits. Because many of the Group's products are used as raw materials in finished consumer goods, the appearance of large-scale customer recalls due to product defects could potentially result in massive damages. It is not possible to efficiently estimate the probability of such risks materializing or their impacts, etc., but their occurrence might not only adversely impact the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

(7) Intellectual property

Possessing a significant array of proprietary technologies and expertise, the Group manages information in accordance with strict rules. Nevertheless, information leaks could potentially occur due to unforeseen circumstances. In addition, the Group could potentially be subject to unfavorable court judgement in the event of a future legal dispute concerning intellectual property. To date, the Company has not experienced a serious leak of intellectual property or a serious dispute involving intellectual property, and it is difficult to efficiently estimate the probability of such eventualities or their impacts, but their occurrence could adversely impact the Group's operating performance and financial position.

(8) Climate change

As negative effects attributed to climate change become increasingly severe worldwide, as exemplified in the SDGs, climate change has come to be recognized as an issue that must be solved collectively by international society, and one requiring urgent action. The process of manufacturing chemicals emits large amounts of greenhouse gases (GHGs), a cause of climate change. Accordingly, physical risks associated with climate change and risks pertaining to the transition to a low-carbon society have the potential to adversely affect the Group's business results and financial position. How to respond to climate change is a key issue of the Group.

In terms of physical risks, if extreme weather events such as typhoons and floods become more serious, these could lower production capacity at the Group's manufacturing bases and trigger an increase in costs from damages. Moreover, in regions where there is a heightened water risk owing to fluctuations in rainfall, production activity at our manufacturing bases may be limited by restrictions on water use as a result of drought.

As for risks pertaining to the transition to a low-carbon society, in the event that GHGs emission restrictions are introduced, for example, a carbon tax or an emissions trading scheme, prices for raw materials and fuel will likely increase, as would the cost of electricity. This could drive up the Group's manufacturing costs and dent earnings. In the drive to transition to a low-carbon society, if stakeholders increasingly call for products that help reduce GHGs emissions, in order to respond, the Group could incur greater R&D expenses and capital expenditures associated with the implementation of new technologies, leading to a decline in the Group earnings.

The Group considers climate change to be not only a risk, but also an opportunity, and is committed to solving social issues related to climate change through its business activities. To make clear our commitment to assessing climate change-related risks, opportunities, and impacts, the Group also supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and continues to take action to assess climate change impacts and disclose information. The Group has declared its intention to achieve carbon neutrality by 2050. Recognizing its duty as a chemical company to make a substantial contribution to social change, the Group is reinforcing and accelerating its efforts to address climate change, aiming to achieve the greatest possible reduction in GHGs emissions, both by moving forward with efforts to reduce GHGs emissions internally and by working with its customers to bring products to market that also contribute to GHGs reductions.

(9) Plastic pollution

Plastic is a material that brings convenience and benefits and also helps solve challenges in society by, for example, reducing food waste and improving energy efficiency thanks to its advanced functionality. At the same time, reflecting in various national policies and the growing focus on ESG issues in recent years, the problem of several million tons of plastic waste flowing into the ocean due to improper disposal is also drawing attention and giving impetus to actions around the world to find a solution.

Against this background, many countries are discussing a range of potential regulations, with some governments and corporations urging the use of recycled plastics, enacting self-imposed bans on single-use plastics, and seeking alternative materials. In Europe in particular, the movement toward realizing a circular economy is gaining momentum, with companies throughout the supply chain exploring measures related to plastic recovery and recycling from the perspective of maximizing the use of resources. Because the Group manufactures and sells petroleum-derived plastics, these trends could negatively affect the Group's business results and financial position.

The Group recognizes that environmental problems surrounding plastic are a key issue which the chemicals industry needs to take the lead in addressing. The Group is taking initiatives to address plastic-related risks, working together with other corporations and industry bodies in the plastics field, including being an active member of the Alliance to End Plastic Waste (a movement supported by the funding and participation of corporations in the global plastic value-chain), the Clean Ocean Material Alliance, and the Japan Initiative for Marine Environment (JaIME). Through such activities we are working to help solve environmental problems by taking an active role in, for example, waste management infrastructure development, the promotion of innovation, education and awareness activities, and clean-up campaigns.

The Group also views growing calls to address these issues as presenting new business opportunities. We are exploring possibilities across a wide range of areas aiming to help resolve issues related to plastic, including the use of recycled raw materials, the development of chemical-based and other advanced recycling technology to convert plastic waste to usable plastic, proposing recycling-friendly product designs such as the use of single-material packaging, and the construction of traceability systems for plastic materials using blockchain technology.

As a manufacturer and provider of plastic materials that have thus far solved various challenges in society, the Group will continue to proactively address the problem of plastic in the environment.

Consolidated Statements of Financial Position

As of March 31, 2021, 2020 and Transition Date

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents (Note 7)	¥ 195,987	¥ 164,571	¥ 139,489	$ 1,770,274
Trade receivables (Note 8)	285,846	273,894	313,953	2,581,935
Inventories (Note 9)	258,814	284,306	299,621	2,337,765
Other financial assets (Notes 10 and 36)	27,176	36,805	34,174	245,470
Other current assets (Note 11)	15,230	22,258	16,718	137,567
Total	783,053	781,834	803,955	7,073,011
Assets held for sale (Note 12)	4,519	—	—	40,818
Total current assets	787,572	781,834	803,955	7,113,829
Non-current assets				
Property, plant and equipment (Note 13)	455,749	453,188	437,991	4,116,602
Right-of-use assets (Note 14)	46,211	46,462	48,823	417,406
Goodwill (Note 15)	1,123	1,476	1,483	10,144
Intangible assets (Note 15)	19,678	24,759	24,390	177,744
Investment property (Note 16)	23,222	23,250	22,406	209,755
Investments accounted for using equity method (Note 18)	97,509	87,620	87,623	880,761
Other financial assets (Notes 10 and 36)	57,463	62,882	108,536	519,041
Retirement benefit assets (Note 23)	55,059	33,939	40,459	497,326
Deferred tax assets (Note 34)	9,333	9,097	8,450	84,301
Other non-current assets (Note 11)	5,206	6,008	6,786	47,023
Total non-current assets	770,553	748,681	786,947	6,960,103
Total assets	¥1,558,125	¥1,530,515	¥1,590,902	$14,073,932

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities				
Trade payables (Note 19)	¥ 119,712	¥ 121,011	¥ 155,947	$ 1,081,312
Bonds and borrowings (Note 20)	216,721	232,793	191,575	1,957,556
Income taxes payable	6,195	4,518	7,510	55,957
Other financial liabilities (Notes 21 and 36)	84,242	90,007	108,879	760,925
Provisions (Note 24)	1,157	1,828	1,176	10,451
Other current liabilities (Note 25)	37,736	35,517	34,264	340,853
Total	465,763	485,674	499,351	4,207,054
Liabilities directly associated with assets held for sale (Note 12)	542	—	—	4,896
Total current liabilities	466,305	485,674	499,351	4,211,950
Non-current liabilities				
Bonds and borrowings (Note 20)	293,495	313,237	322,749	2,651,025
Other financial liabilities (Notes 21 and 36)	67,722	69,003	60,862	611,706
Retirement benefit liabilities (Note 23)	16,384	25,146	55,662	147,990
Provisions (Note 24)	3,698	4,294	4,291	33,403
Deferred tax liabilities (Note 34)	27,834	23,017	16,286	251,414
Other non-current liabilities (Note 25)	530	437	638	4,787
Total non-current liabilities	409,663	435,134	460,488	3,700,325
Total liabilities	875,968	920,808	959,839	7,912,275
Equity				
Share capital (Note 26)	125,331	125,298	125,205	1,132,066
Capital surplus (Note 26)	74,009	79,320	79,256	668,494
Treasury stock (Note 26)	(24,900)	(39,254)	(29,869)	(224,912)
Retained earnings (Note 26)	424,084	359,794	350,695	3,830,584
Other components of equity (Note 26)	9,397	4,062	26,495	84,880
Total equity attributable to owners of the parent	607,921	529,220	551,782	5,491,112
Non-controlling interests	74,236	80,487	79,281	670,545
Total equity	682,157	609,707	631,063	6,161,657
Total liabilities and equity	¥1,558,125	¥1,530,515	¥1,590,902	$14,073,932

Consolidated Statements of Income

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue (Note 28)	¥1,211,725	¥ 1,349,522	$10,945,037
Cost of sales	(917,883)	(1,051,139)	(8,290,877)
Gross profit	293,842	298,383	2,654,160
Selling, general and administrative expenses (Notes 29 and 31)	(211,980)	(226,592)	(1,914,732)
Other operating income (Note 32)	4,406	8,823	39,798
Other operating expenses (Note 32)	(14,183)	(20,557)	(128,110)
Share of profit of investments accounted for using equity method (Note 18)	5,989	4,512	54,096
Operating income	78,074	64,569	705,212
Financial income (Note 33)	4,297	5,406	38,813
Financial expenses (Note 33)	(8,128)	(9,151)	(73,417)
Income before income taxes	74,243	60,824	670,608
Income tax expense (Note 34)	(10,024)	(18,205)	(90,543)
Net income	64,219	42,619	580,065
Net income attributable to:			
Owners of the parent	57,873	33,970	522,744
Non-controlling interests	6,346	8,649	57,321
Net income	¥ 64,219	¥ 42,619	$ 580,065

	Yen		U.S. dollars
Earnings per share			
Basic earnings per share (Yen) (Note 35)	¥298.00	¥174.52	$2.692
Diluted earnings per share (Yen) (Note 35)	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥64,219	¥ 42,619	$580,065
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 26)	670	(15,162)	6,052
Remeasurements of defined benefit plans (Note 26)	24,605	(6,834)	222,247
Share of other comprehensive income of investments accounted for using equity method (Notes 18 and 26)	263	36	2,376
Total of items that will not be reclassified to profit or loss	25,538	(21,960)	230,675
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 26)	5,816	(5,582)	52,534
Effective portion of net change in fair value of cash flow hedges (Note 26)	579	788	5,230
Share of other comprehensive income of investments accounted for using equity method (Notes 18 and 26)	(280)	(1,834)	(2,530)
Total of items that may be reclassified to profit or loss	6,115	(6,628)	55,234
Total other comprehensive income, net of tax	31,653	(28,588)	285,909
Comprehensive income	¥95,872	¥ 14,031	$865,974
Comprehensive income attributable to:			
Owners of the parent	88,974	6,174	803,667
Non-controlling interests	6,898	7,857	62,307
Comprehensive income	¥95,872	¥14,031	$865,974

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the year ended March 31, 2021

	Millions of yen											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2020	¥125,298	¥79,320	¥(39,254)	¥359,794	¥11,894	¥ —	¥(6,591)	¥(1,241)	¥ 4,062	¥529,220	¥ 80,487	¥609,707
Net income	—	—	—	57,873	—	—	—	—	—	57,873	6,346	64,219
Other comprehensive income	—	—	—	—	814	24,664	5,094	529	31,101	31,101	552	31,653
Total comprehensive income	—	—	—	57,873	814	24,664	5,094	529	31,101	88,974	6,898	95,872
Purchase of treasury stock (Note 26)	—	—	(691)	—	—	—	—	—	—	(691)	—	(691)
Disposal of treasury stock (Note 26)	—	—	3	—	—	—	—	—	—	3	—	3
Dividends (Note 27)	—	—	—	(19,349)	—	—	—	—	—	(19,349)	(6,266)	(25,615)
Share-based payment transactions (Note 30)	33	33	—	—	—	—	—	—	—	66	—	66
Transactions with non-controlling interests (Note 37)	—	(5,344)	15,042	—	—	—	—	—	—	9,698	(6,883)	2,815
Transfer from other components of equity to retained earnings	—	—	—	25,766	(1,102)	(24,664)	—	—	(25,766)	—	—	—
Total transactions with owners	33	(5,311)	14,354	6,417	(1,102)	(24,664)	—	—	(25,766)	(10,273)	(13,149)	(23,422)
Balance as of March 31, 2021	¥125,331	¥74,009	¥(24,900)	¥424,084	¥11,606	¥ —	¥(1,497)	¥ (712)	¥ 9,397	¥607,921	¥ 74,236	¥682,157

	Thousands of U.S. dollars											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2020	$1,131,768	$716,466	$(354,566)	$3,249,878	$107,434	$ —	$(59,534)	$(11,209)	$ 36,691	$4,780,237	$ 727,007	$5,507,244
Net income	—	—	—	522,744	—	—	—	—	—	522,744	57,321	580,065
Other comprehensive income	—	—	—	—	7,353	222,780	46,012	4,778	280,923	280,923	4,986	285,909
Total comprehensive income	—	—	—	522,744	7,353	222,780	46,012	4,778	280,923	803,667	62,307	865,974
Purchase of treasury stock (Note 26)	—	—	(6,242)	—	—	—	—	—	—	(6,242)	—	(6,242)
Disposal of treasury stock (Note 26)	—	—	27	—	—	—	—	—	—	27	—	27
Dividends (Note 27)	—	—	—	(174,772)	—	—	—	—	—	(174,772)	(56,598)	(231,370)
Share-based payment transactions (Note 30)	298	298	—	—	—	—	—	—	—	596	—	596
Transactions with non-controlling interests (Note 37)	—	(48,270)	135,869	—	—	—	—	—	—	87,599	(62,171)	25,428
Transfer from other components of equity to retained earnings	—	—	—	232,734	(9,954)	(222,780)	—	—	(232,734)	—	—	—
Total transactions with owners	298	(47,972)	129,654	57,962	(9,954)	(222,780)	—	—	(232,734)	(92,792)	(118,769)	(211,561)
Balance as of March 31, 2021	$1,132,066	$668,494	$(224,912)	$3,830,584	$104,833	$ —	$(13,522)	$ (6,431)	$ 84,880	$5,491,112	$ 670,545	$6,161,657

For the year ended March 31, 2020

	Millions of yen											
	Equity attributable to owners of the parent											
					Other components of equity							
	Share capital	Capital surplus	Treasury stock	Retained earnings	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Effective portion of net change in fair value of cash flow hedges	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of April 1, 2019	¥125,205	¥79,256	¥(29,869)	¥350,695	¥ 28,519	¥ —	¥ —	¥(2,024)	¥ 26,495	¥551,782	¥79,281	¥631,063
Net income	—	—	—	33,970	—	—	—	—	—	33,970	8,649	42,619
Other comprehensive income	—	—	—	—	(15,170)	(6,818)	(6,591)	783	(27,796)	(27,796)	(792)	(28,588)
Total comprehensive income	—	—	—	33,970	(15,170)	(6,818)	(6,591)	783	(27,796)	6,174	7,857	14,031
Purchase of treasury stock (Note 26)	—	—	(9,389)	—	—	—	—	—	—	(9,389)	—	(9,389)
Disposal of treasury stock (Note 26)	—	—	4	—	—	—	—	—	—	4	—	4
Dividends (Note 27)	—	—	—	(19,509)	—	—	—	—	—	(19,509)	(6,700)	(26,209)
Share-based payment transactions (Note 30)	92	92	—	—	—	—	—	—	—	185	—	185
Transactions with non-controlling interests	—	(27)	—	—	—	—	—	—	—	(27)	49	22
Transfer from other components of equity to retained earnings	—	—	—	(5,363)	(1,455)	6,818	—	—	5,363	—	—	—
Total transactions with owners	92	65	(9,385)	(24,872)	(1,455)	6,818	—	—	5,363	(28,736)	(6,651)	(35,387)
Balance as of March 31, 2020	¥125,298	¥79,320	¥(39,254)	¥359,794	¥ 11,894	¥ —	¥(6,591)	¥(1,241)	¥ 4,062	¥529,220	¥80,487	¥609,707

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities			
Income before income taxes	¥ 74,243	¥ 60,824	$ 670,608
Depreciation and amortization	76,621	76,009	692,087
Impairment loss (Note 17)	8,050	6,389	72,712
Insurance income	(1,761)	(5,174)	(15,906)
Interest and dividend income	(2,152)	(4,827)	(19,438)
Interest expenses	4,634	5,542	41,857
Share of loss (profit) of investments accounted for using equity method	(5,989)	(4,512)	(54,096)
Decrease (increase) in trade receivables	(7,113)	35,027	(64,249)
Decrease (increase) in inventories	27,360	12,673	247,132
Increase (decrease) in trade payables	(5,420)	(31,551)	(48,957)
Others	10,312	2,405	93,145
Subtotal	178,785	152,805	1,614,895
Interest and dividends received	6,246	9,054	56,418
Proceeds from insurance income	1,761	5,174	15,906
Interest paid	(4,705)	(5,589)	(42,498)
Income taxes paid	(7,764)	(19,212)	(70,129)
Net cash provided by (used in) operating activities	174,323	142,322	1,574,592
Cash flows from investing activities			
Purchase of marketable securities	—	(5,000)	—
Proceeds from sale and redemption of marketable securities	5,000	1	45,163
Purchase of property, plant and equipment	(74,904)	(95,116)	(676,578)
Proceeds from sale of property, plant and equipment	591	1,140	5,338
Purchase of intangible assets	(1,677)	(4,655)	(15,148)
Proceeds from sale of intangible assets	84	376	759
Purchase of investment securities	(877)	(1,230)	(7,922)
Proceeds from sale and redemption of investment securities	161	357	1,454
Purchase of subsidiaries	(1,722)	—	(15,554)
Purchase of equity accounted investments	(4,460)	—	(40,285)
Proceeds from equity accounted investments	99	—	894
Others	150	(4,985)	1,355
Net cash provided by (used in) investing activities	(77,555)	(109,112)	(700,524)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings (Note 22)	(8,498)	(647)	(76,759)
Increase (decrease) in commercial papers (Note 22)	(10,000)	50,000	(90,326)
Proceeds from long-term borrowings (Note 22)	19,542	26,327	176,515
Repayments of long-term borrowings (Note 22)	(42,963)	(58,759)	(388,068)
Proceeds from issuance of bonds (Note 22)	15,000	20,000	135,489
Redemption of bonds (Note 22)	(10,426)	(426)	(94,174)
Repayments of lease liabilities(Note 22)	(8,108)	(7,282)	(73,236)
Proceeds from sale of treasury stock	3	20	27
Purchase of treasury stock	(691)	(9,389)	(6,242)
Dividends paid (Note 27)	(19,349)	(19,509)	(174,772)
Dividends paid to non-controlling interests	(6,266)	(6,700)	(56,598)
Proceeds from sale of interests in subsidiaries to non-controlling interests	2,800	—	25,292
Net cash provided by (used in) financing activities	(68,956)	(6,365)	(622,852)
Effect of exchange rate changes on cash and cash equivalents	3,604	(1,673)	32,552
Net increase (decrease) in cash and cash equivalents	31,416	25,082	283,768
Cash and cash equivalents at the beginning of period (Note 7)	164,571	139,489	1,486,505
Cash and cash equivalents at end of period (Note 7)	¥195,987	¥164,571	$1,770,274

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Mitsui Chemicals, Inc. (hereinafter the "Company") is a company incorporated in Japan and is listed on the First Section of the Tokyo Stock Exchange. The address of its registered head office is disclosed on the Company's website (https://jp.mitsuichemicals.com/en/).

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") with a closing date as of March 31 comprise the Group and the Group's interests in associates and joint arrangements.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Health Care, Food & Packaging, and Basic Materials segments.

The details of businesses and principal business activities of the Group are stated in Note 6 "Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS and its first-time adoption

The consolidated financial statements of the Group have been prepared in compliance with IFRS published by the International Accounting Standards Board. In addition, since the Company qualifies as a "specified company complying with designated international accounting standards" prescribed in Article 1-2 of the Regulation on Consolidated Financial Statements, the provisions of Article 93 of that Regulation are applied.

The Group adopted IFRS for the first time in the fiscal year that commenced on April 1, 2020, and so the annual consolidated financial statements for the fiscal year ended March 31, 2021 are the first ones prepared in compliance with IFRS. The date of transition to IFRS (hereinafter the "Transition Date") is April 1, 2019. The impact of the transition to IFRS on the financial position, operating results and cash flows of the Group on the Transition Date and in the comparative year is provided in Note 42 "First-Time Adoption of IFRS."

The Group's consolidated financial statements were approved on June 25, 2021 by Osamu Hashimoto, Representative Director, Member of the Board, President & CEO, and Hajime Nakajima, Member of the Board, Managing Executive Officer & CFO.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared on a historical cost basis except for financial instruments, etc. measured at fair value as described in Note 3 "Significant Accounting Policies."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company's functional currency, and figures are rounded to the nearest million yen. The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥110.71=US$1.00, the approximate rate of exchange in effect on March 31, 2021. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is deemed to be achieved when the Group is exposed or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when control is obtained until the date when it is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Company, adjustments are made to the subsidiary's financial statements where needed.

Subsidiaries whose fiscal year-end is different from the Group's consolidated fiscal year-end are consolidated based on their provisional financial statements as of the consolidated fiscal year-end.

All intergroup balances of receivables and payables and other internal transactions within the Group, as well as unrealized gains and losses arising from internal transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the parent. Upon loss of control over a subsidiary, the Group remeasures any retained investment in the subsidiary at fair value at the date of loss of control and recognizes gains or losses resulting from the loss of control in profit or loss.

(ii) Associates and joint arrangements

Associates are entities in which the Group has significant influence over the financial and operating policies but does not have control or jointly control. The Group is presumed to have significant influence over another entity when it holds at least 20% but 50% or less of the voting rights of the entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and equity interests in joint ventures are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill identified on acquisition.

If the Group has an interest in a joint operation, the Group only recognizes an amount equivalent to its share of the assets, liabilities, revenues and expenses generated from the joint operation.

If any accounting policies applied by an associate, a joint venture or a joint operation differ from those applied by the Group, adjustments are made to their financial statements where needed.

When it is impracticable to unify the fiscal year-end of associates, joint ventures and joint operations due to certain reasons such as relationships with other shareholders, significant transactions or events between the fiscal year-end of the Group and that of the said entities' financial statements are reflected in the consolidated financial statements.

Unrealized gains or losses arising from transactions between the Group and its associates or joint ventures are adjusted in the Group's consolidated financial statements. The balances of receivables and payables and transactions among the Group and its joint operations, as well as unrealized gains or losses arising from these transactions are eliminated in preparing the consolidated financial statements.

When an entity ceases to be an associate or joint venture and is no longer accounted for using the equity method, the Group remeasures any retained investment in the entity at fair value at the date of discontinuing the use of the equity method and recognizes gains or losses resulting from the discontinued use of the equity method in profit or loss, except when the entity becomes a consolidated subsidiary.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities assumed of an acquiree are, in principle, measured at their acquisition-date fair value.

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Conversely, any bargain purchase is immediately recognized in profit or loss.

The consideration transferred is measured as the sum of the fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

The Group elects to measure non-controlling interest in the acquiree for each business combination at either fair value or at the proportionate share of the recognized amounts of identifiable net assets.

Acquisition-related costs incurred for business combinations, such as agent commissions, legal fees and due diligence costs, are expensed as incurred.

If initial accounting for a business combination is incomplete by the end of the period in which the combination occurs, the items for which the accounting is incomplete are measured at provisional amounts. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date, i.e., measurement period, would have affected the measurement of the amounts recognized at the acquisition date.

If a business combination is achieved in stages, the Group remeasures its previously held equity interests in the acquiree at its acquisition-date fair value, and recognizes the resulting gains or losses, if any, in profit or loss or other comprehensive income.

Additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore goodwill is not recognized with respect to such a transaction.

(3) Foreign currency translation

(i) Foreign currency transactions

Foreign currency transactions are translated into respective functional currencies of the Company and its subsidiaries at the spot exchange rate at the date of the transaction or at the exchange rate that approximates the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the fiscal year-end are translated into each functional currency at the exchange rate at the fiscal year-end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currencies at the exchange rate prevailing at the date that the fair value was determined.

Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(ii) Translation of foreign operations
Assets and liabilities of foreign operations are translated into Japanese yen at the prevailing exchange rate at the fiscal year-end. Revenues and expenses are translated into Japanese yen at the average exchange rate during the period, except when the exchange rate fluctuates significantly. Exchange differences arising from such translations are recognized in other comprehensive income.

On the disposal of the entire interest in a foreign operation, or on the partial disposal of an interest in a foreign operation that involves the loss of control of a subsidiary or loss of significant influence over an associate, the cumulative amount of the exchange differences relating to that foreign operation is recognized in profit or loss at the time of disposal.

(4) Financial instruments
(i) Financial assets (excluding derivatives)
i) Initial recognition and measurement
Under IFRS 15 "Revenue from Contracts with Customers," the Group initially recognizes trade receivables when it satisfies its performance obligations and acquires unconditional rights to consideration. All other financial assets are initially recognized on the transaction date when the Group becomes a party to the contractual provisions of the assets.

At initial recognition, the Group classifies financial assets into those measured at amortized cost, those measured at fair value through profit or loss and those measured at fair value through comprehensive income.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:
• the financial assets are held based on a business model whose objective is to hold assets in order to collect contractual cash flows; and
• the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are classified as financial assets measured at fair value through comprehensive income if both of the following conditions are met. All other debt instruments are classified as financial assets measured at fair value through profit or loss.
• the financial assets are held based on a business model whose objective is achieved by both collecting contractual cash flows and selling assets and;
• the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments, excluding those held for trading purposes, are classified as financial assets measured at fair value through profit or loss. However, except for those held for trading purpose, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through comprehensive income. Such designations are applied consistently.

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets. However, transaction costs attributable to financial assets measured at fair value through profit or loss are recognized in profit or loss as incurred.

ii) Subsequent measurement
After their initial recognition, financial assets are measured according to their classification as follows:
(a) Financial assets measured at amortized cost
Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.
(b) Financial assets measured at fair value
Financial assets other than those measured at amortized cost are measured at fair value.

Changes in fair value of financial assets measured at fair value are recognized in profit or loss or other comprehensive income.

For equity instruments that are designated as measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings in case of derecognition or significant decrease in fair value.

iii) Derecognition
The Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire or when the contractual rights to receive cash flows from the financial assets are transferred and substantially all the risks and rewards of ownership of the financial asset are thereby transferred.

iv) Impairment
At each fiscal year-end, the Group assesses whether the credit risk on a financial asset measured at amortized cost or a financial guarantee contract has increased significantly since initial recognition.

The Group measures allowance for doubtful accounts for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on those financial assets has increased significantly since initial recognition.

If the credit risk on the financial assets has not significantly increased since its initial recognition, the Group measures allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses.

However, the Group always measures allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables and lease receivables.

When determining whether the credit risk of a financial asset has increased significantly since its initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each fiscal year-end with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that are available without excessive cost or effort (e.g., internal credit rating, external credit rating, etc.), as well as past due information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from a debtor, serious financial difficulties of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor, etc. For any amount that cannot reasonably be expected to be recovered in the future, the carrying amount of financial assets is directly reduced, and the amount of corresponding allowance for doubtful accounts is also reduced.

Expected credit losses on financial instruments are measured as the present value of the difference between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive, and are recognized in profit or loss.

(ii) Financial liabilities (excluding derivatives)

i) Initial recognition and measurement

At initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value less directly attributable transaction costs.

ii) Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

After their initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses arising in the case of derecognition are recognized in profit or loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognized in profit or loss.

iii) Derecognition

The Group derecognizes financial liabilities when they are extinguished; i.e., when the contractual obligation is performed or when the obligation specified in the contract is discharged, canceled or expires.

(iii) Derivatives and hedge accounting

The Group uses derivatives such as forward exchange contracts, currency swaps and interest rate swaps to hedge foreign exchange fluctuation risk and interest rate fluctuation risk. These derivatives are initially measured at fair value at the date the contracts are entered into and are subsequently remeasured at fair value.

Changes in fair value of derivatives are recognized in profit or loss. However, the effective portion of cash flow hedge is recognized in other comprehensive income in the consolidated statements of comprehensive income.

At the inception of the hedge, the Group formally designates and documents hedging relationships to which hedge accounting applies and the risk management objectives and strategies for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transactions, the nature of the risk being hedged, and the methods of assessing the effectiveness of changes in fair value of the hedging instruments (including methods for analyzing the causes of ineffective hedging and determining the hedge ratio) in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks.

At the inception of the hedge and on an ongoing basis, the Group assesses whether a derivative used in the hedge transaction is effective in offsetting changes in fair value or cash flows of hedged items.

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows.

i) Fair value hedges

Changes in fair value of hedging instruments are recognized in profit or loss. Changes in fair value of hedged items attributable to the hedged risks are recognized in profit or loss, adjusting the carrying amount of the hedged item.

ii) Cash flow hedges

The effective portion of changes in fair value of hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss.

The amounts associated with the hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the hedged transactions affect profit or loss. If a hedged item results in the recognition of a non-financial asset or a non-financial liability, the associated amount recognized in other comprehensive income is reclassified as adjustment to the initial carrying amount of the non-financial asset or the non-financial liability.

Hedge accounting is discontinued when a forecast transaction is no longer deemed to have a high probability of occurring. Furthermore, when a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

(iv) Offsetting of financial assets and financial liabilities

The Group offsets financial assets and financial liabilities and presents them as a net amount only when it currently holds a legally enforceable right to offset the amounts recognized as assets and liabilities and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are recognized at the lower of cost and net realizable value. The cost of inventories is determined mainly by using the weighted-average cost formula and comprises costs of purchase, costs of conversion and all costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

(7) Non-current assets or disposal groups classified as held for sale

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The conditions for classifying non-current assets (or disposal groups) as held for sale are that they must be available for immediate sale in their present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is expected to complete within one year.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated or amortized after they are classified as held for sale.

(8) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured using the cost model and stated at cost less any accumulated depreciation and any accumulated impairment loss.

The acquisition cost includes costs directly attributable to the acquisition of the asset and initially estimated costs of dismantling, removing and restoration of the asset. In addition, borrowing costs that are directly attributable to the acquisition and construction of assets and meet certain criteria for asset recognition are recognized as part of the acquisition cost.

(ii) Depreciation

Property, plant and equipment (excluding land and other non-depreciable assets) are depreciated on a straight-line basis over their respective estimated useful lives.

The estimated useful lives of major classes of assets are as follows:

• Buildings and structures: 2 to 75 years
• Machinery and vehicles: 2 to 40 years

The depreciation method, estimated useful lives and residual values are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(9) Leases

Lessees

The Group determines that a contract is a lease or contains a lease at the time of entering into the contract. If the contract conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration, the contract is determined to be a lease or contain a lease. When a contract is determined to be a lease or contain a lease, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

At the commencement date, lease liabilities are measured at the present value of the lease payments that are not paid at that date. Right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities, adjusted mainly by any initial direct costs and any prepaid lease payments, plus costs including obligations for restoration under the lease contract.

Lease payments are apportioned between financial expenses and reduction of the lease liability based on the interest method, and the financial expenses are recognized in profit or loss.

After initial recognition, depreciation is carried out on a straight-line basis over the shorter of its estimated useful life and the lease term. Regarding the lease term, in addition to the non-cancellable period of the lease, it includes both the period covered by an option to extend the lease when the lessee is reasonably certain to exercise that option and the period covered by an option to cancel the lease if the lessee is reasonably certain not to exercise that option.

The Group recognizes lease payments related to short-term leases whose lease term is 12 months or less and leases for which the underlying asset is of low value as expenses on a straight-line basis over the lease terms.

Lessor

Leases are classified as either operating leases or finance leases. If the bulk of the risks and economic value associated with the ownership of the underlying asset is transferred, the lease is classified as a finance lease, and if such risks and value are not transferred, it is classified as an operating lease. Whether the lease is a finance lease or an operating lease is determined according to the substance of the transaction, not the form of the contract.

When classifying subleases, the intermediate lessor is classified by reference to the right-of-use asset arising from the head lease.

(10) Goodwill and intangible assets

(i) Goodwill

Initial recognition and measurement of goodwill arising from the acquisition of a business are as stated in "(2) Business combinations."

Goodwill is stated at cost less any accumulated impairment loss. Goodwill is not amortized and is tested for impairment annually, or whenever there is an indication of impairment. Impairment loss on goodwill is recognized in the consolidated statements of income and no subsequent reversal is made.

(ii) Intangible assets

Intangible assets are measured using the cost model and stated at cost less any accumulated amortization and any accumulated impairment loss.

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures on internally generated intangible assets are all recognized as expenses in the period when incurred, except for development expenses that satisfy the criteria for capitalization.

Intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives and are tested for impairment whenever there is an indication of impairment.

The estimated useful lives of major classes of assets are as follows:

• Software:	2 to 15 years
• Patents and technology license:	2 to 15 years
• Customer value:	2 to 21 years
• Trademarks:	2 to 15 years

The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or whenever there is an indication of impairment.

(11) Investment property

Investment properties are properties held to earn rentals or for capital gains or both. They do not include properties held for sale in the ordinary course of business, for use in the production or sale of goods or services or for administrative purposes.

Investment properties are measured using the cost model. Investment properties, excluding land and other non-depreciable assets, are depreciated on a straight-line basis over their estimated useful lives, using the same estimated useful lives and depreciation method as those for property, plant and equipment.

(12) Impairment of non-financial assets

The Group assesses whether there is any indication that non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale) may be impaired at the end of each fiscal year. If there is an indication of impairment, the Group estimates the recoverable amount of the asset or cash-generating unit (CGU) to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, regardless of whether or not there is an indication of impairment.

The recoverable amount of the asset or CGU to which it belongs is the higher of its fair value less costs of disposal and its value in use.

The value in use is determined by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of each CGU to which the asset belongs.

On or after the acquisition date, goodwill is allocated to a CGU or group of CGUs that is expected to benefit from the synergies of the business combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amounts are determined for the CGU or group of CGUs to which the corporate assets belong if there is any indication of impairment of the corporate assets.

Impairment loss is recognized in profit or loss when the recoverable amount of a CGU (or group of CGUs) is less than its carrying amount.

Impairment loss recognized for the CGU (or group of CGUs) is first allocated to extinguish the carrying amount of any goodwill allocated to the unit (or group), and subsequently to reduce the carrying amount of other assets in the unit on a pro-rata basis.

No reversal is made for impairment losses related to goodwill.

Impairment loss recognized in prior years for assets other than goodwill is assessed as to whether there is any indication that the losses may no longer exist or may have decreased. If any such an indication exists, the Group estimates the recoverable amount of the asset or the CGU.

If the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined had no impairment loss been recognized.

(13) Employee benefits

(i) Post-employment benefits

The Group adopts defined benefit plans and defined contribution plans as post-employment benefit plans for its employees.

i) Defined benefit plans

Net defined benefit liabilities or assets are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. The Group uses the projected unit credit method to determine the present value of the defined benefit obligations, the related current service cost and the past service cost. The discount rate is determined by reference to market yield on high-quality corporate bonds having maturity terms that approximate to the estimated term of the related benefit obligations at the end of the reporting period.

Service costs and net interest on the net defined benefit liabilities or assets are recognized in profit or loss. The past service costs are recognized immediately in profit or loss. Remeasurements of net defined liabilities or assets, including actuarial gains and losses, are recognized in other comprehensive income in the period incurred and immediately reclassified from other components of equity to retained earnings.

ii) Defined contribution plans

Contributions to defined contribution plans are recognized as expenses over the period in which employees render services.

(ii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and are recognized as expenses when employees render the related service.

Bonuses and paid leave expenses are recognized as a liability in the amount estimated to be paid if the Group has a legal or constructive obligation to pay such employees and the obligation can be reliably estimated.

(14) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

If the effect of the time value of money is significant, provisions are determined by discounting the expenditures expected to be required to settle the obligation to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

(15) Equity

(i) Common stock

The proceeds from issuance of common stock issued by the Company are recorded in share capital and capital surplus, and costs directly attributable to the issuance (after tax effect adjustments) are recognized as a deduction from equity.

(ii) Treasury stock

When treasury stock is acquired, the acquisition costs, including costs directly attributable to the acquisition (after tax effect adjustments), are recognized as a deduction from equity.

When treasury stock is sold, the difference between the carrying amount and the consideration on sales is recognized in capital surplus.

(16) Revenue

The Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of goods and services to customers, based on the following five-step approach.

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 individual performance obligations in the contract.

Step 5: Recognize revenue when (or as) the performance obligations are satisfied.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Health Care, Food & Packaging and Basic Materials segments. In the sale of these products, revenue is recognized upon delivery or at the time of shipment of the products depending on when the customer obtains control of the products and the performance obligations are satisfied.

In addition, revenue is determined at the amount of consideration promised in the contract with the customer less returns, discounts, rebates and others. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration is later dispelled.

Considerations in product sales contracts are generally collected within one year after control of the product has transferred to the customer, and do not include a significant financing component.

(17) Share-based payment

The Company has adopted a restricted stock compensation plan as an equity-settled share-based payment for directors and executive officers.

The consideration for services received is measured at fair value of the Company's shares at the grant date and is recognized as expenses in profit or loss together with a corresponding increase in equity.

(18) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will comply with the attached conditions and receive the grants.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

The amount of government grants related to assets is deducted from the acquisition cost of the assets.

(19) Income taxes

Income taxes consist of current taxes and deferred taxes, and are recognized in profit or loss, except for taxes arising from business combinations, as well as taxes incurred from items directly recognized in other comprehensive income or equity.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period.

Deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities for accounting purposes and their value for tax purposes at the end of reporting period, as well as tax loss carryforward and tax credit carryforward.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, tax loss carryforward and tax credit carryforward to the extent that it is probable that taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized for the following temporary differences:
- temporary differences arising on initial recognition of goodwill;
- temporary differences arising on initial recognition of an asset or liability in a transaction that is not business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- deductible temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that it is not probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized; and
- taxable temporary differences arising from investments in subsidiaries and associates, and interest in joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to be applied in 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 at the end of reporting period.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and part of its consolidated subsidiaries have adopted the consolidated taxation system.

(20) Earnings per share

Basic earnings per share are determined by dividing net income attributable to common shareholders of the parent by the weighted average number of shares of common stock outstanding during the period, adjusted for treasury stock held. Diluted earnings per share are not determined as there are no potential dilutive shares.

(21) Changes in accounting policies

Not applicable

4. Significant Accounting Estimates and Judgments

In order to prepare the consolidated financial statements, the Group is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual operating results may differ from these accounting estimates and their underlying assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of accounting estimates are recognized in the reporting period in which the changes are made and in future periods.

Although as of yet there are no clear signs of the COVID-19 pandemic subsiding, for the fiscal year ending March 31, 2022, the Group expects expanding demand in line with economic recovery trends chiefly in the manufacturing sector, as well as continuing firmness in overseas markets. However, the effects of the pandemic are difficult to fully predict and, depending on its course, the pandemic could have a significant impact on the consolidated financial statements for the following fiscal year.

Accounting judgments, estimates and assumptions that could materially affect the Group's consolidated financial statements are as follows:
- Valuation of inventories (see Note 9 "Inventories" below)
- Impairment of non-financial assets (see Note 17 "Impairment of Non-financial Assets" below)
- Measurement of defined benefit obligations (see Note 23 "Employee Benefits" below)
- Recoverability of deferred tax assets (see Note 34 "Income Taxes" below)
- Impairment of financial assets measured at amortized cost (see Note 36 "Financial Instruments" below)

5. Accounting Standards or Interpretations Issued Not Yet Applied

None of the major IFRS standards and interpretations newly issued or amended by the date of approval of the Group's consolidated financial statements has a significant impact on the statements.

6. Segment Information

(1) Overview of reportable segments

The Group's business segments are components of the Group for which separate financial information is available and that are regularly reviewed by the Board of Directors (chief operating decision maker) to make decisions about management resources to be allocated to the segments and assess their performance.

The Group positions business sector distinguished by their products and services within its headquarters. Each business sector proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

Comprehensively considering similarities such as the details of products and services and target markets, the four reportable segments (distinguished by products and services) that comprise the Group's operations without aggregating the business segments are: Mobility, Health Care, Food & Packaging, and Basic Materials. Business segments, which are not included in the reportable segments, are classified into "Others."

Major products manufactured and sold by business segments are as follows:

Segments		Major products
Reportable segments	Mobility	Elastomers, performance compounds, functional polymers, polypropylene compounds, and comprehensive services regarding the development of automotive and industrial products (Solution business)
	Health Care	Vision care materials, nonwoven fabrics, dental materials, and personal care materials
	Food & Packaging	Coating & engineering materials, performance films and sheets, and agrochemical products
	Basic Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, purified terephthalic acid, PET resin, polyurethane materials, and industrial chemical products
Others	Others	Other related businesses, etc.

(2) Methods to determine sales revenue, profit or loss, assets, and other items by reportable segment

The accounting methods by reportable business segment herein are generally the same as those described under Note 3 "Significant Accounting Policies."

Reportable segment income is presented in operating income before special items which stands for operating income or loss excluding non-recurring items (e.g., losses resulting from withdrawing from and downsizing businesses).

Intersegment transaction pricing and transfer pricing are negotiated and determined based on prevailing market prices.

(3) Information on sales revenue, profit or loss, assets, and other items by reportable segment

FY2020 (April 1, 2020 to March 31, 2021)
Year ended March 31, 2021

	Millions of yen								
	Reportable Segment								
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
Sales revenue									
Sales revenue from external customers	¥315,480	¥143,933	¥197,700	¥541,382	¥1,198,495	¥13,230	¥1,211,725	¥ —	¥1,211,725
Intersegment sales revenue	9,104	2,496	2,224	54,061	67,885	51,785	119,670	(119,670)	—
Total	¥324,584	¥146,429	¥199,924	¥595,443	¥1,266,380	¥65,015	¥1,331,395	¥(119,670)	¥1,211,725
Segment income (Operating income before special items)	¥ 30,177	¥ 19,852	¥ 21,989	¥ 19,642	¥ 91,660	¥ (1,045)	¥ 90,615	¥ (5,475)	¥ 85,140
Segment assets	¥346,837	¥199,251	¥253,218	¥606,146	¥1,405,452	¥80,790	¥1,486,242	¥ 71,883	¥1,558,125
Other items									
Depreciation and amortization	¥ 17,463	¥ 10,991	¥ 10,419	¥ 32,245	¥ 71,118	¥ 4,862	¥ 75,980	¥ 641	¥ 76,621
Share of profit of investments accounted for using equity method	1,999	(175)	272	3,482	5,578	—	5,578	411	5,989
Impairment loss	5,486	153	182	2,112	7,933	—	7,933	117	8,050
Investments accounted for using equity method	20,845	11,349	1,987	60,535	94,716	2,793	97,509	—	97,509
Capital expenditures (Note 3)	21,136	9,582	13,485	39,376	83,579	9,156	92,735	435	93,170

	Thousands of U.S. dollars								
	Reportable Segment								
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
Sales revenue									
Sales revenue from external customers	$2,849,607	$1,300,090	$1,785,747	$4,890,091	$10,825,535	$119,502	$10,945,037	$ —	$10,945,037
Intersegment sales revenue	82,233	22,546	20,088	488,312	613,179	467,753	1,080,932	(1,080,932)	—
Total	$2,931,840	$1,322,636	$1,805,835	$5,378,403	$11,438,714	$587,255	$12,025,969	$(1,080,932)	$10,945,037
Segment income (Operating income before special items)	$ 272,577	$ 179,315	$ 198,618	$ 177,419	$ 827,929	$ (9,439)	$ 818,490	$ (49,454)	$ 769,036
Segment assets	$3,132,843	$1,799,756	$2,287,219	$5,475,079	$12,694,897	$729,744	$13,424,641	$ 649,291	$14,073,932
Other items									
Depreciation and amortization	$ 157,736	$ 99,277	$ 94,111	$ 291,257	$ 642,381	$ 43,917	$ 686,298	$ 5,789	$ 692,087
Share of profit of investments accounted for using equity method	18,056	(1,581)	2,457	31,452	50,384	—	50,384	3,712	54,096
Impairment loss	49,553	1,382	1,644	19,077	71,656	—	71,656	1,056	72,712
Investments accounted for using equity method	188,285	102,511	17,948	546,788	855,532	25,229	880,761	0	880,761
Capital expenditures (Note 3)	190,913	86,550	121,805	355,668	754,936	82,703	837,639	3,929	841,568

Notes:
1. "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
2. The adjustment of negative ¥5,475 million for segment income includes corporate costs of negative ¥5,506 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of ¥31 million. Corporate costs mainly comprise general and administrative expenses and research and development expenses for new businesses, which are not usually attributed to the reportable segments. In addition, the adjustment of ¥71,883 million for segment assets includes corporate assets of ¥230,719 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥158,836 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.
3. Capital expenditures are related to property, plant and equipment, intangible assets, investment real estate, etc.

FY2019 (April 1, 2019 to March 31, 2020)
Year ended March 31, 2020

	Millions of yen								
	Reportable Segment								
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
Sales revenue									
Sales revenue from external customers	¥367,910	¥143,147	¥201,309	¥619,520	¥1,331,886	¥17,636	¥1,349,522	¥ —	¥1,349,522
Intersegment sales revenue	11,446	3,183	1,708	66,681	83,018	59,894	142,912	(142,912)	—
Total	¥379,356	¥146,330	¥203,017	¥686,201	¥1,414,904	¥77,530	¥1,492,434	¥(142,912)	¥1,349,522
Segment income (Operating income before special items)	¥ 43,104	¥ 13,233	¥ 17,003	¥ 9,396	¥ 82,736	¥ (2,981)	¥ 79,755	¥ (7,425)	¥ 72,330
Segment assets	¥367,094	¥195,956	¥242,414	¥597,162	¥1,402,626	¥66,993	¥1,469,619	¥ 60,896	¥1,530,515
Other items									
Depreciation and amortization	¥ 17,919	¥ 11,865	¥ 9,705	¥ 30,476	¥ 69,965	¥ 5,432	¥ 75,397	¥ 733	¥ 76,130
Share of profit of investments accounted for using equity method	2,808	242	72	564	3,686	—	3,686	826	4,512
Impairment loss	670	5,137	222	210	6,239	—	6,239	150	6,389
Investments accounted for using equity method	21,884	4,270	1,081	56,180	83,415	4,205	87,620	—	87,620
Capital expenditures (Note 3)	33,501	11,271	16,586	38,247	99,605	6,433	106,038	501	106,539

Notes:
1. "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
2. The adjustment of negative ¥7,425 million for segment income includes corporate costs of negative ¥7,975 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of ¥550 million. Corporate costs mainly comprise general and administrative expenses and research and development expenses for new businesses, which are not usually attributed to the reportable segments. In addition, the adjustment of ¥60,896 million for segment assets includes corporate assets of ¥197,416 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥136,520 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.
3. Capital expenditures are related to property, plant and equipment, intangible assets, investment real estate, etc.

Transition Date (April 1, 2019)

	Millions of yen								
	Reportable Segment								
	Mobility	Healthcare	Food & Packaging	Basic Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Consolidated
Segment assets	¥363,340	¥199,451	¥245,895	¥655,876	¥1,464,562	¥73,531	¥1,538,093	¥52,809	¥1,590,902
Other items									
Investments accounted for using equity method	22,419	2,748	2,313	57,585	85,065	2,558	87,623	—	87,623

Notes:
1. "Others" encompasses business segments not included in the reportable segments and includes other related businesses, etc.
2. The adjustment of ¥52,809 million for segment assets includes corporate assets of ¥213,842 million, which are not allocated to each reportable segment, and elimination of intersegment transactions of negative ¥161,033 million. Corporate assets mainly comprise the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets, and assets of administrative departments.

Adjustments from segment income to income before income taxes are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Segment income	¥85,140	¥72,330	$769,036
Impairment losses	(8,050)	(6,389)	(72,712)
Loss on disposal of non current asset	(698)	(165)	(6,305)
Loss on related businesses	(3)	(2,287)	(27)
Others	1,685	1,080	15,220
Operating income	78,074	64,569	705,212
Financial income	4,297	5,406	38,813
Financial expenses	(8,128)	(9,151)	(73,417)
Income before income taxes	¥74,243	¥60,824	$670,608

(4) Geographical information

(i) Sales revenue

Sales revenue by region is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Japan	¥ 638,288	¥ 741,882	$ 5,765,405
China	187,167	168,532	1,690,606
Asia	161,714	171,438	1,460,699
Americas	128,656	163,673	1,162,099
Europe	88,621	96,372	800,479
Other regions	7,279	7,625	65,749
Total	¥1,211,725	¥1,349,522	$10,945,037

Notes:
1. Sales revenue is classified by country or region based on the locations of customers.
2. Major countries and regions located in areas other than Japan and China are as follows:
   (1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
   (2) Americas: The United States, Mexico
   (3) Europe: Germany, France
   (4) Other regions: Oceania, Africa

(ii) Non-current assets

Components of non-current assets by region (excluding financial instruments, deferred tax assets, retirement benefit assets, etc.) are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Japan	¥430,276	¥428,146	¥412,411	$3,886,514
Singapore	45,574	45,833	49,405	411,652
Asia	26,981	31,940	31,273	243,709
Other regions	48,358	49,224	48,791	436,799
Total	¥551,189	¥555,143	¥541,879	$4,978,674

Notes:
1. Major countries and regions located in areas other than Japan and Singapore are as follows:
   (1) Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
   (2) Other regions: North America, Europe
2. Non-current assets are classified by country or region based on asset location.

(5) Information about main customer

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Name	Mitsui & Co., Ltd.	Mitsui & Co., Ltd.	Mitsui & Co., Ltd.
Sales revenue	¥229,470	¥225,225	$2,072,712
Related segments	Mobility, Health Care, Food & Packaging, Basic Materials, Others	Mobility, Health Care, Food & Packaging, Basic Materials, Others	Mobility, Health Care, Food & Packaging, Basic Materials, Others

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Cash and deposits	¥193,585	¥163,983	¥139,095	$1,748,577
Short-term investments	2,402	588	394	21,697
Total	¥195,987	¥164,571	¥139,489	$1,770,274

The balance of cash and cash equivalents in the consolidated statements of financial position matches the balance of cash and cash equivalents in the consolidated statements of cash flows.

8. Trade Receivables

The breakdown of trade receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Notes receivable—trade	¥ 10,944	¥ 12,397	¥ 14,906	$ 98,853
Accounts receivable—trade	276,360	265,121	299,875	2,496,251
Allowance for doubtful accounts	(1,458)	(3,624)	(828)	(13,169)
Total	¥285,846	¥273,894	¥313,953	$2,581,935

Trade receivables are classified as financial assets measured at amortized cost.

9. Inventories

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Merchandise and finished goods	¥168,510	¥195,325	¥208,746	$1,522,085
Work in process	7,483	8,492	7,563	67,590
Raw materials and supplies	82,821	80,489	83,312	748,090
Total	¥258,814	¥284,306	¥299,621	$2,337,765

Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Inventories held by the Group tend to be affected by the economic environment, which is characterized by significant price fluctuations. As a result, losses may occur if the market environment deteriorates more than expected and the net realizable value drops significantly.

Write-downs of inventories recognized as expenses for the fiscal years ended March 31, 2021 and March 31, 2020 were ¥13,389 million and ¥12,588 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(1) Breakdown

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Financial assets measured at amortized cost				
Accounts receivable—other	¥27,705	¥31,740	¥ 32,380	$250,248
Bonds	9,561	9,398	9,596	86,361
Lease receivables	2,812	3,166	3,569	25,400
Loans receivable	3,597	3,820	1,528	32,490
Others	8,678	14,465	8,513	78,385
Allowance for doubtful accounts	(5,260)	(2,808)	(2,448)	(47,512)
Financial assets measured at fair value through profit or loss				
Shares and investments	2,368	2,451	1,815	21,389
Derivative assets	170	71	1,361	1,536
Equity instruments measured at fair value through other comprehensive income				
Shares and investments	35,008	37,384	86,396	316,214
Total	84,639	99,687	142,710	764,511
Current assets	27,176	36,805	34,174	245,470
Non-current assets	57,463	62,882	108,536	519,041
Total	¥84,639	¥99,687	¥142,710	$764,511

(2) Equity instruments measured at fair value through other comprehensive income

The Company designates shares held for the main purpose of maintaining and strengthening transactions or business relationships as equity instruments measured at fair value through other comprehensive income.

(i) Major equity instruments at fair value
Fair values by major issues are as follows:

As of March 31, 2021

Issue name	Millions of yen	Thousands of U.S. dollars
Iharabras, S.A	¥4,341	$39,211
Japan Saudi Arabia Methanol Company	3,534	31,921

As of March 31, 2020

Issue name	Millions of yen
Iharabras, S.A	¥4,191
Japan Saudi Arabia Methanol Company	3,380
SHOFU INC.	3,170

Transition Date (April 1, 2019)

Issue name	Millions of yen
NGHISON REFINERY & PETROCHEMICAL	¥7,924
Mitsui & Co., Ltd.	6,173
Idemitsu Kosan Co., Ltd.	6,070
Iharabras, S.A.	5,020
SUZUKI MOTOR CORPORATION	3,922
MORIROKU HOLDINGS COMPANY, LTD.	3,690
Japan Saudi Arabia Methanol Company	3,520

(ii) Derecognition of equity instruments measured at fair value through other comprehensive income
The Company sold and derecognized a part of equity instruments measured at fair value through other comprehensive income, primarily to increase asset efficiency and make more effective use of its assets. The Company also derecognized a portion of its equity instruments measured at fair value through other comprehensive income by setting up a retirement benefit trust to enhance financial soundness of its retirement benefit plans and improve asset efficiency.

Fair value and cumulative gains or losses (before income taxes) when such equity instruments were sold and the retirement benefit trust was set up are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Fair value	¥433	¥33,627	$3,911
Cumulative gains or losses	¥ 92	¥19,430	$ 831

Cumulative gains or losses (after income taxes) recognized in other components of equity were transferred to retained earnings when such equity instruments were sold and the retirement benefit trust was set up.

(iii) Dividend income
Dividend income recognized from equity instruments measured at fair value through other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Derecognized investments during the reporting period	¥ 3	¥ 878	$ 27
Investments held at year-end	885	1,635	7,994
Total	¥888	¥2,513	$8,021

11. Other Assets

The breakdown of other assets are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets				
Prepaid expenses	¥ 5,041	¥ 4,395	¥ 4,261	$ 45,533
Consumption taxes receivable	2,306	4,704	3,966	20,829
Income taxes receivable	2,786	6,394	3,317	25,165
Others	5,097	6,765	5,174	46,040
Total	¥15,230	¥22,258	¥16,718	$137,567
Non-current assets				
Prepaid employee benefits	3,269	3,789	4,309	29,528
Long-term prepaid expenses	848	980	1,104	7,660
Others	1,089	1,239	1,373	9,835
Total	¥ 5,206	¥ 6,008	¥ 6,786	$ 47,023

12. Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Assets held for sale				
Trade and other receivables	¥ 120	¥—	¥—	$ 1,084
Inventories	896	—	—	8,093
Property, plant and equipment	2,735	—	—	24,704
Others	768	—	—	6,937
Total	¥4,519	¥—	¥—	$40,818
Liabilities directly associated with non-current assets held for sale				
Trade and other payables	65	—	—	587
Others	477	—	—	4,309
Total	¥ 542	¥—	¥—	$ 4,896

As announced on March 2, 2021, the Company entered into a contract to transfer its 100% interest in Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. (MCNT), a manufacturer and distributor of non-woven fabrics for protective materials based in China, to a third party.

As a result, as of the end of the fiscal year ended March 31, 2021, assets and liabilities related to MCNT were reclassified into assets held for sale and liabilities directly associated with assets held for sale, and the transfer was carried out in May 2021.

Assets held for sale are measured at fair value less the cost of sale. Fair value is calculated based on price negotiations with the buyer, among other factors, and the fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value hierarchy is described in Note 36 "Financial Instruments (7) Fair value of financial instruments."

13. Property, Plant and Equipment

(1) Schedule of changes

The acquisition cost, changes in accumulated depreciation and impairment, and carrying amount of property, plant and equipment are as follows:

(i) Acquisition cost

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥150,111	¥361,319	¥1,102,955	¥75,643	¥19,578	¥1,709,606
Acquisition	158	967	5,616	1,281	53,244	61,266
Sale or disposal	(168)	(4,056)	(34,493)	(6,573)	(684)	(45,974)
Transfer	(461)	18,397	46,841	4,319	(69,160)	(64)
Exchange differences on translation of foreign operations	(1)	(916)	(3,961)	(396)	(278)	(5,552)
Others	(34)	362	4,844	(5)	29,027	34,194
Balance as of March 31, 2020	¥149,605	¥376,073	¥1,121,802	¥74,269	¥31,727	¥1,753,476
Acquisition	34	304	1,455	516	68,244	70,553
Acquisition through business combinations	167	44	243	6	9	469
Sale or disposal	(11)	(3,285)	(30,215)	(3,147)	(274)	(36,932)
Transfer	79	7,762	45,298	3,523	(60,222)	(3,560)
Exchange differences on translation of foreign operations	11	1,359	4,029	573	193	6,165
Others	(1)	102	1,244	(44)	(1,614)	(313)
Balance as of March 31, 2021	¥149,884	¥382,359	¥1,143,856	¥75,696	¥38,063	¥1,789,858

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2020	$1,351,323	$3,396,920	$10,132,797	$670,843	$ 286,578	$15,838,461
Acquisition	307	2,746	13,142	4,661	616,422	637,278
Acquisition through business combinations	1,508	397	2,195	54	82	4,236
Sale or disposal	(99)	(29,672)	(272,920)	(28,426)	(2,475)	(333,592)
Transfer	714	70,111	409,159	31,822	(543,962)	(32,156)
Exchange differences on translation of foreign operations	99	12,275	36,392	5,176	1,744	55,686
Others	(8)	921	11,238	(398)	(14,581)	(2,828)
Balance as of March 31, 2021	$1,353,844	$3,453,698	$10,332,003	$683,732	$ 343,808	$16,167,085

(ii) Accumulated depreciation and impairment

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥13,352	¥256,561	¥938,900	¥62,802	¥—	¥1,271,615
Depreciation and amortization	—	8,799	51,153	4,183	—	64,135
Impairment losses	—	758	5,362	42	—	6,162
Sale or disposal	—	(3,778)	(33,250)	(6,458)	—	(43,486)
Transfer	253	(41)	88	9	—	309
Exchange differences on translation of foreign operations	—	(457)	(2,965)	(244)	—	(3,666)
Other	—	610	4,525	84	—	5,219
Balance as of March 31, 2020	¥13,605	¥262,452	¥963,813	¥60,418	¥—	¥1,300,288
Depreciation and amortization	—	9,223	50,220	4,434	—	63,877
Impairment losses	273	589	2,172	68	—	3,102
Sale or disposal	—	(2,802)	(28,892)	(3,080)	—	(34,774)
Transfer	—	(655)	(2,434)	(71)	—	(3,160)
Exchange differences on translation of foreign operations	—	620	3,076	342	—	4,038
Other	—	(28)	867	(101)	—	738
Balance as of March 31, 2021	¥13,878	¥269,399	¥988,822	¥62,010	¥—	¥1,334,109

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2020	$122,889	$2,370,626	$8,705,745	$545,731	$—	$11,744,991
Depreciation and amortization	—	83,308	453,618	40,050	—	576,976
Impairment losses	2,466	5,320	19,619	614	—	28,019
Sale or disposal	—	(25,309)	(260,970)	(27,821)	—	(314,100)
Transfer	—	(5,916)	(21,985)	(642)	—	(28,543)
Exchange differences on translation of foreign operations	—	5,600	27,784	3,090	—	36,474
Other	—	(254)	7,830	(910)	—	6,666
Balance as of March 31, 2021	$125,355	$2,433,375	$8,931,641	$560,112	$—	$12,050,483

(iii) Carrying amount

	Millions of yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of April 1, 2019	¥136,759	¥104,758	¥164,055	¥12,841	¥19,578	¥437,991
Balance as of March 31, 2020	136,000	113,621	157,989	13,851	31,727	453,188
Balance as of March 31, 2021	¥136,006	¥112,960	¥155,034	¥13,686	¥38,063	¥455,749

	Thousands of U.S. dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance as of March 31, 2021	$1,228,489	$1,020,323	$1,400,362	$123,620	$343,808	$4,116,602

Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

Expenditures incurred for property, plant and equipment under construction are stated as construction in progress.

(2) Borrowing costs

There were no borrowing costs included in the acquisition cost of property, plant and equipment for the fiscal years ended March 31, 2020 and March 31, 2021.

14. Leases

Lessees

The Group has entered into lease agreements as a lessee for land, buildings and other properties to use them mainly as an office and a site for a factory.

The Group does not enter into a lease agreement that has a material purchase option, escalation clauses, restrictions placed by the lease agreement (e.g., dividends, additional borrowings, restrictions on additional leases, etc.), variable lease payments, a termination option, and a residual value guarantee, or no lease transaction or sale and leaseback transaction has been started yet although the Group has entered into such lease agreement.

(1) Income or expenses and cash outflows associated with lease transactions

Income or expenses and cash outflows associated with lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Depreciation of right-of-use assets			
Land	¥ 788	¥ 776	$ 7,118
Buildings and structures	6,660	6,227	60,157
Machinery and vehicles	1,124	675	10,153
Tools, furniture and fixtures	85	63	767
Total	8,657	7,741	78,195
Interest expense on the lease liabilities	799	851	7,217
Expenses incurred for short-term leases and leases of low value	1,192	1,637	10,767
Total expenses associated with leases, net	1,991	2,488	17,984
Total of cash outflows associated with leases	¥10,083	¥9,841	$91,076

(2) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Right-of-use assets				
Land	¥ 6,534	¥ 6,895	¥ 7,881	$ 59,019
Buildings and structures	31,746	34,556	38,548	286,749
Machinery and vehicles	7,735	4,801	2,219	69,867
Tools, furniture and fixtures	196	210	175	1,771
Total	¥46,211	¥46,462	¥48,823	$417,406

Increases in right-of-use assets for the fiscal years ended March 31, 2020 and March 31, 2021 were ¥8,412 million and ¥11,987 million, respectively.

The maturity analysis of lease liabilities is described in Note 36 "Financial Instruments."

(3) Extension options

The Group's lease agreements primary for land and buildings have extension options with which the lessee can extend a lease term.

The Group exercises the extension option as considering it necessary to do so by taking into overall account the profitability of relevant assets in the agreement, changes in neighboring market environments, conditions to exercise the option, and other factors, and only when such exercise is reasonably certain, the Group includes such extended period in the lease term and includes lease payments for the lease term in the measurement of lease liabilities.

The extendible period when the option is exercised and lease payments for the extendible period are generally same as or similar to the original contract term and lease payments.

The Group reviews the possibility of exercising the option to extend the lease every reporting period. The financial impact of this review for the fiscal years ended March 31, 2020 and March 31, 2021 is immaterial.

Lessors

The Group provides rental housing as a part of its benefits package for employees, and the transactions involved correspond to a sublease. Since the lease terms of the subleases and the lease terms of the head leases are deemed to be the same, such subleases are classified as finance leases. The total amount of uncollected lease investments is insignificant.

15. Goodwill and Intangible Assets

(1) Schedule of changes

The acquisition cost, changes in accumulated amortization and impairment, and carrying amount of goodwill and intangible assets are as follows:

(i) Acquisition cost

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥25,864	¥46,146	¥14,623	¥15,814	¥10,047	¥6,216	¥92,846
Acquisition	2	3,112	1,458	—	4	220	4,794
Decrease due to deconsolidation	—	—	—	—	—	(69)	(69)
Sale or disposal	—	(1,076)	(399)	(278)	—	(61)	(1,814)
Exchange differences on translation of foreign operations	(1,121)	(176)	(254)	(407)	(391)	(80)	(1,308)
Others	37	654	(173)	11	33	161	686
Balance as of March 31, 2020	¥24,782	¥48,660	¥15,255	¥15,140	¥ 9,693	¥6,387	¥95,135
Acquisition	—	1,501	6	—	—	170	1,677
Acquisitions through business combinations	523	—	223	83	43	—	349
Sale or disposal	—	(1,268)	(101)	(51)	—	(111)	(1,531)
Exchange differences on translation of foreign operations	1,880	208	399	633	682	32	1,954
Others	(1,006)	(82)	(18)	(9)	19	9	(81)
Balance as of March 31, 2021	¥26,179	¥49,019	¥15,764	¥15,796	¥10,437	¥6,487	¥97,503

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2020	$223,846	$439,527	$137,792	$136,754	$87,553	$57,691	$859,317
Acquisition	—	13,558	54	—	—	1,536	15,148
Acquisitions through business combinations	4,724	—	2,014	750	388	—	3,152
Sale or disposal	—	(11,453)	(912)	(461)	—	(1,003)	(13,829)
Exchange differences on translation of foreign operations	16,981	1,879	3,604	5,718	6,160	289	17,650
Others	(9,086)	(741)	(161)	(82)	173	80	(731)
Balance as of March 31, 2021	$236,465	$442,770	$142,391	$142,679	$94,274	$58,593	$880,707

(ii) Accumulated amortization and impairment loss

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥24,381	¥39,122	¥10,332	¥10,033	¥4,306	¥4,662	¥68,455
Amortization	—	2,163	344	169	2	171	2,849
Impairment loss	—	71	—	—	—	—	71
Sale or disposal	—	(878)	(139)	(221)	—	(17)	(1,255)
Exchange differences on translation of foreign operations	(1,111)	(148)	(118)	(359)	(192)	(62)	(879)
Others	36	297	168	268	182	220	1,135
Balance as of March 31, 2020	¥23,306	¥40,627	¥10,587	¥ 9,890	¥4,298	¥4,974	¥70,376
Amortization	—	2,444	287	145	5	143	3,024
Impairment loss	1,006	47	—	3,675	—	147	3,869
Sale or disposal	—	(1,215)	(100)	(51)	—	(18)	(1,384)
Exchange differences on translation of foreign operations	1,857	187	205	596	338	25	1,351
Others	(1,113)	(268)	169	256	380	52	589
Balance as of March 31, 2021	¥25,056	¥41,822	¥11,148	¥14,511	¥5,021	¥5,323	¥77,825

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2020	$210,514	$366,968	$ 95,628	$ 89,332	$38,822	$44,929	$635,679
Acquisition	—	22,076	2,592	1,310	45	1,292	27,315
Acquisitions through business combinations	9,087	425	—	33,195	—	1,327	34,947
Sale or disposal	—	(10,975)	(903)	(461)	—	(162)	(12,501)
Exchange differences on translation of foreign operations	16,774	1,689	1,852	5,383	3,053	226	12,203
Others	(10,054)	(2,421)	1,527	2,313	3,433	468	5,320
Balance as of March 31, 2021	$226,321	$377,762	$100,696	$131,072	$45,353	$48,080	$702,963

(iii) Carrying amount

	Millions of yen						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of April 1, 2019	¥1,483	¥7,024	¥4,291	¥5,781	¥5,741	¥1,553	¥24,390
Balance as of March 31, 2020	1,476	8,033	4,668	5,250	5,395	1,413	24,759
Balance as of March 31, 2021	¥1,123	¥7,197	¥4,616	¥1,285	¥5,416	¥1,164	¥19,678

	Thousands of U.S. dollars						
		Intangible assets					
	Goodwill	Software	Patents and technology license	Customer value	Trademarks	Others	Total
Balance as of March 31, 2021	$10,144	$65,008	$41,695	$11,607	$48,921	$10,513	$177,744

Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.

There are no significant internally generated intangible assets for each reporting period.

The carrying amounts of intangible assets with indefinite useful lives as of the Transition Date and March 31, 2020 and March 31, 2021 were ¥453 million, ¥636 million, and ¥689 million, respectively.

Among those, major intangible assets are the trademarks of SDC Technologies, Inc. belonging to the Health Care business segment. As these trademarks basically exist as long as the entity’s business continues, the Group determined that their useful lives are indefinite.

The impairment tests for these assets are described in Note 17 “Impairment of Non-financial Assets.”

16. Investment Property

The carrying amount and fair value of investment property are as follows::

(1) Carrying amount

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of period	¥23,250	¥22,406	$210,008
Acquisition	53	860	479
Sale or disposal	(81)	(16)	(732)
Balance at end of period	¥23,222	¥23,250	209,755
Accumulated depreciation	—	—	—
Acquisition cost	¥23,222	¥23,250	$209,755

(2) Fair value

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Fair value	¥23,895	¥24,871	¥22,236	$215,834

The Group does not have contractual obligations to purchase, construct or develop investment property or those for repairs, maintenance or enhancements.

The fair value of investment property is mainly based on the valuation presented by an independent real estate appraiser using the discounted cash flow method or on the market transaction price of a similar asset. The fair value is categorized within Level 3 of the fair value hierarchy because it includes significant unobservable inputs. The fair value hierarchy is described in Note 36 "Financial Instruments (7) Fair value of financial instruments."

(3) Profit or loss of investment property

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Rental income	¥619	¥610	$5,591
Direct operating expenses arising from investment property that generated rental income	(149)	(135)	(1,346)

17. Impairment of Non-financial Assets

The Group examines whether there are any indicators of impairment of non-financial assets (excluding inventories, deferred tax assets, assets related to retirement benefits, and assets held for sale) at the end of each fiscal year. If there are indicators of impairment, the Group estimates the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset belongs. Assets provided for business use are categorized by entity, business sector, or similar unit. Of these, assets to be disposed of due to business withdrawal or other reason are assessed on an individual basis. Idle properties and properties not in use are also assessed on an individual basis.

The recoverable amount of the asset or CGU to which the asset belongs is the higher of the fair value after deducting the cost of disposal and the value in use.

The value in use is calculated by discounting the estimated future cash flow to the present value using the time value of money and the pre-tax discount rate that reflects the risks inherent in the asset. If it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is estimated for each CGU to which the asset belongs.

In calculating the value in use, certain assumptions are made regarding the useful life of the asset, future cash flow discount rate, growth rate, and other factors.

These assumptions are determined by management's best estimates and judgments, but changes in uncertain future economic conditions, such as the impact of the COVID-19 pandemic on production activities and capital spending among customers may affect these assumptions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

Impairment loss for the fiscal years ended March 31, 2020 and March 31, 2021 was as follows. Impairment loss is included in "Other operating expenses" in the consolidated statements of profit or loss.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Property, plant and equipment			
Buildings and structures	¥ 589	¥ 758	$ 5,320
Machinery and vehicles	2,172	5,362	19,619
Tools, furniture and fixtures	68	42	614
Land	273	—	2,466
Construction in progress	17	97	154
Right-of-use assets	55	59	497
Goodwill and Intangible assets	4,876	71	44,042
Total impairment losses	¥8,050	¥6,389	$72,712

Major assets for which an impairment loss was recognized are as follows:

For the year ended March 31, 2021

Use	Location	Asset category	Reportable segment	Millions of yen	Thousands of U.S. dollars
Goodwill and Intangible assets	—	Goodwill and Intangible assets	Mobility	¥4,868	$43,971
Production facilities	Iwakuni City, Yamaguchi Prefecture, Japan	Machinery and vehicles	Basic Materials	1,954	17,650
			Others	1,228	11,091
			Total	¥8,050	$72,712

Breakdown of impairment loss

• ARRK Group goodwill and intangible assets

The Group impaired the goodwill and intangible assets related to ARRK Group by reducing the carrying amount to the recoverable amount, because of the deterioration of profitability due to a decrease in the number of development projects amid weak corporate earnings in the automotive industry and the manufacturing industry in general. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 14.1%.

Cash flow used to calculate value in use is calculated on the basis of the Company's five-year business plan leading up to the fiscal year ending March 31, 2026, which includes the expansion of market share by means of a reinforced management system, development of human resources, and new processing technology achieved through research and development on new materials processing, and is estimated based on terminal value in the fiscal year ending March 31, 2027 and after. The business plan includes major assumptions by management, such as prospects for the recovery of existing businesses and for the acquisition of new development projects, based on factors such as the development budgets of automobile and home appliance manufacturers, demand forecasts based on model change cycles, and other factors. These assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic.

• Production facilities in Iwakuni City, Yamaguchi Prefecture, Japan

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they could no longer expect the return. The recoverable amount was assessed at zero, given that future cash flows will be negative.

Individually immaterial impairment loss other than those above is mainly on property, plant and equipment, such as buildings and structures, machinery and equipment, and intangible assets for business activities. The Group recorded such impairment loss because the recoverable amount became lower than the carrying amount as the expected return became low.

For the year ended March 31, 2020

Use	Location	Asset category	Reportable segment	Millions of yen
Production facilities	Nagoya City, Aichi Prefecture, Japan	Machinery and vehicles	Health Care	¥3,822
Production facilities	Tianjin City, China	Machinery and vehicles	Health Care	1,185
			Others	1,382
			Total	¥6,389

Breakdown of impairment loss

• Production facilities in Nagoya City, Aichi Prefecture, Japan

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they could no longer achieve the return. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 9.7%.

• Production facilities in Tianjin City, China

The Group impaired these business assets by reducing the carrying amount to the recoverable amount because the profitability of these assets significantly became lower due to the deteriorating market environment and they can no longer achieve the return. The recoverable amount was measured at the value in use calculated by discounting the future cash flows with a weighted average cost of capital before tax of 11.0%.

The carrying amounts of goodwill to cash-generating units (groups of cash-generating units) are as follows. Because the balance of intangible assets with indefinite useful lives is not significant, it is omitted.

Goodwill

		Millions of yen			Thousands of U.S. dollars
		As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Reportable segment	Cash-generating units (Groups of cash-generating units)				
Mobility	ARRK Group	¥ —	¥1,025	¥1,026	$ —
—	Others	1,123	451	457	10,144
	Total	¥1,123	¥1,476	¥1,483	$10,144

The recoverable amounts of goodwill and intangible assets with indefinite useful lives allocated to groups of cash-generating units were measured at the value in use.

The value in use reflects past experience and external sources of information, and is based on the five-year medium-term business plan approved by management. As for after the five-year plan, the Group takes into account uncertainties in the future and assumes that the value in use will change in line with cash flows in the fifth year of the plan based on the assumption that the main growth rate is 1.4% to 1.8%. The growth rate is assumed given the average growth rate in a long term in the industry or country to which cash-generating units belong.

If some or all of the carrying amount of goodwill is allocated across multiple CGU (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill, such carrying amount is aggregated in "Others."

Discount rates (weighted average cost of capital before tax) used to calculate the recoverable amounts are as follows:

		Millions of yen		
		As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Reportable segment	Cash-generating units (Groups of cash-generating units)			
Mobility	ARRK Group	14.1%	14.8%	14.1%

As a result of an impairment test, goodwill and intangible assets with indefinite useful lives associated with ARRK Group were recorded as an impairment loss because the recoverable amount was lower than the carrying amount on the Transition Date. For the fiscal year ended March 31, 2020, if the discount rate had increased by 0.1%, the recoverable amount could have fallen below the carrying amount. For the fiscal year ended March 31, 2021, because the recoverable amount was lower than the carrying amount, an impairment loss was recorded.

For goodwill and intangible assets with indefinite useful lives associated with other cash-generating units, the Group determined that any material impairment would be unlikely to occur in the cash-generating units even if the growth rate and discount rate used for the impairment tests changed within a reasonably foreseeable range.

18. Investments Accounted for Using the Equity Method

(1) Investments in associates

The carrying amount of investments in individually immaterial associates accounted for using the equity method are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Carrying amount of investments	¥30,782	¥24,714	¥23,554	$278,042

The aggregate amounts of the Group's share of comprehensive income of investments in associates accounted for using the equity method are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥2,460	¥3,888	$22,220
Other comprehensive income	(45)	86	(406)
Comprehensive income	¥2,415	¥3,974	$21,814

(2) Investments in joint ventures

(i) Material joint ventures

A material joint venture for the Group is as follows:

			Percentage of interests		
Name	Major business	Location	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Mitsui Chemicals & SKC Polyurethanes Inc.	Development of urethane foam materials	South Korea	50%	50%	50%

Reconciliations between the summarized financial statements of the entity above and the carrying amounts of investments are as follows. These summarized financial statements were prepared by adding reconciliations in line with the Group's accounting policies.

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets	¥44,986	¥47,166	¥54,515	$406,341
Non-current assets	82,151	79,516	77,353	742,038
Current liabilities	31,799	33,608	36,889	287,228
Non-current liabilities	12,409	9,483	7,567	112,086
Equity	82,929	83,591	87,412	749,065
Carrying amount of investments*	38,760	38,826	39,650	350,104
Material accounts included in above				
Cash and cash equivalents	6,291	5,510	9,596	56,824
Financial liabilities included in current liabilities	30,587	32,714	33,465	276,280
Financial liabilities included in non-current liabilities	¥ 9,121	¥ 6,256	¥ 4,226	$ 82,386

* The preferred stock of Mitsui Chemicals & SKC Polyurethanes Inc. held by the Company are also accounted for using the equity method, and included in the carrying amount of the Company's investments.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue	¥88,941	¥101,508	$803,369
Net income (loss)	(134)	(1,360)	(1,210)
Other comprehensive income	(148)	(2,993)	(1,337)
Comprehensive income	(282)	(4,353)	(2,547)
Material accounts included in above			
Depreciation and amortization	(2,419)	(2,397)	(21,850)
Interest income	54	22	488
Interest expenses	(432)	(481)	(3,902)
Income tax expense	583	(707)	5,266
Dividends received by the Group	¥ —	¥ 320	$ —

The Group does not have unrecognized commitments relating to each joint venture, which may result in the outflow of economic resources in the future.

(ii) Individually immaterial joint ventures

The carrying amount of investments in individually immaterial joint ventures are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Carrying amount of investments	¥27,967	¥24,079	¥24,419	$252,615

The amount of equity shares on comprehensive income of investments in individually immaterial joint ventures is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income	¥3,459	¥931	$31,244
Other comprehensive income	183	(387)	1,653
Comprehensive income	¥3,642	¥544	$32,897

19. Trade Payables

The breakdown of trade payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Notes payable—trade	¥ 897	¥ 1,331	¥ 1,382	$ 8,102
Accounts payable—trade	116,853	116,589	151,914	1,055,487
Contract liabilities	1,962	3,091	2,651	17,723
Total	¥119,712	¥121,011	¥155,947	$1,081,312

Trade payables are categorized as financial liabilities measured at amortized cost.

20. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen				Thousands of U.S. dollars
	As of March 31, 2021	Average interest rate (%)	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Short-term borrowings	¥112,182	0.23%	¥119,829	¥122,037	$1,013,296
Commercial papers	50,000	0.01%	60,000	10,000	451,630
Current portion of bonds payable	10,432	1.31%	10,426	426	94,228
Current portion of long-term borrowings	44,106	1.05%	42,538	59,112	398,392
Bonds payable	80,580	0.40%	76,012	66,438	727,848
Long-term borrowings (Note 3)	212,916	0.75%	237,226	256,311	1,923,187
Total	¥510,216	—	¥546,031	¥514,324	$4,608,581
Current liabilities	216,721	—	232,793	191,575	1,957,556
Non-current liabilities	293,495	—	313,237	322,749	2,651,025
Total	¥510,216	—	¥546,031	¥514,324	$4,608,581

Notes:
1. Bonds and borrowings are categorized as financial liabilities measured at amortized cost.
2. The weighted average interest rate on the outstanding balance as of March 31, 2021 is stated for the average interest rate.
3 Long-term borrowings will be due in 2022 through 2030.

The contractual terms of bonds are as follows:

			Millions of yen			Thousands of U.S. dollars			
Company name	Issue name	Date of issue	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021	Interest rate (%)	Collateral	Date of maturity
Mitsui Chemicals Inc.	The 41st Unsecured Corporate Bond	October 22, 2010	¥ —	¥ 10,000 ¥(10,000)	¥10,000	$ —	1.246 / year	N/A	October 22, 2020
	The 42nd Unsecured Corporate Bond	July 28, 2011	10,000 (10,000)	10,000	10,000	90,326	1.354 / year	N/A	July 28, 2021
	The 45th Unsecured Corporate Bond	July 24, 2017	5,000	5,000	5,000	45,163	0.26 / year	N/A	July 24, 2024
	The 46th Unsecured Corporate Bond	July 24, 2017	5,000	5,000	5,000	45,163	0.37 / year	N/A	July 23, 2027
	The 47th Unsecured Corporate Bond	June 19, 2018	10,000	10,000	10,000	90,326	0.26 / year	N/A	June 19, 2025
	The 48th Unsecured Corporate Bond	June 19, 2018	15,000	15,000	15,000	135,489	0.39 / year	N/A	June 19, 2028
	The 49th Unsecured Corporate Bond	June 19, 2018	10,000	10,000	10,000	90,326	0.9 / year	N/A	June 19, 2038
	The 50th Unsecured Corporate Bond	December 5, 2019	10,000	10,000	—	90,326	0.27 / year	N/A	December 5, 2029
	The 51st Unsecured Corporate Bond	December 5, 2019	10,000	10,000	—	90,326	0.68 / year	N/A	December 5, 2039
	The 52nd Unsecured Corporate Bond	December 2, 2020	15,000	—	—	135,489	0.13 / year	N/A	December 2, 2025
Mitsui Chemicals Tohcello, Inc.	The 7th Unsecured Straight Bond	October 24, 2014	148 (148)	290 (142)	432 (142)	1,337 (1,337)	0.49 / year	N/A	October 22, 2021
ARRK CORPORATION	The 1st Unsecured Corporate Bond	March 30, 2017	220 (70)	290 (70)	360 (70)	1,987 (632)	0.07 / year	N/A	March 29, 2024
	The 2nd Unsecured Corporate Bond	March 30, 2017	212 (72)	284 (72)	356 (72)	1,915 (650)	0.31 / year	N/A	March 29, 2024
	The 3rd Unsecured Corporate Bond	March 30, 2017	220 (70)	290 (70)	360 (70)	1,987 (632)	0.07 / year	N/A	March 29, 2024
	The 4th Unsecured Corporate Bond	March 30, 2017	212 (72)	284 (72)	356 (72)	1,915 (650)	0.31 / year	N/A	March 29, 2024
Total	—	—	91,012 ¥(10,432)	86,438 ¥(10,426)	66,864 ¥ (426)	822,076 $ (94,228)	—	—	—

Note: The figures in brackets represent the current portion.

Assets pledged as collateral and secured debt are as follows:

Assets pledged as collateral

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Inventories	¥ 44	¥ 57	¥ 50	$ 397
Property, plant and equipment	1,204	1,953	2,087	10,875
Other financial assets	105	97	8,021	949
Total	¥1,353	¥2,107	¥10,158	$12,221

Secured debt

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Bonds and borrowings (current)	¥ 848	¥1,346	¥ 778	$ 7,660
Other financial liabilities	16	38	37	144
Bonds and borrowings (non-current)	1,602	2,024	26,314	14,470
Total	¥2,466	¥3,408	¥27,129	$22,274

21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Financial liabilities measured at amortized cost				
Accounts payable—other	¥ 74,272	¥ 81,139	¥ 86,613	$ 670,870
Others	8,611	8,590	9,847	77,780
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	988	1,728	2,465	8,924
Lease liabilities	53,575	53,357	56,699	483,922
Others (Note)	14,518	14,196	14,117	131,135
Total	151,964	159,010	169,741	1,372,631
Current liabilities	84,242	90,007	108,879	760,925
Non-current liabilities	67,722	69,003	60,862	611,706
Total	¥151,964	¥159,010	¥169,741	$1,372,631

Note: Others refer to financial liabilities primarily arising from written put options granted to non-controlling shareholders of subsidiaries, and are described in Note 36 "Financial Instruments."

22. Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

(i) For the year ended March 31, 2021

	Millions of yen					
			Non-cash transactions			
	Balance as of April 1, 2020	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2021
Bonds payable (Note)	¥ 86,438	¥ 4,574	¥ —	¥ —	¥ —	¥ 91,012
Commercial papers	60,000	(10,000)	—	—	—	50,000
Short-term borrowings	119,829	(8,498)	—	—	851	112,182
Long-term borrowings (Note)	279,764	(23,421)	—	—	679	257,022
Lease liabilities	53,357	(8,108)	283	12,222	(4,179)	53,575
Total	¥599,388	¥(45,453)	¥283	¥12,222	¥(2,649)	¥563,791

	Thousands of U.S. dollars					
			Non-cash transactions			
	Balance as of April 1, 2020	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2021
Bonds payable (Note)	$ 780,761	$41,315	$ —	$ —	$ —	$ 822,076
Commercial papers	541,956	(90,326)	—	—	—	451,630
Short-term borrowings	1,082,368	(76,759)	—	—	7,687	1,013,296
Long-term borrowings (Note)	2,526,989	(211,553)	—	—	6,143	2,321,579
Lease liabilities	481,954	(73,236)	2,556	110,397	(37,749)	483,922
Total	$5,414,028	$(410,559)	$2,556	$110,397	$(23,919)	$5,092,503

Note: Current portions are included.

(ii) For the year ended March 31, 2020

	Millions of yen					
			Non-cash transactions			
	Balance as of April 1, 2019	Cash flow	Business combinations	New leases	Foreign currency translation, etc.	Balance as of March 31, 2020
Bonds payable (Note)	¥ 66,864	¥ 19,574	¥ —	¥ —	¥ —	¥ 86,438
Commercial papers	10,000	50,000	—	—	—	60,000
Short-term borrowings	122,037	(647)	(61)	—	(1,500)	119,829
Long-term borrowings (Note)	315,423	(32,432)	—	—	(3,227)	279,764
Lease liabilities	56,699	(7,282)	—	7,940	(4,000)	53,357
Total	¥571,023	29,213	¥(61)	¥7,940	¥(8,727)	¥599,388

23. Employee Benefits

The Company and its major Japanese consolidated subsidiaries have established and maintained contract-type corporate pension plans and lump-sum retirement benefit plans as defined benefit plans. Some of its foreign consolidated subsidiaries also have established and maintained defined benefit plans. In addition, the Company and some of its Japanese consolidated subsidiaries have established and maintained defined contribution plans.

(1) Defined benefit plans

A retirement benefit trust has been set up for the plan assets of funded retirement benefit plans.

In contract-type corporate pension plans, the amount of benefits is calculated by the accumulated points mainly based on an occupational ability-based grading system and other similar systems.

In accordance with the Defined-benefit Corporate Pension Act, the Company has an obligation to make contributions to the Corporate Pension Fund (hereinafter the "Fund") that manages corporate pension plans.

A trustee manages plan assets in accordance with contract terms specified based on a management policy that resolved by the Board of Directors of the Company. The Fund developed a basic policy on the management of plan assets, developed management guidelines in line with the basic policy, and issued these documents to the trustee. This helps the trustee to fulfill its obligation to manage plan assets safely and efficiently.

The Company has an obligation to make contributions at the amount set by the Fund over the future years. The amount of contributions is regularly reviewed to the extent permitted by laws and regulations.

In addition to the pension plans above, employees are qualified for receiving a lump-sum retirement payment when leaving the Company for reasons other than dismissals. The amount of payment is calculated based on factors such as the accumulated points based on occupational ability-based grading system and other similar system at the time of retirement as well as a payment rate based on the number of years of service. If the reason to leave the Company is an involuntary termination or death, the amount of payment exceeds the one in case of voluntary termination.

Additionally, the Company may provide increased retirement payments to its employees when they retire.

The Group's major plans are exposed to actuarial risks such as investment risk, interest rate risk, and longevity risk.

(i) Assets and liabilities recognized in the consolidated statements of financial position

The amounts of assets and liabilities recorded in the consolidated statements of financial position for the defined benefit plans are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Present value of defined benefit obligations	¥ 170,289	¥ 171,355	¥ 177,318	$ 1,538,154
Fair value of plan assets	(208,964)	(180,148)	(162,115)	(1,887,490)
Total	(38,675)	(8,793)	15,203	(349,336)
Amounts presented in the consolidated statements of financial position				
Retirement benefit liability	16,384	25,146	55,662	147,990
Retirement benefit asset	(55,059)	(33,939)	(40,459)	(497,326)
Net defined benefit liability/asset	¥ (38,675)	¥ (8,793)	¥ 15,203	$ (349,336)

(ii) Present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of period	¥171,355	¥177,318	$1,547,782
Current service cost	5,076	5,414	45,850
Interest expenses	1,019	892	9,204
Remeasurements of defined benefit plans			
Actuarial gains and losses arising from changes in demographic assumptions	267	36	2,412
Actuarial gains and losses arising from changes in financial assumptions	638	3,002	5,763
Actuarial gains and losses arising from experience adjustment	789	(5,072)	7,127
Payment of benefits	(9,636)	(9,925)	(87,038)
Others	781	(310)	7,054
Balance at end of period	¥170,289	¥171,355	$1,538,154

The weighted average duration of defined benefit obligations of the Company and its major consolidated subsidiaries at the Transition Date and March 31, 2020 and March 31, 2021 are 15 years, 13 years, and 15 years, respectively.

Defined benefit obligations and service costs are calculated based on actuarial assumptions such as discount rates and mortality rates. Making such assumptions necessitates estimates and judgments. The discount rate is based on the market yield on high-quality corporate bonds, and the mortality rate used is the latest mortality rate released by the Ministry of Health, Labour and Welfare.

Actuarial assumptions are determined by management's best estimates and judgments, but may be affected by changes in uncertain economic conditions. If such assumptions have to be revised, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The significant actuarial assumptions used in determining the present value of defined benefit obligations are as follows:

	As of March 31, 2021	As of March 31, 2020
Discount rate	0.6%	0.5%

If actuarial assumptions change significantly, the impact on the present value of defined benefit obligations is as follows. Negative values indicate a decrease in defined benefit obligations, and positive values indicate an increase in defined benefit obligations:

		Impact on defined benefit obligations		
		Millions of yen		Thousands of U.S. dollars
Assumptions	Changes in assumptions	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Discount rate	0.5 percentage point increase	¥(8,504)	¥(8,335)	$(76,813)
	0.5 percentage point decrease	9,399	9,206	84,897

The above analysis shows the impact on the defined benefit obligations when one of the significant actuarial assumptions changes to the extent reasonable with the assumption that all the rest of the actuarial assumptions are constant, however, another actuarial assumption change may impact the defined benefit obligations as well.

(iii) Fair value of plan assets

The Company developed a basic policy on the management of plan assets and continues to monitor compliance with and appropriateness of the policy to ensure adequate plan assets to provide pension benefits to pensioners in the future. Given the risk of plan assets, the Company also developed a standard portfolio to achieve expected returns. Based on the standard portfolio, the Company manages plan assets by making investments in shares and bonds. The Company examines every year a range of gaps between long-term expected returns on plan assets and actual returns in order to determine whether or not the Company needs to revise the standard portfolio. The Company reviews the standard portfolio as necessary to achieve the expected returns on plan assets.

Changes in the fair value of plan assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of March 31, 2021
Balance at beginning of period	¥180,148	¥162,115	$1,627,206
Interest income	1,039	934	9,385
Remeasurements of defined benefit plans			
Return on plan assets	34,197	(9,059)	308,888
Contributions by the employer	405	392	3,658
Benefits	(7,061)	(7,173)	(63,779)
Setup of retirement benefit trust	—	33,231	—
Others	236	(292)	2,132
Balance at end of period	¥208,964	¥180,148	$1,887,490

The Group plans to make contributions of ¥4,913 million in the fiscal year ending March 31, 2022.

The fair value of plan assets by asset category is as follows:

	Millions of yen									Thousands of U.S. dollars		
	As of March 31, 2021			As of March 31, 2020			As of April 1, 2019 (Transition Date)			As of March 31, 2021		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Cash and cash equivalents	¥ 6,105	¥ —	¥ 6,105	¥ 5,724	¥ —	¥5,724	¥ 1,398	¥ —	¥1,398	$ 55,144	$ —	$ 55,144
Equity instruments												
Shares issued by Japanese companies	69,980	—	69,980	51,916	—	51,916	33,697	58	33,755	632,102	—	632,102
Shares issued by foreign companies	41,197	—	41,197	33,239	—	33,239	39,541	—	39,541	372,116	—	372,116
Debt instruments												
Bonds issued by Japanese companies	2,845	—	2,845	13,010	—	13,010	12,571	—	12,571	25,698	—	25,698
Bonds issued by foreign companies	57,916	—	57,916	45,171	—	45,171	43,717	—	43,717	523,133	—	523,133
Others (Note 1)	217	30,704	30,921	68	31,020	31,088	117	31,016	31,133	1,960	277,337	279,297
Total	¥178,260	¥30,704	¥208,964	¥149,128	¥31,020	¥180,148	¥131,041	¥31,074	¥162,115	$1,610,153	$277,337	$1,887,490

Note: 1. "Others" mainly includes investments of fund of funds and equity long-short hedge funds.

(2) Defined contribution plans and public plans

Amounts recognized as expenses in defined contribution plans and public plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Expenses in defined contribution plans	¥838	¥858	$7,569
Expenses in public plans	114	119	1,030

(3) Employee benefits expenses

The total amounts of employee benefits expenses (excluding ones for employees who are engaged on research and development) included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income for the fiscal years ended March 31, 2020 and March 31, 2021 were ¥155,502 million and ¥150,848 million, respectively.

24. Provisions

The breakdown of changes in provisions for the fiscal year ended March 31, 2021 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2020	¥3,166	¥ 412	¥2,544	¥ 6,122
Increase during period	184	1	709	894
Decrease during period (utilization)	(642)	(118)	(833)	(1,593)
Decrease during period (reversal)	(37)	—	(150)	(187)
Interest expense by discounting	82	—	—	82
Others	(75)	—	(388)	(463)
Balance as of March 31, 2021	2,678	295	1,882	4,855
Current liabilities	—	—	1,157	1,157
Non-current liabilities	2,678	295	725	3,698
Total	¥2,678	¥ 295	¥1,882	¥ 4,855

	Thousands of U.S. dollars			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2020	$28,597	$ 3,721	$22,980	$ 55,298
Increase during period	1,662	9	6,404	8,075
Decrease during period (utilization)	(5,799)	(1,065)	(7,525)	(14,389)
Decrease during period (reversal)	(334)	—	(1,355)	(1,689)
Interest expense by discounting	741	—	—	741
Others	(678)	—	(3,504)	(4,182)
Balance as of March 31, 2021	24,189	2,665	17,000	43,854
Current liabilities	—	—	10,451	10,451
Non-current liabilities	24,189	2,665	6,549	33,403
Total	$24,189	$ 2,665	$17,000	$ 43,854

The breakdown of changes in provisions for the fiscal year ended March 31, 2020 is as follows:

	Millions of yen			
	Asset retirement obligations	Provision for environmental measures	Others	Total
Balance as of April 1, 2019	¥3,208	¥ 551	¥1,708	¥5,467
Increase during period	26	3	1,744	1,773
Decrease during period (utilization)	(39)	(142)	(511)	(692)
Decrease during period (reversal)	(45)	—	(268)	(313)
Interest expense by discounting	81	—	—	81
Others	(65)	—	(129)	(194)
Balance as of March 31, 2020	¥3,166	¥412	¥2,544	¥6,122
Current liabilities	—	—	1,828	1,828
Non-current liabilities	3,166	412	716	4,294
Total	¥3,166	¥ 412	¥2,544	¥6,122

Asset retirement obligations

Provisions for asset retirement obligations are mainly for dismantling and removal costs of plant facilities and offices held on land leased out to the Group overseas, to fulfill the obligation to restore the property to its original state. These expenses are mainly expected to be incurred after one year or longer from the lease; however, they are subject to the influence of a business plan or other aspects in the future.

Provision for environmental measures

The provision for environmental measures is an estimate of the total costs of equipment maintenance and treatment work related to measures to address soil pollution detected at the Company's manufacturing sites. Most of these costs are expected to be paid after a year or more, but this will be affected by future business plans.

25. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Accrued bonuses	¥15,076	¥15,039	¥16,077	$136,176
Accrued paid leave	8,177	7,160	6,982	73,860
Accrued expenses	7,366	6,735	6,273	66,534
Consumption taxes payable	3,733	3,262	1,564	33,719
Advances received	1,858	1,698	1,580	16,783
Others	2,056	2,060	2,426	18,568
Total	38,266	35,954	34,902	345,640
Current liabilities	37,736	35,517	34,264	340,853
Non-current liabilities	530	437	638	4,787
Total	¥38,266	¥35,954	¥34,902	$345,640

26. Equity

(1) Share capital and treasury stock

The total number of shares authorized and the number of shares issued are as follows:

	Shares	
	Year ended March 31, 2021	Year ended March 31, 2020
The total number of shares authorized to be issued	600,000,000	600,000,000
The number of shares issued		
Balance at beginning of period	204,580,115	204,510,215
Changes during the period	28,500	69,900
Balance at end of period	204,608,615	204,580,115

All the shares the Company issued are no-par value common stock and are fully paid.

Changes in the number of shares of treasury stock during the period are as follows:

	Shares	
	Year ended March 31, 2021	Year ended March 31, 2020
At the beginning of the period	13,557,163	9,452,793
Increase (Note 1)	343,073	4,105,501
Decrease (Note 2)	5,235,846	1,131
At the end of the period	8,664,390	13,557,163

Notes:
1. The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2020 is due to the purchase of 11,301 shares less than one unit and the acquisition of 4,094,200 shares through a resolution of the Board of Directors. The increase in the number of shares of treasury stock for the fiscal year ended March 31, 2021 is due to the purchase of 17,673 shares less than one unit and the acquisition of 325,400 shares through a resolution of the Board of Directors.
2. The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2020 is due to the sale of shares less than one unit. The decrease in the number of shares of treasury stock for the fiscal year ended March 31, 2021 is due to the sale of 1,089 shares less than one unit and the transfer of 5,234,757 shares due to the share exchange with ARRK CORPORATION for the purpose of making ARRK CORPORATION a wholly owned subsidiary of the Group.

(2) Capital surplus and retained earnings

The capital surplus account is composed of amounts arising from equity transactions that are not included in share capital. Major components of the capital surplus account are legal capital surplus and other capital surplus. The retained earnings account is composed of legal retained earnings and other retained earnings.

The Companies Act of Japan requires that at least 50% of the contribution for share issue be appropriated as share capital and the rest be appropriated as legal capital surplus. The Companies Act of Japan also requires that 10% of surplus appropriated for dividends be reserved either as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of the amount of share capital. Legal capital surplus and legal retained earnings cannot be the source of dividends, however, these can be transferred to capital surplus, other surplus or share capital upon approval at the General Meeting of Shareholders.

In addition, acquired treasury stock must be excluded in calculating the amount available for distribution. Acquired treasury stock of ¥29,869 million, ¥39,895 million, and ¥24,900 million at the Transition Date and March 31, 2020 and March 31, 2021, respectively, was excluded in calculating the amount available for distribution.

(3) Other components of equity

Other components of equity are as follows:

Financial assets measured at fair value through other comprehensive income

It is valuation difference on financial assets measured at fair value through other comprehensive income.

Remeasurement of defined benefit plans

Remeasurement of defined benefit plans represents the effect of gaps between actuarial assumptions at the beginning of the year and actual results as well as the effect of changes in actuarial assumptions. These effects were recognized in other comprehensive income when incurred and were immediately transferred from other components of equity to retained earnings.

Exchange differences on translation of foreign operations

These exchange differences occurred when foreign operations' financial statements prepared in foreign currencies were consolidated.

Effective portion of net changes in fair value of cash flow hedges

It is the amount of accumulated effective portion of gains or losses arising from changes in the fair value of hedging instruments for cash flow hedges.

The breakdown of each item of other comprehensive income and related amount of tax effects (including non-controlling interests) are as follows:

For the year ended March 31, 2021

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥ 156	¥ —	¥ 156	¥ 514	¥ 670
Remeasurements of defined benefit plans	32,533	—	32,533	(7,928)	24,605
Share of other comprehensive income of investments accounted for using equity method	263	—	263	—	263
Total of items that will not be reclassified to profit or loss	32,952	—	32,952	(7,414)	25,538
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	6,201	(385)	5,816	—	5,816
Effective portion of net change in fair value of cash flow hedges	52	589	641	(62)	579
Share of other comprehensive income of investments accounted for using equity method	(280)	—	(280)	—	(280)
Total of items that may be reclassified to profit or loss	5,973	204	6,177	(62)	6,115
Total	¥38,925	¥204	¥39,129	¥(7,476)	¥31,653

	Thousands of U.S. dollars				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	$ 1,409	$ —	$ 1,409	$ 4,643	$ 6,052
Remeasurements of defined benefit plans	293,858	—	293,858	(71,611)	222,247
Share of other comprehensive income of investments accounted for using equity method	2,376	—	2,376	—	2,376
Total of items that will not be reclassified to profit or loss	297,643	—	297,643	(66,968)	230,675
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	56,011	(3,477)	52,534	—	52,534
Effective portion of net change in fair value of cash flow hedges	470	5,320	5,790	(560)	5,230
Share of other comprehensive income of investments accounted for using equity method	(2,530)	—	(2,530)	—	(2,530)
Total of items that may be reclassified to profit or loss	53,951	1,843	55,794	(560)	55,234
Total	$351,594	$1,843	$353,437	$(67,528)	$285,909

For the year ended March 31, 2020

	Millions of yen				
	Amount arising during the year	Reclassification adjustments	Before tax effects	Tax effects	After tax effects
Items that will not be reclassified to profit or loss					
Financial assets measured at fair value through other comprehensive income	¥(14,893)	¥ —	¥(14,893)	¥(269)	¥(15,162)
Remeasurements of defined benefit plans	(6,935)	—	(6,935)	101	(6,834)
Share of other comprehensive income of investments accounted for using equity method	36	—	36	—	36
Total of items that will not be reclassified to profit or loss	(21,792)	—	(21,792)	(168)	(21,960)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(5,955)	373	(5,582)	—	(5,582)
Effective portion of net change in fair value of cash flow hedges	(704)	1,593	889	(101)	788
Share of other comprehensive income of investments accounted for using equity method	(1,834)	—	(1,834)	—	(1,834)
Total of items that may be reclassified to profit or loss	(8,493)	1,966	(6,527)	(101)	(6,628)
Total	¥(30,285)	¥1,966	¥(28,319)	¥(269)	¥(28,588)

27. Dividends

For the year ended March 31, 2021

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	¥9,551	Retained earnings	¥50.00	March 31, 2020	June 25, 2020
Board of Directors' meeting held on November 11, 2020	Common stock	9,798	Retained earnings	¥50.00	September 30, 2020	December 2, 2020

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	$86,270	Retained earnings	$0.452	March 31, 2020	June 25, 2020
Board of Directors' meeting held on November 11, 2020	Common stock	88,502	Retained earnings	0.452	September 30, 2020	December 2, 2020

ii) Dividends whose record date is within the fiscal year ended March 31, 2021, however, whose effective date is in the fiscal year ending March 31, 2022

Dividends whose record date is within the fiscal year ended March 31, 2021, however, whose effective date is in the fiscal year ending March 31, 2022 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2021	Common stock	¥9,797	Retained earnings	¥50.00	March 31, 2021	June 28, 2021

Resolution	Type of shares	Total cash dividends paid (Thousands of U.S. dollars)	Source of dividends	Cash dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2021	Common stock	$88,492	Retained earnings	$0.452	March 31, 2021	June 28, 2021

For the year ended March 31, 2020

i) Dividends paid

Dividends paid are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2019	Common stock	¥9,753	Retained earnings	¥50.00	March 31, 2019	June 26, 2019
Board of Directors' meeting held on November 6, 2019	Common stock	9,756	Retained earnings	¥50.00	September 30, 2019	December 3, 2019

ii) Dividends whose record date is within the fiscal year ended March 31, 2020, however, whose effective date is in the fiscal year ended March 31, 2021

Dividends whose record date is within the fiscal year ended March 31, 2020, however, whose effective date is in the fiscal year ended March 31, 2021 are as follows:

Resolution	Type of shares	Total cash dividends paid (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2020	Common stock	¥9,551	Retained earnings	¥50.00	March 31, 2020	June 25, 2020

28. Sales Revenue

(1) Disaggregation of revenue

The Group is composed of the following business segments: Mobility, Health Care, Food & Packaging, Basic Materials, and Others, whose operating results are regularly reviewed by the Board of Directors of the Company to make decisions about management resource allocation and assess their performance. Therefore, turnover recognized from these businesses is presented as sales revenue. The Group further disaggregates revenue from contracts with customers into the sale of products and merchandise, license income, and other based on the contracts with customers.

The relationship between these disaggregated sales revenue and sales revenue of each reportable segment is as follows:

For the year ended March 31, 2021

	Millions of yen						
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	¥315,309	¥143,780	¥197,498	¥540,606	¥1,197,193	¥10,076	¥1,207,269
License income	171	153	202	776	1,302	2	1,304
Others	—	—	—	—	—	3,152	3,152
Total	¥315,480	¥143,933	¥197,700	¥541,382	¥1,198,495	¥13,230	¥1,211,725

	Thousands of U.S. dollars						
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	$2,848,063	$1,298,708	$1,783,922	$4,883,082	$10,813,775	$91,012	$10,904,787
License income	1,544	1,382	1,825	7,009	11,760	19	11,779
Others	—	—	—	—	—	28,471	28,471
Total	$2,849,607	$1,300,090	$1,785,747	$4,890,091	$10,825,535	$119,502	$10,945,037

Notes:
1. The above amounts are net of internal transactions between Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

For the year ended March 31, 2020

	Millions of yen						
	Mobility	Health Care	Food & Packaging	Basic Materials	Total of reportable segments	Others	Total
Sale of products and merchandise	¥367,714	¥142,965	¥201,170	¥616,606	¥1,328,455	¥14,003	¥1,342,458
License income	196	182	139	2,914	3,431	2	3,433
Other	—	—	—	—	—	3,631	3,631
Total	¥367,910	¥143,147	¥201,309	¥619,520	¥1,331,886	¥17,636	¥1,349,522

Notes:
1. The above amounts are net of internal transactions between Group companies.
2. Most of the Group's sales revenue is recognized from contracts with customers. Revenue recognized from other sources is immaterial.

The Group is primarily engaged in business activities related to the manufacture and sale of goods or services in the Mobility, Healthcare, Food & Packaging, and Basic Materials segments. Revenue from these businesses is measured based on the consideration clearly stated in contracts with customers, and excludes amounts collected for third parties. The amount of sales revenue including variable consideration is included in transaction prices only to the extent that a significant reversal of accumulated revenue recognized is very unlikely to occur when uncertainties over the variable consideration are later dispelled.

The Group recognizes revenue from the manufacture and sale of products upon the delivery of the products because it is when the Group deems that customers have obtained control of the products and performance obligations have been satisfied. The consideration of a transaction is generally received within one year after the performance obligation is satisfied. The contract for the transaction does not include a significant financing component.

Of license income, the Group records revenue from patent license agreements at the time the assignment or provision agreement takes effect. The Group also recognizes revenue from net sales-based royalties promised in exchange for the license of intellectual property at the time either of the following occurs, whichever is later:

- Subsequent sales or use occurs, or
- The performance obligation to which some or all net sales-based or usage-based royalties are allocated is satisfied (or partially satisfied).

(2) Contract balances

Information on receivables from contracts with customers and contract liabilities is as follows:

In the consolidated statements, receivables from contracts with customers are included in "Trade receivables," and contract liabilities are included in "Trade payables" and "Other non-current liabilities."

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Receivables from contracts with customers	¥285,846	¥273,894	¥313,953	$2,581,935
Contract liabilities	1,962	3,280	2,852	17,722

Contract liabilities are mainly related to advance consideration received from customers.

Of revenue recognized for the fiscal years ended March 31, 2020 and March 31, 2021, amounts included in the beginning balance of contract liabilities were ¥1,878 million and ¥2,159 million, respectively.

There were no contract assets as of the Transition Date or March 31, 2020 or March 31, 2021.

(3) Transaction price allocated to the remaining performance obligations

The Company does not enter into a significant transaction whose expected individual contract term exceeds one year. Descriptions of transactions whose expected individual contract term is less than one year are not presented due to practical expedients. Of consideration from contracts with customers, the amounts not included in transaction prices are immaterial.

(4) Assets recognized from the costs to obtain or fulfill contracts with customers

There were no costs to obtain or fulfill contracts with customers for the fiscal years ended March 31, 2020 or March 31, 2021.

29. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Personnel expenses	¥ 57,427	¥ 59,774	$ 518,716
Research and development expenses	33,802	36,081	305,320
Transportation and storage fees	58,164	58,407	525,373
Depreciation and amortization	12,498	12,075	112,890
Others	50,089	60,255	452,433
Total	¥211,980	¥226,592	$1,914,732

30. Share-Based Payment

(1) Overview of restricted stock compensation plan

The Company has introduced a restricted stock compensation plan (hereinafter the "Plan") for directors (excluding outside directors), executive officers, and chief senior directors (hereinafter collectively "Eligible Directors, etc.") for the purposes of granting Eligible Directors, etc. incentives for sustainable improvement of corporate value of the Company and promoting greater shared value with shareholders, and accounts for as equity-settled payments. In the Plan, shares are issued on a grant date, and a period over which shares are subject to a restriction on transfer lasts three to five years from the grant date.

The Plan does not contain vesting conditions, and vesting will be on the grant date.

(2) The number of shares of the Company granted during the period based on the restricted stock compensation plan, and the weighted-average fair value

The number of shares of the Company granted during the period and the weighted-average fair value per share are as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
The number of shares granted during the year	28,500 shares	69,900 shares

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
The weighted-average fair value per share	¥2,328	¥2,650	$21,028

The fair value of share-based payment is measured with reference to the share price on the grant date.

(3) Expenses for share-based payment

The total amount of expenses recognized under the restricted stock compensation plan is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Equity-settled payment	¥66	¥185	$596

The expenses above were recorded in "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

31. Research and Development Expenses

Research and development expenses recognized as expenses for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Research and development expenses	¥33,802	¥36,081	$305,320

32. Other Operating Income and Other Operating Expenses

The breakdown of other operating income and other operating expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Gain on sale of fixed assets	¥ 249	¥ 495	$ 2,249
Insurance income	2,361	5,174	21,326
Rental income	353	359	3,189
Others	1,443	2,795	13,034
Total of other operating income	4,406	8,823	39,798
Loss on sale and retirement of fixed assets	3,641	4,226	32,888
Impairment losses	8,050	6,389	72,712
Loss on related businesses	3	2,287	27
Loss on disaster	515	1,873	4,652
Others	1,974	5,782	17,831
Total of other operating expenses	¥14,183	¥20,557	$128,110

33. Financial Income and Financial Expenses

(1) Financial income

The breakdown of financial income is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Dividend income	¥ 888	¥2,513	$ 8,021
Interest income	1,264	2,313	11,417
Others	2,145	580	19,375
Total	¥4,297	¥5,406	$38,813

(2) Financial expenses

The breakdown of financial expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Interest expenses			
Financial liabilities measured at amortized cost	¥4,012	¥4,851	$36,103
Lease obligations	799	851	7,217
Accrual of allowance for doubtful accounts	2,565	2,703	23,169
Others	752	746	6,928
Total	¥8,128	¥9,151	$73,417

34. Income Taxes

(1) Deferred tax

(i) The breakdown of deferred tax assets and liabilities, and the details of changes

The details of deferred tax assets and liabilities by major reasons and movements are as follows:

i) For the year ended March 31, 2021

	Millions of yen				
	April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2021
Deferred tax assets					
Accrued bonuses	¥ 4,258	¥ (13)	¥ —	¥ (2)	¥ 4,243
Retirement benefit liability	11,882	(12)	(3)	97	11,964
Tax loss carryforward	641	800	—	8	1,449
Excess depreciation	6,309	(546)	—	(18)	5,745
Inventories	1,396	105	—	44	1,545
Others	14,247	(455)	(92)	238	13,938
Total deferred tax assets	¥38,733	¥ (121)	¥ (95)	¥367	¥38,884
Deferred tax liabilities					
Retirement benefit asset	12,155	(852)	8,037	—	19,340
Gain on contribution of securities to retirement benefit trust	8,690	—	(340)	—	8,350
Financial assets measured at fair value through other comprehensive income	5,244	—	(277)	—	4,967
Retained earnings of subsidiaries, associates, etc.	6,567	535	—	—	7,102
Property, plant and equipment	7,743	(1,723)	—	83	6,103
Valuation difference	4,779	—	(1,058)	—	3,721
Others	7,475	(508)	2	833	7,802
Total deferred tax liabilities	¥52,653	¥(2,548)	¥ 6,364	¥916	¥57,385

	Thousands of U.S. dollars				
	April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Other (Note)	March 31, 2021
Deferred tax assets					
Accrued bonuses	$ 38,461	$ (117)	$ —	$ (19)	$ 38,325
Retirement benefit liability	107,325	(108)	(27)	876	108,066
Tax loss carryforward	5,790	7,226	—	72	13,088
Excess depreciation	56,987	(4,932)	—	(163)	51,892
Inventories	12,610	948	—	397	13,955
Others	128,687	(4,110)	(831)	2,151	125,897
Total deferred tax assets	$349,860	$(1,093)	$(858)	$3,314	$351,223
Deferred tax liabilities					
Retirement benefit asset	109,791	(7,696)	72,596	—	174,691
Gain on contribution of securities to retirement benefit trust	78,493	—	(3,071)	—	75,422
Financial assets measured at fair value through other comprehensive income	47,367	—	(2,502)	—	44,865
Retained earnings of subsidiaries, associates, etc.	59,317	4,833	—	—	64,150
Property, plant and equipment	69,939	(15,563)	—	750	55,126
Valuation difference	43,167	—	(9,557)	—	33,610
Others	67,520	(4,589)	18	7,523	70,472
Total deferred tax liabilities	$475,594	$(23,015)	$57,484	$8,273	$518,336

ii) For the year ended March 31, 2020

	Millions of yen				
	April 1, 2019	Recognized through profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2020
Deferred tax assets					
Accrued bonuses	¥ 4,328	¥ (86)	¥ —	¥ 16	¥ 4,258
Retirement benefit liability	11,095	765	39	(17)	11,882
Tax loss carryforward	8,550	(7,905)	—	(4)	641
Excess depreciation	5,817	519	—	(27)	6,309
Inventories	1,304	89	—	3	1,396
Others	14,164	239	(97)	(59)	14,247
Total deferred tax assets	¥45,258	¥(6,379)	¥ (58)	¥ (88)	¥38,733
Deferred tax liabilities					
Retirement benefit asset	12,530	(375)	—	—	12,155
Gain on contribution of securities to retirement benefit trust	3,146	1	5,543	—	8,690
Financial assets measured at fair value through other comprehensive income	10,796	—	(5,889)	337	5,244
Retained earnings of subsidiaries, associates, etc.	6,369	198	—	—	6,567
Property, plant and equipment	7,495	294	—	(46)	7,743
Valuation difference	5,107	—	(328)	—	4,779
Others	7,651	(568)	5	387	7,475
Total deferred tax liabilities	¥53,094	¥ (450)	¥ (669)	¥678	¥52,653

Note: "Others" includes exchange differences on translation of foreign operations.

In recognizing deferred tax assets, the Group considers the extent to which it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized.

The recoverability of deferred tax assets is determined based on the sufficiency of taxable income based on profitability in the consolidated tax group with the Company as consolidated parent, tax planning opportunities, and the sufficiency of taxable temporary differences. Estimates of future taxable income based on profitability are based on Group's business plan, which includes growth and expansion through the investment of resources into three growth areas to strengthen the foundation of Group global management. The business plan includes major assumptions made by management, such as forecasts for sales revenue, raw material and fuel price trends, and foreign exchange market trends.

These assumptions may be affected by changes in uncertain economic conditions, including the impact of the COVID-19 pandemic. If future taxable income results differ from initial estimates, this could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The bulk of the balance of deferred tax assets of the Group is related to the consolidated tax group with the Company as consolidated parent, and the Company records most of them on its books.

For some subsidiaries that posted a net loss for whom the recoverability of deferred tax assets depends on their future taxable income, the Group recognized deferred tax assets of ¥389 million at the Transition Date, ¥915 million at March 31, 2020, and ¥864 million at March 31, 2021. The future taxable income used by these companies in recognizing deferred tax assets is based on the assumptions of a business plan approved by management and deemed to be highly feasible based on past plans and performance trends. Therefore, the recoverability of the deferred tax assets is considered unproblematic.

(ii) Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized

The amounts of deductible temporary differences and tax loss carryforward for unrecognized deferred tax assets as well as the expiration year of such tax loss carryforward and tax credit carryforward are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Tax loss carryforward	¥ 60,227	¥198,288	¥194,977	$ 544,007
Due within one year	8,447	121,131	83,405	76,298
Due after one year through five years	34,063	49,870	73,845	307,678
Due after five years	17,717	27,287	37,727	160,031
Deductible temporary differences	157,971	196,023	236,480	1,426,890
Total	¥218,198	¥394,311	¥431,457	$1,970,897

The Group in Japan has adopted the consolidated taxation system.

Deferred tax assets related to local taxes (resident tax and business tax), which are not applicable under the consolidated taxation system in Japan, are included in "Deductible temporary differences and tax loss carryforward for which no deferred tax assets are recognized" above.

(iii) Taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities

The total amount of taxable temporary differences on investments in subsidiaries and other entities that do not recognize deferred tax liabilities was ¥3,373 million, ¥3,185 million, and ¥1,946 million at the Transition Date and March 31, 2020 and March 31, 2021, respectively. The Group does not recognize deferred tax liabilities if it can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

(2) Income tax expense

(i) Breakdown of income tax expense

The breakdown of income taxes is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Current tax expenses	¥13,436	¥12,288	$121,362
Prior period restatement	204	26	1,843
Deferred tax expenses			
Origination and reversal of temporary differences	(3,422)	4,420	(30,910)
Revision to and reversal of deferred tax assets	(194)	1,471	(1,752)
Total of deferred tax expenses	(3,616)	5,891	(32,662)
Total income tax expense	¥10,024	¥18,205	$ 90,543

(ii) Reconciliation of applicable tax rate

The Company is subject to income tax, corporate inhabitant tax, and corporate enterprise tax. The effective statutory tax rates used to calculate these taxes for the fiscal years ended March 31, 2020 and March 31, 2021 were 30.6% for both years. For its foreign subsidiaries, they are subject to income taxes in their locations.

The breakdown of major reconciling items between the effective statutory tax rate and the average actual tax rate is as follows:

	Year ended March 31, 2021	Year ended March 31, 2020
Effective statutory tax rate	30.6%	30.6%
Expenses not subject to deduction, such as entertainment expenses	1.4	2.8
Income not subject to tax, such as dividend income	0.5	(0.6)
Differences in tax rates of consolidated foreign subsidiaries	(10.8)	(4.6)
Changes in unrecognized deferred tax assets	(8.9)	0.9
Others	0.7	0.8
Average actual tax rate	13.5%	29.9%

35. Per Share Information

The basis for calculation of basic earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Net income attributable to common shareholders of the parent	¥57,873	¥33,970	$522,744

	Shares	
	Year ended March 31, 2021	Year ended March 31, 2020
The average number of common shares during the period	194,202,034	194,648,574

	Yen		U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Basic earnings per share	¥298.00	¥174.52	$2.69

Note: Diluted earnings per share are not stated as potential dilutive shares do not exist.

36. Financial Instruments

(1) Capital management

While the Company's top priority is the enhancement of corporate value through business growth and expansion, the Company also sees the return of profit to its shareholders as a key management priority.

To this end, the Company uses operating income before special items, sales revenue, ROS (return on sales), ROE (return on equity), net debt to equity, and (ROIC) return on invested capital as key indicators for capital management with a basic policy of ensuring financial soundness and optimizing the capital efficiency of business activities.

The details of these indicators for this reporting period are as stated in "11-Year Overview of Major Financial and Non-Financial Indicators."

The Company is not subject to any material capital restrictions.

(2) Financial risk management policy

The Company is exposed to various financial risks (credit risk, liquidity risk and market risk) in the course of performing business activities and performs risk management in accordance with relevant policies to avoid or mitigate these risks.

The Company uses derivatives to avoid the risks explained below and does not engage in speculative transactions. The finance division executes and manages the Company's derivative transactions upon approval of the officer in charge. The finance division reports the results of such transactions to the Management Committee every six months. The Company's consolidated subsidiaries also execute and manage derivative transactions in accordance with their management standards.

(3) Credit risk management

Notes and accounts receivable—trade, i.e., trade receivables, and receivables other than trade receivables are exposed to credit risks of customers. Trade receivables denominated in foreign currencies arising from doing business overseas are exposed to foreign exchange fluctuation risk, and a certain amount of such receivables is hedged using forward exchange contracts and other instruments, except for those within outstanding balance of accounts payable—trade denominated in the same foreign currencies.

In accordance with the internal credit management rules, the Company regularly monitors the status of trade receivables of counterparties and manages due dates and balances for each business partner, while working to early identify and mitigate any concerns about collections due to deterioration in their financial position and other factors. The Company's consolidated subsidiaries also manage credit risk in the same manner in accordance with the Company's credit management rules.

The Company and its consolidated subsidiaries engage in derivative transactions with creditworthy financial institutions and therefore believe that it is exposed to minimal credit risk arising from default of counterparties.

The maximum exposure to the credit risk as of the end of the fiscal year is the carrying amount of financial assets less allowance for doubtful accounts stated in the consolidated statements of financial position. The maximum exposure to the credit risk associated with debt guarantees is the amount of guaranteed liabilities stated in Note 40 "Contingent Liabilities."

The Company does not hold any properties as collateral and other credit enhancements in connection with these credit risk exposures. The Company has neither significant exposure to credit risk related to particular counterparties nor excessive concentration of credit risk that requires special attention.

The amount of allowance for doubtful accounts is calculated as follows:

• Trade receivables

The allowance is calculated by multiplying the carrying amount of receivables by the provision rate calculated by considering future prospects of economic conditions and relevant factors in addition to the historical rate of credit losses. Provided, however, that if the asset meets criteria for credit-impaired financial assets, the amount of allowance is calculated on an individual basis by considering future prospects of economic conditions and other factors in addition to the financial conditions of counterparty.

• Receivables other than trade receivables

For assets for which credit risk is not considered to have increased significantly, the amount of allowance is calculated by multiplying the carrying amount by the provision rate that is determined by considering future prospects of economic conditions and other factors in addition to the historical rate of credit losses of similar assets.

For financial assets and credit-impaired financial assets whose credit risk is considered to have increased significantly from the time of initial recognition, anticipated credit losses over a 12-month period or for the entire period are estimated. Such estimates are based on numerous assumptions and estimates, including the possibility of default, timing of credit recovery, forecasts regarding the future amount of loss incurred, discount rates, and the impact of the COVID-19 pandemic. Management of the Group determines that actual losses may be more or less than expected losses. If underlying assumptions change, initial estimates and assumptions may differ significantly from the actual amount of impairment loss on financial assets measured at amortized cost, which could have a significant impact on amounts recognized in the consolidated financial statements for the following fiscal year.

The allowance for doubtful accounts for financial assets is included in "Trade receivables" and "Other financial assets" in the consolidated statements of financial position.

Changes in allowance for doubtful accounts are as follows:

Year ended March 31, 2021

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥ 3,624	¥11	¥1,215	¥1,582	¥ 6,432
Increase during period	481	—	2,767	85	3,333
Decrease during period (utilization)	(250)	—	—	—	(250)
Decrease during period (reversal)	(2,630)	—	(322)	(78)	(3,030)
Others	233	—	—	—	233
Balance at end of period	¥1,458	¥11	¥3,660	¥1,589	¥ 6,718

	Thousands of U.S. dollars				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	$ 32,734	$99	$10,975	$14,290	$ 58,098
Increase during period	4,345	—	24,993	768	30,106
Decrease during period (utilization)	(2,258)	—	—	—	(2,258)
Decrease during period (reversal)	(23,756)	—	(2,909)	(704)	(27,369)
Others	2,104	—	—	—	2,104
Balance at end of period	$ 13,169	$99	$33,059	$14,354	$ 60,681

Year ended March 31, 2020

	Millions of yen				
	Trade receivables	Receivables other than trade receivables			
	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets whose credit risk has increased significantly	Credit-impaired financial assets	Total
Balance at beginning of period	¥ 828	¥12	¥ 850	¥1,586	¥3,276
Increase during period	3,103	8	429	78	3,618
Decrease during period (utilization)	(17)	—	—	—	(17)
Decrease during period (reversal)	(286)	(8)	(64)	(82)	(440)
Others	(4)	(1)	—	—	(5)
Balance at end of period	¥3,624	¥11	¥1,215	¥1,582	¥6,432

(4) Liquidity risk management

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the due date. The Company manages liquidity risk by having the finance division prepare and update a cash flow management plan in a timely manner based on cash flow schedules of respective departments taking capital efficiency into account, as well as by preparing for alternative means of financing such as commitment line and overdraft facility.

The balances of major financial liabilities (including derivative financial instruments) by due date at the Transition Date and March 31, 2020 and March 31, 2021 are as follows:

(i) As of March 31, 2021

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥119,712	¥119,712	¥119,712	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	112,182	112,182	112,182	—	—	—	—	—
Commercial papers	50,000	50,000	50,000	—	—	—	—	—
Long-term borrowings	257,022	262,723	45,916	50,033	43,628	29,102	3,978	90,066
Bonds payable	91,012	94,942	10,751	606	617	5,314	25,295	52,359
Lease liabilities	53,575	57,965	8,727	8,453	6,742	5,791	5,131	23,121
Others	83,543	83,541	75,940	305	—	—	—	7,296
Derivative financial liabilities								
Currency-related	19	19	19	—	—	—	—	—
Interest rate-related	969	969	30	191	496	252	—	—
Total	¥768,034	¥782,053	¥423,277	¥59,588	¥51,483	¥40,459	¥34,404	¥172,842

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	$1,081,312	$1,081,312	$1,081,312	$ —	$ —	$ —	$ —	$ —
Short-term borrowings	1,013,296	1,013,296	1,013,296	—	—	—	—	—
Commercial papers	451,630	451,630	451,630	—	—	—	—	—
Long-term borrowings	2,321,579	2,373,074	414,741	451,928	394,075	262,867	35,932	813,531
Bonds payable	822,076	857,574	97,110	5,474	5,573	47,999	228,480	472,938
Lease liabilities	483,922	523,575	78,828	76,353	60,898	52,308	46,346	208,842
Others	754,611	754,593	685,936	2,754	—	—	—	65,903
Derivative financial liabilities								
Currency-related	171	171	171	—	—	—	—	—
Interest rate-related	8,753	8,753	271	1,726	4,480	2,276	—	—
Total	$6,937,350	$7,063,978	$3,823,295	$538,235	$465,026	$365,450	$310,758	$1,561,214

(ii) As of March 31, 2020

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥121,011	¥121,011	¥121,011	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	119,829	119,829	119,829	—	—	—	—	—
Commercial papers	60,000	60,000	60,000	—	—	—	—	—
Long-term borrowings	279,764	287,710	44,977	46,137	49,884	43,522	22,988	80,202
Bonds payable	86,438	90,905	10,990	10,803	586	598	5,295	62,633
Lease liabilities	53,357	57,934	8,745	7,958	7,360	5,854	5,168	22,849
Others	90,225	90,225	82,274	248	59	—	—	7,644
Derivative financial liabilities								
Currency-related	162	162	4	—	158	—	—	—
Interest rate-related	1,566	1,566	159	63	288	715	341	—
Total	¥812,352	¥829,342	¥447,989	¥65,209	¥58,335	¥50,689	¥33,792	¥173,328

(iii) Transition Date (April 1, 2019)

	Millions of yen							
	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade payables	¥155,947	¥155,947	¥155,947	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	122,037	122,037	122,037	—	—	—	—	—
Commercial papers	10,000	10,000	10,000	—	—	—	—	—
Long-term borrowings	315,423	315,423	59,112	42,662	44,011	47,807	41,929	79,902
Bonds payable	66,864	66,864	426	10,426	10,432	284	296	45,000
Lease liabilities	56,699	57,001	7,838	7,458	7,136	6,400	4,951	23,218
Others	110,577	110,577	100,842	1,313	912	82	—	7,428
Derivative financial liabilities								
Currency-related	31	31	3	—	—	28	—	—
Interest rate-related	2,434	2,434	197	334	101	411	957	434
Total	¥840,012	¥840,314	¥456,402	¥62,193	¥62,592	¥55,012	¥48,133	¥155,982

Financial guarantee contracts are not included in the tables above. The obligation to pay under financial guarantee contracts arises upon request. The details of financial guarantee contracts are stated in Note 40 "Contingent Liabilities."

(5) Market risk management

(i) Foreign currency risk

Receivables and payables denominated in foreign currencies arising from the Group's global business development are exposed to foreign exchange fluctuation risk. The Group enters into forward exchange contracts and currency swap contracts to hedge foreign exchange fluctuation risk identified by currency for certain trade receivables and payables and borrowings denominated in foreign currencies.

Foreign exchange sensitivity analysis

For the financial instruments denominated in foreign currencies held by the Group at the end of each reporting period, the impact of a 1% appreciation of Japanese yen against US dollar, Euro and Chinese yuan as of the end of period on income before income taxes in the consolidated statements of income is as follows.

This analysis does not include the impact of translating financial instruments denominated in the functional currency and translating assets, liabilities, revenue and expenses of foreign operations into Japanese yen. The analysis is based on the assumption that all other variables (balance, interest rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
US dollar	¥(355)	¥(253)	$(3,207)
Euro	(103)	(20)	(930)
Chinese yuan	(16)	(6)	(145)

(ii) Interest rate risk

Borrowings issued by the Group are mainly for the purpose of raising funds for capital investment. A portion of the Group's borrowings are floating-rate instruments and therefore exposed to interest rate fluctuation risk. The Group hedges the risk of interest rate hikes by using interest rate swap contracts to mitigate the interest rate fluctuation risk related to borrowings.

Sensitivity analysis of interest rate fluctuation risk

For financial instruments held by the Group at the end of each reporting period, the impact of a 100-basis point increase in interest rates on income before income taxes in the consolidated statements of income is as follows.

This analysis is limited to financial instruments affected by interest rate fluctuations and is based on the assumption that all other variables (balance, exchange rate, etc.) are constant.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Income before income taxes	¥(918)	¥(1,052)	$(8,292)

(iii) Market price fluctuation risk
Marketable securities and investment securities held by the Group are primarily shares in companies with which the Group has business relationships and are exposed to market price fluctuation risk. With regard to marketable securities and investment securities, the Group regularly assesses fair value and financial conditions of issuers (business partners), and constantly reviews the holding of such securities other than held-to-maturity debt securities, taking market conditions into account and the Group's relationships with the business partners. The Company's consolidated subsidiaries also manage market price fluctuation risk in the same manner.

(6) Derivatives and hedge accounting
As of March 31, 2021, the periods when cash flows from hedging instruments are expected to occur and when they are expected to affect profit or loss are, at maximum of, 1 years from March 31, 2021 for foreign currency risk and 4 years from March 31, 2021 for interest rate risk.

The principal rates on forward exchange contracts and currency swap contracts, and principal interest rates on interest rate swap contracts and other swap contracts are as follows:

	Yen		
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Cash flow hedges			
Foreign currency risk			
Forward exchange contracts			
US dollar	¥105–¥108	¥108–¥109	¥109–¥111
Euro	—	—	¥128
Interest rate risk			
Interest rate swap contracts			
Pay fixed rate, receive floating rate	1.02%–1.07%	1.06%–1.26%	0.73%–1.07%
Interest rate currency swap contracts			
Pay fixed rate, receive floating rate	(0.08%)–0.11%	(0.08%)—0.11%	(0.08%)–0.62%

Amounts of items designated as hedging instruments are as follows:.

As of March 31, 2021

	Millions of yen				
		Carrying amount			
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
Cash flow hedges					
Foreign currency risks					
Foreign exchange derivatives	¥ 357	¥ —	¥ 2	Other financial liabilities	¥—
Interest rate risk					
Interest rate derivatives	60,654	170	986	Other financial assets Other financial liabilities	—

	Thousands of U.S. dollars				
		Carrying amount			
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
Cash flow hedges					
Foreign currency risks					
Foreign exchange derivatives	$ 3,225	$ —	$ 18	Other financial liabilities	$—
Interest rate risk					
Interest rate derivatives	547,864	1,536	8,906	Other financial assets Other financial liabilities	—

As of March 31, 2020

	Millions of yen				
		Carrying amount			
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year
Cash flow hedges					
Foreign currency risks					
Foreign exchange derivatives	¥ 513	¥—	¥ 1	Other financial assets	¥—
Interest rate risk					
Interest rate derivatives	79,433	71	1,727	Other financial assets Other financial liabilities	—

Transition Date (April 1, 2019)

	Millions of yen			
		Carrying amount		
	Contract amount	Assets	Liabilities	Items in the consolidated statements of financial position
Cash flow hedges				
Foreign currency risks				
Foreign exchange derivatives	¥ 326	¥ —	¥ 2	Other financial liabilities
Interest rate risk				
Interest rate derivatives	126,888	1,361	2,396	Other financial assets Other financial liabilities
Others				
Others	¥ 199	¥ —	¥ 67	Other financial liabilities

Amounts of items designated as hedged items are as follows:

	Millions of yen					Thousands of U.S. dollars	
	As of March 31, 2021		As of March 31, 2020		As of April 1, 2019 (Transition Date)	As of March 31, 2021	
	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve	Changes in fair value used to calculate the ineffective portion of hedges for the fiscal year	Cash flow hedge reserve
Cash flow hedges							
Foreign currency risk							
Forecast purchases	¥—	¥ 3	¥—	¥ 6	¥ —	$—	$ 27
Payables denominated in foreign currencies	—	—	—	—	(2)	—	—
Interest rate risk							
Interest on borrowings	—	(715)	—	(1,247)	(2,022)	—	(6,458)

The details of cash flow hedges are as follows:

Year ended March 31, 2021

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	¥ (5)	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	572	—	—	754	Financial expenses
Interest rate currency swap contracts	74	—	—	(165)	Financial income

	Thousands of U.S. dollars				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	$ (45)	$—	$—	$ —	—
Interest rate risk					
Interest rate swap contracts	5,167	—	—	6,811	Financial expenses
Interest rate currency swap contracts	668	—	—	(1,490)	Financial income

Year ended March 31, 2020

	Millions of yen				
	Changes in fair value of hedging instruments recognized in other comprehensive income	Ineffective portion of hedges recognized in profit or loss	Items in the consolidated statements of income in which ineffective portion of hedges are included in profit or loss	Reclassification adjustments to profit or loss	Items in the consolidated statements of income including profit or loss from reclassification adjustments
Foreign currency risk					
Forward exchange contracts	¥ 14	¥—	¥—	¥ —	—
Interest rate risk					
Interest rate swap contracts	790	—	—	771	Financial expenses
Interest rate currency swap contracts	85	—	—	822	Financial expenses

(7) Fair value of financial instruments

The fair value hierarchy of financial instruments is categorized as follows, according to the external observability of the inputs used in the fair value measurement.

- Level 1: Fair value measured at the unadjusted quoted price in an active market for the same asset or liability.
- Level 2: Fair value calculated directly or indirectly using observable prices other than Level 1
- Level 3: Fair value calculated from valuation techniques, including inputs that are not based on significant observable market data.

There was not significant transfer of financial instruments among levels for the fiscal years ended March 31, 2020 and March 31, 2021.

The level in the fair value measurement hierarchy to measure the fair value of each financial instrument is based on the lowest level input that is significant to the entire fair value measurement.

The breakdowns of financial instruments measured at fair value as of the Transition Date and March 31, 2020 and March 31, 2021 are as follows:

(i) Financial instruments measured at fair value on a recurring basis

i) As of March 31, 2021

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ 4	¥479	¥ 1,885	¥ 2,368
Derivative assets	—	170	—	170
Financial assets measured at fair value through other comprehensive income				
Shares and investments	7,233	—	27,775	35,008
Total	7,237	649	29,660	37,546
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2	986	—	988
Total	¥ 2	¥986	¥ —	¥ 988

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	$ 36	$4,327	$ 17,026	$ 21,389
Derivative assets	—	1,535	—	1,535
Financial assets measured at fair value through other comprehensive income				
Shares and investments	65,333	—	250,881	316,214
Total	65,369	5,862	267,907	339,138
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	18	8,906	—	8,924
Total	$ 18	$8,906	$ —	$ 8,924

ii) As of March 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥ 410	¥ 2,041	¥ 2,451
Derivative assets	—	71	—	71
Financial assets measured at fair value through other comprehensive income				
Shares and investments	9,487	—	27,897	37,384
Total	9,487	481	29,938	39,906
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,728	—	1,728
Total	¥ —	¥1,728	¥ —	¥ 1,728

iii) Transition Date (April 1, 2019)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit or loss				
Shares and investments	¥ —	¥ 390	¥ 1,425	¥ 1,815
Derivative assets	—	1,361	—	1,361
Financial assets measured at fair value through other comprehensive income				
Shares and investments	49,035	—	37,361	86,396
Total	49,035	1,751	38,786	89,572
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,465	—	2,465
Total	¥ —	¥2,465	¥ —	¥ 2,465

Shares and investments

The fair value of marketable shares classified as Level 1 is calculated based on unadjusted quoted prices in an active market for identical assets or liabilities.

The fair value of Level 3 unlisted shares and investments for which quoted prices in an active market is unavailable is calculated by using comparable company comparisons or valuation techniques based on net asset value. In measuring such fair value, the Group uses unobservable inputs such as discount rates and valuation multiples and takes certain liability discount into account as needed.

Derivative assets and derivative liabilities

The fair value of Level 2 derivative assets and liabilities is calculated based on such observable inputs as prices provided by counterparty financial institutions or exchange and interest rates.

The fair value of Level 3 financial instruments is calculated by valuation specialists determining valuation methods for each relevant financial instrument in accordance with valuation policies and procedures that include valuation methods for fair value measurement approved by appropriately authorized person. The results are reviewed and approved by suitably authorized personnel.

The breakdowns of changes in financial instruments measured at fair value on a recurring basis that are classified as Level 3 of the fair value measurement hierarchy for the fiscal years ended March 31, 2020 and March 31, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Balance at beginning of period	¥29,938	¥38,786	$270,418
Total gains or losses	(227)	(8,443)	(2,050)
Profit or loss	(85)	275	(768)
Other comprehensive income (Note)	(142)	(8,718)	(1,282)
Purchases	806	1,217	7,280
Sales	(433)	(14)	(3,911)
Others	(424)	(1,608)	(3,830)
Balance at end of period	¥29,660	¥29,938	$267,907

Note: Gains and losses recognized in other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

The Company has granted written put options to non-controlling interests of its subsidiaries. The Company transferred non-controlling interests subject to the put options to financial liabilities arising from the put options, and treated the difference between non-controlling interests and financial liabilities as a decrease in capital surplus. The financial liabilities were measured at the present value of the amount that may be required to be paid to the contracting party, and were ¥13,478 million at the Transition Date, ¥13,640 million at March 31, 2020, and ¥13,646 million at March 31, 2021.

The fair value of the financial liabilities was determined by discounting the future cash flows to the present value. Changes in the fair value are recognized as an increase or decrease in capital surplus, which gives IFRS10 precedent.

The fair value of the financial liabilities is categorized within Level 3 of the fair value hierarchy.
These financial liabilities are not included in the table above.

(ii) Financial instruments measured at amortized cost
The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:
i) As of March 31, 2021

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,561	¥—	¥ —	¥9,561	¥ 9,561
Total	9,561	—	—	9,561	9,561
Financial liabilities:					
Bonds and borrowings					
Bonds payable	91,012	—	90,707	—	90,707
Long-term borrowings	257,022	—	261,802	—	261,802
Total	¥348,034	¥—	¥352,509	¥ —	¥352,509

	Thousands of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	$ 86,361	$—	$ —	$86,361	$ 86,361
Total	86,361	—	—	86,361	86,361
Financial liabilities:					
Bonds and borrowings					
Bonds payable	822,076	—	819,321	—	819,321
Long-term borrowings	2,321,579	—	2,364,755	—	2,364,755
Total	$3,143,655	$—	$3,184,076	$ —	$3,184,076

ii) As of March 31, 2020

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,398	¥—	¥ —	¥9,398	¥ 9,398
Total	9,398	—	—	9,398	9,398
Financial liabilities:					
Bonds and borrowings					
Bonds payable	86,438	—	86,410	—	86,410
Long-term borrowings	279,764	—	286,677	—	286,677
Total	¥366,202	¥—	¥373,087	¥ —	¥373,087

iii) Transition Date (April 1, 2019)

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Other financial assets					
Public and corporate bonds, etc.	¥ 9,596	¥—	¥ —	¥9,596	¥ 9,596
Total	9,596	—	—	9,596	9,596
Financial liabilities:					
Bonds and borrowings					
Bonds payable	66,864	—	67,363	—	67,363
Long-term borrowings	315,423	—	321,828	—	321,828
Total	¥382,287	¥—	¥389,191	¥ —	¥389,191

Public and corporate bonds, etc.
The fair value of Level 3 public and corporate bonds, etc. is calculated with reference to prices provided by financial institutions.

Bonds payable
The fair value of Level 2 bonds payable is calculated based on quoted prices when quoted prices are readily available, and the fair value of those without quoted prices is measured at the present value calculated by discounting the combined total of principal and interest at a rate taking the remaining period and credit risk of the bonds payable into account.

Long-term borrowings
The fair value of Level 2 long-term borrowings is calculated by discounting to the present value of the combined total of principal and interest at a rate assumed to be applied if the same borrowings were newly executed.

For other financial assets and liabilities other than above, relevant notes are omitted as they are mainly settled for a short period of time and the fair value approximates the carrying amount.

37. Major Subsidiaries

Major subsidiaries as of March 31, 2020 and 2021 are as follows:

(1) Consolidated subsidiaries with material non-controlling interests

The summarized financial information of consolidated subsidiaries that the Company recognizes their material non-controlling interests is as follows. The summarized financial information shows amounts before transactions within the Group are eliminated.

Prime Polymer Co., Ltd.

(i) Percentage of non-controlling interests and accumulated non-controlling interests

	Percentage of non-controlling interests (%)		
Name of Subsidiary	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)
Prime Polymer Co., Ltd.	35%	35%	35%

	Accumulated non-controlling interests			
	Millions of yen			Thousands of U.S. dollars
Name of Subsidiary	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Prime Polymer Co., Ltd.	¥38,188	¥38,483	¥36,445	$344,937

(ii) Profit or loss attributed to non-controlling interests and dividends paid to non-controlling interests

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Profit or loss attributed to non-controlling interests	¥1,211	¥2,656	$10,938
Comprehensive income allocated to non-controlling interests	1,275	2,690	11,517
Dividends paid to non-controlling interests	1,571	1,153	14,190

(iii) Summarized financial information

i) Summarized statements of financial position

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Current assets	¥131,155	¥133,845	¥155,599	$1,184,672
Non-current assets	29,535	31,569	27,812	266,778
Total assets	160,690	165,414	183,411	1,451,450
Current liabilities	56,991	59,177	84,121	514,777
Non-current liabilities	7,084	8,786	6,114	63,988
Total liabilities	64,075	67,963	90,235	578,765
Total equity	96,615	97,451	93,176	872,685
Total liabilities and equity	¥160,690	¥165,414	¥183,411	$1,451,450

ii) Summarized statements of profit or loss and comprehensive income

Summarized statements of profit or loss

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Sales revenue	¥193,413	¥228,838	$1,747,024
Net income	3,433	7,499	31,009

Summarized statements of comprehensive income

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Other comprehensive income	¥ 221	¥ 70	$ 1,996
Comprehensive income	3,654	7,569	33,005

iii) Summarized statements of cash flows

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities	¥24,067	¥7,299	$217,388
Cash flows from investing activities	(3,857)	(7,634)	(34,839)
Cash flows from financing activities	(4,631)	(4,985)	(41,830)
Net increase (decrease) in cash and cash equivalents	¥15,579	¥ (5,320)	$140,719

(2) Changes in ownership interests in subsidiaries that do not result in loss of control

The Group additionally acquired 25.6% of the total number of issued shares of ARRK CORPORATION in a share exchange on August 1, 2020.

As a result, the Group's percentage of ownership in ARRK CORPORATION became 100%.

The overview of transactions with non-controlling interests associated with the additional share acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2021
The carrying amount of non-controlling interests acquired	¥ 8,183	$ 73,914
Consideration paid to non-controlling shareholders	15,042	135,868
Changes in the Company's ownership interests	¥ (6,859)	$ (61,955)

38. Related Parties

(1) Transactions with associates and joint ventures

There are no material transactions to disclose.

(2) Remuneration for key management personnel

Remuneration for key management personnel of the Company is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021
Remuneration and bonuses	¥482	¥446	$4,354
Share-based payment	25	65	226
Total	¥507	¥511	$4,580

39. Commitments

Commitments related to expenditures on and after the closing date are as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Purchase of property, plant and equipment and intangible assets	¥53,421	¥38,027	¥33,413	$482,531

40. Contingent Liabilities

Debt guarantees

The Group has guaranteed and made guarantee commitments for companies outside the Group for loans from financial institutions and entities. In case of default by the entities for which the Company conducts debt guarantees, the Company will need to bear repayments that such entities have failed to make, as well as related losses.

The status of debt guarantees at the Transition Date and March 31, 2020, and March 31, 2021 is as follows:

	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2021	As of March 31, 2020	As of April 1, 2019 (Transition Date)	As of March 31, 2021
Nghi Son Refinery & Petrochemical LLC	¥20,545	¥22,111	¥23,344	$185,575
Solar and wind power generation cooperative in Tahara (Note 1)	9,310	10,890	12,470	84,094
Shanghai Sinopec Mitsui Elastomers, Co., Ltd.	6,399	6,782	9,882	57,800
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	—	5,740	8,123	—
Others (Note 2)	625	1,582	1,041	5,645
Total	¥36,879	¥47,105	¥54,860	$333,114

(i) April 1, 2019
Notes:
1. Of which, the amount of ¥8,105 million has been re-guaranteed by Mitsui & Co., Ltd.
2. Of which, the amount of ¥375 million has been re-guaranteed by another entity.

(ii) As of March 31, 2020
Notes:
1. Of which, the amount of ¥7,079 million has been re-guaranteed by Mitsui & Co., Ltd.
2. Of which, the amount of ¥979 million has been re-guaranteed by another entity.

(iii) As of March 31, 2021
Notes:
3. Of which, the amount of ¥5,121 million has been re-guaranteed by Mitsui & Co., Ltd.
4. Of which, the amount of ¥292 million has been re-guaranteed by another entity.

41. Subsequent Events

Tender Offer for Shares of Honshu Chemical Industry Co., Ltd.

On November 11, 2020, the Company and Mitsui & Co., Ltd. ("Mitsui & Co.") decided to make a tender offer for shares of the common stock of Honshu Chemical Industry Co., Ltd. ("Honshu Chemical"). The actual tender offer commenced on May 17, 2021, and was completed on June 11, 2021.

After the series of transactions for the tender offer are completed, the Company's Interest in Honshu Chemical will be 51%, and Honshu Chemical is expected to become a consolidated subsidiary of the Company. However, as of the release date of this report, the series of transactions for the tender offer has not been completed, and Honshu Chemical is not a consolidated subsidiary of the Company.

New polypropylene manufacturing facility

Prime Polymer Co., Ltd., a consolidated subsidiary of the Company, decided on May 27, 2021 to establish a new polypropylene (PP) production facility as part of its build-and-scrap approach to overhauling its production system.

The new production facility will enable the Company to produce high-performance PP that would not have been possible at a conventional facility, which will enable the Company to meet needs for weight reduction and thinning in automotive materials. It will also better position the Company to promote materials recycling efforts, such as by providing more easily recyclable materials.

By overhauling the production system, the Company expects to reduce GHGs emissions by approximately 70,000 tons/year (compared to 2013 levels), and more effectively address the transition to a circular economy by providing materials that use biomass raw materials.

Construction is slated to begin in August 2021, with commercial operations starting in November 2024. To maintain production capacity in line with market demand, when the new facility is up and running the existing production facility will be shut down.

42. First-Time Adoption of IFRS

The Group has disclosed its consolidated financial statements prepared in accordance with IFRS since the first quarter of the fiscal year commenced on April 1, 2020. The most recent consolidated financial statements prepared in compliance with Japanese generally accepted accounting principles (hereinafter "Japanese GAAP") are those for the fiscal year ended March 31, 2020. The date of transition to IFRS is April 1, 2019.

(1) Exemptions under IFRS 1

In principle, an entity that applies IFRS for the first time (hereinafter "first-time adopter") is required to retrospectively apply IFRS. However, IFRS 1 First-time Adoption of International Financial Reporting Standards (hereinafter "IFRS 1") sets out certain IFRS requirements subject to mandatory exemption and those subject to optional exemption.

In transitioning from Japanese GAAP to IFRS, the Group applied the following exemptions:

(i) Business combinations

A first-time adopter may elect not to retrospectively apply IFRS 3 Business Combinations (hereinafter "IFRS 3") to business combinations effected before the Transition Date. The Group applied the exemption and elected not to retrospectively apply IFRS 3 to business combinations effected before the Transition Date. The Group performed an impairment test on goodwill at the Transition Date regardless of whether there was any indication that the goodwill may be impaired.

(ii) Translation differences for foreign operations
A first-time adopter may deem cumulative translation differences for all foreign operations to be zero at the IFRS Transition Date. The Group elected to deem cumulative translation differences to be zero at the Transition Date.

(iii) Designation of financial instruments recognized before the Transition Date
A first-time adopter may designate changes in fair value of equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at the Transition Date. The Group makes judgments on the basis of the facts and circumstances that exist at the Transition Date, and thus, designated equity instruments with some exceptions as financial assets measured through other comprehensive income.

(iv) Leases as lessee
A first-time adopter that is a lessee may measure a lease liability and a right-of-use asset for all leases at the Transition Date when it recognizes its lease liability and right-of-use asset. The Group measures a lease liability at the Transition Date at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the Transition Date. The Group also measures a right-of-use asset at the Transition Date at an amount equal to the lease liability. For leases for which the lease term ends within 12 months of the Transition Date or for which the underlying asset is of low value, the Group recognizes the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(2) Reconciliations from Japanese GAAP to IFRS

The tables below are reconciliations required to be disclosed by a first-time adopter.

The "Reclassification" column in the tables is for the figures of items that do not affect retained earnings or comprehensive income. The "Difference in recognition and measurement" column is for the figures of items that affect retained earnings or comprehensive income.

(i) Reconciliation of equity at the Transition Date (April 1, 2019)

	Millions of yen					
Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 111,056	¥(1,217)	¥29,650	¥ 139,489	2	Cash and cash equivalents
Notes and accounts receivable—trade	310,591	(718)	4,080	313,953		Trade receivables
Allowance for doubtful accounts	(718)	718	—	—		
Inventories	301,890	—	(2,269)	299,621		Inventories
Accounts receivable—other	55,288	(55,288)	—	—		
	—	49,655	(15,481)	34,174	1, 4	Other financial assets
Others	8,570	6,850	1,298	16,718	4	Other current assets
Total current assets	786,677	—	17,278	803,955		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	443,063	(2,704)	(2,368)	437,991	3	Property, plant and equipment
	—	2,704	46,119	48,823	4	Right-of-use assets
Intangible assets						
Goodwill	5,061	—	(3,578)	1,483	5	Goodwill
Others	24,324	—	66	24,390		Intangible assets
	—	—	22,406	22,406	3	Investment property
Investments and other assets						
Investment securities	151,847	(60,382)	(3,842)	87,623		Investments accounted for using equity method
	—	94,057	14,479	108,536	4, 6	Other financial assets
Net defined benefit assets	42,653	—	(2,194)	40,459		Retirement benefit asset
Deferred tax assets	11,386	—	(2,936)	8,450		Deferred tax assets
Others	38,511	(36,123)	4,398	6,786	4	Other non-current assets
Allowance for doubtful accounts	(2,448)	2,448	—	—		
Total non-current assets	714,397	—	72,550	786,947		Total non-current assets
Total assets	¥1,501,074	¥ —	¥89,828	¥1,590,902		Total assets

	Millions of yen					
Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	¥ 163,908	¥ 2,649	¥(10,610)	¥ 155,947	2	Trade payables
Short-term loans payable	92,733	67,997	30,845	191,575		Bonds and borrowings
Current portion of long-term loans payable	57,571	(57,571)	—	—		
Commercial papers	10,000	(10,000)	—	—		
Current portion of bonds payable	426	(426)	—	—		
Income taxes payable	9,372	(1,916)	54	7,510		Income taxes payable
Accounts payable—other	79,245	(79,245)	—	—		
	—	82,286	26,593	108,879	4, 7	Other financial liabilities
Provisions	13,269	954	(13,047)	1,176	3	Provisions
Others	32,234	(4,728)	6,758	34,264	8	Other current liabilities
Total current liabilities	458,758	—	40,593	499,351		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	66,438	254,850	1,461	322,749		Bonds and borrowings
Long-term loans payable	254,850	(254,850)	—	—		
	—	13,714	47,148	60,862	4	Other financial liabilities
Net defined benefit liability	56,428	—	(766)	55,662		Retirement benefit liability
Provisions	6,679	360	(2,748)	4,291	3	Provisions
Deferred tax liabilities	11,471	—	4,815	16,286		Deferred tax liabilities
Others	14,711	(14,074)	1	638		Other non-current liabilities
Total non-current liabilities	410,577	—	49,911	460,488		Total non-current liabilities
Total liabilities	869,335	—	90,504	959,839		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	125,205	—	—	125,205		Share capital
Capital surplus	89,406	—	(10,150)	79,256	7	Capital surplus
Treasury stock	(29,869)	—	—	(29,869)		Treasury stock
Retained earnings	348,202	—	2,493	350,695	9	Retained earnings
Total accumulated other comprehensive income	18,971	—	7,524	26,495	6, 10	Other components of equity
	—	—	—	551,782		Total equity attributable to owners of the parent
Non-controlling interests	79,824	—	(543)	79,281	7	Non-controlling interests
Total net assets	631,739	—	(676)	631,063		Total equity
Total liabilities and net assets	¥1,501,074	¥ —	¥ 89,828	¥1,590,902		Total liabilities and equity

(ii) Reconciliation of equity at the end of previous reporting period (March 31, 2020)

Line item under Japanese GAAP	Millions of yen Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 149,348	¥ (2,076)	¥ 17,299	¥ 164,571	2	Cash and cash equivalents
Notes and accounts receivable—trade	275,332	(3,509)	2,071	273,894		Trade receivables
Allowance for doubtful accounts	(3,509)	3,509	—	—		
Inventories	288,006	—	(3,700)	284,306		Inventories
Accounts receivable—other	55,959	(55,959)	—	—		
	—	52,604	(15,799)	36,805	1, 4	Other financial assets
Others	16,211	5,431	616	22,258	4	Other non-current assets
Total current assets	781,347	—	487	781,834		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	485,531	(25,719)	(6,624)	453,188	3	Property, plant and equipment
	—	25,719	20,743	46,462	4	Right-of-use assets
Intangible assets						
Goodwill	4,412	—	(2,936)	1,476	5	Goodwill
Others	24,529	—	230	24,759		Intangible assets
	—	—	23,250	23,250	3	Investment property
Investments and other assets						
Investment securities	110,340	(21,702)	(1,018)	87,620		Investments accounted for using equity method
	—	45,480	17,402	62,882	4, 6	Other financial assets
Net defined benefit asset	36,084	—	(2,145)	33,939		Retirement benefit asset
Deferred tax assets	11,610	—	(2,513)	9,097		Deferred tax assets
Others	29,022	(26,586)	3,572	6,008	4	Other non-current assets
Allowance for doubtful accounts	(2,808)	2,808	—	—		
Total non-current assets	698,720	—	49,961	748,681		Total non-current assets
Total assets	¥1,480,067	¥ —	¥ 50,448	¥1,530,515		Total assets

Line item under Japanese GAAP	Millions of yen: Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	¥ 128,458	¥ 3,091	¥(10,538)	¥ 121,011	2	Trade payables
Short-term loans payable	106,040	112,612	14,141	232,793		Bonds and borrowings
Current portion of long-term loans payable	42,186	(42,186)	—	—		
Commercial papers	60,000	(60,000)	—	—		
Current portion of bonds payable	10,426	(10,426)	—	—		
Income taxes payable	5,383	(902)	37	4,518		Income taxes payable
Accounts payable—other	78,165	(78,165)	—	—		
	—	82,550	7,457	90,007	4, 7	Other financial liabilities
Provisions	10,907	1,680	(10,759)	1,828	3	Provisions
Others	36,933	(8,254)	6,838	35,517	8	Other current liabilities
Total current liabilities	478,498	—	7,176	485,674		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	76,012	233,775	3,450	313,237		Bonds and borrowings
Long-term loans payable	233,775	(233,775)	—	—		
	—	32,618	36,385	69,003	4, 7	Other financial liabilities
Net defined benefit liability	26,350	—	(1,204)	25,146		Retirement benefit liability
Provisions	9,463	340	(5,509)	4,294	3	Provisions
Deferred tax liabilities	14,553	—	8,464	23,017		Deferred tax liabilities
Others	33,395	(32,958)	—	437		Other non-current liabilities
Total non-current liabilities	393,548	—	41,586	435,134		Total non-current liabilities
Total liabilities	872,046	—	48,762	920,808		Total liabilities
Net assets						Equity
Shareholders' equity						
Capital stock	125,298	—	—	125,298		Share capital
Capital surplus	89,514	—	(10,194)	79,320	7	Capital surplus
Treasury stock	(39,254)	—	—	(39,254)		Treasury stock
Retained earnings	366,330	—	(6,536)	359,794	9	Retained earnings
Total accumulated other comprehensive income	(14,299)	—	18,361	4,062	6, 10	Other components of equity
	—	—	—	529,220		Total equity attributable to owners of the parent
Non-controlling interests	80,432	—	55	80,487	7	Non-controlling interests
Total net assets	608,021	—	1,686	609,707		Total equity
Total liabilities and net assets	¥1,480,067	¥ —	¥ 50,448	¥1,530,515		Total liabilities and equity

Notes on reconciliation of equity

Major items of reconciliation of equity between Japanese GAAP and IFRS are as follows.

1) Changes in scope of consolidation

The scope of application of the equity method was changed upon the adoption of IFRS. Specifically, companies that were accounted for using the equity method under Japanese GAAP are recognized as either joint operations or consolidated subsidiaries under IFRS. Those recognized as joint operations are CHIBA CHEMICALS MANUFACTURING LLP, TOKUYAMA POLYPROPYLENE CO., LTD., LOTTE MITSUI CHEMICALS, INC. and NIPPON EPOXY RESIN MANUFACTURING CO., LTD.; whereas those recognized as consolidated subsidiaries are KYOWA INDUSTRIAL CO., LTD., U.S.A., KOC (DANYANG) OPTICAL TRADING Co., Ltd., TOYO KOSAN Co., Ltd. and five other companies. As a result, the balance of "Other financial assets" (current) decreased by ¥17,068 million at the Transition Date.

2) Cash and cash equivalents, bonds and borrowings (current liabilities)

Relating to fund management of the Group, both figures are presented for financial assets and financial liabilities which do not meet the offsetting criteria under IFRS. As a result, the balances of "Cash and cash equivalents" and "Bonds and borrowings" (current) both increased by ¥26,020 million at the Transition Date and ¥13,252 million as of the end of the previous reporting period.

3) Property, plant and equipment, investment property, provisions (current and non-current liabilities)
A provision for large-scale scheduled repairs under Japanese GAAP is reversed since it does not meet the recognition criteria for provisions under IFRS. Expenses incurred under and subject to continued operation are recognized as part of the carrying amount of property, plant and equipment and deemed depreciable under IFRS. As a result, the balance of "Property, plant and equipment" increased and at the same time the balance of "Provisions" (current and non-current liabilities) decreased accordingly.

The Group elected to recognize certain land as investment property upon the adoption of IFRS and now presents the land as "Investment property."

Note that the balance of "Property, plant and equipment" decreased as a result of reviewing the residual value of certain items of property, plant and equipment.

4) Right-of-use assets, other financial assets (current and non-current assets), other current assets, other non-current assets, other financial liabilities (current and non-current liabilities)
For lease contracts recognized as operating leases under Japanese GAAP, the leased assets are now recognized as right-of-use assets under IFRS. As a result, the balance of the following items increased respectively at the Transition Date: "Right-of-use assets" by ¥53,670 million, "Other financial liabilities" (current liabilities) by ¥7,558 million, and "Other financial liabilities" (non-current liabilities) by ¥46,112 million.

Right-of-use assets relating to subleasing arrangements are derecognized and transferred to "Other financial assets" (current and non-current assets), "Other current assets" and "Other non-current assets."

5) Goodwill
Impairment of goodwill measured in two steps under Japanese GAAP, i.e., the recognition using undiscounted future cash flows and then the measurement using the recoverable amount, is now judged by comparing the amount impaired with the recoverable amount under IFRS. Note that the Mobility segment recognized impairment loss of ¥3,580 million at the Transition Date.

6) Other financial assets (non-current assets), other components of equity
Under Japanese GAAP, unlisted securities were stated at cost determined primarily by the moving-average method. Under IFRS, these are measured at fair value with any differences being recognized as "Other financial assets" (non-current assets) and "Other components of equity."

7) Other financial liabilities (current and non-current liabilities), capital surplus, non-controlling interests
Financial contracts with non-controlling shareholders are recognized upon the adoption of IFRS. As a result, "Other financial liabilities" (current and non-current liabilities) increased, and "Capital surplus" and "Non-controlling interests" decreased respectively, depending on the remaining period of the contracts.

"Other financial liabilities" (current liabilities) increased since IFRS requires an entity to recognize levies as liabilities while Japanese GAAP does not.

8) Other current liabilities
"Other current liabilities" increased since IFRS requires an entity to recognize unused paid leaves of employees as liabilities, while Japanese GAAP does not.

9) Retained earnings
The impacts of reconciliations upon the adoption of IFRS on retained earnings are as follows. The amounts in the list are after adjustment of related non-controlling interests.

	Millions of yen	
Item	Transition Date (April 1, 2019)	FY2019 (March 31, 2020)
i) Adjustments related to property, plant and equipment	¥23,834	¥20,771
ii) Adjustments related to employee benefits	(13,927)	(20,600)
iii) Adjustments related to goodwill	(3,580)	(1,485)
iv) Recognition of levies	(3,571)	(3,564)
v) Adjustments related to exchange differences on translation of foreign operations	1,817	1,817
vi) Adjustments related to tax expenses	(2,407)	(3,979)
vii) Adjustments related to equity transactions	606	606
viii) Other	(279)	(102)
Total adjustments to retained earnings	¥2,493	¥(6,536)

10) Other components of equity

The Group elected to use the exemptions set forth in IFRS 1 and transferred the total amount of cumulative exchange differences on translation of foreign operations to retained earnings at the Transition Date.

Based on IAS 19 Employee Benefits, the Group also recognized the effect of remeasurements of defined benefit plans in other components of equity and transferred the total amount to retained earnings.

11) Reclassification

In addition to the above, the Group conducted item reclassification to conform with the requirements under IFRS and the major reclassified items are as follows.

- Time deposits with maturities exceeding three months included in "Cash and deposits" under Japanese GAAP are reclassified and presented as "Other financial assets" (current assets) under IFRS. "Securities," which is the line item representing short-term investments with maturities of three months or less from the acquisition date presented separately under Japanese GAAP, is reclassified and presented as "Cash and cash equivalents" under IFRS.
- The line item presented as "Accounts receivable—other" under Japanese GAAP is reclassified and presented as "Other financial assets" (current) under IFRS.
- Some contributions included in "Other" in investments and other assets under Japanese GAAP are reclassified and presented as "Investment accounted for using equity method" under IFRS.
- The line item presented as "Accounts payable—other" under Japanese GAAP is reclassified and presented as "Other financial liabilities" (current) under IFRS.
- The line items "Other financial assets" and "Other financial liabilities" are presented separately based on the presentation requirements of IFRS.

(iii) Reconciliation of profit or loss and comprehensive income for previous reporting period (April 1, 2019 to March 31, 2020)

Consolidated statements of profit or loss

	Millions of yen					
Line item under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Line item under IFRS
Net sales	¥ 1,338,987	¥ —	¥ 10,535	¥ 1,349,522		Sales revenue
Cost of sales	(1,041,840)	(2,820)	(6,479)	(1,051,139)		Cost of sales
Gross profit	297,147	(2,820)	4,056	298,383		Gross profit
Selling, general and a dministrative expenses	(225,511)	(231)	(850)	(226,592)	2	Selling, general and administrative expenses
	—	9,953	(1,130)	8,823		Other operating income
	—	(16,862)	(3,695)	(20,557)		Other operating expenses
	—	3,165	1,347	4,512	2	Share of profit of investments accounted for using equity method
Operating income	71,636	(6,795)	(272)	64,569		Operating income
Non-operating income	12,274	(12,274)	—	—		
Non-operating expenses	(18,393)	18,393	—	—		
Extraordinary income	24,804	(24,804)	—	—		
Extraordinary losses	(21,861)	21,861	—	—		
	—	24,325	(18,919)	5,406	3	Financial income
	—	(20,706)	11,555	(9,151)	3	Financial expenses
Profit before income taxes	68,460	—	(7,636)	60,824		Income before income taxes
Total income taxes	(22,171)	—	3,966	(18,205)	3	Income tax expense
Profit	¥ 46,289	¥ —	¥ (3,670)	¥ 42,619		Net income

Consolidated statements of comprehensive income

Line item under Japanese GAAP	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Difference in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Note	Line item under IFRS
Profit	¥ 46,289	¥—	¥ (3,670)	¥ 42,619		Net income
Other comprehensive income					4	Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(19,991)	—	4,829	(15,162)		Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans	(7,034)	—	200	(6,834)		Remeasurements of defined benefit plans
Share of other comprehensive income of entities accounted for using equity method	(1,707)	—	1,743	36		Share of other comprehensive income of investments accounted for using equity method
				(21,960)		Total of items that will not be reclassified to profit or loss
						Total of items that may be reclassified to profit or loss
Foreign currency translation adjustment	(5,622)	—	40	(5,582)		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	11	—	777	788		Effective portion of net change in fair value of cash flow hedges
	—	—	(1,834)	(1,834)		Share of other comprehensive income of investments accounted for using equity method
				(6,628)		Total of items that may be reclassified to profit or loss
Total other comprehensive income	(34,343)	—	5,755	(28,588)		Other comprehensive income (after tax effect adjustments)
Comprehensive income	¥ 11,946	¥—	¥ 2,085	¥ 14,031		Comprehensive income

Notes on reconciliation of profit or loss and comprehensive income

1) Changes in scope of consolidation

Certain subsidiaries accounted for using the equity method because they are deemed immaterial under Japanese GAAP are now included in the scope of consolidation under IFRS. Four companies including CHIBA CHEMICALS MANUFACTURING LLP treated applied the equity method under Japanese GAAP are now recognized as joint operations under IFRS.

2) Selling, general and administrative expenses, and share of profit of investments accounted for using equity method

Goodwill was amortized over certain periods under Japanese GAAP, however, it is not subject to amortization under IFRS. As a result, "Selling, general and administrative expenses" decreased and "Share of profit of investments accounted for using equity method" increased accordingly.

3) Financial income, financial expenses and income tax expense

Under Japanese GAAP, gain or loss on sale and impairment loss of equity instruments were recognized in profit or loss. Under IFRS, for equity instruments designated as financial assets measured at fair value through other comprehensive income, the change in fair value is recognized in other comprehensive income and directly transferred to retained earnings upon sale.

4) Other comprehensive income

Under Japanese GAAP, gain or loss on sale and impairment loss of certain equity instruments as well as income taxes associated with such gain or loss were recognized in profit or loss. Under IFRS, certain equity instruments are designated as financial assets measured at fair value through other comprehensive income and the change in fair value is recognized in other comprehensive income instead of profit or loss.

Under Japanese GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred and recognized in profit or loss through amortization by the straight-line method over a period within the average remaining service years of employees. Under IFRS, these are recognized in other comprehensive income as incurred instead of being recognized in profit or loss through amortization.

5) Reclassification

For line items presented in "Non-operating income," "Non-operating expenses," "Extraordinary income" and "Extraordinary losses" under Japanese GAAP, items related to financial transactions are presented as "Financial income" and "Financial expenses" under IFRS. Items other than the above are classified based on functionality and presented in "Other operating income," "Other operating expenses" or "Share of profit of investments accounted for using equity method" under IFRS.

(iv) Reconciliation of cash flows for the first quarter of previous reporting period (April 1, 2019 to June 30, 2019) and previous reporting period (April 1, 2019 to March 31, 2020)

Major differences between the consolidated statements of cash flows under Japanese GAAP and those under IFRS arise from the following reasons: Expenses for large-scale scheduled repairs included in cash flows from operating activities under Japanese GAAP are included in cash flows from investing activities under IFRS. Lease payments for operating leases included in cash flows from operating activities under Japanese GAAP are included in cash flows from financing activities under IFRS.

(2) Others

Quarterly information for the fiscal year ended March 31, 2021

	Millions of yen			
(Cumulative period)	First three months	First six months	First nine months	FY2020
Sales revenue	¥254,484	¥536,979	¥857,428	¥1,211,725
Income (loss) before income taxes	(546)	15,746	46,685	74,243
Net income (loss) attributable to owners of the parent	(2,318)	9,602	33,001	57,873
Basic earnings (loss) per share	(12.16)	49.89	170.44	298.00

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	¥(12.16)	¥61.38	¥119.41	¥126.93

	Thousands of U.S. dollars			
(Cumulative period)	First three months	First six months	First nine months	FY2020
Sales revenue	$2,298,654	$4,850,321	$7,744,811	$10,945,037
Income (loss) before income taxes	(4,932)	142,227	421,687	670,608
Net income (loss) attributable to owners of the parent	(20,938)	86,731	298,085	522,744
Basic earnings (loss) per share	(0.110)	0.451	1.540	2.692

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Dollar)	$(0.110)	$0.554	$1.079	$1.147

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1036
Fax:+81 3 3503 1506
ey.com

Independent Auditor's Report

The Board of Directors
Mitsui Chemicals, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Mitsui Chemicals, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 (IFRSs).

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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of goodwill and intangible assets related to ARRK CORPORATION group	
Description of Key Audit Matter	Auditor's Response
As described in Note 17, "Impairment of Non-Financial Assets" in the Notes to Consolidated Financial Statements, Mitsui Chemicals, Inc. (the "Company") recorded impairment loss of ¥4,868 million on goodwill and intangible assets related to ARRK CORPORATION ("ARRK") group in the Mobility Segment during the fiscal year ended March 31, 2021. The Company performs an impairment test for intangible assets with finite useful lives when an indication of impairment is identified, and, furthermore, the Company performs an impairment test of goodwill and intangible assets with indefinite useful lives annually and any time there is an indication of impairment. In the impairment test of intangible assets and goodwill allocated to the cash-generating unit ("CGU") to which ARRK group belongs, the present value of future cash flows expected to be generated by the CGU is calculated to determine whether the recoverable amount is less than the carrying amount of the CGU, including goodwill. Accordingly, the Company then recorded the amount of the difference in the above as impairment loss. The present value of future cash flows arising from the continued use of the CGU to which ARRK group belongs is measured at value in use discounted using the weighted average cost of capital before tax based on a five-year business plan up to the fiscal year ending March 31, 2026 and terminal value from the fiscal year ending March 31, 2027 and thereafter. The business plan, which is the basis for determining estimated future cash flows, includes key assumptions as determined by management such as recovery outlook in the existing business and the expected acquisition of new development projects based	In considering the Company's valuation of goodwill and intangible assets related to ARRK CORPORATION ("ARRK") group, we performed following audit procedures, among others. · We had discussions with both management of the Company and ARRK respectively regarding ARRK group's future business plan, particular areas of management focus and the business plan outlook, including the impact from the COVID-19 pandemic to assess management assumptions, by analyzing recovery outlook of existing business and expected acquisition of new development projects. · In assessing business plan estimates, we had discussions with the related department at the Company regarding the key assumptions such as recovery outlook of existing business and the expected acquisition of new development projects and evaluated the consistency with relevant data to assess the evaluation of uncertainty determined by management incorporated in the five-year business plan up to the fiscal year ending March 31, 2026 approved by management, and the terminal value from the fiscal year ending March 31, 2027 and thereafter. In addition, we also assessed the accuracy of estimates by comparing prior business plans and the actual results. · We compared five-year future cash flows for calculating value in use with the future business plans approved by management.

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Valuation of goodwill and intangible assets related to ARRK CORPORATION group	
Description of Key Audit Matter	Auditor's Response
on demand forecasts derived from the development budgets and model change cycles in the manufacturing industry, such as automobile and home appliance manufacturers. These assumptions are affected by the development budgets and model change cycles and delays in the development of new products by customers and potential suspension of business activities due to the COVID-19 pandemic and therefore involve uncertainty, thus management's judgment will have a significant impact on the corresponding estimated future cash flows. Further, the weighted average cost of capital before tax is applied in determining the discount rate used in calculating the present value of future cash flows, and the determination of input data involves management's judgment, and thus there may be a significant impact on the estimated present value of future cash flows. The estimates of the present value of future cash flows derived from the continued use of the CGU to which ARRK group belongs involve uncertainty and management's judgment. Therefore, we determined it to be a key audit matter.	· In assessing the calculation model of ARRK group's future cash flows based on the five-year business plan up to the fiscal year ending March 31, 2026, terminal value from the fiscal year ending March 31, 2027 and thereafter and input data used in calculating the weighted average cost of capital before tax, we involved valuation specialists from our network firm and assessed by comparing with publicly available data.

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Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
Deferred tax assets of ¥9,333 million were recorded in the Company's consolidated statement of financial position as of March 31, 2021. As described in Note 34, "Income Taxes" in the Notes to Consolidated Financial Statements, the amount of deferred tax assets before offsetting deferred tax liabilities was ¥38,844 million, and, of this amount, deferred tax assets of ¥1,449 million related to unused tax loss carryforwards were included. Deferred tax assets on the Company's consolidated statement of financial position primarily represent those of the consolidated tax filing group with the Company as the consolidated parent and are mostly related to the Company's own deferred tax assets related to the deductible temporary differences and unused tax loss carryforwards. A deferred tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilized, considering the sufficiency of taxable income based on profitability in the consolidated tax group with the Company as the consolidated parent, tax planning opportunities and the sufficiency of taxable temporary differences. The taxable income based on profitability is estimated based on the Group's business plan which includes growth and expansion through the investment of resources into three growth areas to strengthen the foundation of the Group global management. However, the business plan incorporates key assumptions such as forecasts of sales revenue, raw material and fuel price trends, and foreign exchange market trends. The assessment of recoverability of deferred tax assets is based primarily on estimates of	In considering the recoverability of deferred tax assets of the Company's consolidated tax filing group, we performed the following audit procedures, among others. · We assessed the Company's estimate of future taxable income by evaluating the consistency with the business plan approved by management, as the deferred tax assets of the Company's consolidated tax filing group primarily represent the Company's deferred tax assets related to the deductible temporary differences and unused tax loss carryforwards. · We assessed the accuracy of the estimation process of taxable income by analyzing business plans used for estimated taxable income in prior years and actual results. · We had discussions with management regarding key assumptions such as sales revenue growth prospects, raw material market price trend prospects, and foreign exchange market trend prospects, taking into account anticipated future economic conditions, crude oil price trends, potential decreases in sales demand due to spread of the COVID-19 pandemic and production suspensions. In addition, we evaluated the key assumptions used in the business plan by analyzing industry trends and publicly available data. · In assessing the balance of temporary differences and unused tax loss carryforwards based on the consolidated tax filing, we involved tax specialists from our network firm and assessed the schedule for the temporary differences expected to be reversed.

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Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
future taxable income. The future business plans on which the valuation is based are subject to uncertainty and affected by future economic conditions, crude oil price trends, potential decreases in sales demand and production suspension due to the spread of the COVID-19 pandemic. Management's judgment is required with respect to these assumptions that are subject to uncertainty and may affect the amount of deferred tax assets recognized. Therefore, we determined it to be a key audit matter.	

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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 and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing 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 judgment 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with IFRSs.
- 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 the Corporate Auditor and the Board of Corporate Auditors 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 the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to 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 the Corporate Auditor and the Board of Corporate Auditors, 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.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 25, 2021

由良 知久

Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

狩野 茂行

Shigeyuki Kano
Designated Engagement Partner
Certified Public Accountant

金澤 聡

Satoshi Kanazawa
Designated Engagement Partner
Certified Public Accountant