Consolidated Financial Results for the Year Ended March 31, 2024 [IFRS]

Tokyo, May 1, 2024 - Mitsui & Co., Ltd. announced its consolidated financial results for the year ended March 31, 2024, based on International Financial Reporting Standards ("IFRS").

Mitsui & Co., Ltd. and subsidiaries
(Website : https://www.mitsui.com/jp/en/)

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1. Consolidated Financial Results
(1) Consolidated Operating Results Information for the Year Ended March 31, 2024
(from April 1, 2023 to March 31, 2024)

		Years ended March 31,			
		2024	%	2023	%
Revenue	Millions of yen	13,324,942	(6.9)	14,306,402	21.7
Profit before income taxes	Millions of yen	1,302,393	(6.7)	1,395,295	19.8
Profit for the year	Millions of yen	1,080,479	(6.4)	1,154,627	23.1
Profit for the year attributable to owners of the parent	Millions of yen	1,063,684	(5.9)	1,130,630	23.6
Comprehensive income for the year	Millions of yen	1,579,395	26.3	1,250,890	(11.3)
Earnings per share attributable to owners of the parent, basic	Yen	705.60		721.82	
Earnings per share attributable to owners of the parent, diluted	Yen	705.14		721.41	
Profit ratio to equity attributable to owners of the parent	%	15.3		18.9	
Profit before income taxes to total assets	%	8.1		9.2	

Note:
1. Percentage figures for revenue, profit before income taxes, profit for the year, profit for the year attributable to owners of the parent, and comprehensive income for the year represent changes from the previous year.
2. Share of profit (loss) of investments accounted for using the equity method for the years ended March 31, 2024 and 2023 were ¥491,564 million and ¥555,526 million, respectively.
3. On May 1, 2024, the Board of Directors resolved to conduct a share split which is scheduled to take effect on July 1, 2024. Each share of common stock will be split into two shares. "Earnings per share attributable to owners of the parent, basic" and "Earnings per share attributable to owners of the parent, diluted" are calculated based on the number of shares before the share split.

(2) Consolidated Financial Position Information

		March 31, 2024	March 31, 2023
Total assets	Millions of yen	16,899,502	15,380,916
Total equity	Millions of yen	7,769,943	6,565,148
Total equity attributable to owners of the parent	Millions of yen	7,541,848	6,367,750
Equity attributable to owners of the parent ratio	%	44.6	41.4
Equity per share attributable to owners of the parent	Yen	5,036.80	4,177.49

(3) Consolidated Cash Flow Information

		Years ended March 31,	
		2024	2023
Operating activities	Millions of yen	864,419	1,047,537
Investing activities	Millions of yen	(427,547)	(178,341)
Financing activities	Millions of yen	(1,013,078)	(634,685)
Cash and cash equivalents at the end of year	Millions of yen	898,204	1,390,130

2. Dividend Information

		Years ended March 31,		Year ending March 31, 2025 (forecast)
		2024	2023	
Interim dividend per share	Yen	85	65	50
Year-end dividend per share	Yen	85	75	50
Annual dividend per share	Yen	170	140	100
Annual dividend (total)	Millions of yen	256,559	216,879	
Consolidated dividend payout ratio	%	24.1	19.4	33.3
Consolidated dividend on equity attributable to owners of the parent	%	3.7	3.6	

Note:

1. For the dividend policy, please refer to p.24 “(3) Profit Distribution Policy.”

The amount of dividend for the shares related to the share-based compensation plan for employees included in the annual dividend for the years ended March 31, 2024 and 2023 were ¥1,238 million and ¥529 million, respectively.

2. As the share split is scheduled to take effect on July 1, 2024, the year-end dividend per share for the fiscal year ended March 31, 2024 (85 yen) is based on the number of shares before the share split. Interim dividend per share for the fiscal year ending March 31, 2025 (forecast) (50 yen) and year-end dividend per share for the fiscal year ending March 31, 2025 (forecast) (50 yen) are based on the number of shares after the share split. If the share split is not considered, annual dividend for the fiscal year ending March 31, 2025 (forecast) would be 200 yen.

3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

		Year ending March 31, 2025
Profit attributable to owners of the parent	Millions of yen	900,000
Earnings per share attributable to owners of the parent, basic	Yen	300.51

Note:

1. Earnings per share attributable to owners of the parent, basic is calculated based on the number of shares after the share split. If the share split is not considered, earnings per share attributable to owners of the parent, basic would be 601.02 yen.

4. Others

(1) Increase/Decrease of Important Subsidiaries During the Year : Yes

Excluded: 1 company (MOEX North America)

(2) Changes in Accounting Policies and Accounting Estimates:

(i) Changes in accounting policies required by IFRS	Yes
(ii) Other changes	None
(iii) Changes in accounting estimates	Yes

Note :

For further details, please refer to p.32 "5. Consolidated Financial Statements (7) Changes in Accounting Policies and Changes in Accounting Estimates."

(3) Number of Shares Outstanding (Common Stock):

	March 31, 2024	March 31, 2023
Number of shares (including treasury stock)	1,513,589,168	1,544,660,544
Number of treasury stock	16,239,125	20,361,049

	Year ended March 31, 2024	Year ended March 31, 2023
Average number of shares	1,507,480,485	1,566,366,553

This earnings report is not subject to audit.

A cautionary note on forward-looking statements:

This report contains forward-looking statements including those concerning future performance of Mitsui & Co., Ltd. ("Mitsui"), and those statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it. Various factors may cause Mitsui's actual results to be materially different from any future performance expressed or implied by these forward-looking statements.

Therefore, these statements do not constitute a guarantee by Mitsui that such future performance will be realized.

For key assumptions on which the statements concerning future performance are based, please refer to "(2) Forecast for the Year Ending March 31, 2025" on p.21. For cautionary notes with respect to forward-looking statements, please refer to the "Notice" section on p.25.

Supplementary materials and IR meetings on financial results:

Supplementary materials on financial results can be found on our website. We will hold an IR meeting on financial results for analysts and institutional investors on May 7, 2024.

Contents of the meeting (English and Japanese) will be posted on our website immediately after the meeting.

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1. Qualitative Information

As of the date of disclosure of this earnings report, the audit procedures for consolidated financial statements have not been completed.

As used in this report, “Mitsui” and the “Company” refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), and “we,” “us,” “our,” “Mitsui & Co. group” and the “companies” are used to indicate Mitsui & Co., Ltd. and its subsidiaries, unless otherwise indicated.

(1) Operating Environment

In the year ended March 31, 2024, the US economy was solid while growth in Europe continued to stall and China’s recovery was weak. As a result, the overall global economy continued to slow.

In the US, the economy showed continued strength, supported by solid consumer spending against a backdrop of stable employment. Looking ahead, as inflation further settles down, the Federal Reserve is expected to lower interest rates that should lead to continued economic expansion. In Europe, the economy continued to stall due to the impact of monetary tightening, a slump in exports, and other factors. Looking ahead, there are hopes of a recovery in consumer spending as inflation settles down, and expectations that the European Central Bank will lower interest rates, leading to a moderate recovery. In Japan, in addition to good performance in corporate earnings, inbound demand also recovered. However, the impact of higher prices, among other factors, led to weak consumer spending, and some automotive manufactures suspended shipments in the beginning of the year, leading to weakened momentum in the economic recovery. Looking ahead, there are expectations that the economic recovery will resume due to wage increases exceeding those made in the previous year, and a reduction in income taxes. In China, while there are signs that exports are recovering after the slump last year, economic growth slowed as the decline in the real estate market was prolonged and consumption did not grow. Looking ahead, there are expectations that measures taken by the government will lead to a recovery. In Brazil, while there was growth in exports of agricultural products and consumption was solid last year, there are expectations that the lowering of interest rates that began last summer will support the economy going forward. In Russia, downward pressure on economic activity remained due to economic sanctions imposed by the international community, but the production of military munitions has been growing which is expected to maintain economic growth.

The global economy is expected to breakout from a period of deceleration in the second half of 2024 onwards, as inflation in the US, Europe, and other developed countries is expected to settle down, and as the US and Europe are expected to shift away from their tight monetary policy through lower interest rates and other means. However, geopolitical risks such as increased instability in the Middle East remain a concern.

(2) Results of Operations

1) Analysis of Consolidated Income Statements

(Billions of yen)		Current year	Previous year	Change
Revenue		13,324.9	14,306.4	(981.5)
Gross profit		1,319.7	1,396.2	(76.5)
Selling, general and administrative expenses		(794.3)	(702.8)	(91.5)
Other income (expenses)	Gain (loss) on securities and other investments—net	198.1	59.5	+138.6
	Impairment reversal (loss) of fixed assets—net	(67.0)	(30.0)	(37.0)
	Gain (loss) on disposal or sales of fixed assets—net	16.2	19.4	(3.2)
	Other income (expense)—net	31.3	9.2	+22.1
Finance income (costs)	Interest income	64.3	47.8	+16.5
	Dividend income	210.7	154.9	+55.8
	Interest expense	(168.1)	(114.6)	(53.5)
Share of profit (loss) of investments accounted for using the equity method		491.6	555.5	(63.9)
Income taxes		(221.9)	(240.7)	+18.8
Profit for the year		1,080.5	1,154.6	(74.1)
Profit for the year attributable to owners of the parent		1,063.7	1,130.6	(66.9)

* May not match with the total of items due to rounding off. The same shall apply hereafter.

Revenue

Revenue for the year ended March 31, 2024 (“current year”) was ¥13,324.9 billion, a decrease of ¥981.5 billion from ¥14,306.4 billion for the year ended March 31, 2023 (“previous year”).

Gross Profit

Mainly the Energy segment recorded a decrease, while the Lifestyle segment recorded an increase.

Selling, General and Administrative Expenses

Mainly the Lifestyle and Machinery & Infrastructure segments recorded an increase in expenses. The table provides a breakdown of selling, general and administrative expenses.

	Billions of yen		
	Current year	**Previous year**	**Change***
Personnel	¥ (437.1)	¥ (384.0)	¥ (53.1)
Welfare	(15.9)	(13.4)	(2.5)
Travel	(32.0)	(25.2)	(6.8)
Entertainment	(7.5)	(6.4)	(1.1)
Communication	(62.0)	(55.3)	(6.7)
Rent	(13.9)	(11.7)	(2.2)
Depreciation	(50.5)	(41.2)	(9.3)
Fees and taxes	(15.9)	(17.3)	+1.4
Loss allowance	(9.0)	(18.9)	+9.9
Others	(150.5)	(129.4)	(21.1)
Total	¥ (794.3)	¥ (702.8)	¥ (91.5)

*Negative amounts in the change column displayed in parentheses represent an increase in expenses.

Other Income (Expenses)

Gain (Loss) on Securities and Other Investments—Net

For the current year, mainly the Machinery & Infrastructure, Lifestyle, Energy, and Innovation & Corporate Development segments recorded profit and loss related to securities.

For the previous year, mainly the Mineral & Metal Resources and Innovation & Corporate Development segments recorded a gain on sale of securities, while the Machinery & Infrastructure segment recorded impairment losses.

Impairment Reversal (Loss) of Fixed Assets—Net

For the current and previous years, mainly the Energy and Machinery & Infrastructure segments recorded impairment losses of fixed assets.

Gain (Loss) on Disposal or Sales of Fixed Assets—Net

For the current and previous years, mainly the Innovation & Corporate Development segment recorded a gain on sales of fixed assets.

Other Income (Expense)—Net

For the current year, mainly the Energy segment recorded profit from the reversal of a provision and a gain on sales of businesses, and the Lifestyle segment recorded valuation losses on options.

For the previous year, mainly the Energy segment recorded losses due to recording provisions.

Finance Income (Costs)

Dividend Income

Mainly the Energy and Mineral & Metal Resources segments recorded an increase.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method
Mainly the Mineral & Metal Resources and Energy segments recorded a decrease, while the Machinery & Infrastructure segment recorded an increase.

Income Taxes
Income taxes were ¥221.9 billion, a decrease of ¥18.8 billion from ¥240.7 billion for the previous year.
The effective tax rate for the current year was 17.0%, a decrease of 0.2 percentage points from 17.2% for the previous year.

Profit for the Year Attributable to Owners of the Parent
As a result, profit for the year attributable to owners of the parent was ¥1,063.7 billion, a decrease of ¥66.9 billion from the previous year.

2) Operating Results by Operating Segment

The fluctuation analysis for the results by operating segment is as follows.

Note, others includes income taxes, but generally, the impact of income taxes are not included in the explanations in the description column relating to each account title.

Mineral & Metal Resources

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	335.1	438.8	(103.7)	
Gross profit	342.1	355.8	(13.7)	• Mitsui Resources -43.7 (lower metallurgical coal prices) • Iron ore mining operations in Australia +33.3 (higher iron ore prices)
Profit (loss) of equity method investments	75.0	127.6	(52.6)	• Lower profit due to sale of Stanmore SMC • Oriente Copper Netherlands*1 -24.1 (impairment loss*2 -12.2, new mining royalty in Chile -6.3, other factors) • INNER MONGOLIA ERDOS ELECTRIC POWER AND METALLURGY GROUP -9.5 (lower ferroalloy and chemical prices) • Iron ore mining operations in Australia +7.0
Dividend income	91.2	74.3	+16.9	• Higher dividends from Vale +17.4 (current year 59.6, previous year 42.2)
Selling, general and administrative expenses	(35.9)	(33.4)	(2.5)	
Others	(137.3)	(85.5)	(51.8)	• Absence of gain on sale of Stanmore SMC recorded in the previous year -36.7 • Increase in interest expense at Oriente Copper Netherlands*1 -5.8 • Higher profit from net interest income at iron ore mining operations in Australia +8.6

*1 An investor in Inversiones Mineras Becrux, which invests in Anglo American Sur, a copper mining company in Chile.

*2 Recorded an equity method loss of ¥12.2 billion due to a change in the properties of the ore and a revision in the production plan regarding Anglo American Sur.

Energy

(Billions of yen)		Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent		281.7	309.4	(27.7)	
	Gross profit	195.8	316.4	(120.6)	• Mitsui E&P USA -47.7 (lower gas prices) • Mitsui E&P Australia -40.5 (increase in costs, volume decrease) • Lower profit in LNG trading • MEP Texas Holdings -7.8 (lower crude oil and gas prices) • MOEX North America -7.6 (lower profit due to sale of interest recorded in the current year, lower crude oil prices) • Mitsui E&P Italia B*1 -6.1 (increase in costs, lower crude oil prices) • Mitsui E&P Middle East -3.4 (lower crude oil prices) • Fuel supply trading +7.6 (absence of loss recorded in the previous year)
	Profit (loss) of equity method investments	68.1	108.5	(40.4)	• Lower profit in Japan Australia LNG (MIMI) (lower crude oil and gas prices, volume decrease) • Mitsui Oil Exploration -3.4 (absence of profit due to changes to lease accounting in the previous year, other factors) • Absence of provision recorded in the previous year for Mitsui E&P Mozambique Area 1 +3.5
	Dividend income	92.7	58.7	+34.0	• 4 LNG projects*2 +35.3 (current year 92.0, previous year 56.7)
	Selling, general and administrative expenses	(58.6)	(57.9)	(0.7)	
	Others	(16.3)	(116.3)	+100.0	• Reversal of asset retirement obligations in several consolidated subsidiaries +45.6 • Mitsui LNG Nederland*3 +37.3 (realization of foreign exchange translation adjustments) • Gain on sale of Kaikias field +11.8 • Arctic LNG 2 project related • MOEX North America +4.3 (derivative related profit and loss) • Absence of impairment loss in biomass power generation recorded in the previous year +3.3 • Impairment loss in Mitsui E&P Italia B*4 -23.6 • Increase in interest expenses at several business divisions within Mitsui & Co. HQ -21.0 • Impairment loss in Mitsui E&P South Texas*5 -12.3 • Foreign exchange hedging loss related to fuel supply trading and other factors -3.2

*1 This total includes financial results for Mitsui E&P Italia A which was merged into Mitsui E&P Italia B in the third quarter of the previous year.

*2 Sakhalin II, Abu Dhabi, Oman, and Qatar.

*3 Special purpose company for the investment in the Qatargas 1 LNG project that ended in the year ended March 31, 2022.

*4 A fixed asset valuation loss of 23.6 billion yen was recorded due to a decrease in the recoverable reserves of the

Tempa Rossa oil field project owned by Mitsui E&P Italia B.

*5 A fixed asset valuation loss of 12.3 billion yen was recorded in the South Texas Vaquero shale gas project owned by Mitsui E&P South Texas due to a fall in gas prices.

Machinery & Infrastructure

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	248.7	171.9	+76.8	
Gross profit	221.1	199.9	+21.2	● An industrial and construction machinery company in Latin America +11.8 (change of earnings contribution period*1, good sales performance) ● Increase in number of ships delivered ● Hino Mexico +3.3 (good sales performance) ● Aptella*2 consolidation +3.1 ● BAF*3 becoming an equity accounted investee -6.2 ● Lower profit after sale of Mitsui Rail Capital Europe -4.5 ● Absence of profit from Brazilian passenger railway recorded in the previous year
Profit (loss) of equity method investments	230.4	197.3	+33.1	● International Power (Australia) Holdings +11.0 (valuation gains relating to power derivative contracts and other factors, swing back from losses in the previous year) ● One-time valuation gain due to acquisition of shares in MPIC*4 and other factors +10.0 ● VLI +10.0 (increase due to swing back from weak performance in the previous year owing to bad weather and other factors, reduction in fixed assets impairment loss*5 +4.0) ● North America automotive company (increase in unit sales, decrease in sales promotion expenses) ● FPSO +8.1 (increase due to MV34 and other FPSOs starting operations) ● Absence of impairment loss in Hezhou project in China in the previous year +6.5*6 ● Power generation in Thailand +6.0 (becoming partially operational, other factors) ● Swing back from losses in gas-fired power generation in Ontario, Canada in the previous year +3.3 ● East Anglia*7 +3.3 (resumption of earnings contribution following book value recovery) ● Automotive related company in Asia (good sales performance) ● MBK USA Commercial Vehicles -19.2 (increase in interest expense, lower profit from sale of used cars) ● Mainstream -16.9 (fixed assets impairment loss*8 -15.1, finance restructuring related) ● Lower profit in Paiton
Dividend income	7.1	4.2	+2.9	

Selling, general and administrative expenses	(181.8)	(163.6)	(18.2)	● An industrial and construction machinery company in Latin America -3.3 (change of earnings contribution period*1)
Others	(28.1)	(65.9)	+37.8	● Gain on sale of Mitsui Rail Capital Europe +64.4 ● Absence of fixed assets impairment loss in Brazilian passenger railway recorded in the previous year*9 +15.1 ● Gain on sale of International Power (Australia) Holdings +8.7 ● Dividends from Paiton +8.4 ● Gain on sale of gas-fired power generation in Ontario, Canada +4.6 ● Aircraft leasing company +4.2 (gain on sale of aircraft, absence of valuation loss in the previous year) ● Profit related to gain on sale of BAF*3 +4.1 ● Foreign exchange translation adjustments due to deconsolidation of IPM UK +3.4 ● Absence of MT Falcon impairment loss recorded in the previous year*10 +3.1 ● Brazilian passenger railway*11 -30.5 (fixed assets impairment loss -19.5, reversal of deferred tax assets -12.6, other factors) ● Impairment loss of goodwill at Mainstream*12 -12.9 ● Absence of decrease in corporate income tax burden resulting from the sale of Lucid Group shares recorded in the previous year*13 -7.2 ● Provision for Hazelwood power generation in Australia*14 -5.7

*1 A temporary change to the earnings contribution period in order to eliminate the financial reporting time-lag (the previous period represents twelve months of earnings contribution, the current period represents fifteen months of earnings contribution)

*2 Name changed from Position Partners in January 2024.

*3 Bussan Auto Finance.

*4 Metro Pacific Investments Corporation, an integrated infrastructure company in the Philippines.

*5 VLI recorded a fixed assets impairment loss of ¥6.7 billion and reversals of deffered tax assets of ¥1.9 billion in the previous year, and a fixed asset impairment loss of ¥4.6 billion in the current year, due to the reassessment of a recoverable amount of some assets related to a Brazilian freight railway concession.

*6 An equity method loss of ¥6.5 billion was recorded in the previous year due to the reassessment of a recoverable amount of assets of the Hezhou Power Plant Project in China.

*7 A passenger rail franchise business in the UK.

*8 Recorded an equity method loss of ¥15.1 billion due to a fixed asset impairment loss related to Mainstream's projects mainly in Chile.

*9 In the previous year, a fixed assets impairment loss was recorded based on the latest estimation regarding the decrease in revenue and the increased discount rate for the passenger railway business in Brazil.

*10 In the previous year, an impairment loss of ¥3.1 billion was recorded, based on the revision of a sale and purchase agreement for the shares of MT Falcon Holdings.

*11 In the passenger railway business in Brazil, a fixed asset impairment loss of ¥19.5 billion and a reversal of ¥12.6 billion in deferred tax assets were recorded based on latest estimates.

*12 A valuation loss on securities of ¥12.9 billion was recorded due to an impairment of goodwill related to Mainstream's projects.

*13 In the previous year, corporate income taxes was lower due to tax expenses being recognized as other

comprehensive income resulting from the sale of financial assets in Lucid Group shares measured at FVTOCI.
*14 An additional provision was recorded due to a revision in expenses related to the closure of the mine.

Chemicals

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	39.2	70.9	(31.7)	
Gross profit	208.3	209.3	(1.0)	• Lower profit in Mitsui Agro Business (lower prices) • Lower profit in fertilizer related trading (lower prices, volume decrease) • Intercontinental Terminals Company +4.3 (good performance) • Fair value gain in Ceva and other securities +3.2
Profit (loss) of equity method investments	21.2	27.4	(6.2)	• Japan-Arabia Methanol -3.0 (plant maintenence, lower prices) • Hexagon Composites +4.2 (mainly a valuation gain due to one of its subsidiaries becoming an equity accounted investee)
Dividend income	4.6	3.8	+0.8	
Selling, general and administrative expenses	(154.7)	(137.4)	(17.3)	• Provision recorded in the chemicals business outside Japan -3.7
Others	(40.2)	(32.2)	(8.0)	• Gain on sale of Thorne HealthTech +11.5

Iron & Steel Products

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	11.2	22.5	(11.3)	
Gross profit	43.5	40.7	+2.8	• STATS consolidation +3.2
Profit (loss) of equity method investments	17.2	24.7	(7.5)	• Impairment loss recorded in Gestamp -4.1
Dividend income	3.6	3.0	+0.6	
Selling, general and administrative expenses	(32.1)	(27.6)	(4.5)	
Others	(21.0)	(18.3)	(2.7)	

Lifestyle

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	94.1	54.8	+39.3	
Gross profit	185.3	153.7	+31.6	● Aim Services becoming a subsidiary +20.6 ● AUSJ*1 becoming a subsidiary +8.3 ● Absence of fair value loss of drug discovery support fund recorded in the previous year +3.8 ● Domestic food and retail management +3.4 (improved profitability) ● Food import and export foreign exchange impact -6.9 ● MBK HUMAN CAPITAL -3.7 (decrease in demand and unit price) ● United Grain Corporation -3.1 (swing back from good performance in the previous year)
Profit (loss) of equity method investments	59.5	50.7	+8.8	● WILSEY FOODS +12.0 (partial sale of business and good performance at Ventura Foods, a manufacturer of processed oil food)
Dividend income	7.2	6.2	+1.0	
Selling, general and administrative expenses	(173.1)	(142.0)	(31.1)	● Aim Services becoming a subsidiary -16.4 ● AUSJ*1 becoming a subsidiary -7.2
Others	15.2	(13.8)	+29.0	● Aim Services fair value gain*2 +43.4 ● Gain on sale of RGF Staffing Delaware +11.3 ● Foreign exchange hedging profit in coffee trading +7.6 ● Foreign exchange profit in food import and export +6.5 ● Put option related to R-Pharm*3 -19.4 (current year -12.9, previous year 6.5) ● Absence of decrease in corporate income tax burden resulting from the sale of financial assets measured at FVTOCI recorded in the previous year*4 -12.2 ●Absence of Multigrain related tax refund recorded in the previous year -5.0

*1 Aramark Uniform Services Japan.

*2 Revaluation gain on previously held equity interest due to Aim Services being reclassified from an equity accounted investee to a consolidated subsidiary.

*3 A fair value revaluation profit/loss for a put option in relation to R-Pharm.

*4 Corporate income taxes were lower due to tax expenses being recognized as other comprehensive income resulting from the sale of financial assets measured at FVTOCI in the previous year.

Innovation & Corporate Development

(Billions of yen)	Current year	Previous year	Change	Description
Profit for the year attributable to owners of the parent	53.8	66.7	(12.9)	
Gross profit	118.4	112.6	+5.8	• Mitsui & Co. Real Estate +3.4 (gain on sale of logistics facilities) • Lower profit in trading at a business division within Mitsui & Co. HQ (commodity price factors) • Mitsui Bussan Commodities -4.1 (lower volatility)
Profit (loss) of equity method investments	19.7	18.9	+0.8	• JA Mitsui Leasing +3.2 (increase of owned assets)
Dividend income	3.2	3.8	(0.6)	
Selling, general and administrative expenses	(89.0)	(82.7)	(6.3)	
Others	1.5	14.1	(12.6)	• Absence of gain on sale of real estate in Singapore recorded in the previous year*1 • Gain on sale of real estate in the US -5.3 (current year 6.3, previous year 11.6) • Absence of gain on sale of investment securities recorded in the previous year -4.0 • Gain on partial sale of Hibiya Fort Tower -0.2 (current year 5.7, previous year 5.9) • Fair value gain related to Altius Link in the current year*2 +8.9 • Higher profit from trading at a business division within Mitsui & Co. HQ (foreign exchange factors)

*1 A gain on sale of Southernwood Property, an investment vehicle that owns an office building in Singapore.

*2 A valuation gain relating to Mitsui & Co.'s equity in Relia which occurred due to the business integration between KDDI Evolva and Relia.

(3) **Financial Condition and Cash Flows**

1) Financial Condition

(Billions of yen)	March 31, 2024	March 31, 2023	Change
Total assets	16,899.5	15,380.9	+1,518.6
Current assets	5,768.1	5,674.8	+93.3
Non-current assets	11,131.4	9,706.1	+1,425.3
Current liabilities	3,891.5	3,766.6	+124.9
Non-current liabilities	5,238.0	5,049.1	+188.9
Net interest-bearing debt	*3,398.1*	*3,212.7*	*+185.4*
Total equity attributable to owners of the parent	7,541.8	6,367.8	+1,174.0
Net debt-to-equity ratio (times)	0.45	0.50	(0.05)

Assets

Current Assets:

(Billions of yen)	March 31, 2024	March 31, 2023	Change	Description
Current assets	5,768.1	5,674.8	+93.3	
Cash and cash equivalents	898.2	1,390.1	(491.9)	
Trade and other receivables	2,216.7	2,191.2	+25.5	• Trade receivables +57.0 (EN, CH, LI)*1 Increase in trading volume • Loan receivables -34.7, of which BAF*2 -70.0
Other financial assets	1,140.1	773.0	+367.1	• (EN, CH)*1 Increase in accounts receivable • (MI, EN, IC)*1 Increase in derivative assets • (Corporate, EN)*1 Increase in margin deposits
Inventories	965.7	940.5	+25.2	• (LI, MI, EN)*1 Increase in inventories • Komatsu Mining Corp. Perú becoming a subsidiary +14.3
Advance payments to suppliers	368.1	226.7	+141.4	• (MI)*1 Increase in trading volume
Income tax receivables	49.4	38.4	+11.0	
Other current assets	129.8	114.9	+14.9	

*1 EN: Energy segment, CH: Chemicals segment, LI: Lifestyle segment, MI: Machinery & Infrastructure segment, IC: Innovation & Corporate Development segment.

*2 Bussan Auto Finance becoming an associated company.

Non-Current Assets:

(Billions of yen)	March 31, 2024	March 31, 2023	Change	Description
Non-current assets	11,131.4	9,706.1	+1,425.3	
Investments accounted for using the equity method	4,870.0	3,929.6	+940.4	• Changes from equity method investments profit +491.6 • Foreign exchange fluctuations +453.5 • Nutrinova +74.9 • Offshore wind power project in Taiwan +70.1 (YECL[*1] becoming a subsidiary and other factors) • Industrial Pesquera Santa Priscila +54.2 • Altius Link[*2] +46.6 (investments +60.7, capital recovery -14.1) • Mit-Pacific Infrastructure Holdings[*3] +32.4 • Renewable natural gas +28.8 • Overseas real estate +23.9 • FPSO (MV32) +23.2 • FPSO (MV33) +19.8 • Mitsui E&P Mozambique +18.5 • Euricom +17.1 • BAF[*4] +14.3 • Kasso MidCo+12.1 • FPSO (MV34) +10.7 • Dividends from equity accounted investees -393.9 • Sale of International Power (Australia) Holdings -17.3
Other investments	2,319.9	2,134.1	+185.8	• Fair value of FVTOCI financial assets +87.2 • Foreign exchange fluctuations +48.5 • Acquisition of Alvotech convertible bonds +10.5
Trade and other receivables	286.6	320.0	(33.4)	• BAF[*4] -53.3
Other financial assets	210.8	208.0	+2.8	

Property, plant and equipment	2,401.5	2,300.6	+100.9	● Iron ore mining operations in Australia +46.1 (including foreign exchange fluctuations +41.2) ● South Texas Vaquero +39.3 (including foreign exchange fluctuations +3.3) ● Oil and gas projects +31.1 (including foreign exchange fluctuations +67.5) ● Intercontinental Terminals Company +20.2 ● Mitsui Resources +14.5 (including foreign exchange fluctuations +10.3) ● Mitta +10.4 ● Mitsui Rail Capital Europe -81.8 ● M&T Aviation sale of owned aircraft -26.9 ● Depreciation of LNG vessels -15.8
Investment property	282.3	282.5	(0.2)	
Intangible assets	458.2	277.3	+180.9	● Aim Services becoming a subsidiary +123.9 ● Komatsu Mining Corp. Perú becoming a subsidiary +15.1
Deferred tax assets	108.1	105.2	+2.9	
Other non-current assets	194.0	148.8	+45.2	● Increase in pension assets

*1 Yushan Energy Co., Ltd.

*2 After acquiring additional shares in Relia, the business was integrated with KDDI Evolva and a new company known as Altius Link was formed.

*3 An investment in Metro Pacific Investments Corporation through Mit-Pacific Infrastructure Holdings.

*4 Bussan Auto Finance becoming an associated company.

Liabilities

(Billions of yen)	March 31, 2024	March 31, 2023	Change	Description
Current liabilities	3,891.5	3,766.6	+124.9	
Short-term debt	244.0	432.2	(188.2)	• Borrowing and repayments, as well as BAF[*1] -21.6
Current portion of long-term debt	723.1	811.0	(87.9)	• Reclassification from non-current debt and repayments, as well as BAF[*1] -28.4
Trade and other payables	1,647.0	1,510.4	+136.6	• Increase in trade payables (Mainly corresponding to an increase in trade receivables)
Other financial liabilities	737.5	622.0	+115.5	• Increase in derivative liabilities and accounts payable-other
Income tax payables	42.2	49.3	(7.1)	
Advances from customers	318.8	234.9	+83.9	• Corresponding to increase in advance payments
Provisions	123.8	59.0	+64.8	• Oil and gas projects +27.9
Other current liabilities	55.2	47.8	+7.4	
Non-current liabilities	5,238.0	5,049.1	+188.9	
Long-term debt, less the current portion	3,809.0	3,797.3	+11.7	• Reclassification to current portion and borrowings, as well as BAF[*1] -43.8
Other financial liabilities	341.9	223.4	+118.5	• Increase in derivative liabilities
Retirement benefit liabilities	43.9	37.0	+6.9	
Provisions	261.6	310.5	(48.9)	• Oil and gas projects -84.0
Deferred tax liabilities	745.8	648.3	+97.5	
Other non-current liabilities	35.7	32.6	+3.1	

*1 Bussan Auto Finance becoming an associated company.

Equity

(Billions of yen)	March 31, 2024	March 31, 2023	Change	Description
Common stock	343.1	342.6	+0.5	
Capital surplus	391.9	381.9	+10.0	
Retained earnings	5,551.7	4,840.5	+711.2	
Other components of equity	1,323.8	869.0	+454.8	
<breakdown>				
Financial assets measured at FVTOCI	265.6	215.6	+50.0	
Foreign currency translation adjustments	1,090.4	638.5	+451.9	● USD +219.0 (Mar-24 USD/JPY151.41, up from Mar-23 USD/JPY133.53) ● AUD +109.6 (Mar-24 AUD/JPY98.61, up from Mar-23 AUD/JPY89.69)
Cash flow hedges	(32.1)	14.9	(47.0)	
Treasury stock	(68.6)	(66.2)	(2.4)	● Share repurchase -139.3 ● Cancellation of treasury stock +135.9
Total equity attributable to owners of the parent	7,541.8	6,367.8	+1,174.0	
Non-controlling interests	228.1	197.4	+30.7	

2) Cash Flows

(Billions of yen)	Current year	Previous year	Change
Cash flows from operating activities	864.4	1,047.5	(183.1)
Cash flows from investing activities	(427.5)	(178.3)	(249.2)
Free cash flow	436.9	869.2	(432.3)
Cash flows from financing activities	(1,013.1)	(634.7)	(378.4)
Effect of exchange rate changes on cash and cash equivalents	84.3	27.8	+56.5
Change in cash and cash equivalents	(491.9)	262.3	(754.2)

Cash Flows from Operating Activities

(Billions of yen)		Current year	Previous year	Change
Cash flows from operating activities	a	864.4	1,047.5	(183.1)
Cash flows from change in working capital	b	(205.4)	(223.5)	+18.1
Repayments of lease liabilities	c	(74.0)	(65.5)	(8.5)
Core Operating Cash Flow	a-b+c	995.8	1,205.5	(209.7)

・Cash flows from change in working capital (changes in operating assets and liabilities) was ¥205.4 billion of net cash outflow. Repayments of lease liabilities was ¥74.0 billion of net cash outflow. Core Operating Cash Flow, which equals cash flows from operating activities excluding changes in working capital and repayments of lease liabilities, amounted to ¥995.8 billion.

- Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current year totaled ¥550.8 billion, a decrease of ¥23.4 billion from ¥574.2 billion for the previous year.
- Depreciation and amortization for the current year was ¥293.6 billion, an increase of ¥20.9 billion from ¥272.7 billion for the previous year.

The following table shows Core Operating Cash Flow by operating segment.

(Billions of yen)	Current year	Previous year	Change
Mineral & Metal Resources	409.1	436.7	(27.6)
Energy	247.8	419.6	(171.8)
Machinery & Infrastructure	176.9	182.9	(6.0)
Chemicals	63.4	89.5	(26.1)
Iron & Steel Products	8.5	18.0	(9.5)
Lifestyle	40.2	31.1	+9.1
Innovation & Corporate Development	45.4	46.6	(1.2)
All Other and Adjustments and Eliminations	4.5	(18.9)	+23.4
Consolidated total	995.8	1,205.5	(209.7)

The following table shows depreciation and amortization by operating segment.

(Billions of yen)	Current year	Previous year	Change
Mineral & Metal Resources	66.1	58.7	+7.4
Energy	92.6	88.2	+4.4
Machinery & Infrastructure	34.0	34.8	(0.8)
Chemicals	32.9	31.6	+1.3
Iron & Steel Products	2.6	1.5	+1.1
Lifestyle	30.1	23.2	+6.9
Innovation & Corporate Development	17.5	18.8	(1.3)
All Other and Adjustments and Eliminations	17.8	15.9	+1.9
Consolidated total	293.6	272.7	+20.9

Cash Flows from Investing Activities

(Billions of yen)	Current year	Previous year	Description of current year
Cash flows from investing activities	(427.5)	(178.3)	
Net change in investments in equity accounted investees	(306.1)	(103.4)	
Cash outflow	(449.8)	(238.6)	• Nutrinova -74.9 • Altius Link[*1] -60.4 • Industrial Pesquera Santa Priscila -54.2 • Mit-Pacific Infrastructure Holdings[*2] -32.4 • Renewable natural gas -28.9 • Overseas real estate -23.9 • FPSO (MV32) -23.2 • FPSO (MV33) -19.8 • Power generation -19.2 • Mitsui E&P Mozambique -18.5 • Euricom -17.1 • Kasso MidCo -12.1 • FPSO (MV34) -10.7
Cash inflow	143.7	135.2	• International Power (Australia) Holdings +25.9 • Thorne HealthTech +24.0 • RGF Staffing Delaware +19.0 • Partial recovery of investment in Altius Link +14.1
Net change in other investments	103.5	33.9	
Cash outflow	(162.0)	(100.4)	• Aim Services becoming a subsidiary -58.8 (net amount of: acquisition cost -68.8, cash and deposits +10.0) • Komatsu Mining Corp. Perú • Bussan Animal Health[*3] -10.7 • Acquisition of Alvotech convertible bonds -10.5
Cash inflow	265.5	134.3	• Mitsui Rail Capital Europe • MyPower +24.9 • Sale of Kaikias field +17.4 • Overseas real estate +11.4
Net change in property, plant and equipment	(281.0)	(190.0)	
Cash outflow	(331.5)	(228.0)	• Oil and gas projects -75.1 • South Texas Vaquero -50.1 • Iron ore mining operations in Australia -43.8 • Mitsui Resources -25.2 • MyPower -21.3
Cash inflow	50.5	38.0	• M&T Aviation sale of owned aircraft +30.8
Net change in investment property	29.1	48.4	
Cash outflow	(8.5)	(12.3)	
Cash inflow	37.6	60.7	• Sale of US real estate +16.6 • Sale of Xingu Agri farm land +10.9 • Partial sale of Hibiya Fort Tower
Net change in loan receivables	24.0	(4.2)	• Repayment of loan from Gestamp North America +16.6
Net change in time deposits	3.0	37.0	

*1 After acquiring additional shares in Relia, the business was integrated with KDDI Evolva and a new company known as Altius Link was formed.

*2 An investment in Metro Pacific Investments Corporation through Mit-Pacific Infrastructure Holdings.

*3 After acquiring all shares in Sumitomo Pharma Animal Health, the company name changed to Bussan Animal Health in June 2023.

Cash Flows from Financing Activities

(Billions of yen)	Current year	Previous year	Description of current year
Cash flows from financing activities	(1,013.1)	(634.7)	
Net change in short-term debt	(203.2)	168.7	
Net change in long-term debt	(343.8)	(217.6)	
(Proceeds from long-term debt)	860.8	1,041.2	
(Repayments of long-term debt)	(1,204.6)	(1,258.8)	
Repayments of lease liabilities	(74.0)	(65.5)	
Purchase and sales of treasury stock-net	(139.3)	(270.2)	● Including stock-based remuneration for employees -19.2
Dividends paid	(242.4)	(198.1)	
Transactions with non-controlling interest shareholders	(10.5)	(52.0)	

2. Management Policies

(1) Progress with the Medium-term Management Plan

Reference is made to the presentation material for the year ended March 31, 2024 entitled "'Creating Sustainable Futures' Progress of Medium-term Management Plan 2026 and FY March 2025 Business Plan" on our website. Reference is also made to the presentation material entitled "Medium-term Management Plan 2026 'Creating Sustainable Futures'" announced on May 2, 2023.

(2) Forecast for the Year Ending March 31, 2025

1) Forecast for the Year Ending March 31, 2025

<Assumption>	March-25 Forecast	March-24 Result
Exchange rate (USD/JPY)	145.00	145.31
Crude oil (JCC)	$81/bbl	$86/bbl
Consolidated oil price	$86/bbl	$91/bbl

(Billions of yen)	March 31,2025 forecast	March 31,2024 result	Change	Description
Gross profit	1,320.0	1,319.7	+0.3	
Selling, general and administrative expenses	(830.0)	(794.3)	(35.7)	Amendment to the retirement benefit system
Gain (loss) on investments, fixed assets and other	150.0	178.5	(28.5)	Asset recycling
Interest expenses	(110.0)	(103.8)	(6.2)	
Dividend income	150.0	210.7	(60.7)	Energy, Mineral & Metal Resources
Profit (loss) of equity method investments	470.0	491.6	(21.6)	Lower commodity prices
Profit before income taxes	1,150.0	1,302.4	(152.4)	
Income taxes	(220.0)	(221.9)	+1.9	
Non-controlling interests	(30.0)	(16.8)	(13.2)	
Profit for the year attributable to owners of the parent	900.0	1,063.7	(163.7)	
Depreciation and amortization	290.0	293.6	(3.6)	
Core Operating Cash Flow	1,000.0	995.8	+4.2	

・For further major assumptions in addition to oil prices and USD/JPY and sensitivities, please refer to "2)Key commodity prices and other parameters for the year ending March 31, 2025".

The forecast of profit for the year attributable to owners of the parent by operating segment compared to the year ended March 31, 2024 is as follows:

(Billions of yen)	March 31,2025 forecast	March 31,2024 result	Change	Description
Mineral & Metal Resources	290.0	335.1	(45.1)	Iron ore prices
Energy	140.0	281.7	(141.7)	Absence of one-time profit recorded in the previous year, LNG trading
Machinery & Infrastructure	230.0	248.7	(18.7)	Automotives, ships
Chemicals	70.0	39.2	+30.8	Improvement in performance of affiliated companies, trading
Iron & Steel Products	25.0	11.2	+13.8	Improvement in performance of affiliated companies
Lifestyle	75.0	94.1	(19.1)	Absence of one-time profit recorded in the previous year
Innovation & Corporate Development	65.0	53.8	+11.2	FVTPL profit and growth in core affiliated companies in Japan
All Other and Adjustments and Eliminations	5.0	(0.1)	+5.1	
Consolidated total	900.0	1,063.7	(163.7)	

The forecast for Core Operating Cash Flow by operating segment compared to the year ended March 31, 2024 is as follows:

(Billions of yen)	March 31,2025 forecast	March 31,2024 result	Change	Description
Mineral & Metal Resources	360.0	409.1	(49.1)	Iron ore prices, dividends from associated companies
Energy	290.0	247.8	+42.2	LNG dividends
Machinery & Infrastructure	150.0	176.9	(26.9)	A sudsidiary becoming an associated company, dividends from associated companies
Chemicals	80.0	63.4	+16.6	Improvement in performance of affiliated companies, trading
Iron & Steel Products	15.0	8.5	+6.5	Dividends from associated companies, improvement in performance of affiliated companies
Lifestyle	50.0	40.2	+9.8	Trading, improvement in performance of affiliated companies
Innovation & Corporate Development	50.0	45.4	+4.6	
All Other and Adjustments and Eliminations	5.0	4.5	+0.5	
Consolidated total	1,000.0	995.8	+4.2	

2) Key Commodity Prices and Other Parameters for the Year Ending March 31, 2025

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2025. The effects of movements in each commodity price and foreign exchange rates on profit for the year attributable to owners of the parent are included in the table.

Impact on profit for the year attributable to owners of the parent for FY March 2025			FY March 2025 assumption	FY March 2024 result
Commodities	Crude oil/JCC	-	81	86
	Consolidated oil price*1	2.4bn JPY (1USD/bbl)	86	91
	US gas*2	1.3bn JPY (0.1USD/mmBtu)	2.46	2.66*3
	Iron ore*4	2.7bn JPY (1USD/ton)	*5	119*6
	Metallurgical coal	0.3bn JPY (1USD/ton)	*5	294*7
	Copper*8	0.7bn JPY (100USD/ton)	8,700	8,483*9
Forex*10	USD	3.4bn JPY (per 1 yen change)	145.00	145.31
	AUD	2.5bn JPY (per 1 yen change)	95.00	95.32

*1 As the crude oil price affects our consolidated results with a time lag, the effect of crude oil prices on the consolidated results is estimated as a consolidated oil price, which reflects this lag. For the year ending March 2025, we have assumed that there is a 4-6 month time lag for approx. 35%, a 1-3 month time lag for approx. 30%, over a one year time lag for approx. 30%, and no time lag for approx. 5%. The above sensitivities show the annual impact of changes in the consolidated oil price.

*2 As Mitsui has very limited exposure to US natural gas sold at Henry Hub (HH), the above sensitivities show annual impact of changes in the weighted average sale price.

*3 US gas figures for the year ended March 2024 are the Henry Hub Natural Gas Futures average daily prompt-month closing prices traded on NYMEX during January to December 2023.

*4 The effect of dividend income from Vale has not been included.

*5 Iron ore and metallurgical coal price assumptions are not disclosed.

*6 Iron ore figures for the year ended March 2024 are the daily average (reference price) spot indicated price (Fe 62% CFR North China) recorded in several industry trade magazines from April 2023 to March 2024.

*7 Metallurgical coal figures for the year ended March 2024 are the quarterly average prices of representative coal brands in Japan (USD/MT).

*8 The above sensitivity shows the annual impact of USD100/ton change in averages of the LME monthly average cash settlement prices for the period from January to December 2024.

*9 Copper results figures for the year ended March 2024 are the averages of the LME monthly average cash settlement prices for the period January to December 2023.

*10 The above sensitivities show the impact of currency fluctuations on reported profit for the year of overseas affiliated companies denominated in their respective functional currencies and the impact of dividends received from major foreign investees. Depreciation of the yen has the effect of increasing profit for the year through the conversion of profit (denominated in functional currencies) into yen. In the overseas affiliated companies where the sales contract is in USD, the impact of currency fluctuations between USD and the functional currency (AUD) and the impact of currency hedging are not included.

(3) Profit Distribution Policy

Our profit distribution policy is as follows:

・In order to increase corporate value and maximize shareholder value, we seek to maintain an optimal balance between meeting demand for capital in our core and growth areas through reinvestment of our retained earnings, and based on the level of stable cash generation – directly providing returns to shareholders by paying out cash dividends.

・In addition to the above, regarding share repurchases which are done to improve capital efficiency amongst other things, the amount and timing will be decided upon in a prompt and flexible manner taking into consideration the business environment. Such considerations include balance between share repurchases and growth investments, cash flow level after accounting for shareholder returns, interest-bearing debt levels, and return on equity.

Share repurchases for the year ended March 31, 2024 were ¥120.0 billion in total. For details, please refer to the releases on our website "Notification of Progress and Completion of Share Repurchase and Number of Treasury Stock to be Cancelled" dated July 10, 2023 and "Notification of Progress and Completion of Share Repurchase and Number of Treasury Stock to be Cancelled" dated February 1, 2024.

Additionally, today we announced a new repurchase program, targeting up to ¥200.0 billion of shares to be repurchased between May 2, 2024 and September 20, 2024. At the same time, we have decided that we will cancel all of the shares repurchased during this period. For details, please refer to the release on our website "Notification of Share Repurchase and Cancellation of Treasury Stock" dated May 1, 2024.

The full-year dividend for the year ended March 31, 2024 is planned to be ¥170 per share (an increase of ¥30 from the previous year, including the interim dividend of ¥85). To enable greater liquidity in our stock and further expansion of our investor base, on July 1, 2024, we plan for each share of common stock to be split into two shares as we carry out a share split. For details, please refer to the release on our website "Notice Regarding Share Split and Ensuing Partial Amendment to the Articles of Incorporation" dated May 1, 2024.

Taking into consideration Core Operating Cash Flow and profit for the year attributable to owners of the parent announced today, as well as the stability and continuity of dividend payments, the post-share split full-year dividend for the year ending March 31, 2025 is planned to be ¥100 per share (including the interim dividend of ¥50), which is a pre-share split increase of ¥30 from the previous year. Furthermore, from the year ending March 31, 2025 to the year ending March 31, 2026, we have set a minimum dividend of ¥100 per share and we will maintain or increase the dividend level.

We set a shareholder returns policy (dividends and share repurchases) of around 37% of Core Operating Cash Flow over a three-year cumulative basis for the current Medium-term Management Plan (from the year ended March 31, 2024 to the year ending March 31, 2026).

3. Basic Approach on Adoption of Accounting Standards

International Financial Reporting Standards was adopted on our Annual Securities Report under the Financial Instruments and Exchange Act for the year ended March 31, 2014 for the purpose of improving international comparability of financial information as well as enhancement and efficiency of our financial reporting.

4. Other Information

Notice:

This flash report contains forward-looking statements about Mitsui and its consolidated subsidiaries. These forward-looking statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Mitsui's actual consolidated financial position, consolidated operating results or consolidated cash flows to be materially different from any future consolidated financial position, consolidated operating results or consolidated cash flows expressed or implied by these forward-looking statements.

These important risks, uncertainties and other factors include, among others, (1) business investment risks, (2) geopolitical risks, (3) country risks, (4) risks regarding climate changes, (5) commodity market risks, (6) foreign currency risks, (7) stock price risks of listed stock Mitsui and its subsidiaries hold, (8) credit risks, (9) risks regarding fund procurement, (10) operational risks, (11) risks regarding employee's compliance with laws, regulations, and internal policies, (12) risks regarding information systems and information securities, (13) risks relating to natural disasters, terrorism, violent groups and infectious diseases. For further information on the above, please refer to Mitsui's Annual Securities Report.

Forward-looking statements may be included in Mitsui's Annual Securities Report and Quarterly Securities Reports or in its other disclosure documents, press releases or website disclosures. Mitsui undertakes no obligation to publicly update or revise any forward-looking statements.

5. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

Assets		
	March 31, 2024	March 31, 2023
Current assets:		
Cash and cash equivalents	¥ 898,204	¥ 1,390,130
Trade and other receivables	2,216,735	2,191,181
Other financial assets	1,140,122	772,984
Inventories	965,721	940,543
Advance payments to suppliers	368,137	226,692
Income tax receivables	49,414	38,391
Other current assets	129,815	114,912
Total current assets	5,768,148	5,674,833
Non-current assets:		
Investments accounted for using the equity method	4,869,969	3,929,636
Other investments	2,319,900	2,134,103
Trade and other receivables	286,565	320,040
Other financial assets	210,794	208,021
Property, plant and equipment	2,401,492	2,300,607
Investment property	282,253	282,497
Intangible assets	458,246	277,316
Deferred tax assets	108,095	105,197
Other non-current assets	194,040	148,666
Total non-current assets	11,131,354	9,706,083
Total	¥ 16,899,502	¥ 15,380,916

(Millions of yen)

Liabilities and Equity		
	March 31, 2024	March 31, 2023
Current liabilities:		
Short-term debt	¥ 243,959	¥ 432,233
Current portion of long-term debt	723,084	810,999
Trade and other payables	1,647,029	1,510,391
Other financial liabilities	737,492	621,979
Income tax payables	42,177	49,335
Advances from customers	318,809	234,946
Provisions	123,830	58,952
Other current liabilities	55,158	47,802
Total current liabilities	3,891,538	3,766,637
Non-current liabilities:		
Long-term debt, less current portion	3,809,013	3,797,328
Other financial liabilities	341,913	223,381
Retirement benefit liabilities	43,936	36,998
Provisions	261,593	310,513
Deferred tax liabilities	745,845	648,263
Other non-current liabilities	35,721	32,648
Total non-current liabilities	5,238,021	5,049,131
Total liabilities	9,129,559	8,815,768
Equity:		
Common stock	343,062	342,560
Capital surplus	391,856	381,869
Retained earnings	5,551,736	4,840,510
Other components of equity	1,323,821	868,963
Treasury stock	(68,627)	(66,152)
Total equity attributable to owners of the parent	7,541,848	6,367,750
Non-controlling interests	228,095	197,398
Total equity	7,769,943	6,565,148
Total	¥ 16,899,502	¥ 15,380,916

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Revenue:	¥ 13,324,942	¥ 14,306,402
Cost:	(12,005,227)	(12,910,174)
Gross profit	1,319,715	1,396,228
Other income (expenses):		
Selling, general and administrative expenses	(794,291)	(702,809)
Gain (loss) on securities and other investments-net	198,063	59,524
Impairment reversal (loss) of fixed assets-net	(67,035)	(29,975)
Gain (loss) on disposal or sales of fixed assets-net	16,166	19,436
Other income (expense)-net	31,302	9,248
Total other income (expenses)	(615,795)	(644,576)
Finance income (costs):		
Interest income	64,302	47,757
Dividend income	210,671	154,942
Interest expense	(168,064)	(114,582)
Total finance income (costs)	106,909	88,117
Share of profit (loss) of investments accounted for using the equity method	491,564	555,526
Profit before income taxes	1,302,393	1,395,295
Income taxes	(221,914)	(240,668)
Profit for the year	¥ 1,080,479	¥ 1,154,627
Profit for the year attributable to:		
Owners of the parent	¥ 1,063,684	¥ 1,130,630
Non-controlling interests	16,795	23,997

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Profit for the year	¥ 1,080,479	¥ 1,154,627
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	66,472	(238,455)
Remeasurements of defined benefit pension plans	39,778	9,343
Share of other comprehensive income of investments accounted for using the equity method	(1,025)	(12,811)
Income tax relating to items not reclassified	(29,092)	45,527
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	34,402	(22,865)
Cash flow hedges	(36,305)	56,921
Share of other comprehensive income of investments accounted for using the equity method	431,569	276,047
Income tax relating to items that may be reclassified	(6,883)	(17,444)
Total other comprehensive income	498,916	96,263
Comprehensive income for the year	¥ 1,579,395	¥ 1,250,890
Comprehensive income for the year attributable to:		
Owners of the parent	¥ 1,544,461	¥ 1,224,588
Non-controlling interests	34,934	26,302

(3) Consolidated Statements of Changes in Equity

(Millions of yen)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total		
Balance as at April 1, 2022	¥ 342,384	¥ 376,516	¥ 4,165,962	¥ 827,441	¥ (107,098)	¥ 5,605,205	¥ 190,211	¥ 5,795,416
Profit for the year			1,130,630			1,130,630	23,997	1,154,627
Other comprehensive income for the year				93,958		93,958	2,305	96,263
Comprehensive income for the year			1,130,630	93,958		1,224,588	26,302	1,250,890
Transaction with owners:								
Dividends paid to the owners of the parent			(198,082)			(198,082)		(198,082)
Dividends paid to non-controlling interest shareholders							(22,380)	(22,380)
Acquisition of treasury stock					(270,257)	(270,257)		(270,257)
Sales of treasury stock		(252)	(284)		537	1		1
Cancellation of treasury stock			(310,666)		310,666	-		-
Compensation costs related to share-based payment	176	3,906				4,082		4,082
Equity transactions with non-controlling interest shareholders		1,699		514		2,213	3,265	5,478
Transfer to retained earnings			52,950	(52,950)		-		-
Balance as at March 31, 2023	¥ 342,560	¥ 381,869	¥ 4,840,510	¥ 868,963	¥ (66,152)	¥ 6,367,750	¥ 197,398	¥ 6,565,148
Profit for the year			1,063,684			1,063,684	16,795	1,080,479
Other comprehensive income for the year				480,777		480,777	18,139	498,916
Comprehensive income for the year			1,063,684	480,777		1,544,461	34,934	1,579,395
Transaction with owners:								
Dividends paid to the owners of the parent			(242,368)			(242,368)		(242,368)
Dividends paid to non-controlling interest shareholders							(20,457)	(20,457)
Acquisition of treasury stock					(139,283)	(139,283)		(139,283)
Sales of treasury stock		(569)	(293)		862	0		0
Cancellation of treasury stock			(135,946)		135,946	-		-
Compensation costs related to share-based payment	502	7,093				7,595		7,595
Equity transactions with non-controlling interest shareholders		3,463		230		3,693	16,220	19,913
Transfer to retained earnings			26,149	(26,149)		-		-
Balance as at March 31, 2024	¥ 343,062	¥ 391,856	¥ 5,551,736	¥ 1,323,821	¥ (68,627)	¥ 7,541,848	¥ 228,095	¥ 7,769,943

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Operating activities:		
Profit for the year	¥ 1,080,479	¥ 1,154,627
Adjustments to reconcile profit for the year to cash flows from operating activities:		
Depreciation and amortization	293,573	272,689
Change in retirement benefit liabilities	4,750	(11,708)
Loss allowance	8,967	18,857
(Gain) loss on securities and other investments-net	(198,063)	(59,524)
Impairment (reversal) loss of fixed assets-net	67,035	29,975
(Gain) loss on disposal or sales of fixed assets-net	(16,166)	(19,436)
Interest income, dividend income and interest expense	(142,922)	(123,867)
Income taxes	221,914	240,668
Share of (profit) loss of investments accounted for using the equity method	(491,564)	(555,526)
Valuation (gain) loss related to contingent considerations and others	10,173	(2,137)
(Gain) loss on changes in estimates of asset retirement obligations of oil and gas projects	(45,636)	—
Changes in operating assets and liabilities:		
Change in trade and other receivables	(37,128)	216,139
Change in inventories	53,915	53,699
Change in trade and other payables	30,955	(295,922)
Other-net	(253,147)	(197,336)
Interest received	91,893	84,250
Interest paid	(157,442)	(96,668)
Dividends received	550,836	574,208
Income taxes paid	(208,003)	(235,451)
Cash flows from operating activities	864,419	1,047,537
Investing activities:		
Net change in time deposits	2,955	37,048
Net change in investments in equity accounted investees	(306,086)	(103,428)
Net change in other investments	103,500	33,866
Net change in loan receivables	24,015	(4,186)
Net change in property, plant and equipment	(281,023)	(190,043)
Net change in investment property	29,092	48,402
Cash flows from investing activities	(427,547)	(178,341)
Financing activities:		
Net change in short-term debt	(203,168)	168,678
Net change in long-term debt	(343,777)	(217,647)
Repayments of lease liabilities	(73,984)	(65,454)
Purchases and sales of treasury stock	(139,259)	(270,246)
Dividends paid	(242,368)	(198,082)
Transactions with non-controlling interest shareholders	(10,522)	(51,934)
Cash flows from financing activities	(1,013,078)	(634,685)
Effect of exchange rate changes on cash and cash equivalents	84,280	27,751
Change in cash and cash equivalents	(491,926)	262,262
Cash and cash equivalents at beginning of year	1,390,130	1,127,868
Cash and cash equivalents at end of year	¥ 898,204	¥ 1,390,130

Interest income, dividend income and interest expense, interest received, interest paid and dividends received in the consolidated statements of cash flows include not only interest income, dividend income and interest expense that are included in finance income (costs) in the consolidated statements of income, but also interest income, dividend income, interest expense that are included in revenue and cost together with their related cash flows.

(5) <u>Assumption for Going Concern:</u> None

(6) <u>Basis of Consolidated Financial Statements</u>

Scope of Subsidiaries and Equity Accounted Investees

① Subsidiaries

1) Overseas 212
2) Japan 84

② Equity Accounted Investees (Associated Companies and Joint Ventures)

1) Overseas 159
2) Japan 36

A total of 557 subsidiaries and equity accounted investees are excluded from the above. These include companies which are sub-consolidated or accounted for under the equity method by subsidiaries other than trading subsidiaries.

(7) <u>Changes in Accounting Policies and Changes in Accounting Estimates</u>

1) Changes in Accounting Policies

Material accounting policies applied in the consolidated financial statements for the year ended March 31, 2024 are the same as those applied in the consolidated financial statements of the previous fiscal year.

The companies applied the following new standards for the consolidated financial statements from April 1, 2023. Impacts from the application of these on the consolidated financial statements are immaterial.

IFRS	Title	Summaries
IFRS 17	Insurance Contracts	Fundamental amendment of accounting for insurance contracts
IAS 12	Income Taxes (amended in May 2021)	Clarification of accounting treatment for deferred tax related to assets and liabilities arising from a single transaction
IAS 12	Income Taxes (amended in May 2023)	Accounting treatment and disclosures about income taxes arising from tax law enacted to implement the Pillar Two model rules published by the OECD.

2) Changes in Accounting Estimates

Material changes in accounting estimates in the consolidated financial statements for the year ended March 31, 2024 are as follows:

Changes in Accounting Estimates Related to Russian LNG Business

Changes in accounting estimates related to the Russian LNG business are described in "(9) Notes to Consolidated Financial Statements ⑥ Impact of the Russia-Ukraine Situation on the Russian LNG Business".

Impairment Losses for the Mainstream Renewable Energy Business

Shamrock Investment International, a subsidiary in the Machinery & Infrastructure segment which invests in Mainstream renewable energy business, recognized an impairment loss of ¥27,941 million as the difference between the carrying amount accounted for using the equity method and the recoverable amount.

In the consolidated statements of income, an impairment loss of ¥15,054 million for fixed assets is included in "Share of profit (loss) of investments accounted for using the equity method". The impairment loss was mainly related to the difference in spot prices between power plants and the demand area, and the Chilean electricity system. Additionally, an impairment loss of ¥12,887 million for investments accounted for using the equity method was recorded in "Gain (loss) on securities and other investments-net". The impairment loss was mainly due to delays in new project development and portfolio reorganization resulting from rising interest rates and development costs.

Impairment Losses for the Passenger Railway Business in Brazil

An impairment loss of ¥19,505 million in the Machinery & Infrastructure segment engaged in the passenger railway business in Brazil was recorded in "Impairment reversal (loss) of fixed assets – net" in the consolidated statements of income by reducing the carrying amount of intangible assets to the recoverable amount of ¥27,423 million. The impairment loss was mainly due to a decrease in revenue and a valuation using the probability-weighted average of future cash flows.

Impairment Losses for the Oil Development Business

Mitsui E&P Italia B, a subsidiary in the Energy segment engaged in the onshore oil development in the Basilicata region in Italy, recognized an impairment loss of ¥23,593 million in "Impairment reversal (loss) of fixed assets - net" in the consolidated statements of income by reducing the carrying amount of the production facilities and others to the recoverable amount of ¥170,391 million. The impairment loss was mainly due to a decrease in the recoverable reserves. The recoverable amount above represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit.

Asset Retirement Obligations of Oil and Gas Projects

Several subsidiaries in the Energy segment, have changed, respectively, their estimates of the asset retirement obligations as the decommissioning costs associated with the oil and gas projects. The decrease of ￥45,636 million in asset retirement obligations due to these changes in estimate has been recorded in "Other income(expense) - net" in the consolidated statements of income because the depreciation of the relevant fixed assets has been completed.

(8) Changes in Presentation

Consolidated Statements of Financial Position

"Income tax receivables", which was included in "Other current assets" within "Current assets" for the year ended March 31, 2023 is separately presented from the year ended March 31, 2024, from the perspective of materiality. As a result, the amount of ¥38,391 million which was presented in "Other current assets" within "Current assets" in the consolidated statements of financial position for the year ended March 31, 2023 has been reclassified and presented for "Income tax receivables".

(9) Notes to Consolidated Financial Statements

① Segment Information

Year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Mineral & Metal resources	Energy	Machinery & Infrastructure	Chemicals	Iron & Steel products	Lifestyle	Innovation & Corporate development	Total	Others/ Adjustments and eliminations	Consolidated total
Revenue	2,037,717	2,949,497	1,378,459	2,784,551	678,680	3,213,013	281,077	13,322,994	1,948	13,324,942
Gross profit	342,118	195,846	221,097	208,339	43,518	185,277	118,394	1,314,589	5,126	1,319,715
Share of profit (loss) of investments accounted for using the equity method	75,029	68,135	230,446	21,204	17,213	59,484	19,684	491,195	369	491,564
Profit for the year attributable to owners of the parent	335,116	281,660	248,726	39,247	11,190	94,123	53,847	1,063,909	(225)	1,063,684
Core Operating Cash Flow	409,069	247,822	176,860	63,397	8,459	40,153	45,445	991,205	4,635	995,840
Total assets at March 31, 2024	3,084,437	3,408,781	3,769,779	2,049,368	809,542	2,901,696	1,790,857	17,814,460	(914,958)	16,899,502

Year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Mineral & Metal resources	Energy	Machinery & Infrastructure	Chemicals	Iron & Steel products	Lifestyle	Innovation & Corporate development	Total	Others/ Adjustments and eliminations	Consolidated total
Revenue	2,220,316	3,517,077	1,115,192	3,160,663	726,180	3,306,954	259,489	14,305,871	531	14,306,402
Gross profit	355,820	316,446	199,900	209,298	40,699	153,736	112,591	1,388,490	7,738	1,396,228
Share of profit (loss) of investments accounted for using the equity method	127,550	108,476	197,313	27,368	24,735	50,712	18,931	555,085	441	555,526
Profit for the year attributable to owners of the parent	438,785	309,382	171,908	70,945	22,484	54,849	66,677	1,135,030	(4,400)	1,130,630
Core Operating Cash Flow	436,661	419,583	182,901	89,531	17,995	31,099	46,588	1,224,358	(18,855)	1,205,503
Total assets at March 31, 2023	3,062,836	3,009,472	3,216,794	1,773,664	776,531	2,504,078	1,642,459	15,985,834	(604,918)	15,380,916

Notes:1. “Others / Adjustments and eliminations” includes of the corporate staff unit which provides financing services and operations services to the companies and affiliated companies. Total assets of “Others / Adjustments and eliminations” at March 31, 2023 and March 31, 2024 includes cash, cash equivalents and time deposits related to financing activities, and assets of the corporate staff unit and certain subsidiaries related to the above services amounting to ¥8,215,000 million and ¥8,879,374 million, respectively.

2. Transfers between reportable segments are made at cost plus a markup.
3. Profit for the year attributable to owners of the parent of “Others / Adjustments and eliminations” includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
4. Total assets of “Others / Adjustments and eliminations” at March 31, 2023 and March 31, 2024 includes elimination of receivables and payables between segments amounting to ¥8,819,918 million and ¥9,794,332 million, respectively.
5. Core Operating Cash Flow is calculated by deducting the total of the “Changes in operating assets and liabilities” from the “Cash flows from operating activities”, and further deducting the “Repayments of lease liabilities” in the “Cash flows from financing activities” from it, in the consolidated statements of cash flows.

② Earnings Per Share

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the years ended March 31, 2024 and 2023:

Year ended March 31, 2024(from April 1, 2023 to March 31, 2024)

	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of yen	In thousands	Yen
Basic earnings per share attributable to owners of the parent:			
Profit for the year attributable to owners of the parent	1,063,684	1,507,480	705.60
Effect of dilutive securities:			
Adjustments of effect of:			
Dilutive securities of associated companies	(1)	—	
Share-based remuneration	—	999	
Diluted earnings per share attributable to owners of the parent:			
Profit for the year attributable to owners of the parent after effect of dilutive securities	1,063,683	1,508,479	705.14

Year ended March 31, 2023(from April 1, 2022 to March 31, 2023)

	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of yen	In thousands	Yen
Basic earnings per share attributable to owners of the parent:			
Profit for the year attributable to owners of the parent	1,130,630	1,566,367	721.82
Effect of dilutive securities:			
Adjustments of effect of:			
Dilutive securities of associated companies	(10)	—	
Share-based remuneration	—	877	
Diluted earnings per share attributable to owners of the parent:			
Profit for the year attributable to owners of the parent after effect of dilutive securities	1,130,620	1,567,244	721.41

Notes:1. On May 1, 2024, the Board of Directors resolved to conduct a share split which is scheduled to take effect on July 1, 2024. Each share of common stock will be split into two shares. Earnings per share attributable to owners of the parent, basic and earnings per share attributable to owners of the parent, diluted are calculated based on the number of shares before the share split. For the details of the share split, please refer to “③ Subsequent Events.”

③ Subsequent Events

Share Split
The Company, at a meeting of the Board of Directors on May 1, 2024, resolved to conduct a share split and make a partial amendment to the articles of incorporation in conjunction with this split.

1. Purpose of the Share Split
By lowering the stock price per investment unit of common stock, the Company will allow for investing to become more accessible for our shareholders, as well as enable greater liquidity in our stock and further expansion of our investor base.

2. Overview of the Share Split
(1) Method of the Share split
Each share of common stock owned by shareholders listed or recorded in the register of shareholders on the record date of June 30, 2024 will be split into two shares.
Since this date falls on a non-business day of the administrator of the register of shareholders, the actual record date will be June 28, 2024.

(2) Number of Shares to be Increased by the Share Split

Total number of issued shares prior to the share split	1,513,693,486
Number of shares to be increased by the share split	1,513,693,486
Total number of issued shares after the share split	3,027,386,972
Total number of issuable shares after the share split	5,000,000,000

(3) Schedule for the Share Split

Public notice of record date (scheduled)	June 11, 2024
Record date	June 30, 2024
Effective date	July 1, 2024

3. Partial Amendment to the Articles of Incorporation
(1) Purpose of the Amendment
In accordance with this share split, by resolution of the Board of Directors pursuant to Article 184 (2) of the Companies Act of Japan, the Company will make the following partial amendment to the articles of incorporation, effective from July 1, 2024.

(2) Details of the Amendment

(Changes have been underlined)

Before the amendment	After the amendment
(Total number of isuable shares) Artice 6. The total number of shares that can be issued by the Company shall be 2,500,000,000.	(Total number of isuable shares) Artice 6. The total number of shares that can be issued by the Company shall be <u>5,000,000,000</u>.

(3) Schedule of the Amendment

Date of Board of Directors' resolution	May 1, 2024
Effective date	July 1, 2024

Issuance of New Shares as Post-Delivery Restricted-Stock-Based Remuneration

On April 9, 2024, the Board of Directors of the Company resolved to issue new shares as post-delivery restricted-stock-based remuneration under the remuneration system of tenure-linked restricted stock unit, and the payment of new shares was completed on April 30, 2024. The details are as follows.

(1) Class and number of shares issued : Common stock of the Company, 104,318 shares
(2) Issue price : 7,271 yen per share
(3) Total value of issue : 758,496,178 yen
(4) Pay-in date : April 30, 2024
(5) Categories and numbers of persons eligible for allocations, numbers of shares allocated :
Managing Officers (retirees) 6 persons, 104,318 shares

Stock Repurchase

At the meeting of the Board of Directors held on May 1, 2024, the Company resolved to repurchase its stock in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan. Details of the repurchase are as follows.

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

2. Details of repurchase
(1) Class of share: Common stock of the Company
(2) Number of shares to be repurchased: Up to 40 million shares*
(3) Total amount: Up to 200 billion yen
(4) Repurchase period: From May 2, 2024 to September 20, 2024
(5) Repurchase method: Auction market on the Tokyo Stock Exchange

* After the effective date (July 1, 2024) of "Share Split" above, the number of shares to be repurchased will be up to 80 million shares.

Cancellation of Treasury Stock

At the meeting of the Board of Directors held on May 1, 2024, the Company resolved to cancel a part of its treasury stock in accordance with Article 178 of the Companies Act of Japan. Details of the cancellation are as follows.

1. Class of share: Common stock of the Company
2. Total number of treasury stock to be cancelled: All shares repurchased pursuant to "Stock Repurchase" above
(In total, up to 2.64% of the total number of shares outstanding prior to the cancellation)
3. Scheduled date of cancellation: October 1, 2024

Completion of the Sale of Shares in PT Paiton Energy

The Company completed the sale of share in PT Paiton Energy and two entities related to the business as of April 30, 2024 (European time) to the subsidiary of Ratch Group Public Company Limited and the subsidiary of PT Medco Daya Abadi Lestari. The sales price is approximately 109.0 billion yen, and in the period ended June 30, 2024, the Company will record approximately 44.0 billion yen of profit (after tax) on a consolidated basis. The profit from this sale has been reflected in its forecasts for the year ending March 31, 2025, on p.21.

④ The Fire Incident of Intercontinental Terminals Company

On March 17, 2019 (US time) a fire began at the Deer Park tank terminal of Intercontinental Terminals Company ("ITC"), a wholly owned U.S. subsidiary of the Company. The Deer Park tank terminal is located in the outskirts of Houston, Texas. The fire partially damaged tanks owned by ITC. ITC has resumed its operation after discussions with related authorities. Harris County Fire Marshal's Office released its final report with respect to the fire incident on December 6, 2019 (US time) and the report classified the fire as accidental, while not specifying the cause of the fire. On July 6, 2023, U.S. Chemical Safety and Hazard Investigation Board released its final investigation report with respect to the fire incident, and determined that the fire was caused by the release of a flammable naphtha product from a failure of the Tank 80-8 circulation pump, which accumulated in the area and ignited.
The profit and loss related to this incident recognized in the years ended March 31, 2023 and 2024, and the outstanding balance of related provision and assets recognized as reimbursement as of March 31, 2024 are immaterial.
While there are multiple lawsuits that have been brought against ITC in relation to this incident, ITC has reached an agreement to resolve many of the lawsuits and claims to the extent the settlement amount is fully covered by insurance. Certain additional lawsuits are not covered by the proposed settlement and will remain pending against ITC. The ultimate outcome of these lawsuits is not expected to have significant impact on our consolidated financial position, operating results and cash flow.

⑤ Impact of the Security Situation in Northern Mozambique on LNG Project

The Company participates in the Mozambique LNG Project through Mitsui E&P Mozambique Area 1, an equity accounted investee in the Energy segment. In April 2021, all project personnel evacuated the project site due to the deteriorating security situation in northern Mozambique where the project site is located, and on April 26, 2021, the project operator, TotalEnergies of France, announced that it had declared force majeure under the joint operating agreement.
Progress has been seen in the restoration of order, stability and security in the region, and project partners are working with the government and relevant stakeholders for an early restart of the construction, while the exact restart date is still being reviewed.
The Company does not expect a significant impact on its consolidated financial position, operating results and cash flow at this stage.

⑥ Impact of the Russia-Ukraine Situation on the Russian LNG Business

The Russian LNG business in which the Company, its subsidiary, and the equity accounted investee in the Energy segment have invested, financed and guaranteed, is affected by the Russia-Ukraine situation that has been ongoing since February 2022 and the resulting sanctions against Russia, etc. Based on discussions with each partner etc, the Company has evaluated its relevant assets and liabilities.
In relation to the investment in Sakhalin II project held by MIT SEL Investment, a subsidiary of the Company that invests in Sakhalin Energy LLC ("SELLC"), while acknowledging the decision on the new LLC member of SELLC confirmed by Order of the Government of the Russian Federation dated March 23, 2024 (No. 701), the situation still remains uncertain as the relevant LLC members agreement is not signed, etc. Under this situation, the fair value of our investment in the Sakhalin II project is measured using the income approach by expected present value technique and the probability-weighted average considering a scenario where the continuous dividend income is expected from SELLC and other scenarios. As a result, fluctuation of fair value recognized in the current period is immaterial. The outstanding balances of "Other investments" in the consolidated statements of financial position related to this project as of March 31, 2024 and March 31, 2023 were ¥87,642 million and ¥98,505 million, respectively. The fair value may increase or decrease due to further changes in situation hereafter.
In addition, with regards to the carrying amounts of the investments and loans to Japan Arctic LNG, an equity accounted investee that invests in and finances the Arctic LNG 2 project, and financial guarantees related to the business, the Company continues to take appropriate measures in compliance with laws and regulations cooperating with stakeholders in response to the announcement from the Office of Foreign Assets Control of the US

Department of the Treasury, that Arctic LNG 2 has been designated as SDN (Specially Designated Nationals) on November 2, 2023 (US time), and that specific entities related to the business have also been designated as SDN on February 23, 2024 (US time). The Company reviewed the recoverability and the likelihood of performing guarantee considering the portion of liability based on the rights and obligations of Japan Arctic LNG and the Company under various agreements including the shareholders agreement, insurance such as overseas investment insurance, and third-party agreements.
In relation to the investment in Japan Arctic LNG, the Company reviewed the valuation of its assets and the fluctuation of book value in the investment are classified and included in “Share of profit (loss) of investments accounted for using the equity method” in the consolidated statements of income and “Share of other comprehensive income of investments accounted for using the equity method” in the consolidated statements of comprehensive income respectively. In addition, the expected recovery amount by the compensation of overseas investment insurance is recognized in “Other financial assets” in the consolidated statements of financial position and the same recognized amount is booked in “Other income (expense)” in the consolidated statements of income.
In relation to the loans in Japan Arctic LNG, the Company measured the expected credit losses considering the expected recovery amount by the compensation of loan insurance and included in “Selling, general and administrative expense” in the consolidated statements of income.
In relation to the financial guarantees related to the business, the Company measured the expected credit losses using weighted average considering a scenario with default of obligations by guarantees Japan Arctic LNG and Arctic LNG 2, and other scenarios, taking into account the SDN designation of the specific entities related to the business, progress of discussions with partners, etc., and the cash flows that the Company expects to receive based on third-party agreements. Additionally, for a part of the financial guarantees, the Company measured the expected credit losses using the credit rating of the Russian Federation and it is recorded in “Other income (expense)” in the consolidated statements of income.
As a result of these accounting treatments, the impact on “Profit for the year” recognized in the consolidated statements of income for the current period were immaterial. The outstanding balances of the investments and loans* as of March 31, 2024 and March 31, 2023 were ¥21,764 million and ¥15,759 million, respectively. The balance of financial guarantees as contingent liabilities were ¥193,548 million and ¥223,415 million, respectively, and the provision for loss on guarantees included in “Other financial liabilities” in the consolidated statements of financial position were ¥74,238 million and ¥18,213 million, respectively.
If changes in the international situation surrounding Russia including the Russia-Ukraine situation occurs hereafter, or if changes in the credit rating of the Russian Federation, changes in the business environment caused by sanctions etc., and changes of the Company's policies regarding Russian LNG business etc. occur, these estimates may have a significant impact on the amounts of related investments, loans, financial guarantees and its recoverable or liable amounts in the consolidated financial statements for the next fiscal year and thereafter. The Company ongoingly takes appropriate measures.
* Investments and loans are the sum of “Investments accounted for using the equity method”, and loans (net of loss allowance and after consideration of expected recovery amount of insurance) included in “Trade and other receivables” in the consolidated statements of financial position.