ANNUAL FINANCIAL REPORT 2023

FOR THE YEAR ENDED MARCH 31, 2023

Mitsubishi Corporation

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

1. Strategic Issues

1) "Midterm Corporate Strategy 2024 - Creating MC Shared Value (MCSV)"

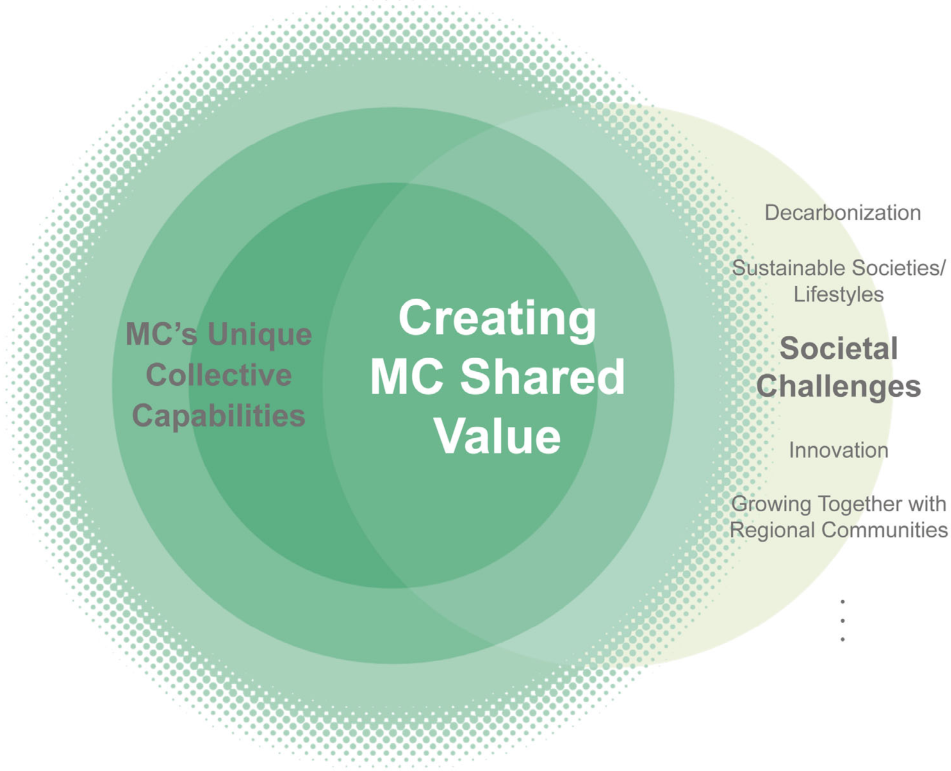
In May 2022, MC announced its new three-year management plan, entitled "Midterm Corporate Strategy 2024 - Creating MC Shared Value."

In recent years, escalating geopolitical risk has created greater uncertainty throughout our operating environment; a challenge that is being compounded by the restructuring of global supply chains as well as the progress of digitalization and decarbonization. These increasingly diverse and complex societal and industry needs call for keen foresight.

Midterm Corporate Strategy 2024 will organically connect intelligence that takes advantage of our far-reaching industry expertise and global network, thereby strengthening the unique and collective capabilities of the MC Group.

(1) Our Goals Under Midterm Corporate Strategy 2024

MC will strive to continuously create significant shared value, MCSV, by elevating the MC Group's collective capability in order to address societal challenges.



(2) Quantitative Targets and Shareholder Returns

■ Quantitative Targets

MC will aim to maintain and improve double-digit ROE while steadily growing to reach profit for the year attributable to owners of the Parent of ¥800.0 billion in the fiscal year ending March 31, 2025. This shall be achieved by maintaining our earnings, as well as investing in Energy Transformation (EX), Digital Transformation (DX) and other growth areas.

■ Shareholder Returns

MC's basic policy on shareholder returns is to maintain a progressive dividend scheme, whereby the Company increases its dividend in response to its sustainable earnings growth, and to conduct share buybacks in a flexible and financially disciplined manner. With the aim of a total payout ratio of 30%–40% (around 40% for the fiscal years ending March 31, 2024 and 2025), the policy is designed to balance financial soundness, stable dividend growth and market expectations on shareholder returns.

■ Cash Flow and Capital Allocation

In order to increase enterprise value, MC will strategically allocate cash flow into investments and shareholder returns while maintaining its financial discipline. MC will also work to lower its cost of capital by enhancing stakeholder confidence in our business operation through expanded disclosure and dialogue.

■ Investment Plan and Business Portfolio

MC plans to invest ¥3 trillion during this midterm strategy; EX-related investments are to be accelerated. At the same time, MC will steadily promote investment in maintaining/expanding its earnings base and in both DX and growth fields.

(3) Fostering and Leveraging Connections to Maximize the MC Group's Unique Collective Capabilities

■ Growth Strategies [Leading Transformations and Connecting to Growth]

- ● EX Strategy: MC will join with its partners to support the transition to a carbon neutral society and improvements in industry competitiveness, while maintaining a holistic view of the EX value chain.

- ● DX Strategy: MC will broadly deploy its DX capabilities across business operations and raise productivity throughout society by interconnecting industry, business and communities, thereby contributing to the creation of sustainable value. To promote these DX strategies, MC has formed the "Industry DX Group".

- ● Creating a New Future: MC will work with partners and local municipalities to create a new future under the themes of increasing Japan's self-sufficiency rate of energy through aggressively developing renewable energy and other local energy resources, creating new carbon neutral industries and developing vibrant communities by helping to resolve regional issues.

■Business Management [Connecting Our Businesses to the Future with Disciplined Growth]

MC will maintain and improve capital efficiency and ensure financial soundness by establishing management mechanism to promote self-initiated strengthening of Business Group management and by accelerating the application of the Value-Added Cyclical Growth Model that is capable to respond to changes in the business environment.

■Management Mechanisms [Connecting Diverse Sources of Intelligence]

In addition to the Industry DX Group and the Next-Generation Energy Business Group, MC newly established the "Global Intelligence (GI) Committee" to strengthen capacity to respond to external environment. By incorporating The GI Committee's analyses into "MC Shared Value (MCSV) Forum", where cross-industry and company-wide strategies are discussed and developed, MC will strengthen each business group's momentum and cross-industry coordination.

■HR Policies [Creating a Vibrant Organization by Interconnecting a Diverse and Versatile Talent Pool]

MC will create a dynamic, spirited and vibrant organization and strive to optimize the value of our human capital, through fostering a corporate culture that capitalizes on diversity and strategic HR assignments and appointments.

■Sustainability Policies [Interconnecting with Diverse Stakeholders and Reinforcing Our Presence as a Trusted Member of Society]

MC selected a set of crucial societal issues as its unique definition of "materiality" that it would prioritize through its business activities. MC will also promote to decarbonize its business in order to achieve the GHG reduction targets through various measures, such as monitoring businesses classified according to climate-related transition risks and opportunities that those businesses are facing.

2) Toward the Realization of a Carbon Neutral Society

In October 2021, MC established new GHG emission reduction targets and EX investment guidelines. In recognition of its multi-industry interests and business activities, MC will continue to simultaneously fulfill its responsibility to provide stable energy supplies, such as natural gas, while rising to the global challenge of realizing a carbon neutral society.

(Roadmap to a Carbon Neutral Society)

- ● GHG emission reduction targets: Halve emissions by the fiscal year ending March 31, 2031 (compared to the fiscal year ended March 31, 2021) and achieve net zero emissions by the fiscal year ending March 31, 2051

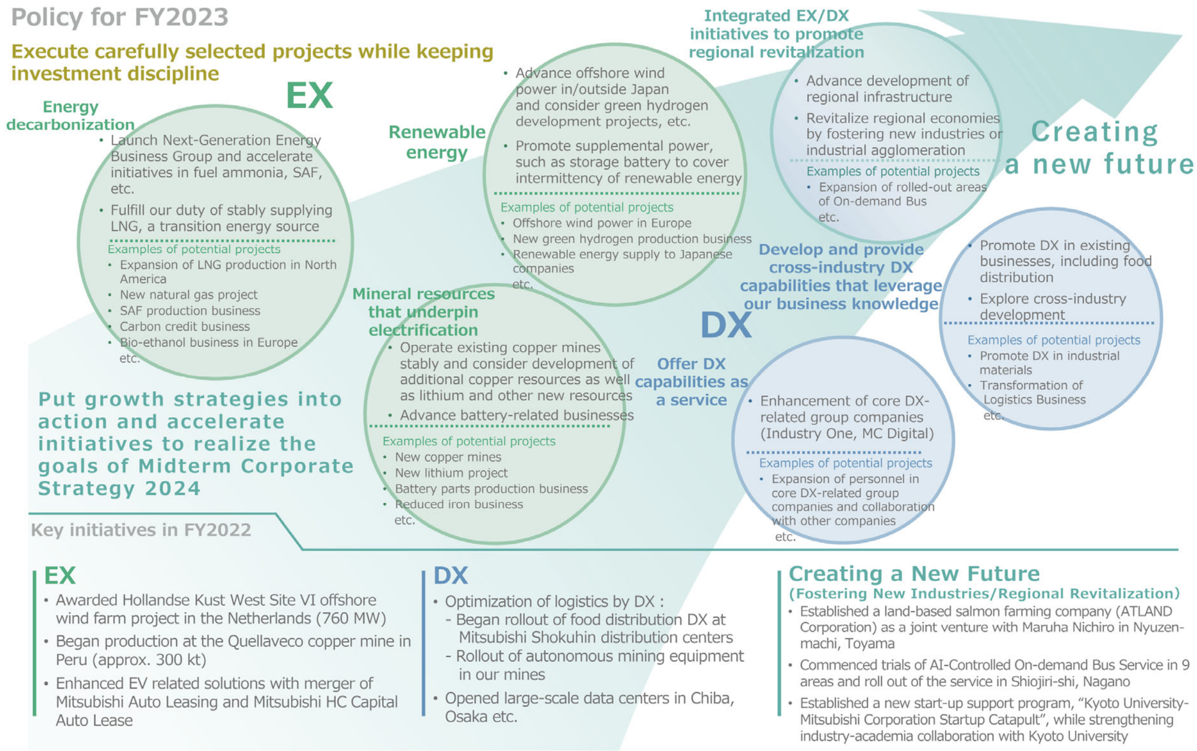
- ● EX-related investments: Approximately ¥2 trillion by the fiscal year ending March 31, 2031

- ● Integrated EX/DX initiatives to "Create a New Future"

The above pursuits are also defined as companywide themes for business development under the "Midterm Corporate Strategy 2024."

3) Progress of the Midterm Corporate Strategy 2024 Growth Strategies

In the fiscal year ended March 31, 2023, to promote the growth strategies of Midterm Corporate Strategy 2024, MC focused mainly on EX Strategy initiatives in renewable energy and the copper business while also steadily advancing efforts related to DX Strategy and Creating a New Future. In the year ending March 31, 2024, MC will continue to put growth strategies into action and accelerate initiatives by executing carefully selected investment while keeping investment discipline.



4) “Operating Environment in the Year Ended March 2023 and Outlook for the Year Ending March 2024 by Segment”

(1) Natural Gas Group

In the year ended March 31, 2023, earnings increased year over year, mainly due to increases in dividend income and equity earnings in the LNG-related business and an increase in equity earnings in the North American shale gas business.

In 2022, global LNG demand rose only approximately 20 million tons year over year to approximately 400 million tons due to restrictions on the supply, despite a rapid increase in demand in Europe due to the Russia-Ukraine situation. LNG demand is expected to grow over the medium to long term, particularly in developing Asian countries, reflecting growing energy demand and LNG’s relatively low environmental burden compared with other fossil fuels. As such, LNG is expected to see continued growth as a business area. During the year ended March 31, 2023, LNG spot prices in Asia fluctuated wildly due in part to the Russia-Ukraine situation, but as a result of a warm winter worldwide, LNG inventory levels remained high in importing countries, and spot prices stood around US$10 to $15 per million British thermal unit (Btu) as of March 31, 2023. Crude oil (Brent) prices also fluctuated significantly, reflecting the Russia-Ukraine situation and global economic instability, standing at approximately US$80/BBL at March 31, 2023.

In the year ending March 31, 2024 and beyond, LNG spot prices and crude oil prices are expected to remain highly volatile, reflecting demand fluctuations due to economic conditions and weather as well as geopolitical risks, such as the prolongation of the Russia-Ukraine situation. Fluctuations in LNG and crude oil prices might not be immediately reflected in our operating results given the time lag between such fluctuations and their impact on our operations.

(2) Industrial Materials Group

In the year ended March 31, 2023, earnings increased year over year, mainly due to increases in equity earnings in the North American plastic building materials business and Steel business as well as one-off losses, such as impairment losses on overseas investments recorded in the previous fiscal year. This increase reflected firm overall demand for materials in key industries that the group serves, namely automotive and mobility, construction, and infrastructure, as well as high market prices due to the Russia-Ukraine situation and the weak yen.

In the year ending March 31, 2024 and beyond, demand for materials and market conditions are expected to be firm, but the impact that interest rate hikes, supply chain tumult and other factors will have on the materials industry is unclear. In addition, the materials industry faces the pressing issues of decarbonization and ensuring stable procurement and supply of materials and products amid geopolitical risks. The group sees these new issues as opportunities to contribute to the materials industry and will promote efforts to make materials distribution more efficient and robust through digital technology; enter businesses of functional materials that support the weight reduction and electrification of the automotive and mobility sector; and recycle materials to reduce environmental impact.

(3) Petroleum & Chemicals Solution Group

In the year ended March 31, 2023, earnings increased year over year, mainly due to strong performance in the chemicals-related trading business and the next-generation fuels and oil-related business, as well as one-off losses recorded in the previous fiscal year, despite negative impacts in the petrochemicals manufacturing business due to sluggish conditions in the petrochemicals market.

Crude oil (Brent) prices and chemicals product market prices during the year ended March 31, 2023, fluctuated greatly. Prices soared in the first half of the fiscal year due to the ongoing Russia-Ukraine situation but fell in the second half, reflecting concerns about softening of demand due to China’s zero COVID policy. Conditions are expected to remain highly uncertain for the time being, reflecting concerns about the prolongation of the Russia-Ukraine situation, changes in the environment surrounding oil-producing countries and post-COVID demand recovery. As such, the group will work to strengthen its core businesses while keeping a close eye on changes in the business environment. In addition, amid the irreversible shift toward decarbonization and a recycling-oriented society, the group will work to develop new businesses, such as product recycling and bio-carbon recycling, that will contribute to solving problems facing the industry. The group is renamed Chemicals Solution Group from the year ending March 31, 2024 in line with the transfer of Next-generation energy business to Next-Generation Energy Business Group.

(4) Mineral Resources Group

In the year ended March 31, 2023, looking at the Australian metallurgical coal business, one of the group's core businesses, earnings increased year over year. Demand slumped in key consuming countries due to rising energy prices caused by the Russia-Ukraine situation, downward pressure on the global economy from interest hikes by the monetary authorities of many countries, sluggish crude steel production in China due to the continuation of its zero COVID policy. However, these effects were surpassed by supply restrictions due to such factors as bad weather in the key producing regions of Australia and North America and facility damage at some mines, leading to high market prices in the latter half of the fiscal year.

In the Copper business, the other core business of the group, market prices fell during the year ended March 31, 2023, despite continued firm demand. This was mainly because the supply balance is now expected to ease somewhat with the start of production at Quellaveco and other large new mines as well as concerns about global economic slowdown due to interest rate hikes in Europe and the United States.

In the year ending March 31, 2024, in the metallurgical coal business, supply from key producing regions in expected to increase, reflecting the easing of concerns about bad weather in Australia with the end of La Niña, and demand may recover somewhat with increased crude steel production in key consuming nations, such as India and China.

In copper, demand is expected to continue growing, mainly in electrification-related fields, and the production of new mines also forecast to increase. As such the balance of supply and demand is expected to remain at approximately the same level as the previous year. Market prices for copper are expected to fluctuate significantly for some time, reflecting not only major market supply and demand factors, but also, as a listed commodity, uncertainty in European and U.S. financial markets, political and economic developments in China, and the impact of the Russia-Ukraine situation.

Medium- to long-term demand for overall mineral resources is expected to be firm, reflecting global economic growth, mainly in developing countries, and the shift to renewable energy and electric vehicles as part of a larger trend toward decarbonization and electrification.

(5) Industrial Infrastructure Group

In the year ended March 31, 2023, earnings increased year over year, mainly due to negative factors in the previous fiscal year, namely, one-off losses related to a customer dispute at Chiyoda Corporation, impairment losses on intangible assets related to investment in Chiyoda Corporation, and impairment losses on property, plant and equipment at other energy infrastructure-related operating companies. Furthermore, other than the ships business, which saw decreased earnings due in part to having fewer commercial vessels in operation after the sale of vessels in the previous fiscal year, all businesses in the group also saw firm increases in underlying revenue excluding the abovementioned one-off factors.

In the year ending March 31, 2024, net income is expected to temporarily decrease year over year due to the impact of rising interest rates and a decrease in equity earnings in other energy infrastructure-related businesses. However, the use of digital technology and decarbonization efforts in the infrastructure, ships, aerospace and industrial machinery sectors is expected to continue to generate new demand. The group aims to achieve sustainable growth together with customers by providing services and solutions that meet industry needs to further grow existing businesses and actively promote the development of new businesses with adjacent industries.

(6) Automotive & Mobility Group

In the year ended March 31, 2023, earnings increased year over year, mainly due to increases in equity earnings in Mitsubishi Motors Corporation and across many markets, including the Thai and Indonesia markets that are mainstays of the group. The business environment of the automobile market was challenging, reflecting the impact on the tight supply of automobiles due to the restricted supply of semiconductor and other parts and insufficient shipping space amid the ongoing COVID-19 pandemic, as well as the impact of geopolitical risks. However, mainly in the ASEAN region, where the group has a robust customer base, the group strove to expand automobile sales through a combination of online measures, including digital marketing, and traditional offline measures.

In the year ending March 31, 2024, conditions in the automobile market are expected to remain unclear, reflecting intensifying competition as the effects of the COVID-19 pandemic and the restricted supply of semiconductor and other parts subside; the ongoing effects of geopolitical risks; and the further advance of electrification. The group aims to further enhance the scale and functions of its automotive value chain, mainly in ASEAN and other emerging markets, including existing businesses in Thailand and Indonesia. In addition, as the structure of the industry changes, the group will actively promote integrated mobility service businesses that leverage its locally rooted strengths and the robust business foundation and customer base it has built up over the years.

(7) Food Industry Group

In the year ended March 31, 2023, earnings decreased year over year. This reflected one-off losses recorded in overseas businesses. The business environment was challenging, due to pressure on the revenues of domestic food processing and manufacturing businesses from soaring global food prices and raw material and fuel costs caused by the Russia-Ukraine situation, as well as cost increases caused by the rapid weakening of the yen. However, Group companies, led by Cermaq, promoted measures to improve production efficiency and profitability, resulting in strong results in the marine products, grain and food science businesses and improved underlying profitability.

In the year ending March 31, 2024, soaring food prices and raw material and fuel costs are expected to continue putting pressure on earnings in food processing and manufacturing businesses. In addition to measures to improve production efficiency and profitability through aggressive DX to raise the underlying profitability of the entire group, the group will continue efforts to solve social and environmental issues. Viewing changes in the environment, such as the emergence of geopolitical risks and the growing need for food security, as business opportunities, the group will pursue a value-added cyclical growth model to achieve sustainable growth and stable food procurement, thereby contributing to the sustainable development of society.

(8) Consumer Industry Group

In the year ended March 31, 2023, earnings increased year over year. The performance of the convenience store business in China worsened due to strict restrictions on activity imposed based on its zero COVID policy. However, as the effects of the pandemic subsided, the flow of people in Japan recovered. This, along with ongoing measures related to sales promotion, product lineup expansion and cost reduction, led to improvement in performance in the domestic convenience store, food wholesaling and other businesses.

In retail, apparel, healthcare, and food distribution and logistics, the group will work to solve social issues arising from such macro trends as declining and aging populations and provide new consumer experiences by linking digital technologies with the real world. In the face of increasing labor and logistics costs in the face-to-face industry due to chronic labor shortages and the 2024 problem (expected truck driver shortages arising from regulatory changes), the group will promote efficiency improvements and new demand creation through the warehouse DX company established in 2022 and digital marketing. By transforming the supply chain to be more sustainable, the group aims to achieve stable revenue growth.

(9) Power Solution Group

In the year ended March 31, 2023, earnings increased year over year. Gas and electricity prices fluctuated greatly due to geopolitical risks that emerged since the end of the previous fiscal year due to the Russia-Ukraine situation, but by flexibly adjusting supply and demand in the European power business, the group was able to provide stable supply with minimal impact on revenues. In addition, the impact of the fluctuations on upstream power generation and transmission businesses was minor, as these businesses have a stable revenue model based on long-term contracts. Some businesses with market-linked models, meanwhile, saw increased profitability, and an increase in gains on sale of power generating assets also contributed.

As the market environment is influenced by a rapid shift toward a carbon neutral society, business opportunities are growing in the field of renewable energy. The Group is working to further expand the renewable energy business, mainly in Japan, where growth in offshore wind power is forecasted, and Europe, where the Group maintains a platform through Eneco, as well as in the United States and elsewhere. The Group will work to build electric power value chains based in renewable energy ranging from upstream (supplier side) to downstream (consumer side) and advance EX strategy initiatives, including the green hydrogen business, a promising form of next-generation fuel.

(10) Urban Development Group

In the year ended March 31, 2023, earnings increased year over year. This reflected gains on sale of a real estate management company Mitsubishi Corp.-UBS Realty Inc. and disposal gains on assets in the domestic real estate market, as well as aircraft leasing-related impairment losses in the previous fiscal year.

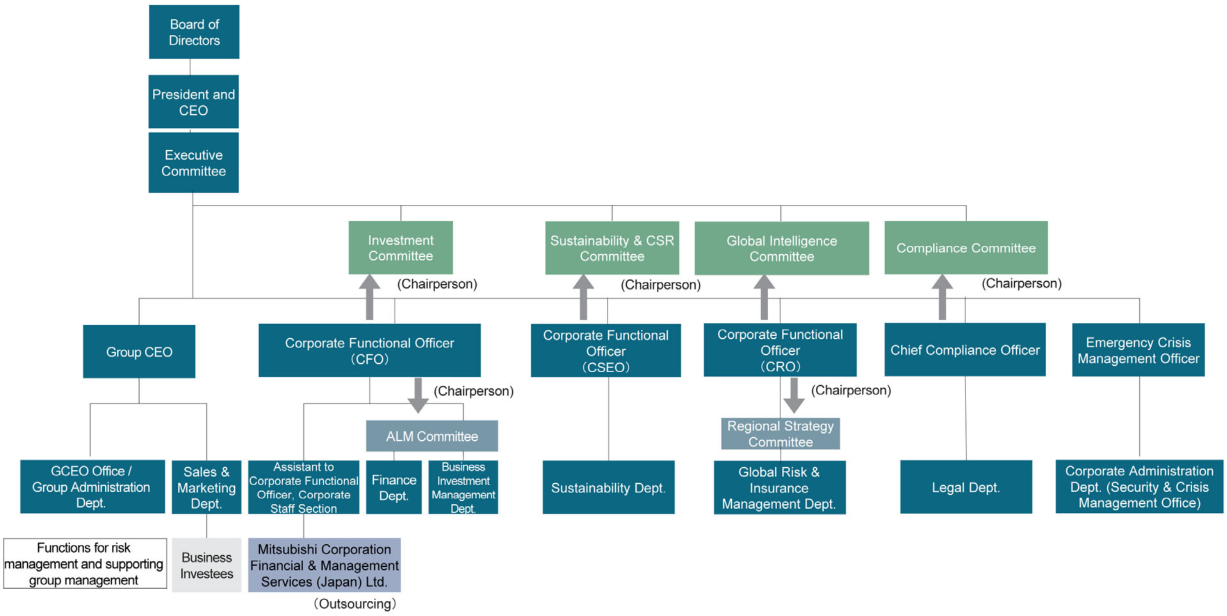
In real estate-related operations, transaction volumes in the United States, which had been at historic highs, decreased reflecting rising interest costs and financial market instability touched off by interest rate hikes in that country. The corporate investment-related business saw some fund evaluation losses and similar issues. However, revenue from domestic real estate and leasing businesses increased, leading to only a minor impact on the group as a whole. In addition, the airport business, which was greatly affected by the COVID-19 pandemic, saw steady recovery in the number of passengers.

In the year ending March 31, 2024 and beyond, though global interest rate hikes and financial markets will continue to require careful attention, demand for logistics facilities and data centers is expected to increase, reflecting the expansion of e-commerce and spread of cloud technologies. As such, it is expected that the market will see ongoing growth. The group will reinforce and expand its key businesses of real estate and urban development, infrastructure, and finance while addressing social and environmental needs in such areas as urbanization and reducing environmental burden to advance urban development at scale and with high added value. In this way, the group aims to solve social and regional issues.

2. Business Risks

1 Risk Management Framework and Organization Model

Business Groups and dedicated corporate departments that deal with specific risks collaborate on the development of operations and management frameworks that enable appropriate response to risk. The frameworks and organization below reflect changes related to the organization after March 31, 2023 through June 23, 2023.



Risks	Supervising organization
Market risk	Business Investment Management Dept., Finance Dept. (foreign exchange, stock, interest rate)
Credit risk	Corporate Accounting Dept., Mitsubishi Corporation Financial & Management Services (Japan) Ltd.
Country risk	Global Risk & Insurance Management Dept.
Business investment risk	Business Investment Management Dept.
Risk related to compliance	Legal Dept.
Risk of crises that cause harm to human life, business interruption, etc.	Corporate Administration Dept. (Security & Crisis Management Office)
Risk related to climate change	Sustainability Dept.

2 Overview of Risks

1) Risks of Changes in Global Macroeconomic Conditions

Changes in global and regional macroeconomic conditions are deeply linked to personal consumption and capital expenditure and impact commodity markets. As a result, macroeconomic conditions can cause changes in the prices, volumes and costs of commodities and products handled in our global businesses across diverse industrial sectors, significantly impacting our operating results and financial standing.

In the year ended March 2023, economies in a wide range of areas and countries continued on a recovery trajectory as they returned to normal from the COVID-19 pandemic despite the downward pressure from the Russia-Ukraine situation, persistently high resource prices and soaring inflation. Going forward, the global economy is expected to gradually decelerate due to effects on the real economy of tightening monetary policy in the United States, Europe and other regions as well as the continued downward pressure from the aforementioned factors. We will continue to monitor the situation carefully.

2) Market Risks

("Profit for the year" refers to profit for the year attributable to owners of the Parent. Unless otherwise stated, effects on future profit for the year are the estimated effects in the year ending March 2024, based on results for the year ended March 2023.)

(1) Commodity Market Risk

In the course of our business activities, we are exposed to risks relating to fluctuations of various commodity prices as a trader, an owner of rights to natural and energy resources, and a producer and seller of the industrial products of our affiliated companies. These commodity market risks can significantly impact our operating results and financial standing through fluctuation of purchase and sales prices specifically in the mineral and energy trading.

In addition, commodity prices can be the significant input for the valuation of our investment. Especially in the case of long-term projects, as medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations, we formulate a forecast, taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations. If long-term stagnation or increases are forecasted in commodities markets, impairment loss or reversal of impairment loss on our property, plant and equipment and investments accounted for using the equity method could impact our operating results.
For details of our specific investments, please refer to the section entitled "*5)* Business Investment Risk (Specific Investments)".

(Energy Resources)

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

The price of Brent crude oil was over US$80/BBL in this January, partly due to expectations of growing demand in China and other Asian countries. The price remained above US$80/BBL in February, as Russia announced that it would cut production from March. In March, the price fell into the US$70–75 range, reflecting concerns about global economic recession sparked by the bankruptcy of Silicon Valley Bank. However, as it came to appear that the economic impact of said bankruptcy would be limited, the price rose to near US$80/BBL at the end of March. We expect prices to remain highly volatile going forward, reflecting economic conditions and geopolitical risks, including the prolongation of the Russia-Ukraine situation.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. LNG spot prices in Asia started 2023 high, at around US$20 per million British thermal unit (Btu) at the start of January. The European gas prices, which LNG spot prices in Asia are somewhat linked to, continued to fall, being affected by a warm winter, a decrease in gas demand (mainly for industrial use) and an increase in LNG imports, which kept gas inventory levels above target. As a result, LNG spot prices in Asia also fell to below US$13 as of March 31, 2023.

In many cases, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have an approximately ¥1.5 billion effect on profit for the year, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag between such fluctuations and their impact on our operations. The change from the effect on profit for the year per a US$1/BBL fluctuation in the price of crude oil for the year ended March 31, 2022 (approximately ¥2.5 billion) is due to a change in the scope of the effect calculation. Because dividend income from other investments in the LNG Business is impacted by affiliates' dividend payout ratios and the timing of their dividend resolutions, etc., the direct impact on this item of crude oil price fluctuations is currently limited. Accordingly, from this fiscal year end, this item has been excluded from the calculation of the effect on profit for the year.

(Mineral Resources)

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

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. It is estimated that a US$100 fluctuation in the price per MT of copper would have a ¥2.9 billion effect on our profit for the year (a US¢10 price fluctuation per lb. of copper would have a ¥6.4 billion effect on our profit for the year). However, variables beside price fluctuations may also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings may not be determined by the copper price alone.

(2) Foreign Currency Risk

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

With respect to our overseas investments, there is a risk that foreign currency exchange fluctuations could cause an increase or decrease in the yen conversion value of dividends received from these investments and equity in earnings of overseas subsidiaries and affiliates which are denominated in foreign currencies, and appreciation in the yen relative to foreign currencies has a negative impact on profit for the year. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximately ¥5.0 billion effect on profit for the year.

In addition, because shareholders' equity can fluctuate through exchange differences on translating foreign operations, we implement hedging mainly by forward contracts as needed to prevent foreign currency risk on some large investments.

(3) Stock Price Risk

As of March 31, 2023, we owned ¥1,107.6 billion (market value) of marketable securities, mostly equity issued by customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above includes net unrealized gains of ¥149.5 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed as marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk

As of March 31, 2023, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥4,889.9 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

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

To monitor market movements in interest rates and respond flexibly to market risks, we have established the Asset Liability Management (ALM) Committee. This committee establishes fund procurement strategy and manages the risk of interest rate fluctuations.

3) Credit Risk

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

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

4) Country Risk

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

The Regional Strategy Committee, chaired by the Corporate Functional Officer (CRO), assesses the risk situation in each country and is responsible for establishing and managing the country risk countermeasure system. The country risk countermeasure system classifies countries into categories based on risk factor type. Country risk is controlled within a certain range through the establishment of risk limits for each category. To address the country risks related to individual projects, we take appropriate risk hedging measures, such as taking out insurance, depending on the nature of the project. Risks related to Russia and Ukraine are managed and controlled through this system. However, even with these risk hedging measures, it is difficult to completely avoid risks caused by deterioration in the political, economic, or social conditions in the countries or regions where our customers, portfolio companies or ongoing projects are located. Such eventualities may have an impact on our operating results.

For details about the impacts of Russia-Ukraine situation, please refer to “2. BASIS OF PREPARATION” under “Notes to Consolidated Financial Statements.”

5) Business Investment Risk

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

Although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and withdrawals from an investment etc. For details of commodity market risks included in business investments, please refer to the section entitled “*2)* (1) Commodity Market Risk”.

(Specific Investments)

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

In November 1968, we established MDP to engage in the development of coal (metallurgical coal, which is used for steel manufacturing). In 2001, we acquired through MDP a 50% interest in the BMA metallurgical coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and have been engaging in this business with the partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest metallurgical coal businesses, currently producing 65 million tons per year. As of March 31, 2023, the book value of MDP's fixed assets is ¥994.6 billion.

b. Investments in Interests in Chilean Copper Assets

We hold shares in Anglo American Sur S.A. (AAS), which holds Chilean copper resource interests, with Anglo American Plc (AAC), headquartered in London, United Kingdom, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd.

AAC holds a 50.1% ownership interest in AAS, the joint venture holds a 29.5% interest, and we hold a 20.4% interest, which we acquired for US$4.51 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS's total copper production was approximately 310,000 tons in 2022.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, we conduct impairment tests for our investment in AAS. As AAS's production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than short-term price fluctuations. We therefore evaluate risk from a medium- to long-term perspective, including the latest copper price forecasts and development plans.

After an environmental permit for the site was rejected in May 2022, we performed a detailed, comprehensive examination of the project. As a result, we recorded impairment losses of ¥37.1 billion under "Share of profit of investments accounted for using the equity method" for the fiscal year ended March 31, 2023. As such, the book value of the investment in AAS is ¥144.9 billion as of March 31, 2023.The re-application was acknowledged by the Environmental Assessment Service of Chile (SEA) in April 2023.

For details, please refer to "38. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES" under "Notes to Consolidated Financial Statements."

c. Investments in Interests in Peruvian Copper Assets

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

Quellaveco is a large-scale mine with copper deposits estimated to contain 8.9 million tons (content mineral basis) of copper ore reserves, and is highly cost competitive. Construction on the project commenced in 2018, and production of copper concentrate began in 2022. Copper production attributable to Mitsubishi Corporation is currently more than 200,000 tons per year, among the greatest of Japanese companies. After full-scale production commences, this figure is expected to reach approximately 320,000–370,000 tons per year.

We apply the equity method to the investment in AAQ. We conduct impairment tests for our investment in AAQ as an investment accounted for using the equity method. Quellaveco's production and development plans are long-term. As such, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAQ than short-term price fluctuations. We therefore evaluate this investment from a medium- to long-term perspective that includes the latest copper price forecasts and development plans.

Total book value of the investment in and loan to AAQ is ¥492.4 billion as of March 31, 2023.

d. Montney Shale Gas Development Project/LNG Canada Project

We are building a natural gas value chain in Canada, stretching from upstream resource development to LNG production, export and sales. In terms of upstream businesses, we are operating a shale gas development business through our wholly owned consolidated subsidiary CUTBANK DAWSON GAS RESOURCES LTD. with Ovintiv Inc. Our investment stake in the project is 40%, with a book value of ¥225.1 billion as "Investments accounted for using the equity method" as of March 31, 2023.

Also, to export and sell the natural gas as LNG, we took a final investment decision (FID) on LNG Canada, together with our partners, in 2018. This project involves the construction of liquefaction facilities with annual production capacity of 14 million tons to export LNG to customers in Japan and other East Asian countries. Production is expected to commence in the mid-2020s. We are participating in the project through our subsidiary Diamond LNG Canada Partnership and advancing efforts with our partners Shell, Petronas, PetroChina and Korea Gas Corporation. As of March 31,2023, the book value of Diamond LNG Canada Partnership's fixed assets is ¥281.3 billion.

e. Investment in Lawson Inc.

In 2017, we acquired an additional 16.6% of the issued shares of Lawson Inc. (Lawson) via tender offer. Combined with our existing 33.4% stake, this resulted in a majority shareholding. Accordingly, we made Lawson a consolidated subsidiary. Lawson operates a franchise system and directly managed Lawson convenience stores, an overseas convenience store business, and other peripheral businesses. As of February 28, 2023, Lawson's convenience store network comprised approximately 14,600 stores in Japan and 6,100 stores overseas, for a total of approximately 20,700 stores.

Deterioration in the business environment could affect our operating performance via the performance of Lawson or impairment losses on the goodwill. The book value of this "Goodwill" as of March 31, 2023 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is ¥161.8 billion.

For details, please refer to "14. INTANGIBLE ASSETS AND GOODWILL" under "Notes to Consolidated Financial Statements."

f. Investment in Eneco

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

Eneco is an integrated energy company boasting excellent competitiveness and adaptability in the business fields of renewable power generation and supply, power trading, and retail and new services.
By taking advantage of Eneco's technological strengths and know-how in renewable energies, we are aiming to accelerate its own renewable developments in Europe and around the world. We are seizing this acquisition as an opportunity to realize its vision of simultaneously generating economic, societal and environmental value through its businesses.

A decline in electricity demand or the European macro economy could impact our operating results via Eneco's operating results or impairment loss on the goodwill recognized when we acquired Eneco. The book value of this "Goodwill" as of March 31, 2023 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is ¥124.7 billion.

For details, please refer to "14. INTANGIBLE ASSETS AND GOODWILL" under "Notes to Consolidated Financial Statements."

6) Risks Related to Compliance

We are engaged in businesses in all industries through many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, anti-bribery laws, security trade control-related and other international trade-related laws, international sanction-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate. In particular, many countries are imposing or strengthening economic sanctions due to the current Russia-Ukraine situation, and we are following developments closely and, under the leadership of the Chief Compliance Officer, responding appropriately.

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

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

7) Risks of Crises that Cause Harm to Human Life, Business Interruption, etc.

A crisis occurring in or outside Japan, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza or COVID-19, or a large-scale accident, acts of terrorism or riots, or incidents arising from geopolitical causes in East Asia, Europe or elsewhere that affect our employees and damage our offices, facilities or systems could hinder sales and production activities.

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

In response to COVID-19, we have been taking necessary measures to promptly prevent the infection of employees and halt the spread of infection, in tandem with maintaining appropriate business continuity. Both in Japan and overseas, while maintaining the safety of employees as our highest priority, we are working to respond appropriately to conditions related to the spread of infection, requests from the Japanese national and local governments, and conditions and regulations in other countries. We are implementing thoroughgoing measures to prevent infection and other necessary measures to sufficiently ensure safety as we work to secure appropriate business continuity.

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

8) Risks Related to Climate Change

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

Risks related to climate change are broadly categorized as transition risks (risks related to government policy and regulations, technology, markets, etc.) and physical risks. Transition risks include risks of increased operational or facility-related costs due to carbon pricing (carbon taxes, etc.), expanded regulations, or the obsolescence of products and services that rely on existing technologies. Physical risks include the impact on operations of drought or flooding. We believe that while climate change poses significant business risks, it also presents us with new business opportunities for innovation, disruption and growth. Accordingly, we have set “Contributing to Decarbonized Societies” as one of its material issues as we strive to achieve sustainable growth.

Specifically, the Sustainability & CSR Committee identifies key risks related to climate change and assesses their potential business impact. For businesses expected to be highly impacted, we implement 1.5°C scenario analyses based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and reflect the results in our strategy for said businesses based on a comprehensive consideration of our policies, the measures of relevant countries, the analyses of external institutions, and the specific conditions of individual businesses. Furthermore, as announced in Midterm Corporate Strategy 2024, we will adopt and promote mechanisms for simultaneously decarbonizing by classifying each business based on climate-related transition risks and opportunities. These efforts are reported to the Board of Directors.

3. Material Accounting Policies and Estimates

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

4. Year Ended March 2023 vs. Year Ended March 2022

In the year ended March 31, 2023, economies in a wide range of areas and countries continued on a recovery trajectory as they returned to normal from the COVID-19 pandemic despite the downward pressure from the Russia-Ukraine situation, persistently high resource prices and soaring inflation. Japan's economy saw continued gradual overall recovery, reflecting firm domestic demand, including consumer spending and capital expenditure, backed by the normalization of economic activities, despite persistently high resource prices and the growing impact on consumers of rising prices due to the weakening yen.

Under such circumstances, operating results for the year ended March 31, 2023 were as follows. For details about the progress on the corporate strategy, key initiatives and the operating environment in the year ended March 31, 2023 and after, please refer to "1. Strategic Issues."

1) Total Revenues

Revenues was ¥21,572.0 billion, an increase of ¥4,307.2 billion, or 25% year over year. This was mainly due to increased market prices and transaction volumes.

2) Gross Profit

Gross profit was ¥2,560.0 billion, an increase of ¥409.2 billion, or 19% year over year, mainly due to increased market prices in the Australian metallurgical coal business, as well as the flexible response to market conditions in the European integrated energy business.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses was ¥1,607.5 billion, an increase of ¥175.5 billion, or 12% year over year, mainly due to the depreciation of the Japanese yen in relation to foreign currency translation.

4) Gains (Losses) on Investments

Gains on investments increased ¥121.7 billion, or 162% year over year, to ¥197.0 billion, mainly due to gain on sale of an investment in a real estate management company.

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

Gains (losses) on disposal and sale of property, plant and equipment and others decreased ¥7.0 billion year over year to a loss of ¥0.3 billion, reflecting gains on sales of offices at overseas regional subsidiaries in the previous fiscal year.

6) Impairment Losses on Property, Plant and Equipment, Intangible Assets, Goodwill and Others

Impairment losses on property, plant and equipment and others amounted to ¥31.6 billion, an improvement of ¥32.9 billion, or 51% year over year, reflecting impairment losses on intangible assets related to investment in Chiyoda Corporation in the previous year.

7) Other Income (Expense)-Net

Other income (expense)-net decreased ¥48.7 billion year over year, to a loss of ¥25.4 billion, mainly due to fluctuations in evaluation profit (loss) on biological assets.

8) Finance Income

Finance income increased ¥17.1 billion, or 9% year over year, to ¥203.6 billion, mainly due to an increase in interest income resulting from higher U.S. dollar interest rates, despite decreased dividend income from resource-related investments.

9) Finance Costs

Finance costs increased ¥68.7 billion, or 147% year over year, to ¥115.4 billion, mainly due to higher U.S. dollar interest rates.

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

Share of profit of investments accounted for using the equity method increased ¥106.4 billion, or 27% year over year, to ¥500.2 billion, mainly due to increased equity earnings resulting from higher natural gas and crude oil prices.

11) Profit before Tax

Profit before tax increased ¥387.5 billion, or 30% year over year, to ¥1,680.6 billion, for the above reasons.

12) Income Taxes

Income taxes increased ¥120.4 billion, or 42% year over year, to ¥409.1 billion, mainly due to increased profit in the Australian metallurgical coal business and increased taxable income from gains on sale of an investment in a real estate management company.

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

Profit (loss) for the year attributable to non-controlling interests increased by ¥23.9 billion, or 36% year over year to a profit of ¥90.8 billion.

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

As a result of all the above, profit for the year attributable to owners of the Parent increased ¥243.2 billion, or 26% year over year to ¥1,180.7 billion. Accordingly, ROE was 15.8%.

5. Year Ended March 2023 Segment Information

(Profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”. For details about products, services and operating results of each segment, please refer to Note 6 to the consolidated financial statements.)

1) Natural Gas Group

The group recorded profit for the year of ¥170.6 billion, an increase of ¥65.5 billion, or 62% year over year.
The increase in earnings mainly reflected increase in equity earnings in the LNG-related business and the North American shale gas business, despite trading losses in the LNG sales business.

2) Industrial Materials Group

The group recorded profit for the year of ¥62.0 billion, an increase of ¥25.2 billion, or 68% year over year.
The increase in earnings mainly reflected increase in equity earnings in the North American plastic building materials business and the Steel business.

3) Petroleum & Chemicals Solution Group

The group recorded profit for the year of ¥45.0 billion, an increase of ¥4.7 billion, or 12% year over year.
The increase in earnings mainly reflected the deduction of deferred tax liabilities in the Chemical manufacturing business.

4) Mineral Resources Group

The group recorded profit for the year of ¥439.3 billion, an increase of ¥18.6 billion, or 4% year over year.
The increase in earnings mainly reflected increase in market prices in the Australian metallurgical coal business, despite the impairment losses in the Chilean copper business.

5) Industrial Infrastructure Group

The group recorded profit for the year of ¥31.9 billion, an increase of ¥14.6 billion, or 84% year over year.
The increase in earnings mainly reflected losses related to Chiyoda Corporation in the previous year.

6) Automotive & Mobility Group

The group recorded profit for the year of ¥127.5 billion, an increase of ¥20.7 billion, or 19% year over year.
The increase in earnings mainly reflected increase in equity earnings in the ASEAN automotive business and Mitsubishi Motors.

7) Food Industry Group

The group recorded profit for the year of ¥63.4 billion, a decrease of ¥15.9 billion, or 20% year over year.
The decrease in earnings mainly reflected impairment losses on fixed assets in overseas business.

8) Consumer Industry Group

The group recorded profit for the year of ¥23.0 billion, an increase of ¥2.0 billion, or 10% year over year.
The increase in earnings mainly reflected increase in equity earnings in the CVS business.

9) Power Solution Group

The group recorded profit for the year of ¥61.9 billion, an increase of ¥11.4 billion, or 23% year over year.
The increase in earnings mainly reflected gains on sale of power generating assets and increase in equity earnings in the Overseas power business, despite losses due to facility defects, etc. and decrease in equity earnings in the Domestic power generating business.

10) Urban Development Group

The group recorded profit for the year of ¥123.3 billion, an increase of ¥83.3 billion, or 208% year over year.
The increase in earnings mainly reflected gains on sale of a real estate management company.

6. Liquidity and Capital Resources

1) Fund Procurement and Liquidity Management

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

Looking at funding activities in the year ended March 2023, following on from the year ended March 2022, we raised funds in conjunction with efforts to improve financial soundness.

The following is a result of these funding activities.

	Billions of Yen	
	2022	2023
Interest-bearing liabilities (Gross/excl, lease liabilities)	¥5,643.2	¥4,889.9
Interest-bearing liabilities (Net/excl, lease liabilities)	3,939.7	3,237.6
Long-term financing (Gross Interest-bearing liabilities (long-term))	4,591.9	3,892.9
Long-term financing Ratio (%)	81%	80%
Current Ratio (%)	130%	136%

1. Hybrid finance accounted for ¥540.0 billion of interest-bearing liabilities (Gross). Rating agencies treat 50% of this balance, or ¥270.0 billion, as equity.
2. Interest-bearing liabilities (Net) is interest-bearing liabilities (Gross) minus cash and cash equivalents and time deposits.

For the year ending March 2024, we plan to continue procuring funds from stable sources over the medium and long terms mainly through efforts to diversify funding sources. We will also continue taking steps to raise funding efficiency on a consolidated basis with a view to refining consolidated management.

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

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and particular overseas regional subsidiaries (Finance offices) and distributed to other subsidiaries, to promote the efficient use of fund and securement of liquidity by centralization of funding. As of March 31, 2023, 81% of consolidated gross interest-bearing liabilities were funded by the Parent and Finance offices.

The Parent and Finance offices had ¥462.4 billion in short-term marketable debt as of March 31, 2023, namely commercial paper and bonds scheduled for repayment within a year. However, since the sum of cash and deposits, commitment lines secured on a fee basis, and bond investments due to mature within a year amounted to ¥1,996.1 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,533.7 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion syndicated by major Japanese banks, a commitment line of US$1.0 billion and a soft currency facility equivalent to US$0.15 billion syndicated by major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody’s Investors Service (Moody’s), and Standard and Poor’s (S&P).

The ratings as of March 31, 2023 were as follows:

	R&I	Moody's	S&P
Long-term Debt	AA (outlook stable)	A2 (outlook stable)	A (outlook stable)
Short-term Debt	a-1+	P-1	A-1

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2023 was ¥22,152.9 billion, an increase of ¥240.9 billion, or 1%, from March 31, 2022.
Current assets was ¥9,109.3 billion, a decrease of ¥421.7 billion, or 4%, from March 31, 2022. This was mainly due to a decrease in other financial assets attributable to a decrease in commodity derivative assets caused by market fluctuations and decreased transaction volumes.
Non-current assets was ¥13,043.6 billion, an increase of ¥662.6 billion, or 5%, from March 31, 2022. This was mainly due to an increase in investments accounted for using the equity method attributable to an increase in equity earnings and the depreciation of the Japanese yen in relation to foreign currency translation.

Total liabilities was ¥13,028.5 billion, a decrease of ¥1,026.3 billion, or 7%, from March 31, 2022.
Current liabilities was ¥6,694.7 billion, a decrease of ¥623.1 billion, or 9%, from March 31, 2022. This was mainly due to a decrease in other financial liabilities attributable to a decrease in commodity derivative liabilities caused by market fluctuations and decreased transaction volumes.
Non-current liabilities was ¥6,333.8 billion, a decrease of ¥403.2 billion, or 6%, from March 31, 2022. This was mainly due to a decrease in bonds and borrowings due to the transfer of long-term borrowings to current liabilities.

Total equity was ¥9,124.4 billion, an increase of ¥1,267.2 billion, or 16%, from March 31, 2022.
Equity attributable to owners of the Parent was ¥8,071.0 billion, an increase of ¥1,190.8 billion, or 17%, from March 31, 2022. This was mainly due to an increase in retained earnings accumulated by profit for the period and exchange differences on translating foreign operations resulting from the depreciation of the Japanese yen.
Non-controlling interests increased ¥76.5 billion, or 8%, from March 31, 2022, to ¥1,053.4 billion.
Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents and time deposits, decreased ¥702.1 billion, or 18%, from March 31, 2022, to ¥3,237.6 billion.

The Company's segment information at March 31, 2022 and 2023 was as follows.

(March 31,2022) (Billions of Yen)

	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	599.5	162.1	144.0	523.8	199.4	301.4
Other investments	364.0	52.3	95.7	413.9	52.6	119.1
Property, plant and equipment and Investment property	248.9	107.3	52.5	1,004.2	123.4	38.8
Intangible assets and goodwill	2.2	10.9	3.8	3.4	98.7	10.4
Total assets	2,016.0	1,355.0	1,243.0	4,554.7	1,129.9	1,699.3

(March 31,2022) (Billions of Yen)

	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	350.9	184.8	435.1	602.1	(0.2)	3,502.9
Other investments	156.9	295.8	10.0	121.7	275.9	1,957.9
Property, plant and equipment and Investment property	305.4	345.5	513.6	53.0	85.8	2,878.4
Intangible assets and goodwill	197.5	533.0	331.4	0.4	29.9	1,221.6
Total assets	1,968.6	3,930.3	2,650.1	1,136.2	228.9	21,912.0

(March 31,2023) (Billions of Yen)

	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	714.8	176.2	166.3	549.9	240.5	366.7
Other investments	235.5	90.8	83.7	413.3	46.4	117.7
Property, plant and equipment and Investment property	313.9	107.9	42.6	995.1	134.7	47.2
Intangible assets and goodwill	1.9	11.7	5.0	4.4	96.4	6.7
Total assets	2,043.0	1,461.7	1,160.7	4,098.1	1,329.2	1,915.4

(March 31,2023) (Billions of Yen)

	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	358.3	178.7	452.5	722.0	1.0	3,926.9
Other investments	189.9	301.7	34.2	114.3	189.4	1,816.9
Property, plant and equipment and Investment property	316.7	367.6	653.2	7.4	87.7	3,074.0
Intangible assets and goodwill	184.3	528.9	337.4	0.1	30.6	1,207.4
Total assets	2,103.0	3,988.6	2,716.2	1,164.6	172.4	22,152.9

3) Cash Flows

Cash and cash equivalents at March 31, 2023 was ¥1,557.0 billion, an increase of ¥1.4 billion from March 31, 2022.

(Operating activities)

Net cash provided by operating activities was ¥1,930.1 billion, mainly due to cash flows from operating transactions and dividend income, as well as decreases in working capital requirements, despite the payment of income taxes.

Net cash provided by operating activities increased by ¥874.3 billion year over year, mainly due to decreases in working capital and increases of cash flows from operating transactions.

(Investing activities)

Net cash used in investing activities was ¥177.5 billion. The main uses of cash were payments for the purchase of property, plant and equipment and investments and loans to affiliated companies, which exceeded inflows from the sale of an investment in a real estate management company and the sales of investments in affiliated companies.

Net cash used in investing activities increased by ¥9.9 billion year over year, mainly due to payments for the purchase of property, plant and equipment, which exceeded inflows from the sale of an investment in a real estate management company.

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

New/Sustaining Investments

- European integrated energy business (Power Solution)
- Australian metallurgical coal business (Mineral Resources)
- Copper business (Mineral Resources)
- Overseas power business (Power Solution)
- North American real estate business (Urban Development)
- CVS business (Consumer Industry)
- LNG-related business (Natural Gas)
- Functional material company (Industrial Materials)
- Energy infrastructure company (Industrial Infrastructure)

Sales and Collection

- Investment in a real estate management company (Urban Development)
- North American shale gas business (Natural Gas)
- Aluminum smelting business (Mineral Resources)
- Overseas power business (Power Solution)
- Asian renewable energy business (Power Solution)
- Integrated engineering business (Industrial Infrastructure)

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥1,752.6 billion.

(Financing activities)

Net cash used in financing activities was ¥1,766.6 billion. The main uses of cash were repayments of debts and lease liabilities, payments of dividends, and the acquisition of treasury stock.

Net cash used in financing activities increased by ¥1,073.2 billion year over year, mainly due to repayment of short-term debts with cash flows from operating activity and less deployment of long-term debts, in accordance with less working capital.

The dividends were paid in compliance with the shareholder returns policy of progressive dividends in line with sustained profit growth. The acquisition of treasury stock was carried out to realize appropriate capital allocation, considering the level of total payout ratio, financial soundness, cash flows, and progress and probability of investments. Regarding financing through debt, the policy is to maintain debts at an appropriate level in light of liquidity and financial soundness.

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

Underlying operating cash flows (after repayments of lease liabilities) in the year ended March 31, 2023 was positive ¥1,284.7 billion, an increase of ¥48.2 billion, year over year.

As a result, Adjusted free cash flows was positive ¥1,107.2 billion.

7. Significant Contracts

There were no significant contracts in the year ended March 2023.

8. R&D Activities

There were no material R&D activities in the year ended March 2023.

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes to the consolidated financial statements, including a summary of material accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Medium- to long-term copper price assumption

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

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

1. Medium- to long-term copper price assumption

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in copper business in Chile and Peru. As for the Group's investments in copper business, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 377,790 million and investments accounted for using the equity method were JPY 388,462 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

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

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

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, the medium- to long-term copper price assumption is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term copper price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term copper price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts toward a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future copper price assumptions published by multiple external organizations, which indicates high uncertainty. Therefore, we identified the determination of the medium- to long-term copper price assumption as a key audit matter because the determination is complex and requires significant management’s judgment.

How the Key Audit Matter Was Addressed in the Audit

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

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

- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts towards a decarbonized society on the current copper markets and the future global demand and supply for copper.

- We evaluated the reasonableness of the Group's medium- to long-term copper price assumption by comparing the Group's assumption with a range developed by our independent estimates of future copper price. Our range is developed to be narrower than medium- to long-term copper price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.

- When we developed the range, we independently obtained the medium- to long-term copper price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

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

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

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the natural gas/oil development and production and the liquefied natural gas ("LNG") projects in various countries, such as Australia, Russia, Malaysia, and Canada. As for the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 197,443 million, investments accounted for using the equity method were JPY 713,150 million (total of JPY 488,015 million in LNG-related business and JPY 225,135 million in shale gas business), and property, plant and equipment were JPY 281,332 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

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

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

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, due to the fact that LNG price correlates with crude oil price, the medium- to long-term crude oil price assumption is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method and property, plant and equipment. Changes in the medium- to long-term crude oil price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term crude oil price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future crude oil price assumptions published by multiple external organizations. Therefore, we identified the determination of the medium- to long-term crude oil price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

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

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term crude oil price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method and property, plant and equipment.
- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society on the current crude oil markets and the future global demand and supply for crude oil.
- We evaluated the reasonableness of the Group's medium- to long-term crude oil price assumption by comparing the Group's assumption with a range developed by our independent estimates of future crude oil price. Our range is developed to be narrower than medium- to long-term crude oil price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.
- When we developed the range, we independently obtained the medium- to long-term crude oil price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term crude oil price assumption as discussed above.

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

Key Audit Matter Description

In the Natural Gas segment, the Group held a 10% ownership interest in Sakhalin Energy Investment Company Ltd. (“SEIC”), which operates Sakhalin 2 project, an LNG-related business in Russia. Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416), and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC (“SELLC”), was established to take over the operation of the LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Group submitted the notice of transfer to take ownership interests in SELLC to the Russian government and received approval on August 31, 2022. The Group continues to hold a 10% ownership interest in the LNG-related business, however, the details related to the operation of SELLC, including the terms of the LLC Members Agreement, will be discussed between LLC Members of SELLC after the end of the current fiscal year. As such, uncertainties remain surrounding this investment at year-end.

As disclosed in Note 2, “Basis of Preparation (5) Significant accounting judgments, estimates and assumptions,” to the consolidated financial statements, there has been no significant change in the economic substance towards the investment in the LNG-related business as the Group continues to invest in the business after the rights and obligations of SEIC were transferred to SELLC. Therefore, the investment in SELLC is classified as an equity instrument and accounted for as other investments (financial assets measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The Group measures fair value of this investment with the income approach using the probability-weighted average expected present value technique, in which the Group anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios. The Group measured the fair value (Level 3) of this investment at JPY 83,210 million as of March 31, 2023 and consequently recorded other comprehensive loss (before tax) of JPY 60,185 million for the year ended March 31, 2023.

We identified the accounting treatment of initial recognition, including the classification of the financial assets, and fair value measurement of investment in SELLC as a key audit matter because of its quantitative significance in the consolidated financial statements and the following:

Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets

Based on the Russian Federation Presidential Decree and the Governmental Resolution, the Group's investment in the LNG-related business has been transferred from SEIC to SELLC. Significant management's judgment is required in assessing whether there has been any change in the economic substance towards the investment as a result of the transfer, in determining the classification of investment in SELLC as an equity instrument, based on the contractual rights to the investment, the relevant laws and regulations, including the Russian Federation Presidential Decree.

Fair value measurement of investment in SELLC

The valuation of the financial assets measured at FVTOCI related to the LNG-related business requires the use of the valuation methodology taking into account multiple scenarios, estimates of future cash flows and the probability of occurrence in each scenario, and the determination of a discount rate which reflects a country risk of Russia and other factors. It involves significant management's judgment since it is required to evaluate the impact of the international sanction towards Russia, including Russia's counter-measures against unfriendly countries as well as the participation of a new partner that may affect the LLC Members Agreement.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets, and the fair value measurement included the following, among others:

Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets

- We tested the design and operating effectiveness of relevant controls over the determination of the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets.
- We inspected the relevant provisions of the Russian Federation Presidential Decree, Governmental Resolution as well as the notice of transfer to take ownership interests in SELLC. We also inspected the board of director's meeting minutes and related documents, and inquired of management whether there was any change in the economic substance towards the investment in LNG-related business as a result of the transfer to evaluate the reasonableness of the management's judgment in concluding that there was no significant change in the economic substance.
- We evaluated the reasonableness of management's judgment for the classification of the investment in SELLC as an equity investment by examining the contractual rights to the investment, the relevant laws and regulations, including

the Russian Federation Presidential Decree with the assistance of our legal specialists.

Fair value measurement of investment in SELLC

- We tested the design and operating effectiveness of relevant controls over the fair value measurement of investment in SELLC.
- We inspected the board of director's meeting minutes, and made inquiries of management to obtain an understanding of the progress of the negotiations related to the operation of SELLC, including the terms of the LLC Members Agreement, the discussions with the Japanese government and other relevant parties, and the Group's view towards the international environment, in order to evaluate the reasonableness of the probability of occurrence of the scenario in which the Group anticipated receiving dividends from the investment in SELLC over the project life and other scenarios.
- We evaluated the reasonableness of estimated future cash flows for each scenario by:
  -Comparing them with the approved business plan of SELLC
  -Comparing historical business plans to actual results and evaluating management's ability to reasonably prepare a business plan
  -Considering the impact on the fair value measurement of the partner selling its interests in this project based on the Russian Federation Presidential Decree.
- We verified the reasonableness of valuation methodology and the discount rate selected by management by comparing to our independent estimate of the acceptable range of discount rates developed considering the audit materiality and sensitivity to the fair value measurement with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosures of the LNG-related business in Russia in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the estimation uncertainty related to the operation of SELLC such as the terms of the LLC Members Agreement. We also verified the consistency of disclosures with the results of procedures performed as mentioned above.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

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

Yuki Higashikawa
Designated Engagement Partner
Certified Public Accountant

Hirofumi Otani
Designated Engagement Partner
Certified Public Accountant

Sogo Ito
Designated Engagement Partner
Certified Public Accountant

June 23, 2023

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

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

We have thus evaluated our ICFR as of March 31, 2023 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2023, we concluded that our internal control system over financial reporting as of March 31, 2023 was effective and reported as such in the Management Internal Control Report.

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

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

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

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

(TRANSLATION)

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

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

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

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

The assessment of internal control over financial reporting was performed as of March 31, 2023, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

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

3 [Matters relating to the results of the assessment]

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

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

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

NOTE TO READERS:

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2023

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Yuki Higashikawa

Designated Engagement Partner,
Certified Public Accountant: Hirofumi Otani

Designated Engagement Partner,
Certified Public Accountant: Sogo Ito

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Mitsubishi Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and Notes to 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 of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial

Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Medium- to long-term copper price assumption

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

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

1. Medium- to long-term copper price assumption

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in copper business in Chile and Peru. As for the Group's investments in copper business, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 377,790 million and investments accounted for using the equity method were JPY 388,462 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

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

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

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, the medium- to long-term copper price assumption is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term copper price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term copper price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts toward a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future copper price assumptions published by multiple external organizations, which indicates high uncertainty. Therefore, we identified the determination of the medium- to long-term copper price assumption as a key audit matter because the determination is complex and requires significant management's judgement.

How the Key Audit Matter Was Addressed in the Audit

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

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term copper price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.
- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts towards a decarbonized society on the current copper markets and the future global demand and supply for copper.
- We evaluated the reasonableness of the Group's medium- to long-term copper price assumption by comparing the Group's assumption with a range developed by our independent estimates of future copper price. Our range is developed to be narrower than medium- to long-term copper price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.
- When we developed the range, we independently obtained the medium- to long-term copper price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosure of the medium- to long-term copper price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term copper price assumption as discussed above.

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

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the natural gas/oil development and production and the liquefied natural gas ("LNG") projects in various countries, such as Australia, Russia, Malaysia, and Canada. As for the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 197,443 million, investments accounted for using the equity method were JPY 713,150 million (total of JPY 488,015 million in LNG-related business and JPY 225,135 million in shale gas business), and property, plant and equipment were JPY 281,332 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

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

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

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, due to the fact that LNG price correlates with crude oil price, the medium- to long-term crude oil price assumption is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method and property, plant and equipment. Changes in the medium- to long-term crude oil price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term crude oil price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future crude oil price assumptions published by multiple external organizations. Therefore, we identified the determination of the medium- to long-term crude oil price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

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

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term crude oil price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method and property, plant and equipment.
- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society on the current crude oil markets and the future global demand and supply for crude oil.
- We evaluated the reasonableness of the Group's medium- to long-term crude oil price assumption by comparing the Group's assumption with a range developed by our independent estimates of future crude oil price. Our range is developed to be narrower than medium- to long-term crude oil price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.
- When we developed the range, we independently obtained the medium- to long-term crude oil price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term crude oil price assumption as discussed above.

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

Key Audit Matter Description

In the Natural Gas segment, the Group held a 10% ownership interest in Sakhalin Energy Investment Company Ltd. ("SEIC"), which operates Sakhalin 2 project, an LNG-related business in Russia. Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416), and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC ("SELLC"), was established to take over the operation of the LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Group submitted the notice of transfer to take ownership interests in SELLC to the Russian government and received approval on August 31, 2022. The Group continues to hold a 10% ownership interest in the LNG-related business; however, the details related to the operation of SELLC, including the terms of the LLC Members Agreement, will be discussed between LLC Members of SELLC after the end of the current fiscal year. As such, uncertainties remain surrounding this investment at year-end.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions" to the consolidated financial statements, there has been no significant change in the economic substance towards the investment in the LNG-related business as the Group continues to invest in the business after the rights and obligations of SEIC were transferred to SELLC. Therefore, the investment in SELLC is classified as an equity instrument and accounted for as other investments (financial assets measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The Group measures fair value of this investment with the income approach using the probability-weighted average expected present value technique, in which the Group anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios. The Group measured the fair value (Level 3) for this investment at JPY 83,210 million as of March 31, 2023 and consequently recorded other comprehensive loss (before tax) of JPY 60,185 million for the year ended March 31, 2023.

We identified the accounting treatment of initial recognition, including the classification of the financial assets, and fair value measurement of investment in SELLC as a key audit matter because of its quantitative significance in the consolidated financial statements and the following:

<u>Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets</u>
Based on the Russian Federation Presidential Decree and the Governmental Resolution, the Group's investment in the LNG-related business has been transferred from SEIC to SELLC. Significant management's judgment is required in assessing whether there has been any change in the economic substance towards the investment as a result of the transfer, in determining the classification of investment in SELLC as an equity instrument, based on the contractual rights to the investment, the relevant laws and regulations, including the Russian Federation Presidential Decree.

<u>Fair value measurement of investment in SELLC</u>
The valuation of the financial assets measured at FVTOCI related to the LNG-related business, requires the use of the valuation methodology taking into account multiple scenarios, estimates of future cash flows and the probability of occurrence in each scenario, and the determination of a discount rate which reflects a country risk of Russia and other factors. It involves significant management's judgment since it is required to evaluate the impacts of the international sanction towards Russia, including Russia's counter-measures against unfriendly countries as well as the participation of a new partner that may affect the LLC Members Agreement.

<u>How the Key Audit Matter Was Addressed in the Audit</u>

Our audit procedures related to the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets, and the fair value measurement included the following, among others:

<u>Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets</u>
- We tested the design and operating effectiveness of relevant controls over the determination of the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets.
- We inspected the relevant provisions of the Russian Federation Presidential Decree, Governmental Resolution as well as the notice of transfer to take ownership interests in SELLC. We also inspected the board of director's meeting minutes and related documents, and inquired of management whether there was any change in the economic substance towards the investment in LNG-related business as a result of the transfer to evaluate the reasonableness of the

management's judgment in concluding that there was no significant change in the economic substance.

- We evaluated the reasonableness of management's judgment for the classification of the investment in SELLC as an equity investment by examining the contractual rights to the investment, the relevant laws and regulations, including the Russian Federation Presidential Decree with the assistance of our internal legal specialists.

Fair value measurement of investment in SELLC

- We tested the design and operating effectiveness of relevant controls over the fair value measurement of investment in SELLC.
- We inspected the board of director's meeting minutes, and made inquiries of management to obtain an understanding of the progress of the negotiations related to the operation of SELLC, including the terms of the LLC Members Agreement, the discussions with the Japanese government and other relevant parties, and the Group's view towards the international environment, in order to evaluate the reasonableness of the probability of occurrence of the scenario in which the Group anticipated receiving dividends from the investment in SELLC over the project life and other scenarios.
- We evaluated the reasonableness of estimated future cash flows for each scenario by:
  - Comparing them with the approved business plan of SELLC
  - Comparing historical business plans to actual results and evaluating management's ability to reasonably prepare a business plan
  - Considering the impact on the fair value measurement of the partner selling its shares in this project based on the Russian Federation Presidential Decree.
- We verified the reasonableness of valuation methodology and the discount rate selected by management by comparing to our independent estimate of the acceptable range of discount rates developed considering the audit materiality and sensitivity to the fair value measurement with the assistance of our valuation specialists.
- We evaluated the appropriateness of the disclosures of the LNG-related business in Russia in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the estimation uncertainty related to the operation of SELLC such as the terms of the LLC Members Agreement. We also verified the consistency of disclosures with the results of procedures performed as mentioned above.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

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

Auditor's Responsibilities for the Internal Control Audit

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

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

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

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

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

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

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

Consolidated Statement of Financial Position

March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
ASSETS	2022	2023	2023
Current assets			
Cash and cash equivalents (Note 30)	¥1,555,570	¥1,556,999	$11,619
Time deposits (Note 30)	147,878	95,291	711
Short-term investments (Notes 7, 30 and 34)	7,000	42,127	314
Trade and other receivables (Notes 8, 16, 24, 30, 35 and 38)	4,283,171	4,127,275	30,801
Other financial assets (Notes 30, 31 and 32)	774,833	392,644	2,930
Inventories (Notes 9 and 30)	1,776,616	1,771,382	13,219
Biological assets (Note 10)	98,268	109,953	821
Advance payments to suppliers	99,671	139,140	1,038
Assets classified as held for sale (Note 11)	202,157	243,663	1,819
Other current assets (Note 30)	585,881	630,829	4,708
Total current assets	9,531,045	9,109,303	67,980
Non-current assets			
Investments accounted for using the equity method (Notes 2 and 38)	3,502,881	3,926,875	29,305
Other investments (Notes 2, 7, 16, 30 and 34)	1,957,880	1,816,851	13,558
Trade and other receivables (Notes 8, 16, 30, 34, 35 and 38)	829,686	1,013,428	7,563
Other financial assets (Notes 30, 31 and 32)	218,701	160,892	1,201
Property, plant and equipment (Notes 12, 15 and 16)	2,784,039	2,992,042	22,329
Investment property (Notes 13 and 16)	94,399	81,986	612
Intangible assets and goodwill (Note 14)	1,221,568	1,207,402	9,010
Right-of-use assets (Note 35)	1,520,536	1,590,283	11,868
Deferred tax assets (Note 28)	53,548	39,082	292
Other non-current assets (Notes 10 and 19)	197,729	214,738	1,602
Total non-current assets	12,380,967	13,043,579	97,340
Total assets (Note 6)	¥21,912,012	¥22,152,882	$165,320

See Notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars (Note 2) 2023
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,603,420	¥1,395,890	$10,417
Trade and other payables (Notes 18, 30, 33 and 38)	3,382,112	3,369,018	25,142
Lease liabilities (Notes 35 and 36)	253,519	264,083	1,971
Other financial liabilities (Notes 30, 31, 32 and 33)	884,112	354,066	2,642
Advances from customers (Note 24)	238,656	296,463	2,212
Income tax payables	169,827	185,432	1,384
Provisions (Note 20)	92,154	84,618	631
Liabilities directly associated with assets classified as held for sale (Note 11)	9,585	25,812	193
Other current liabilities (Note 30)	684,448	719,297	5,368
Total current liabilities	7,317,833	6,694,679	49,960
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	4,039,749	3,493,991	26,075
Trade and other payables (Notes 30, 33 and 38)	47,814	59,235	442
Lease liabilities (Notes 35 and 36)	1,338,788	1,403,606	10,475
Other financial liabilities (Notes 30, 31, 32 and 33)	218,053	177,380	1,324
Retirement benefit obligation (Note 19)	127,394	118,470	884
Provisions (Note 20)	280,633	342,808	2,558
Deferred tax liabilities (Note 28)	643,862	679,144	5,068
Other non-current liabilities	40,714	59,152	441
Total non-current liabilities	6,737,007	6,333,786	47,267
Total liabilities	14,054,840	13,028,465	97,227
Equity			
Common stock (Note 21)	204,447	204,447	1,526
Additional paid-in capital (Note 21)	226,483	225,858	1,685
Treasury stock (Note 21)	(25,544)	(124,083)	(926)
Other components of equity			
Other investments designated as FVTOCI (Note 22)	511,059	405,431	3,026
Cash flow hedges (Notes 22 and 32)	(121,321)	53,044	396
Exchange differences on translating foreign operations (Notes 22 and 32)	880,674	1,257,065	9,381
Total other components of equity	1,270,412	1,715,540	12,803
Retained earnings (Notes 7 and 21)	5,204,434	6,049,259	45,144
Equity attributable to owners of the Parent	6,880,232	8,071,021	60,232
Non-controlling interests (Note 5)	976,940	1,053,396	7,861
Total equity	7,857,172	9,124,417	68,093
Total liabilities and equity	¥21,912,012	¥22,152,882	$165,320

See Notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Revenues (Notes 6, 24, 26, 30, 32 and 35)	¥17,264,828	¥21,571,973	$160,985
Cost of revenues (Notes 9, 14, 26, 30 and 32)	(15,114,064)	(19,012,011)	(141,881)
Gross profit (Note 6)	2,150,764	2,559,962	19,104
Selling, general and administrative expenses (Notes 14, 25, 35 and 38)	(1,432,039)	(1,607,518)	(11,996)
Gains (losses) on investments (Notes 26, 30, 37, 38 and 41)	75,254	197,005	1,470
Gains (losses) on disposal and sale of property, plant and equipment and others (Note 41)	6,712	(272)	(2)
Impairment losses on property, plant and equipment, intangible assets, goodwill and others (Notes 12 and 14)	(64,517)	(31,638)	(237)
Other income (expense)-net (Notes 10, 14, 27, 32 and 34)	23,289	(25,353)	(189)
Finance income (Notes 7, 26 and 41)	186,532	203,642	1,520
Finance costs (Notes 26 and 35)	(46,682)	(115,377)	(861)
Share of profit (loss) of investments accounted for using the equity method (Notes 6 and 38)	393,803	500,180	3,733
Profit (loss) before tax	1,293,116	1,680,631	12,542
Income taxes (Notes 28, 37, 38 and 41)	(288,657)	(409,132)	(3,053)
Profit (loss) for the year	¥1,004,459	¥1,271,499	$9,489
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥937,529	¥1,180,694	$8,811
Non-controlling interests	66,930	90,805	678
	¥1,004,459	¥1,271,499	$9,489
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥635.06	¥809.29	$6.04
Diluted (Note 29)	625.73	805.69	6.01

See Notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Profit (loss) for the year	¥1,004,459	¥1,271,499	$9,489
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains (losses) on other investments designated as FVTOCI (Notes 2, 7 and 22)	82,239	(94,571)	(706)
Remeasurement of defined benefit pension plans (Notes 19 and 22)	20,412	15,602	116
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	10,968	595	5
Total	113,619	(78,374)	(585)
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	(97,950)	103,164	770
Exchange differences on translating foreign operations (Notes 22 and 32)	440,530	296,053	2,209
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	108,528	186,546	1,392
Total	451,108	585,763	4,371
Total other comprehensive income (loss) (Note 22)	564,727	507,389	3,786
Total comprehensive income (loss)	¥1,569,186	¥1,778,888	$13,275
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,471,506	¥1,651,771	$12,326
Non-controlling interests	97,680	127,117	949
	¥1,569,186	¥1,778,888	$13,275

See Notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Common stock:			
Balance at the beginning of the year (Note 21)	¥204,447	¥204,447	$1,526
Balance at the end of the year (Note 21)	204,447	204,447	1,526
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	228,552	226,483	1,690
Compensation costs related to share-based payment (Note 23)	2,135	2,150	16
Sales of treasury stock upon exercise of share-based payment	(636)	(1,723)	(13)
Equity transactions with non-controlling interests and others (Note 37)	(3,568)	(1,052)	(8)
Balance at the end of the year	226,483	225,858	1,685
Treasury stock:			
Balance at the beginning of the year	(26,750)	(25,544)	(191)
Sales of treasury stock upon exercise of share-based payment	1,218	4,378	33
Purchases and sales—net (Note 21)	(12)	(216,740)	(1,617)
Cancellation (Note 21)	–	113,823	849
Balance at the end of the year	(25,544)	(124,083)	(926)
Other components of equity:			
Balance at the beginning of the year (Note 22)	784,685	1,270,412	9,482
Other comprehensive income (loss) attributable to owners of the Parent (Notes 22 and 32)	533,977	471,077	3,515
Transfer to retained earnings (Note 22)	(48,250)	(25,949)	(194)
Balance at the end of the year (Note 22)	1,270,412	1,715,540	12,803
Retained earnings: (Note 21)			
Balance at the beginning of the year	4,422,713	5,204,434	38,839
Cumulative effects of change in accounting policy (Note 2)	–	(17,003)	(127)
Adjusted balance at the beginning of the year	4,422,713	5,187,431	38,712
Profit (loss) for the year attributable to owners of the Parent	937,529	1,180,694	8,811
Cash dividends paid to owners of the Parent (Note 21)	(203,737)	(228,829)	(1,708)
Sales of treasury stock upon exercise of share-based payment	(321)	(2,163)	(16)
Cancellation of treasury stock (Note 21)	–	(113,823)	(849)
Transfer from other components of equity	48,250	25,949	194
Balance at the end of the year	5,204,434	6,049,259	45,144
Equity attributable to owners of the Parent	6,880,232	8,071,021	60,232
Non-controlling interests:			
Balance at the beginning of the year	924,743	976,940	7,291
Cash dividends paid to non-controlling interests	(54,047)	(56,348)	(421)
Equity transactions with non-controlling interests and others	8,564	5,687	42
Profit (loss) for the year attributable to non-controlling interests	66,930	90,805	678
Other comprehensive income (loss) attributable to non-controlling interests (Notes 22 and 32)	30,750	36,312	271
Balance at the end of the year	976,940	1,053,396	7,861
Total equity	¥7,857,172	¥9,124,417	$68,093
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,471,506	¥1,651,771	$12,326
Non-controlling interests	97,680	127,117	949
Total comprehensive income (loss)	¥1,569,186	¥1,778,888	$13,275

See Notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Operating activities:			
Profit (loss) for the year	¥1,004,459	¥1,271,499	$9,489
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	545,043	583,294	4,353
(Gains) losses on investments	(75,254)	(197,005)	(1,470)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	57,805	31,910	239
Finance (income) - net of finance costs	(139,850)	(88,265)	(659)
Share of (profit) loss of investments accounted for using the equity method	(393,803)	(500,180)	(3,733)
Income taxes	288,657	409,132	3,053
Changes in trade receivables	(673,674)	179,318	1,338
Changes in inventories	(236,396)	(12,929)	(96)
Changes in trade payables	396,298	(108,217)	(808)
Changes in margin deposits of derivative transactions and others	(36,149)	144,813	1,081
Other - net (Note 19)	(34,370)	79,526	593
Dividends received	493,860	489,353	3,652
Interest received	80,601	121,653	908
Interest paid	(64,444)	(134,224)	(1,002)
Income taxes paid	(156,939)	(339,540)	(2,534)
Net cash provided by (used in) operating activities	1,055,844	1,930,138	14,404
Investing activities:			
Payments for property, plant and equipment and others	(393,833)	(454,954)	(3,395)
Proceeds from disposal of property, plant and equipment and others	27,888	20,276	151
Payments for investment property	(443)	(611)	(5)
Proceeds from disposal of investments property	1,329	395	3
Purchases of investments accounted for using the equity method	(157,003)	(181,025)	(1,351)
Proceeds from disposal of investments accounted for using the equity method	246,455	284,129	2,121
Acquisitions of businesses - net of cash acquired (Notes 5 and 36)	(45,154)	(25,734)	(192)
Proceeds from disposal of businesses - net of cash divested (Notes 36 and 37)	53,278	173,362	1,294
Purchases of other investments	(26,990)	(62,425)	(466)
Proceeds from disposal of other investments	142,987	116,835	872
Increase in loans receivable	(82,953)	(157,096)	(1,172)
Collection of loans receivable	60,809	46,889	350
Net (increase) decrease in time deposits	6,080	62,493	466
Net cash provided by (used in) investing activities	(167,550)	(177,466)	(1,324)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	(159,572)	(408,701)	(3,050)
Proceeds from long-term debts (Notes 17 and 36)	864,567	214,020	1,597
Repayments of long-term debts (Notes 17 and 36)	(865,450)	(772,621)	(5,766)
Repayments of lease liabilities (Notes 35 and 36)	(279,784)	(308,946)	(2,305)
Dividends paid to owners of the Parent (Note 21)	(203,737)	(228,829)	(1,708)
Dividends paid to the non-controlling interests	(54,047)	(56,348)	(421)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(20,393)	(14,526)	(108)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	25,033	26,420	197
Net (increase) decrease in treasury stock (Note 21)	(13)	(217,107)	(1,620)
Net cash provided by (used in) financing activities	(693,396)	(1,766,638)	(13,184)
Effect of exchange rate changes on cash and cash equivalents	42,848	15,395	114
Net increase (decrease) in cash and cash equivalents	237,746	1,429	10
Cash and cash equivalents at the beginning of the year	1,317,824	1,555,570	11,609
Cash and cash equivalents at the end of the year	¥1,555,570	¥1,556,999	$11,619

See Notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company") is a diversified organization engaged in a wide variety of business activities through its network in Japan and overseas. These activities span from natural resource development to the trading and manufacturing of a wide range of products and the provision of consumer goods and services. Leveraging its collective capabilities based on its broad engagement with wide-ranging industries and global intelligence, the Company commercializes new business models and new technologies and develops and offers new services.

The principal business activities of the Company are disclosed in Note 6. The consolidated financial statements of the Parent comprise the accounts of the Company, including interests in associates and joint arrangements.

2. BASIS OF PREPARATION

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2023 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥134=US$1, the approximate rate of exchange at March 31, 2023. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied

The new major standards and interpretations applied from the year ended March 31, 2023 are as follows:

Standards and interpretations	Outline
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amended)	Clarification of costs to consider in assessing whether a contract is onerous

<u>IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amended)</u>

The Company has applied IAS 37 (Amended) from the fiscal year ended March 31, 2023. In accordance with transitional provisions, the Company has adopted the method of recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the year ended March 31,2023.

The amount of retained earnings decreased by ¥17,003 million (the amount of provisions increased by ¥20,486 million, and deferred tax assets increased by ¥3,483 million) as adjustments of the beginning balance of retained earnings on the date of initial application.

Due to the amendment of IAS 37, the cost of fulfilling a contract comprises costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) the incremental costs of fulfilling that contract such as direct labor and materials; and

(b) an allocation of other costs that relate directly to fulfilling contracts such as an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The Company is required to recognize provisions when the costs of fulfilling a contract exceed the economic benefits of the contract, in which contract is considered onerous.

Before the amendment of IAS 37, the Company had included only (a) the incremental costs of fulfilling a contract as costs that relate directly to the contract, therefore, a part of contracts in LNG sales business required recording additional provisions along with the initial application of IAS 37 (Amended).

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2023.

(5) Significant accounting judgments, estimates and assumptions
In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is changed, and the future periods affected by such revisions.

Impact of the Russia-Ukraine Situation
Regarding the impact of the Russia-Ukraine situation as shown in the economic forecasts issued by public institutions, the global economic growth is expected to be under downward pressure due to inflation. Specifically, while the situation escalates, financial and economic sanctions imposed by major countries against Russia and countermeasures taken by Russia in response, such as restrictions on international remittances and export controls, etc., are likely to remain in place and target an even broader range of items, resulting in restrictions on the supply of goods as well as inflation induced by energy price surges and other factors. Under these circumstances, the direct and indirect impact of this situation will vary by Company's business segments and regions it operates. The assumptions made by the Company are based on a projection that the impact will remain in place for some time in fiscal year ending March 31, 2024. It is assumed that it will take time to lift financial and economic sanctions, lift restrictions on international remittances, resolve unforeseen supply situation and normalize trade and supply chains. The Company's main business in Russia consist of financial service business in the Automotive & Mobility segment and investment in the LNG-related business in the Natural Gas segment. As of March 31, 2023, the carrying amount of total assets related to the Company's business in Russia amount to ¥180,540 million ($1,347 million) (of which, the balance of cash and cash equivalents restricted on international remittances was ¥50,546 million ($377 million)).

(LNG-related business in Russia)
The Company holds a 10% ownership interest in Sakhalin Energy Investment Company Ltd. (SEIC), which has been engaged in LNG-related business in Russia, and accounts for this investment as other investments (financial asset measured at FVTOCI). Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416) and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC (SELLC) was established to take over the operation of this LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Company submitted its notice to continue ownership in the LNG-related business to the Russian government and received approval on August 31, 2022. As a result, the Company continues to hold a 10% ownership interest in the LNG-related business. Since there has been no significant change in the economic substance towards the investment in the LNG-related business, the investment in SELLC is accounted for as other investments (financial asset measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The details related to the operation of SELLC, including the SELLC's Corporate Charter as well as the terms of the LLC Members Agreement, will need to be discussed once the transfer of the ownership interest to the new LLC Member is complete and the LLC Members composition of SELLC is determined. As such, there remains uncertainty surrounding this investment. Under these circumstances, the Company continues to measure the fair value of this investment with the income approach using the probability-weighted average expected present value technique. The discount rate used for the measurement is determined considering the country risk premium for Russia. While the Company anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios, the Company measured the fair value (Level 3) for this investment at ¥83,210 million ($621 million) at March 31, 2023 and consequently recorded decrease of ¥60,185 million ($449 million) (before tax) in other comprehensive income (loss) for the year ended March 31, 2023.

After the end of the fiscal year ended March 31, 2023, the Russian Governmental Resolution issued on April 11, 2023 (No. 890) approved a new LLC Member of SELLC. The Company has determined that this event will not have any impact on the fair value, but it may be necessary to reassess the scenarios used in the probability-weighted average expected present value technique depending on the future circumstances which may partially resolve uncertainties previously considered in other scenarios. As a result, there is a possibility that the fair value of the investment in SELLC may increase or decrease.

Impact of Climate Change

The impact of climate change and a transition toward decarbonized society is considered in the Company's consolidated financial statements through estimating for impairment of non-financial assets, fair value of financial instruments, useful lives of property, plant and equipment; along with the estimation of asset retirement obligations (ARO) and other items. "The Roadmap to a Carbon Neutral Society", established by the Company in October 2021, was designed to ensure that the Company contributes to the realization of the international targets set forth in the Paris Agreement and other initiatives. The decarbonization scenarios developed by external institutions in line with the Paris Agreement are considered one of important references in these accounting estimates. However, as the decarbonization scenarios generally assume market-wide trends in terms of supply and demand, the trends may not directly provide the degree of the impact on the business of the Company due to the superiority or subordination of its assets or the peculiarities of its sales contracts. In addition, while the scenario analysis based on the decarbonization scenario analyzes the super-long-term impact on a decades-long basis, a medium- to long-term time horizon of several years to 10 years, which more strongly reflects the current business environment, has a significant impact on the measurement of assets and liabilities in the consolidated financial statements. Therefore, even if the decarbonization scenario analysis implies indications of loss in the value of assets or an increase in liabilities related to the Company's business, it does not immediately mean that the implication also has an impact on the measurement of assets and liabilities in the consolidated financial statements. In considering the accounting estimates, in addition to the decarbonization scenarios, the Company's policies, policy in each country, the results of analyses by external institutions, and other factors that affect each project are comprehensively taken into account to reflect the impact of climate change. Also, the accounting estimate may be affected significantly by future changes in the Company's strategies or a shift in global trend toward decarbonization.

The Company conduct scenario analyses by referring to a scenario that limits the temperature increase to 1.5°C above pre-industrial levels ("1.5°C scenario") as part of a discussion on the effect of significant climate-related risks and opportunities on the Company's business and resilience of the Company's strategy. LNG-related business in the Natural Gas segment and Australian metallurgical coal business in the Mineral Resources segment, which have a high transition risk of climate change and a relatively large scale of assets, are selected from a risk perspective in the scenario analyses.

In LNG-related business, although there is uncertainty in natural gas and LNG demand in the market-wide trends under the 1.5°C scenario, a certain level of demand is still expected in the long-term in Asia, which is a strategic region for the Company's LNG business. For the purpose of fair value measurement and impairment testing, including judgements about presence of indications of impairment or reversal of impairment, future cash flow is estimated based on the long-term contracts which accounts for a majority of production in the Company's existing LNG project, and the forecast of the spot market, where the Company sells the remaining production volume.

In the Australian metallurgical coal business, the demand is likely to remain steady over the long-term even under the 1.5°C scenario since emerging economies such as India and many Southeast Asian countries are expected to sustain the trade volumes. While the demand for steel, which plays a vital role as an essential basic material in the development of infrastructure for achieving decarbonization, is expected to remain robust, it would take many years for any low-carbon steelmaking method to be adopted worldwide. Therefore, during the transitional period lasting several decades, blast furnace steelmaking using metallurgical coal is expected to remain as the primary method and the need for high-quality metallurgical coal, which is the Australian metallurgical coal business's main product, will likely increase since it contributes to the reduction of emissions in blast furnace steel making process. For the scale of assets, which is the criteria of the implementation of the scenario analyses, the book value of the fixed asset of Mitsubishi Development Pty Ltd is ¥994,604 million ($7,422 million) as of March 31, 2023. Though there are uncertainties in the realization of the above 1.5°C scenario, a certain level of demand is expected to continue even under the environment the scenario assumes. Therefore, the Company determines that there is no indication of impairment as of March 31, 2023. The ARO, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities, is estimated based on the remaining operating life mine that can be commercially mined, taking into account the supply and demand, and medium- to long-term price assumption for metallurgical coal. The book value of the ARO is ¥171,266 million ($1,278 million) as of March 31, 2023.

Regarding carrying amount of investments in LNG-related business and Shale gas business, and medium- to long-term price assumption for crude oil which LNG prices are closely linked with, refer to “Medium- to long-term price assumption for copper and crude oil”. Moreover, regarding the impact on provisions, refer to Note 20.

Medium- to long-term price assumption for copper and crude oil

The Company holds interests in entities that are engaged in copper business in the Mineral Resources segment. The Company also holds interests in entities that are engaged in LNG-related business and shale gas business in the Natural Gas segment. The carrying amount of these investments as of March 31, 2022, and March 31, 2023, are as follows.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
(Copper business)			
Other investments (financial assets measured at FVTOCI)	¥367,755	¥377,790	$2,819
Investments accounted for using the equity method	385,296	388,462	2,899
(LNG-related business)			
Other investments (financial assets measured at FVTOCI)	¥326,419	¥197,443	$1,473
Investments accounted for using the equity method	391,031	488,015	3,642
Property, plant and equipment	210,071	281,332	2,099
(Shale gas business)			
Investments accounted for using the equity method	¥207,428	¥225,135	$1,680

The fair value of these financial assets measured at FVTOCI is determined using the discounted cash flow model. Investments accounted for using the equity method, along with property, plant and equipment, are tested for impairment. If there are indications of impairment or reversal of impairment, the recoverable amount is measured, which is the higher of the value in use or the fair value less costs of disposal. The Company uses the discounted cash flow model to estimate value in use. With regard to the copper business, the medium- to long-term copper price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment. With regard to the LNG-related business, the medium- to long-term crude oil price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, as LNG prices are closely linked with crude oil prices. In addition, with regard to the shale gas business, the impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, is partially affected by crude oil prices as the prices of some shale gas products are linked with crude oil.
The FVTOCI financial assets principally included Minera Escondida and Compania Minera Antamina for copper business as well as Sakhalin Energy LLC and Malaysia LNG Satu for LNG business.
For details on the measurement of fair value, refer to Note 30.

The medium- to long-term copper price assumptions are determined based on forecasts of future global demand, production volume and cost assumption. Following the Company’s examination of the consistency between the Company’s price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. Although the Russia-Ukraine situation and the COVID-19 pandemic might result in a decrease in short-term demands for copper, the Company anticipates a further increase in demands for copper, which has superior electrical conductivity, in the future, given the circumstances that more progress on renewable power generation including wind and solar power and the associated development of power transmission as well as a wide spread of electric vehicles (EVs) is expected, by accelerating the countermeasure of decarbonized society. On the other hand, there will be a decline in production at existing mines and increasing difficulties in developing in both existing and new mines. The Company thus forecasts that the copper market will be tightening in the medium- to long-term.
The Company’s estimate for the medium- to long-term price assumption for copper after 2028, which is reviewed every year, is similar to price forecasts disclosed by third parties (approximately US$3.5/lb., the mean of the price forecasts as of March 2023 disclosed by analysts in financial institutions excluding inflationary effects). In addition, the Company’s estimate at the close of the year ended

March 31, 2022, for the medium- to long-term price assumption for copper after 2027 was similar to price forecasts disclosed by third parties (approximately US$3.6/lb., the mean of the price forecasts as of March 2022 disclosed by analysts in financial institutions excluding inflationary effects). Although the price forecasts disclosed by third parties slightly decreased, the Company's estimate slightly increased taking into account rise in production costs such as materials and equipment, and the Company's estimate is still similar to the average of the price forecasts disclosed by analysts in the market.

The medium- to long-term crude oil price assumptions are determined based on forecasts of future global demand, production volume, and cost assumption. Upon the Company's examination of the consistency between the Company's price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. Currently, while crude oil demand has been recovering from significant decrease in demand during the COVID-19 pandemic, the lengthening Russia-Ukraine situation has caused geographical risks, leading to increases in crude oil prices volatility. From the long-term perspective, the Company forecasts that crude oil demand will peak in the 2030s as efforts toward a decarbonized society are expected to be supported by the development of electrification, as represented by the popularization of EVs, and the growing trend toward countering global climate change risks. In terms of a medium- to long-term timespan, while taking into account the decarbonization scenarios announced by external organizations, such as IEA, the Company also gives comprehensive consideration to uncertainties regarding progress in decarbonization, the impact of current price surges and other factors. The medium- to long-term price assumption for crude oil, which is reviewed every year, will reach about US$75/BBL (Brent crude oil) in 2027, excluding inflationary effects, as of March 31, 2023. At the close of the year ended March 31, 2022, the Company similarly estimated that the medium- to long-term price assumptions of crude oil would reach about US$70/BBL (Brent crude oil) in 2026, excluding inflationary effects. The Company revised the estimate upward, considering the price forecasts disclosed by external organizations which are also revised upward, the forecasts of future supply and demands for crude oil and the level of crude oil required for new investments meeting the decrease of supply and the increase of demand. The Company has changed the reference index of the medium- to long-term price assumption for crude oil from Dubai to Brent, but the consolidated financial statements have not been affected by this change of index.

Other

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2024 is included in the following Notes:
• Fair value of financial instruments: Notes 7 and 30
• Impairment of financial assets: Note 8
• Impairment of non-financial assets: Notes 12, 13, 14 and 15
• Measurement of defined benefit obligation: Note 19
• Provisions: Note 20
• Recoverability of deferred tax assets: Note 28

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following Notes:
• Transfers of financial assets: Note 34
• Interests in joint arrangements and associates: Note 38

Significant changes in accounting judgement, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2023 are included in the following Notes, except for the above:
• Segment information: Note 6
• Provisions: Note 20
• Interests in joint arrangements and associates: Note 38

3. MATERIAL ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, with several exemptions.

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

(iii) Associates and joint ventures

The equity method is applied to investments in associates and joint ventures.

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

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

(iv) Joint operations

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

(v) Investment entities

An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis. In principle, investment entities measure all of their investments at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments.”

If an associate or joint venture of the Company qualifies as an investment entity, upon applying the equity method by the Company, the Company elects to maintain the fair value measurement applied by the investment entity to its equity in such subsidiaries, and does not reclassify those equity to conform to the ordinary consolidation process, while the said reclassification is required if a subsidiary of the Company qualifies as an investment entity.

(vi) Reporting date

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

(2) Foreign currency translation

Items denominated in foreign currencies are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. The difference arising from the retranslation is recognized in “Other income (expense)-net” in the consolidated statement of income.

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

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit or loss. In the case of partial disposal that led to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit or loss.

(3) Financial instruments

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date at transaction price and others. The Company recognizes all other financial assets at the trade date at fair value on which the Company became a party to the contract concerning such financial instruments. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

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

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets measured at fair value

The details of fair value measurements are as described in (17) “Fair value measurements.”

Among financial assets other than financial assets measured at amortized cost, debt instruments meeting both of the following requirements are measured at fair value through other comprehensive income (FVTOCI).

• The asset is held within a business model whose objective is to hold assets for both the collection of contractual cash flows and for sale.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets, other than those measured at amortized cost and debt instruments measured at FVTOCI, are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects irrevocably to designate equity instruments as financial assets measured at FVTOCI if the investments are not held for trading, but rather for purposes such as generating business opportunities and maintaining/strengthening trading/cooperative relationships.

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

(iv) Impairment of financial assets measured at amortized cost and debt instruments measured at FVTOCI
Expected credit losses are estimated on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and loss allowances are recognized and measured accordingly.

Loss allowances, based on information such as changes in external and/or internal credit ratings and past due information as of the reporting date, is measured at an amount equal to expected credit losses resulting from all possible default events over the expected lifetime if the credit risk on those financial instruments has increased significantly since initial recognition, or otherwise, at an amount equal to the corresponding expected credit losses within 12 months after the reporting date.

Expected credit losses are measured by reflecting factors such as credit ratings, current financial conditions, and forward-looking information. For financial assets showing evidence of credit impairment as of the reporting date, such as significant financial difficulty of the issuer or the borrower and breach of contracts including past due events, the Company estimates expected credit losses individually after taking into overall consideration such as credit ratings, the states of collateral, and evaluations based on discounted cash flow.

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

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

(vii) Non-derivative financial liabilities
The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date. Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

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

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

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

(ix) Hedge accounting and derivatives
The Company utilizes derivative instruments primarily to manage interest rate and foreign exchange risks, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities. In the case where transactions which can mitigate market risk caused by accounting mismatch, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

Fair value hedges
Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging

derivative instruments are recognized in profit or loss, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in “Other income (expense)-net” in the consolidated statement of income.

Cash flow hedges

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

Hedges of net investment in foreign operations

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

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities.

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

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the weighted average cost formula or identified cost method.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations (“the inventory held for trading purposes”) are measured at fair value less costs to sell.

The Company has contracts to borrow commodities from or lend commodities to counterparties mainly in Mineral Resources segment (“Commodity loan transaction”). In the commodity borrowing transactions, the Company borrows the commodities from the counterparties and is required to return the same quality and quantity of the commodities to the counterparties on the date mutually agreed by both parties. The Company recognizes and measures the commodities borrowed at the time of transaction implementation as the inventory held for trading purposes. The obligation to return the commodities is recognized in other current liabilities or other non-current liabilities and remeasured at fair value at the end of each reporting period. Also, in the commodity lending transactions, the inventory held for trading purposes is reclassified to other current assets or other non-current assets at the time of lending implementation, and measured at fair value less costs to sell at the end of each reporting period. The Company earns profit and manages commodity price risks combined with these transactions and commodity derivative transactions including contracts to purchase and sell non-financial instruments in accordance with IFRS 9 “Financial Instruments.”

(5) Biological assets

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

(6) Property, plant and equipment

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

Depreciation of property, plant and equipment other than assets that are not depreciated such as land and mineral resources-related property, is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for vessels and vehicles mainly over the following estimated useful lives.

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

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

Assets related to mineral rights, exploration and evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.

Among these, assets related to mineral rights, exploration and evaluation after the start of production are depreciated using the unit-of-production method based on the proven or probable reserves. Depreciation of mineral resources-related property other than the above is calculated principally using the straight-line method over its estimated useful life which is mainly 2 to 46 years.

(7) Investment property

The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 2 to 60 years.

(8) Intangible assets and goodwill

Intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. These intangible assets are amortized under the straight-line method over their estimated useful lives from the date on which the assets became available for use.

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

Trademarks	10 to 36 years
Software	2 to 15 years
Customer relationships	4 to 28 years
Sustainable energy subsidy	10 to 13 years

At N.V. Eneco, the rights to receive subsidies for sustainable energy producers from governments ("Sustainable energy subsidy") are recognized as intangible assets.

Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them, which are mainly related to software. Other development costs, mainly related to software, are recognized as an expense as incurred.

Intangible assets with indefinite useful lives and goodwill are not amortized but measured at cost, net of accumulated impairment losses.

(9) Leases

(i) Lease as lessee

At the commencement date of the lease, lease liabilities are initially measured at the present value of future lease payments over the lease term, and right-of-use assets, representing the right to use an underlying asset, are initially measured at the initial amount of lease liabilities adjusted for prepaid lease payments, etc.

Subsequent to initial recognition, right-of-use assets are depreciated over the lesser of the useful life or the lease term, mainly on a straight-line basis. Interest costs and repayments of lease liabilities are reflected in the carrying amount of lease liabilities based on the interest method. The lease term is determined, at the commencement date of the lease, by evaluating the enforceability of options to terminate and/or extend the lease as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business, etc. The Company also subsequently remeasures the carrying amount of lease liabilities and right-of-use assets to reflect the change in lease payments when necessary based on the actual results of exercise etc. Regarding the impairment of right-of-use-assets, refer to (12) "Impairment of non-financial assets."

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

(ii) Lease as lessor

Leases as lessor are classified as finance leases if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Amounts due from lessees under finance leases are recognized as part of “Trade and other receivables” at an amount equal to the net investment in the lease, and its finance income is allocated and recognized over the lease term on a rational basis against the gross investment in the lease.

Leases other than finance leases are classified as operating leases, and operating lease income is recognized over the term of underlying leases on a straight-line basis.

(10) Mining operations

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

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred. To the extent the benefit is improved access to ore, the stripping costs are mainly recognized as property, plant and equipment.

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

(11) Non-current assets or disposal groups held for sale

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets and current liabilities.

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

(12) Impairment of non-financial assets

If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. In addition, goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, principally at the same time every year, irrespective of whether there is any indication of indication of impairment.

The smallest unit that generates cash inflows largely independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit, and assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs of disposal.

Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset. Non-financial assets other than goodwill that constitute a portion of the carrying amount of investments accounted for using the equity method are tested for impairment by investee asset, cash-generating unit, or group of cash-generating units on the basis of the carrying amounts that reflect fair value adjustment upon application of the equity method.

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

(13) Post-employment benefits

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

Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Benefit obligations are calculated, by involving qualified actuaries, at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan.

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

Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of “Property, plant and equipment”, “Investment property” and “Right-of-use assets” and is depreciated over the estimated useful life of the corresponding asset.

(15) Revenues

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

In line with the application of IFRS 15 “Revenue from Contracts with Customers,” the Company recognizes revenue based on the five-step approach outlined below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is a performance obligation for the Company to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission, fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income.

The Company adopts the practical expedient which allows it not to adjust the financing component if the period between the transfer of goods or services and receipt of payment from a customer is expected to be one year or less at the contract inception.

(ii) Revenue recognition in major transactions

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

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

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

(Revenue recognition over time (mainly Consumer Industry segment and Industrial Infrastructure segment))
The Company mainly performs the services based on franchise contracts and plant constructions based on construction contracts. If the control of the goods or services is transferred to the customer over time, revenue from franchise contracts is recognized by the profits recognized for each franchisee. Revenue from other contract like construction contract is recognized by measuring progress towards complete satisfaction of the performance obligations (providing services) with mainly the input methods (in the case of construction contracts, it is mainly the progress of the costs), which reliably depict the Company’s performance.

Revenue recognition of service-related activities performed by the Company as an agent is also measured by progress towards complete satisfaction of the performance obligations as an agent (arrangements related to providing services) with mainly the input methods (mainly the progress of costs incurred by arrangements).

(16) Income taxes
Income tax expenses consist of current and deferred taxes and are recognized in profit or loss, excluding those related to other comprehensive income etc.

Deferred taxes are recognized for temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable that future taxable income will be reduced, and the recoverability of those deferred tax assets is reviewed at the end of each reporting period.

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

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

The Company retrospectively applies the temporary exception under IAS 12 Income Taxes (Amended), issued on May 23, 2023, to recognize deferred tax assets and liabilities arising from legislations enacted to implement Pillar Two model published by OECD.

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

(i) Level 1
Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3
Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

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

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or amended major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2023 are as follows.

The Company expects no significant impact from application of IFRS 17 in the consolidated financial statements.

The impacts of application of IAS 1 (Amended) on “Bonds and borrowings” (current) and “Bonds and borrowings” (non-current) in the consolidated statement of financial position for the year ending March 31, 2024 cannot be reasonably estimated, since it will fluctuate according to the demand for funds as of the reporting date. There is no significant impact in the consolidated financial statements at the beginning of the year ending March 31, 2024.

The application of IAS 12 (Amended) requires the disclosure of qualitative and quantitative information on reasonable estimation to help users of financial statements understand the entity's exposure to the legislations that implement Pillar Two Model published by OECD which are enacted but not yet in effect, but the impact of such exposure cannot be reasonably estimated as of March 31, 2023, since it is currently under consideration. Pillar Two legislation in Japan is scheduled to come into effect for the year ending March 31, 2025, therefore the consolidated statement of financial position and the consolidated statement of income for the year ending March 31, 2024 will not be affected.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/amended Standards and Interpretations
IFRS 17	Insurance Contracts	January 1, 2023	March 31, 2024	Changes in accounting and disclosure requirements for insurance contracts
IAS 1 (Amended)	Presentation of Financial Statements	January 1, 2024	March 31, 2024	Clarification of requirements related to the classification of liabilities as current or non-current, etc.
IAS 12 (Amended)	Income Taxes	January 1, 2023	March 31, 2024	Disclosure of information that helps users understand the entity's exposure related to Pillar Two

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

Year Ended March 31, 2022

Significant business combinations and acquisitions of joint operations for the year ended March 31, 2022 were as follows.

MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

On October 29, 2021, to acquire 80.17% of the shares of Vietnamese real estate investment company MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (MV2), the Company paid an amount equivalent to 70% of the consideration for the shares to the existing shareholders through its Vietnam-based subsidiary, MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED (MCUDV), and Singapore-based subsidiary, MCOP INVESTMENT PTE. LTD. (MCOP). As a result, the Company acquired control of MV2 (the substantial right to direct the relevant activities of MV2) based on an agreement with MV2's existing shareholders. Accordingly, as of the date of the payment, MV2 and its subsidiaries became consolidated subsidiaries of the Company.

The payment of the remaining 30% of the consideration for the shares and the acquisition of MV2's shares was completed on June 10, 2022. Following the completion of acquiring these shares, the Company holds 41.09% of the voting rights to MV2 through MCUDV and 39.08% through MCOP, for a total of 80.17%.

These payments of consideration for the shares are included in "Acquisitions of businesses - net of cash acquired" on the consolidated statement of cash flows for the years ended March 31, 2022 and 2023, respectively.

The following table summarizes the fair values of the consideration paid as well as assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date. Provisional values for some of these items were previously recorded on the consolidated financial statements, as the initial measurements had not been completed at March 31, 2022. These measurements were completed for the year ended March 31, 2023, and did not result in any changes to the provisional amounts.

	Millions of Yen
	2022
Fair value of consideration paid	¥38,066
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	¥3
Trade and other receivables (current)	22,598
Inventories (Note)	48,919
Deferred tax assets	310
Trade and other payables (current)	(25,488)
Total identifiable net assets	¥46,342
Non-controlling interests	¥(9,512)
Amount of goodwill recognized	1,236
Total	¥38,066

Note: "Inventories" consists of "Real estate held for development and resale" that is expected to be sold after more than 12 months from the acquisition date. Please refer to Note 9 for more information.

The amounts of revenue and profit or loss since the acquisition date and pro forma results of operations for the above business combinations are not presented because the effects are immaterial to the consolidated financial statements.

Year Ended March 31, 2023

There were no significant business combinations or acquisitions of joint operations for the year ended March 31, 2023.

6. SEGMENT INFORMATION

[Operating segment information]

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

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

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

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

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

The Company's segment information at and for the years ended March 31, 2022 and 2023 was as follows:

As for "Revenues", please refer to Note 24.

2022	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
	Millions of Yen						
Gross profit	¥28,527	¥143,642	¥105,219	¥482,490	¥110,955	¥179,230	¥268,780
Share of profit of investments accounted for using the equity method	92,106	35,154	14,247	86,994	2,131	48,210	29,731
Profit for the year attributable to owners of the Parent	105,132	36,785	40,272	420,689	17,281	106,785	79,349
Total assets	2,015,966	1,355,028	1,242,994	4,554,696	1,129,890	1,699,270	1,968,611

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
	Millions of Yen						
Gross profit	¥681,647	¥115,556	¥29,267	¥2,145,313	¥6,977	¥(1,526)	¥2,150,764
Share of profit of investments accounted for using the equity method	13,771	15,009	54,424	391,777	2,026	—	393,803
Profit for the year attributable to owners of the Parent	21,023	50,504	40,047	917,867	(551)	20,213	937,529
Total assets	3,930,310	2,650,077	1,136,239	21,683,081	3,012,544	(2,783,613)	21,912,012

2023	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
	Millions of Yen						
Gross profit	¥140	¥175,200	¥115,207	¥656,828	¥125,293	¥225,445	¥314,192
Share of profit of investments accounted for using the equity method	233,173	43,993	19,592	19,164	21,407	62,955	32,318
Profit for the year attributable to owners of the Parent	170,601	61,983	45,049	439,331	31,870	127,461	63,388
Total assets	2,043,043	1,461,661	1,160,681	4,098,105	1,329,167	1,915,370	2,102,969

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
	Millions of Yen						
Gross profit	¥739,627	¥170,084	¥29,967	¥2,551,983	¥9,183	¥(1,204)	¥2,559,962
Share of profit of investments accounted for using the equity method	16,152	3,514	47,891	500,159	14	7	500,180
Profit for the year attributable to owners of the Parent	22,975	61,885	123,256	1,147,799	8,535	24,360	1,180,694
Total assets	3,988,587	2,716,166	1,164,595	21,980,344	3,014,731	(2,842,193)	22,152,882

2023	Millions of U.S. Dollars Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	$1	$1,307	$860	$4,902	$935	$1,682	$2,345
Share of profit of investments accounted for using the equity method	1,740	328	146	143	160	470	241
Profit for the year attributable to owners of the Parent	1,273	463	336	3,279	238	951	473
Total assets	15,247	10,908	8,662	30,583	9,919	14,294	15,694

	Millions of U.S. Dollars Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	$5,520	$1,269	$224	$19,045	$69	$(10)	$19,104
Share of profit of investments accounted for using the equity method	121	26	357	3,732	0	1	3,733
Profit for the year attributable to owners of the Parent	171	462	920	8,566	64	181	8,811
Total assets	29,766	20,270	8,691	164,034	22,498	(21,212)	165,320

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. As for the reversal of impairment losses related to investment in an aluminum smelting operating company in “Mineral resources” in the year ended March 31, 2022, please refer to Note 38.
4. As for the impairment losses on intangible assets related to investment in Chiyoda Corporation in “Industrial Infrastructure” in the year ended March 31, 2022, please refer to Note 14.
5. As for the impairment losses on the sale of an aircraft leasing company and the gains (losses) on investments as a result of the merger of Mitsubishi HC Capital Inc. in “Urban Development” in the year ended March 31, 2022, please refer to Note 38.
6. As for the impairment losses related to investment in Chilean copper resource company in “Mineral resources”, please refer to Note 38.
7. As for the losses related to investment in an automobile manufacturing and sales operating company in “Automotive & Mobility”, please refer to Note 38.
8. As for the gains on investments related to the sale of partial interest in a subsidiary investing in the Indonesian geothermal investment company and the sale of a subsidiary holding interests in offshore wind power in the United Kingdom in “Power Solution”, please refer to Note 37. As for the impairment losses related to investments in domestic power plants operating company and gains related to the sale of partial interest in the UK electricity and gas retailer company, please refer to Note 38.
9. As for the gains on investments related to sale of Mitsubishi Corp.-UBS Realty Inc. in “Urban Development”, please refer to Note 37.

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Revenues:			
Japan	¥8,948,983	¥9,901,987	$73,895
U.S.A	2,680,092	3,682,578	27,482
Singapore	1,213,203	1,747,194	13,039
Australia	1,061,888	1,439,304	10,741
Netherlands	538,666	1,045,224	7,800
Other	2,821,996	3,755,686	28,028
Total	¥17,264,828	¥21,571,973	$160,985
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥2,715,104	¥2,707,740	$20,207
Australia	1,042,453	1,034,395	7,719
Netherlands	606,926	678,306	5,062
Other	1,354,068	1,555,494	11,608
Total	¥5,718,551	¥5,975,935	$44,596

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

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2022 and 2023.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of "Short-term investments" and "Other investments" at March 31, 2022 and 2023.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2022)				
Short-term investments	—	—	¥7,000	¥7,000
Other investments	¥181,745	¥1,562,519	213,616	1,957,880
(March 31, 2023)				
Short-term investments	—	—	42,127	42,127
Other investments	225,036	1,417,318	174,497	1,816,851

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2023)				
Short-term investments	—	—	$314	$314
Other investments	$1,679	$10,577	1,302	13,558

The Company estimates expected credit losses on "short-term investments" and "other investments" measured at amortized cost and, when necessary, recognizes loss allowances; however, the amounts were immaterial for the years ended March 31, 2022 and 2023.

Please refer to Note 30 for a breakdown of the fair values of "Other investments" measured at FVTOCI at March 31, 2022 and 2023.

The fair values of the marketable securities at March 31, 2022 and 2023 were mainly as follows:

Security name	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
ISUZU MOTORS	¥101,049	¥100,477	$750
SUMBER ALFARIA TRIJAYA	49,092	96,263	718
NISSIN FOODS HOLDINGS	64,915	82,614	617
AYALA CORPORATION	73,764	60,643	453
CAP	35,399	20,858	156
INPEX CORPORATION	21,057	20,429	152
MITSUBISHI ESTATE	19,080	16,536	123
RYOHIN KEIKAKU	15,430	16,218	121
YAMAZAKI BAKING	14,765	15,799	118
THAI UNION GROUP	20,709	13,162	98

The non-marketable securities primarily consisted of investments related to mineral resources. Please refer to Note 2 for the non-marketable securities and fair values of these investments for the years ended March 31, 2022 and 2023, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2022 and 2023 that were recognized for the years ended March 31, 2022 and 2023 were ¥149,570 million and ¥132,403 million ($988 million), respectively. These dividend incomes are included in "Finance income" in the consolidated statement of income.

With respect to financial assets measured at FVTOCI derecognized as a result of sale, through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2022 and 2023 were as follows.

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Fair value at the time of derecognition	¥87,142	¥59,450	$444
Accumulated gain or loss on disposal (before tax)	31,184	10,692	80

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2022 and 2023.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction, was transferred to retained earnings. Please refer to Note 22 for the amounts transferred for the years ended March 31, 2022 and 2023, respectively. Also, the portions of which attributable to the non-controlling interest were immaterial.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2022 and 2023. The amounts not expected to be collected within 1 year included within the total current trade and other receivables were immaterial.

Classification	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Current trade and other receivables			
Notes receivable-trade	¥235,698	¥256,292	$1,913
Accounts receivable-trade and other and lease receivables	3,674,618	3,481,726	25,983
Other receivables	412,145	441,208	3,293
Loss allowance	(39,290)	(51,951)	(388)
Total current trade and other receivables	¥4,283,171	¥4,127,275	$30,801
Non-current trade and other receivables			
Trade and lease receivables	¥515,505	¥591,695	$4,416
Loans receivable	313,244	425,778	3,177
Other receivables	29,774	28,220	211
Loss allowance	(28,837)	(32,265)	(241)
Total non-current trade and other receivables	¥829,686	¥1,013,428	$7,563

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

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

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

The following is a breakdown of the gross carrying amount of receivables before adjusting for loss allowance and the amount of loss allowance at March 31, 2022 and 2023.

(March 31, 2022)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥4,033,740	¥503,141	¥298,997	¥29,195	¥2,827	¥2,531
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	66,959	42,144	9,354	2,716	1,859	13
Credit-impaired receivables	37,834	3,862	9,738	21,295	841	6,850
Total	¥4,138,533	¥549,147	¥318,089	¥53,206	¥5,527	¥9,394

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2022 was immaterial.

(March 31, 2023)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,834,319	¥586,525	¥450,096	¥35,508	¥4,296	¥4,095
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	58,639	39,950	11,008	3,656	2,469	101
Credit-impaired receivables	31,675	5,495	14,992	20,746	1,398	11,947
Total	¥3,924,633	¥631,970	¥476,096	¥59,910	¥8,163	¥16,143

	Millions of U.S. Dollars					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	$28,615	$4,377	$3,359	$265	$32	$31
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	438	298	83	27	19	1
Credit-impaired receivables	236	41	112	155	10	89
Total	$29,289	$4,716	$3,554	$447	$61	$121

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2023 was immaterial.

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds credit enhancements such as guarantees from third parties and credit insurance, and collateral such as commodity inventory. Also, for loans for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds collateral such as vessels. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2023.

The Company has not shown the classification of "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.
The amount of trade receivables that do not contain a significant financing component with original maturities of more than one year were ¥11,730 million and ¥6,138 million ($46 million) at March 31, 2022 and 2023, respectively. These are included in "12-month expected credit losses" and "Receivables for which there have been significant increases in credit risk" within "Lifetime expected credit losses" above.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2022 and 2023 were as follows.

(Year ended March 31, 2022)

	Millions of Yen			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥25,847	¥3,523	¥33,797	¥63,167
Provision for expected credit losses	10,044	797	9,096	19,937
Charge-offs	(2,476)	—	(11,749)	(14,225)
Other	1,138	268	(2,158)	(752)
Balance at the end of the year	¥34,553	¥4,588	¥28,986	¥68,127

(Year ended March 31, 2023)

	Millions of Yen			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥34,553	¥4,588	¥28,986	¥68,127
Provision for expected credit losses	8,862	1,234	22,002	32,098
Charge-offs	(1,893)	—	(17,622)	(19,515)
Other	2,377	404	725	3,506
Balance at the end of the year	¥43,899	¥6,226	¥34,091	¥84,216

	Millions of U.S. Dollars			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	$258	$34	$216	$508
Provision for expected credit losses	66	10	164	240
Charge-offs	(14)	—	(131)	(145)
Other	18	3	5	26
Balance at the end of the year	$328	$47	$254	$629

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

The Company has not shown the classification of the loss allowance for "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.
The amount of the loss allowance for trade receivables that do not contain a significant financing component with original maturities of more than one year was immaterial at March 31, 2023.

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

9. INVENTORIES

The breakdown of "Inventories" at March 31, 2022 and 2023 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Merchandise and finished goods	¥1,354,173	¥1,347,110	$10,053
Raw materials, work in progress and supplies	303,506	301,361	2,249
Real estate held for development and resale	118,937	122,911	917
Total	¥1,776,616	¥1,771,382	$13,219
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥554,556	¥457,563	$3,415

The amount of "Real estate held for development and resale" includes ¥87,280 million and ¥87,181 million ($651 million) that were expected to be sold after more than 12 months at March 31, 2022 and 2023, respectively.

Costs of inventories are recognized as expenses in the amount of "Costs of revenues" in consolidated statement of income and the expenses other than inventories recognized in the amount of "Costs of revenues" were immaterial for the years ended March 31, 2022 and 2023.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2022 and 2023.

10. BIOLOGICAL ASSETS

The following is a breakdown of carrying amounts of biological assets at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Salmon Farming	¥84,985	¥92,438	$690
Other	13,722	17,980	134
Carrying amounts	¥98,707	¥110,418	$824

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada.
The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets held in the business of salmon farming at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Cost of biological assets	¥66,028	¥77,171	$576
Fair value adjustments	18,957	15,267	114
Carrying amounts	¥84,985	¥92,438	$690

The following is a breakdown of changes in the carrying amounts of biological assets held in the business of salmon farming for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance at the beginning of year	¥60,561	¥84,985	$634
Increase due to production	101,607	131,367	980
Decrease due to sales / harvest / mortality	(97,436)	(119,407)	(891)
Fair value adjustments	11,309	(4,086)	(30)
Exchange translations and others	8,944	(421)	(3)
Balance at the end of year	¥84,985	¥92,438	$690

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

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

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

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the years ended March 31, 2022 and 2023.

	Tonnes	
	2022	2023
Balance at the beginning of year	111,548	118,313
Increase due to production	257,140	241,153
Decrease due to sales/harvest/mortality	(250,375)	(243,112)
Balance at the end of year	118,313	116,354

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

The following disposal groups and non-current assets are classified as held for sale as of March 31, 2023 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year. Amounts related to non-current assets held for sale were immaterial for the year ended March 31, 2022.
Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment and others" or "Gains (losses) on investments" in the consolidated statement of income.

Disposal groups classified as held for sale

As of March 31, 2022, the assets and liabilities of a consolidated subsidiary in the Automotive & Mobility segment were classified as a disposal group held for sale, and the disposal group was measured at fair value less cost to sell in Level 2.
The following is a breakdown of the assets and liabilities classified as a disposal group held for sale at March 31, 2022 and 2023.
Note that the sale of all shares of the subsidiary held by the Company was completed on May 31, 2023. For details, please refer to "The transfer of shares in MCE Bank GmbH (Automobile finance business)" under Note 41. "Subsequent Events."

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Cash and cash equivalents	¥2,582	¥4,431	$33
Trade and other receivables	128,634	131,853	984
Other	4,787	5,098	38
Total assets	¥136,003	¥141,382	$1,055
Trade and other payables	¥5,669	¥5,497	$41
Other	2,096	2,217	17
Total liabilities	¥7,765	¥7,714	$58

In addition to financial assets measured at amortized cost and others, financial assets measured at FVTPL (Level 2) and FVTOCI (Level 2) are included in Trade and other receivables, the carrying amounts of which were ¥1,584 million and ¥80,670 million, and ¥767 million ($6 million) and ¥79,422 million ($593 million), for the years ended March 31, 2022 and 2023 respectively.

Non-current assets classified as held for sale

As of March 31, 2023, following the formation of a sale agreement, ¥44,953 million ($335 million) in investment property in the Urban Development Segment (office buildings, commercial complexes, etc. held to earn rentals) is classified as held for sale and measured at book value.
Note that the sale of the assets held by the Company was completed on May 31, 2023. For details, please refer to "The transfer of investment property in the Urban Development segment" under Note 41. "Subsequent Events."

Fair value of disposal groups or non-current assets

The fair value in Level 1 of disposal groups or non-current assets was measured by the quoted market price in an active market. The fair value in Level 2 of disposal groups or non-current assets was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the estimated sales value of the assets.
Differences between the carrying amount and the fair value of disposal groups or non-current assets held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of "Property, plant and equipment" at March 31, 2022 and 2023.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2022)							
Gross carrying amount	¥238,080	¥977,254	¥1,358,897	¥205,657	¥1,706,321	¥356,371	¥4,842,580
Accumulated depreciation and accumulated impairment losses	21,756	522,769	721,922	116,517	674,856	721	2,058,541
Carrying amount	¥216,324	¥454,485	¥636,975	¥89,140	¥1,031,465	¥355,650	¥2,784,039
(March 31, 2023)							
Gross carrying amount	¥237,863	¥1,021,100	¥1,515,589	¥231,805	¥1,749,739	¥492,408	¥5,248,504
Accumulated depreciation and accumulated impairment losses	20,052	582,604	791,294	129,263	732,762	487	2,256,462
Carrying amount	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042

	Millions of U.S. Dollars						
(March 31, 2023)	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$1,775	$7,620	$11,310	$1,730	$13,058	$3,675	$39,168
Accumulated depreciation and accumulated impairment losses	149	4,348	5,905	965	5,468	4	16,839
Carrying amount	$1,626	$3,272	$5,405	$765	$7,590	$3,671	$22,329

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

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2022 and 2023.

	Millions of Yen						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2021	¥219,380	¥449,299	¥648,061	¥89,104	¥875,639	¥228,755	¥2,510,238
Additions	2,521	27,161	51,113	22,010	60,419	187,546	350,770
Additions through business combination	464	1,039	5,330	6	—	374	7,213
Disposal or reclassification to assets held for sale	(3,790)	(5,172)	(53,374)	(12,936)	(103)	(1,085)	(76,460)
Depreciation	—	(38,385)	(88,161)	(14,106)	(56,520)	—	(197,172)
Impairment losses	(4,419)	(5,087)	(3,654)	(552)	(1,480)	(331)	(15,523)
Exchange translations	3,282	8,510	33,101	3,127	87,366	26,090	161,476
Other	(1,114)	17,120	44,559	2,487	66,144	(85,699)	43,497
Balance at March 31, 2022	¥216,324	¥454,485	¥636,975	¥89,140	¥1,031,465	¥355,650	¥2,784,039
Additions	3,305	25,749	63,143	23,247	69,079	224,224	408,747
Additions through business combination	295	3,052	3,239	2	—	11,696	18,284
Disposal or reclassification to assets held for sale	(409)	(3,362)	(6,000)	(3,963)	(1,669)	(1,531)	(16,934)
Depreciation	—	(37,445)	(93,397)	(16,971)	(68,296)	—	(216,109)
Impairment losses	(114)	(8,202)	(6,534)	(4)	(3,674)	(286)	(18,814)
Exchange translations	3,481	4,134	33,379	6,586	(21,753)	45,429	71,256
Other	(5,071)	85	93,490	4,505	11,825	(143,261)	(38,427)
Balance at March 31, 2023	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042

Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
	Millions of U.S. Dollars						
Balance at April 1, 2022	$1,614	$3,392	$4,754	$665	$7,697	$2,654	$20,776
Additions	25	192	471	173	516	1,673	3,050
Additions through business combination	2	23	24	0	—	87	136
Disposal or reclassification to assets held for sale	(3)	(25)	(45)	(30)	(12)	(11)	(126)
Depreciation	—	(279)	(697)	(127)	(510)	—	(1,613)
Impairment losses	(1)	(61)	(49)	0	(27)	(2)	(140)
Exchange translations	27	30	249	49	(162)	339	532
Other	(38)	0	698	35	88	(1,069)	(286)
Balance at March 31, 2023	$1,626	$3,272	$5,405	$765	$7,590	$3,671	$22,329

Notes:

1. "Other" includes transfers from construction in progress to other property, plant and equipment and effects of changes in estimates of provision for decommissioning and restoration.
2. "Impairment losses" are mainly recognized in Petroleum & Chemicals Solution segment, Food Industry segment and Consumer Industry segment for the year ended March 31, 2022, and in Food Industry segment, Consumer Industry segment and Natural Gas segment for the year ended March 31, 2023, respectively.

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

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2022 and 2023.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥232,986 million and ¥166,357 million ($1,241 million) at March 31, 2022 and 2023, respectively. The amount at March 31, 2022 and 2023 includes a contractual commitment which was incurred as a result of a final investment decision (FID) of LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The company holds a 15% interest in LNG Canada Project.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2022 and 2023.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gross carrying amount	¥142,123	¥171,313	$1,279
Accumulated depreciation and accumulated impairment losses	47,724	89,327	667
Carrying amount	¥94,399	¥81,986	$612

Decrease of the carrying amount for the year ended March 31, 2023 includes reclassification to assets held for sale amounted to ¥44,953 million ($335 million) of office buildings and commercial complexes held to earn rentals in the Urban Development Segment. Please refer to Note 11 and 41 for more information of this sale. The other changes related to the carrying amounts consisted primarily of increase due to acquisitions and decrease due to depreciation. The respective amounts of these changes were immaterial at March 31, 2022 and 2023.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Fair value	¥122,275	¥94,766	$707

The fair value of investment property is mainly based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.
The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The amounts of rental income and fixed property taxes and other direct operating expenses arising from investment property were immaterial for the years ended March 31, 2022 and 2023.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2022 and 2023.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets at March 31, 2022 and 2023.

	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
(March 31, 2022)							
Gross carrying amount	¥345,196	¥305,867	¥266,552	¥102,395	¥77,485	¥62,659	¥1,160,154
Accumulated amortization and accumulated impairment losses	54,204	170,281	112,822	2,908	9,850	42,227	392,292
Carrying amount	¥290,992	¥135,586	¥153,730	¥99,487	¥67,635	¥20,432	¥767,862
(March 31, 2023)							
Gross carrying amount	¥348,289	¥333,373	¥286,811	¥99,211	¥82,227	¥64,513	¥1,214,424
Accumulated amortization and accumulated impairment losses	67,268	194,235	137,073	3,367	17,326	47,528	466,797
Carrying amount	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627

	Millions of U.S. Dollars						
(March 31, 2023)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Gross carrying amount	$2,599	$2,488	$2,140	$740	$614	$482	$9,063
Accumulated amortization and accumulated impairment losses	502	1,451	1,022	25	128	356	3,484
Carrying amount	$2,097	$1,037	$1,118	$715	$486	$126	$5,579

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2022 and 2023.

	Millions of Yen						
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2022	¥300,185	¥143,657	¥189,994	¥88,943	¥72,254	¥21,036	¥816,069
Additions	22	27,527	294	913	—	19,025	47,781
Additions through business combinations	—	33	2,814	—	17,322	1,008	21,177
Disposal or reclassification to assets held for sale	(5)	(1,876)	—	(181)	(19,769)	(2,258)	(24,089)
Amortization	(11,217)	(34,316)	(16,984)	(60)	(5,160)	(18,616)	(86,353)
Impairment losses	(1)	(1,370)	(27,026)	—	—	(35)	(28,432)
Exchange translations	1,964	1,494	4,134	9,874	2,988	1,563	22,017
Other	44	437	504	(2)	—	(1,291)	(308)
End of year ended March 31, 2022	¥290,992	¥135,586	¥153,730	¥99,487	¥67,635	¥20,432	¥767,862
Additions	54	38,554	87	3,210	—	15,248	57,153
Additions through business combinations	76	485	—	—	—	7	568
Disposal or reclassification to assets held for sale	(1)	(1,395)	—	(1,854)	—	(907)	(4,157)
Amortization	(11,322)	(35,268)	(16,073)	(45)	(6,834)	(12,887)	(82,429)
Impairment losses	(1,177)	(743)	(2,586)	(962)	—	(1,778)	(7,246)
Exchange translations	2,322	1,950	5,914	(3,515)	4,100	(837)	9,934
Other	77	(31)	8,666	(477)	—	(2,293)	5,942
End of year ended March 31, 2023	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627

	Millions of U.S. Dollars						
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2023	$2,172	$1,011	$1,147	$742	$506	$152	$5,730
Additions	0	287	2	24	—	114	427
Additions through business combinations	1	3	—	—	—	0	4
Disposal or reclassification to assets held for sale	0	(10)	—	(14)	—	(7)	(31)
Amortization	(85)	(263)	(120)	0	(51)	(96)	(615)
Impairment losses	(9)	(6)	(19)	(7)	—	(13)	(54)
Exchange translations	17	15	44	(26)	31	(7)	74
Other	1	0	64	(4)	—	(17)	44
End of year ended March 31, 2023	$2,097	$1,037	$1,118	$715	$486	$126	$5,579

Impairment losses on the intangible assets for the year ended March 31, 2022 include impairment loss of ¥27,026 million on customer-related assets of Chiyoda Corporation in the Industrial Infrastructure segment. For details on the impairment test, please refer to "Impairment losses on the intangible assets".

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

At March 31, 2022 and 2023, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Business rights	¥6,012	¥2,942	$22
Fish farming license and surface rights	98,205	94,881	708
Other	5,269	5,241	39
Total	¥109,486	¥103,064	$769

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

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

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥100,140 million and ¥103,049 million ($769 million) at March 31, 2022 and 2023, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2022 and 2023.

Research and development costs recognized in net income were immaterial at March 31, 2022 and 2023.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gross carrying amount	¥611,971	¥625,827	$4,670
Accumulated impairment losses	(158,265)	(166,052)	(1,239)
Carrying amount	¥453,706	¥459,775	$3,431

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

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance at the beginning of the year	¥432,393	¥453,706	$3,385
Additions	11,814	3,852	29
Impairment losses	(216)	(8,652)	(65)
Disposal	(4,021)	(12)	0
Exchange translations	14,290	11,616	87
Other	(554)	(735)	(5)
Balance at the end of the year	¥453,706	¥459,775	$3,431

Impairment losses on goodwill are included in "Other income (expense)-net" in the consolidated statement of income.

Impairment test of goodwill and intangible assets with indefinite useful lives

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

Lawson, Inc.

The amount of goodwill as of March 31, 2022 and 2023 was ¥160,194 million and ¥161,813 million ($1,208 million), respectively.

Goodwill was tested for impairment after allocating its book value to the group of cash-generating units composed of the overall business of Lawson Inc., with the value in use as the recoverable amount. Value in use was estimated based on the present value of future cash flows based on business plans reflecting the most recent business environment, with the support of an independent appraiser.
The Company has formulated business plans for each major business, covering a period of 5 years. The key assumption with the most significant impact on the calculation of value in use is growth in sales amount, which is driven mainly by increases in the number of stores and in average daily store sales in the domestic Consumer Industry business. Demand has gradually recovered from the stagnation caused by the COVID-19 pandemic, and recovery of average daily store sales to the level of the fiscal year ended March 31, 2020 was forecast to resume by the year ending March 31, 2026, in which a sales growth rate of 0.1% was forecast thereafter. These assumptions reflect such factors as historical performance and trends in competitors and peripheral industries. The management authorized these assumptions after considering the consistency among these factors. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating unit. For impairment testing in the year ended March 31, 2023, a discount rate of 4.5% (after-tax conversion) was applied. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For impairment testing in the year ended March 31, 2023, the Company used the growth rate of 0%.
There are certain uncertainties in the significant assumptions used in the impairment test. Although changes in the assumptions in future periods might result in the recoverable amount falling below the book value, the Company does not recognize the indication of such changes.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2022 was ¥23,908 million and ¥97,162 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2023 was ¥22,397 million ($167 million) and ¥93,941 million ($701 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of 10 years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as the effect of on-going salmon farming improvement initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Chiyoda Corporation

The amount of goodwill as of March 31, 2022 and 2023 was ¥69,298 million and ¥69,264 million ($517 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are construction revenue and gross profit margin. These assumptions reflect factors such as the current status of each project and the economic environment.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. Future cash flows exceeding the period of the business plan were

estimated based on the leveling of historical results. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%. For some businesses, terminal value for the period beyond the business plan was calculated by multiplying the one-year net profit based on the net profit of the last year of the business plan by percentages referencing guideline company peer group forward PER multiples.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Nexamp, Inc.

The amount of goodwill as of March 31, 2022 and 2023 was ¥19,898 million and ¥22,957 million ($171 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on fair value less cost of disposal by using the present value of future cash flows based on the business plan reflecting the most recent business environment. The level of the fair value hierarchy within which the fair value measurement is categorized is Level 3.
The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the fair value less cost of disposal are the margin of development and EPC associated with Solar Facilities and energy price forecasts. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

N.V. Eneco

The amount of goodwill as of March 31, 2022 and 2023 was ¥119,488 million and ¥124,682 million ($930 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are sales price assumption and supply outlook that is a precondition for sales volume. These assumptions reflect factors such as historical performance and the outlook for future supply-and-demand conditions, etc.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range due to factors observed in the external environment such as escalation of geopolitical risks and volatile energy market conditions, the risk of the recoverable amount falling below the book value is considered to be limited.

Impairment losses on the intangible assets

Chiyoda Corporation

During the year ended March 31, 2022, the Company recorded impairment losses of ¥27,026 million as "Impairment losses on property, plant, and equipment, intangible assets, goodwill and others", in connection with intangible assets the Company has recognized in the course of making Chiyoda Corporation a consolidated subsidiary. These intangible assets consist of Chiyoda Corporation's customer-related assets backed by its existing customer base. The Company has revised its estimates on Chiyoda Corporation's future profit contribution derived from its customer base as previously set forth in its business plans. This revision takes into account progress in business portfolio transformation now under way at Chiyoda Corporation from the EPC business focused on existing LNG, petroleum and petrochemical businesses, to new EPC business fields and non-EPC businesses in line with its growth strategies on the back of the growing magnitude of changes in the business environment, which involves stronger needs than ever for next-generation energy, such as hydrogen technologies possessed by Chiyoda Corporation. These impairment losses are included in consolidated net income (loss) for the Industrial Infrastructure segment (impact on profit for the year attributable to owners of the parent was ¥6.3 billion loss). Please refer to "Impairment test of goodwill and intangible assets with indefinite useful lives" for recoverability of goodwill in impairment assessment.

The Company conducted impairment tests of the asset group (cash-generating unit) comprising the existing customer base recognized when Chiyoda Corporation became a subsidiary. The value in use was used as the recoverable amount, and the difference between the value in use and book value was recorded as impairment losses, which were reasonably allocated to each asset included in the asset group.

The key assumption with the most significant impact on the calculation of the recoverable amount is the future earnings received in proportion from the existing customers at each of Chiyoda's businesses, reflecting the expansion of new customers and the current business environment in line with the Chiyoda's business portfolio strategy.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The carrying amount of exploration and evaluation assets was ¥121,631 and ¥115,589 ($863 million) as of March 31, 2022 and 2023, respectively, and these amounts were primarily included within "Property, plant and equipment" in the consolidated statements of financial position. The changes in the carrying amounts of exploration and evaluation assets were mainly due to impairment, write-off of unsuccessful exploration expenditure and exchange translations.

Further, there were some liabilities derived from the Company's exploration and evaluation activities; however, the carrying amount as of March 31, 2022 and 2023 was immaterial, respectively.

In addition, there were some expenses as well as cash flows from operating and investing activities derived from the Company's exploration and evaluation activities, however neither of these expenses nor cash flows for the years ended March 31, 2022 and 2023 were material.

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Trade and other receivables (current and non-current)	¥245,797	¥197,099	$1,471
Other investments (current and non-current)	494,465	340,889	2,544
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	173,062	141,783	1,058
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,129	187	2
Assets classified as held for sale	—	45,081	336
Other	13,707	10,701	80
Total	¥972,160	¥735,740	$5,491

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

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

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

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

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

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

Meanwhile, the Company sold ¥91,640 million and ¥78,604 million ($587 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2022 and 2023, respectively. As for similar transactions regarding to the financial assets, please refer to Note 34 (2) “Transferred financial assets that were not derecognized.”

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2022 and 2023.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2022 and 2023 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Bank loans —3.1% as of March 31, 2023	¥688,089	¥574,612	$4,288
Commercial paper —4.4% as of March 31, 2023	363,142	422,367	3,152
Bonds and borrowings (non-current liabilities) with current maturities	552,189	398,911	2,977
Total	¥1,603,420	¥1,395,890	$10,417

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2023.

Bonds and borrowings (non-current liabilities) as of March 31, 2022 and 2023 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Non-current liabilities with collateral maturing through 2038 —principally 0.2% to 2.3% as of March 31, 2023	¥117,494	¥103,407	$772
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2082 —principally 0.0% to 2.0% as of March 31, 2023	2,244,257	2,010,480	15,004
Banks and other financial institutions, maturing through 2037 (payable in foreign currencies) —principally 1.7% to 5.9% as of March 31, 2023	1,564,823	1,279,386	9,548
Japanese yen bonds (including commercial paper) (fixed rate 0.1% to 1.7%, due 2023-2081 as of March 31, 2023)	400,014	310,000	2,313
U.S. dollar bonds (floating rate 5.7%, due 2024 as of March 31, 2023)	3,668	4,003	30
(fixed rate 1.1% to 3.4%, due 2024-2026 as of March 31, 2023)	248,519	199,910	1,492
Other and adjustments	13,163	(14,284)	(107)
Sub-total	¥4,591,938	¥3,892,902	$29,052
Less current maturities	(552,189)	(398,911)	(2,977)
Total	¥4,039,749	¥3,493,991	$26,075

Non-current liabilities with collateral principally include borrowings from banks and other financial institutions both in Japanese yen and foreign currencies.

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

Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2076-2082) of ¥340,000 million ($2,537 million). These loans are callable after the fifth or seventh year from their execution dates (2016-2022) at the discretion of the Company.

Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2081) of ¥200,000 million ($1,493 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2021) at the discretion of the Company.

The amount of fixed-rate debts and bonds procured by the Parent were ¥1,768,244 million and ¥1,654,419 million ($12,346 million) as of March 31, 2022 and 2023, respectively. In principle, for these fixed-rate debts and bonds, fair value hedge with interest rate swaps as hedging instruments is applied to hedge risks of changes in fair value due to interest rate volatility. Please refer to Notes 32 and 33 for details about fair value hedges.

The amount of bonds and borrowings (non-current liabilities) that refers to the London Interbank Offered Rate (LIBOR) was ¥641,410 million ($4,787 million) as of March 31, 2023. Please refer to "Interest rate risk management" at Note 33 for the detail in regard to preparation for the interest rate benchmark reform.

18. TRADE AND OTHER PAYABLES

The carrying amounts of "Trade and other payables" (current liabilities) at March 31, 2022 and 2023 mostly consist of accounts payable-trade to be paid to customers, in which the amounts not expected to be settled within 1 year are immaterial.

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

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

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

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

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

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

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

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2022 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥637,640	¥610,581	$4,557
Service cost	17,832	16,913	126
Interest cost	5,401	6,555	49
Actuarial (gain) loss	(20,339)	(39,909)	(298)
Benefits paid	(29,576)	(30,852)	(230)
Others	(377)	(6,512)	(49)
Present value of obligations under defined benefit pension plans at the end of the year	610,581	556,776	4,155
Change in plan assets:			
Fair value of plan assets at the beginning of the year	622,772	593,106	4,426
Interest income	5,997	7,094	53
Income from plan assets other than interest	8,872	(21,433)	(160)
Employer contributions	8,675	4,533	34
Benefits paid	(22,399)	(23,304)	(174)
Return of assets from retirement benefit trusts	(32,100)	—	—
Others	1,289	(2,085)	(16)
Fair value of plan assets at the end of the year	593,106	557,911	4,163
Effect of the asset ceiling	—	—	—
Net amount of (assets) liabilities recorded in Consolidated statement of financial position	¥17,475	¥(1,135)	$(8)

Note:

1. Actuarial (gain) loss arises from changes in demographic assumptions and financial assumptions.
2. Return of assets from retirement benefit trust was result of cancellation in a part of Parent's retirement benefit trust in previous fiscal year. The transaction amount is included in “Other - net” of cash flow from Operating activities in consolidated statement of cash flows.

Investment Policy

Plan assets

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

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

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2022 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Plan assets that have a quoted market price in an active market			
Equity instruments	¥109,778	¥104,296	$778
Debt instruments	9,006	9,575	72
Cash and cash equivalents	70,880	67,590	504
Total	189,664	181,461	1,354
Plan assets that do not have a quoted market price in an active market			
Equity instruments	82,548	82,435	615
Debt instruments	199,594	167,442	1,249
Life insurance company accounts	63,944	58,103	434
Other assets	57,356	68,470	511
Total	403,442	376,450	2,809
Total plan assets	¥593,106	¥557,911	$4,163

Notes:

1. Equity instruments that have a quoted market price in an active market, mainly consist of Japanese equity securities, and include investments through funds.
2. Equity and debt instruments that do not have a quoted market price in an active market, mainly consist of global equity securities, global debt respectively, and both include investments through funds.
3. Other assets include cash equivalent, hedge funds, private equity funds, and infrastructure funds, etc.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2022 and 2023 were as follows:

	2022	2023
Discount rate	1.1%	1.6%
Rate of increase in future compensation levels	2.3	2.4

The assumption of average longevity at pension age of the Parent was 20.4 years and 21.0 years for current pensioners, and 22.8 years and 22.9 years for employees at March 31, 2022 and 2023.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥28,687 million ($214 million) at March 31, 2023. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥25,411 million ($190 million).
This analysis assumes that all other variables remain constant. However, the discount rate does not always change independently.

Contributions

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

The Company expects to contribute ¥4,279 million ($32 million) to its defined benefit pension plans during the year ending March 31, 2024.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2024	¥29,572	$221
2025	32,002	239
2026	31,061	232
2027	31,486	235
2028	35,328	263
2029 through 2033	166,335	1,241

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans for the years ended March 31, 2022 and 2023 were ¥10,040 million and ¥11,770 million ($88 million), respectively.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥710,978 million and ¥776,293 million ($5,793 million) for the years ended March 31, 2022 and 2023, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2023 were as follows:

(Year ended March 31, 2023)

	Millions of Yen							
	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥278,704	—	¥278,704	¥10,594	¥(12,514)	¥9,338	¥(6,047)	¥280,075
Provision relating to onerous contracts	45,743	20,486	66,229	71,610	(54,648)	(83)	(626)	82,482
Other	36,179	—	36,179	30,016	(14,867)	44	(2,616)	48,756

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$2,080	—	$2,080	$79	$(93)	$69	$(45)	$2,090
Provision relating to onerous contracts	341	153	494	535	(408)	(1)	(4)	616
Other	270	—	270	224	(111)	1	(20)	364

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

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

Provision for decommissioning and restoration

The Company recognizes provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. Cash outflows related to the provision are expected to be paid over periods of up to 47 years, but are inherently difficult to predict and affected by future business plans and other circumstances. The discount rate is applied at a pre-tax discount rate that reflects the market valuation of the time value of money.

The Company’s consolidated subsidiaries in the Mineral Resources segment recognize provision for asset retirement obligations based on costs they expect to incur to restore mining sites to the original state in the future. The amount of asset retirement obligations is ¥171,266 million ($1,278 million) as of March 31, 2023.

Provision relating to onerous contracts

The Company recognizes provision relating to onerous contracts, consisting primarily of costs associated with construction contract and commodity sales and purchase contract, if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.
During the year ended March 31, 2023, provisions for losses on construction contracts of Chiyoda Corporation amounting to ¥14,455 million ($108 million) (increase) and ¥26,527 million ($198 million) (decrease) were recorded as "Provisions made" and "Provisions used" due to the reassessments of project execution costs and the progress of the project executions, respectively.
Cash outflows related to the provision are expected to be paid over periods of up to 3 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

In addition, in the LNG sales business to Europe, the sales price was significantly lower than the purchase price due to changes in the business environment, and in some contracts, a review of procurement costs resulted in ¥52,404 million ($391 million) (increase) being recorded as "Provisions made", and ¥27,359 million ($204 million) (decrease) being recorded as "Provisions used" for sales transactions in progress that have been delivered to the customer. Expenditures related to this obligation are expected to be incurred over a period of up to 18 years but will be affected by future business plans and other factors. "Cumulative effects of change in accounting policy " includes ¥20,486 million ($153 million) (increase) as the effect of the revision of IAS No. 37, which became effective in the current fiscal year. For details, please refer to Note 2 "(4) New major standards and interpretations applied ".

Other

"Other" includes provisions for product warranties and others.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2022 and 2023 was as follows:

	2022 (Number of shares)	2023 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2022 and 2023 was as follows:

	2022 (Number of shares)	2023 (Number of shares)
Balance, beginning of the year	1,485,723,351	1,485,723,351
Change during the year	—	(27,421,000)
Balance, end of the year	1,485,723,351	1,458,302,351

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to be 25% of the common stock amount.

The Companies Act allows, subject to certain conditions, such as resolution at a shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, within the limit under the Articles of Incorporation, subject to limitations imposed by the Companies Act. At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Parent's treasury stock by its resolutions.

The number of treasury stock and treasury stock held by subsidiaries and associates were 9,178,013 shares and 29,509,808 shares at March 31, 2022 and 2023, respectively. This increase was due to the share repurchases in order to optimize total payout ratio, as well as the Company's capital structure. The number of shares of the Parent held in the trust account for the ESOP Trust, which was included in the number of treasury stock and treasury stock held by subsidiaries and associates, were 3,172,291 shares and 7,019,724 shares at March 31, 2022 and 2023, respectively. This increase was due to additional contribution of ¥16.0 billion for the acquisition of the common stock of the Parent, which was decided at a meeting of the Executive Committee on May 9, 2022. Please refer to Note 41 for the repurchase and cancellation of shares which was resolved at a meeting of the Board of Directors held on May 9, 2023.

Shares repurchased and cancelled during the year ended March 31, 2023 were as follows:

Resolution	Class of shares	Number of shares repurchased	Number of shares cancelled	Date of cancellation (Expected date)	Shares outstanding after cancellation
Board of Directors' meeting held on May 10, 2022	Ordinary shares	16,578,000	11,578,000	September 30, 2022	1,474,145,351
Board of Directors' meeting held on November 8, 2022	Ordinary shares	15,843,000	15,843,000	March 31, 2023	1,458,302,351
Board of Directors' meeting held on February 3, 2023	Ordinary shares	12,604,600	—	(May 31, 2023)	—

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥3,139,473 million ($23,429 million) as of March 31, 2023. The distributable amount may change up to the effective date of the distribution of dividends due to the Parent's acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2022 and 2023 were as follows:

		Millions of Yen	Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 25, 2021	Ordinary shares	¥99,127	¥67	March 31, 2021	June 28, 2021		
Board of Directors' meeting held on November 5, 2021	Ordinary shares	105,055	71	September 30, 2021	December 1, 2021		
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	116,909	79	March 31, 2022	June 27, 2022	$872	$0.59
Board of Directors' meeting held on November 8, 2022	Ordinary shares	112,715	77	September 30, 2022	December 1, 2022	841	0.57

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

		Millions of Yen		Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	¥147,891	Retained earnings	¥103	March 31, 2023	June 26, 2023	$1,104	$0.77

Management of capital

The Parent manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2022 and 2023.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2022)				
Other investments designated as FVTOCI	¥457,123	¥80,737	¥(26,801)	¥511,059
Remeasurement of defined benefit pension plans	―	21,449	(21,449)	―
Cash flow hedges	(52,355)	(68,966)	―	(121,321)
Exchange differences on translating foreign operations	379,917	500,757	―	880,674
Total	¥784,685	¥533,977	¥(48,250)	¥1,270,412
(Year ended March 31, 2023)				
Other investments designated as FVTOCI	¥511,059	¥(95,711)	¥(9,917)	¥405,431
Remeasurement of defined benefit pension plans	―	16,032	(16,032)	―
Cash flow hedges	(121,321)	174,365	―	53,044
Exchange differences on translating foreign operations	880,674	376,391	―	1,257,065
Total	¥1,270,412	¥471,077	¥(25,949)	¥1,715,540

	Millions of U.S. Dollars			
(Year ended March 31, 2023)	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$3,814	$(714)	$(74)	$3,026
Remeasurement of defined benefit pension plans	―	120	(120)	―
Cash flow hedges	(905)	1,301	―	396
Exchange differences on translating foreign operations	6,573	2,808	―	9,381
Total	$9,482	$3,515	$(194)	$12,803

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gains (losses) on other investments designated as FVTOCI	¥11,750	¥842	$6
Remeasurement of defined benefit pension plans	(317)	463	3
Cash flow hedges	(4,524)	13,502	101
Exchange differences on translating foreign operations	23,841	21,505	161
Total	¥30,750	¥36,312	$271

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2022 and 2023.

	Millions of Yen					
	2022			2023		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains (losses) on other investments designated as FVTOCI	¥129,985	¥(47,746)	¥82,239	¥(122,089)	¥27,518	¥(94,571)
Remeasurement of defined benefit pension plans	29,211	(8,799)	20,412	18,476	(2,874)	15,602
Share of other comprehensive income (loss) of investments accounted for using the equity method	10,421	547	10,968	691	(96)	595
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	(121,687)	23,737	(97,950)	130,717	(27,553)	103,164
Exchange differences on translating foreign operations	434,231	6,299	440,530	285,280	10,773	296,053
Share of other comprehensive income (loss) of investments accounted for using the equity method	123,986	(15,458)	108,528	214,850	(28,304)	186,546
Total	¥606,147	¥(41,420)	¥564,727	¥527,925	¥(20,536)	¥507,389

	Millions of U.S. Dollars		
	2023		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains (losses) on other investments designated as FVTOCI	$(911)	$205	$(706)
Remeasurement of defined benefit pension plans	137	(21)	116
Share of other comprehensive income (loss) of investments accounted for using the equity method	6	(1)	5
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	976	(206)	770
Exchange differences on translating foreign operations	2,129	80	2,209
Share of other comprehensive income (loss) of investments accounted for using the equity method	1,603	(211)	1,392
Total	$3,940	$(154)	$3,786

The amounts reclassified to profit or loss from exchange differences on translating foreign operations for the year ended March 31, 2023 include ¥13,296 million ($99 million) (before income taxes) due to the loss of control over DGA SEG B.V., a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment in Indonesia. Please refer to Note 37 (DGA SEG B.V.) for more information.

Other than the above, the amounts reclassified to profit or loss from exchange differences on translating foreign operations and share of other comprehensive income (loss) of investments accounted for using the equity method included in Other comprehensive income (loss) (including those attributable to non-controlling interests) were immaterial for the years ended March 31, 2022 and 2023.

As for the reclassification adjustments to profit or loss from cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests) for the years ended March 31, 2022 and 2023, please refer to Note 32.

23. SHARE-BASED PAYMENT

The Parent unified previous stock option plans for a stock-linked compensation plan that grant the right to purchase the shares of the Parent at an exercise price of ¥1 per share from 2007 stock option plans resolved at the Board of Directors' meeting held on July 20, 2007 to the year ended March 31, 2019. The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would newly distribute stock options for a stock-linked compensation plan with market conditions.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or before June 2007

Under the class B plan (class A plan has no outstanding balance), for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the previous stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or after July 2007

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is up to 30 years. The stock options are vested and exercisable from the earlier of either the day up to 2 years after the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plan for a stock-linked compensation plan with market conditions resolved by the Board of Directors' meetings held on or after June 2019

Under the new plans with market conditions, for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. Depending on the plans, the contractual term of the stock option is 27 years starting on the day up to 3 years after the grant date. The number of stock options that can be exercised varies depending on the Parent's share performance during 3 years starting from the grant date or the day up to 2 years before the grant date. The stock option holders cannot exercise their stock acquisition right after 10 years from the day after leaving their position as director and executive officer of the Parent.

The share-based remuneration based on these stock option plans was immaterial for the years ended March 31, 2022 and 2023.

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the years ended March 31, 2022 and 2023.

	Millions of Yen						
2022	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥573,645	¥2,147,073	¥2,823,357	¥1,321,134	¥485,437	¥858,082	¥1,586,755
Revenues from other sources of revenue	590,039	25,619	613,632	1,536,509	88,244	57,846	323,741
Total	¥1,163,684	¥2,172,692	¥3,436,989	¥2,857,643	¥573,681	¥915,928	¥1,910,496

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,249,783	¥894,839	¥40,113	¥13,980,218	¥5,306	—	¥13,985,524
Revenues from other sources of revenue	646	17,819	25,209	3,279,304	—	—	3,279,304
Total	¥3,250,429	¥912,658	¥65,322	¥17,259,522	¥5,306	—	¥17,264,828

	Millions of Yen						
2023	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥805,862	¥2,574,769	¥3,337,262	¥1,758,863	¥637,882	¥970,729	¥1,929,755
Revenues from other sources of revenue	1,198,658	27,907	581,770	1,926,110	102,102	74,303	487,432
Total	¥2,004,520	¥2,602,676	¥3,919,032	¥3,684,973	¥739,984	¥1,045,032	¥2,417,187

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,409,455	¥1,630,193	¥20,441	¥17,075,211	¥8,836	—	¥17,084,047
Revenues from other sources of revenue	3,109	44,310	42,225	4,487,926	—	—	4,487,926
Total	¥3,412,564	¥1,674,503	¥62,666	¥21,563,137	¥8,836	—	¥21,571,973

2023	Millions of U.S. Dollars Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	$6,014	$19,215	$24,905	$13,126	$4,760	$7,244	$14,401
Revenues from other sources of revenue	8,944	208	4,342	14,374	762	555	3,638
Total	$14,958	$19,423	$29,247	$27,500	$5,522	$7,799	$18,039

	Millions of U.S. Dollars Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	$25,444	$12,165	$153	$127,427	$66	—	$127,493
Revenues from other sources of revenue	23	331	315	33,492	—	—	33,492
Total	$25,467	$12,496	$468	$160,919	$66	—	$160,985

Revenues recognized from contracts with customers include revenues recognized at a point in time (sales of products or providing services, etc. as principal or agent), as well as revenues recognized over time (providing services based on franchise contracts, plant constructions based on construction contracts, etc.).

Revenues recognized from contracts with customers in the Consumer Industry segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥291,802 million and ¥251,564 million ($1,877 million) for the years ended March 31, 2022 and 2023. The commission includes lease income attributable to property and store equipment leases.

Revenues recognized from contracts with customers in the Industrial Infrastructure segment include revenues recognized by measuring progress of construction based on construction contracts, the amount of which was ¥303,411 million and ¥428,189 million ($3,195 million) for the years ended March 31, 2022 and 2023.

Revenues other than the above items are mainly from the sale of goods and related services.

Revenues from other sources of revenue include revenues recognized in the scope of IFRS9 "Financial Instruments" (including the gross amount of revenues recognized from contracts to buy or sell a non-financial item that can be settled net in cash or other financial instruments, or by exchange for financial instruments at the timing of delivery) and lease income based on IFRS16 "Leases".

The portion of the Company’s revenues accounted for by variable consideration is immaterial.

(2) Contract balance

Contract assets are an entity’s right to consideration in exchange for goods or services that the entity has transferred to a customer (except receivables) when the right is conditioned on something other than the passage of time (for example, the entity’s future performance). It is presented as "Trade and other receivables".

Contract liabilities represent an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from said customer and is presented mainly as "Advances from customers".

The following is a breakdown of carrying amounts of "Contract assets" and "Contract liabilities" at the beginning and the end of the years ended March 31, 2022 and 2023. Both contract balances were mainly recognized from construction contracts in which there was a difference between the point in time when performance obligations were satisfied (progress of construction) and the right to claim arose or consideration was received. Contract assets increased due to performance obligations being satisfied before rights to claim arose (and decreased due to transfer to trade receivables when the rights to claim arose). Contract liabilities increased due to rights to claim arising before performance obligations were satisfied (and decreased due to transfer to revenues when the performance obligations were satisfied).

The changes during the year ended March 31, 2022 include additions of ¥72,985 million of "Contract liabilities" as a result of increases due to conclusion of new construction contracts, etc. exceeded decreases due to transfer to revenues at Chiyoda Corporation.

	Millions of Yen				Millions of U.S. Dollars	
	2022		2023		2023	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥53,456	¥147,307	¥46,032	¥255,629	$344	$1,908
Changes during the year	(7,424)	108,322	(4,497)	69,210	(34)	516
Balance at the end of the year	¥46,032	¥255,629	¥41,535	¥324,839	$310	$2,424

Revenues recognized for the years ended March 31, 2022 and 2023 that were included in the contract liabilities balance at the beginning of the year were ¥101,775 million and ¥162,362 million ($1,212 million) respectively. Revenues for the years ended March 31, 2022 and 2023 recognized (or partially recognized) from the performance obligations satisfied in the previous years were immaterial.

(3) Transaction price allocated to the remaining performance obligations

Following are the aggregate amounts of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) at the end of the years ended March 31, 2022 and 2023 and the breakdown by expected duration of the remaining performance obligation in the future.

The amounts of the transaction price are calculated based on the contracts with the customers with reference to commodity prices such as crude oil or gas, and if the consideration is variable, it is included in the transaction price only to the extent that a significant reversal in the amount of cumulative revenues recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of the years ended March 31, 2022 and 2023 was derived to a large extent from a long-term LNG sales contract with customers mainly in Japan through participating in Cameron LNG LLC ("CLNG") at Louisiana Terminal in the U.S and the LNG Canada Project in Kitimat, British Columbia, Canada. Please refer to Note 38 for information of CLNG.

Contracts for which the original expected duration of revenue recognition from contract conclusion is one year or less are not included in the table below under the provisions of practical expedient adopted.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥1,664,722	¥1,501,156	$11,203
Later than 1 year and not later than 5 years	3,368,039	3,594,412	26,824
Later than 5 years and not later than 10 years	2,099,094	2,434,136	18,165
Later than 10 years	2,975,192	3,054,047	22,791
Total	¥10,107,047	¥10,583,751	$78,983

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe at March 31, 2022 and 2023, the amount of estimated consideration of which was ¥56,178 million and ¥94,934 million ($708 million) per year.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Employee benefit expenses	¥548,264	¥593,859	$4,432
Equipment expenses	325,507	335,759	2,506
Transportation and warehousing expenses	123,940	136,746	1,020
Outsourcing expenses	99,047	127,821	954
Office expenses	58,897	79,417	593
Advertising and sales promotion expenses	78,057	72,959	544
Others	198,327	260,957	1,947
Total	¥1,432,039	¥1,607,518	$11,996

Remuneration for the Parent's directors for the years ended March 31, 2022 and 2023 that were included in “Employee benefit expenses” were ¥2,076 million and ¥1,955 million ($15 million), respectively.

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains (losses) on investments," "Finance income" and "Finance costs" for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
Classification	2022	2023	2023
Gains (losses) on investments			
Financial assets measured at FVTPL	¥36,873	¥5,512	$41
Subsidiaries, investments accounted for using the equity method and other	38,381	191,493	1,429
Total gains (losses) on investments	¥75,254	¥197,005	$1,470
Finance income			
Interest income	25,431	66,758	498
Dividend income	161,101	136,884	1,022
Total finance income	¥186,532	¥203,642	$1,520
Finance costs			
Interest expenses	(46,682)	(115,377)	(861)
Total finance costs	¥(46,682)	¥(115,377)	$(861)

"Interest income" is mainly incurred from Financial assets measured at amortized cost such as "Loans receivables" and Financial assets measured at FVTPL such as "Cash and cash equivalents". Dividend income is mainly incurred from Financial assets measured at FVTOCI.

"Interest expenses" is mainly incurred from Financial liabilities measured at amortized cost, "Lease liabilities" and Derivatives. For "Lease liabilities", please refer to Note 35 for more information.

In addition to the above, the Company recognized income and expenses from the following financial instruments for the years ended March 31, 2022 and 2023.

Derivatives not being designated as hedging instruments

Please refer to Note 33 for income and expenses from derivatives not being designated as hedging instruments, and please refer to Note 32 for gains and losses on hedging activities.

Income and expenses pertaining to sales finance transactions

For some of sales finance transactions, "Interest income" incurred from Financial assets measured at amortized cost and "Interest expense" from Financial liabilities measured at amortized cost recognized in "Revenues" or "Cost of revenues" in the consolidated statement of income, of which the portion of the amounts were immaterial.

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2022 and 2023.

27. OTHER INCOME (EXPENSE)-NET

The following is a breakdown of "Other income (expense)-net" for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Foreign exchange gains and losses	¥(35,151)	¥26,009	$194
Gains (losses) from derivatives	52,868	(31,454)	(235)
Gains (losses) from valuation of biological assets	8,215	(10,490)	(78)
Other	(2,643)	(9,418)	(70)
Other income (expense)-net	¥23,289	¥(25,353)	$(189)

Gains and losses arising from the translation of assets and liabilities recorded in currencies other than the functional currency and from the settlement of those assets and liabilities are recognized as foreign exchange gains and losses as they arise.

Gains (losses) from derivatives include unrealized gains (losses) on outstanding foreign exchange-related derivatives, which are generally effectively offset by foreign exchange gains and losses and, consequently, the net amount of the offsetting gains (losses) of those accounts is immaterial. Please refer to Note 33, for information on risk management for foreign currency risk.

Gains (losses) from derivatives also include gains (losses) from interest rate swap contracts entered into to convert fixed-rate financial assets and liabilities into floating-rate, as well as to convert certain floating-rate financial assets and liabilities into fixed-rate basis. Gains (losses) from derivatives which effectively offset the interest rate risks but do not meet the requirement of hedge accounting was 15,294 million yen (gain) for the year ended March 31, 2022, and was immaterial for the year ended March 31, 2023.

Please refer to Note 10, for information on gains and losses from valuation of biological assets.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 30.6%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Current tax	¥256,419	¥386,957	$2,888
Deferred tax	32,238	22,175	165
Income taxes	288,657	409,132	3,053
Income taxes recognized in other comprehensive income	41,420	20,536	154
Total	¥330,077	¥429,668	$3,207

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2022 and 2023 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2022	2023
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(6.7)	(6.8)
Effect of the recoverability of deferred tax assets	(0.5)	(0.6)
Difference of tax rates for foreign subsidiaries	(2.1)	(1.4)
Other-net	1.0	2.5
Effective income tax rate on income before income taxes in the consolidated statement of income	22.3%	24.3%
Less effect of income from investments accounted for using the equity method	6.7	6.8
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 2)	29.0%	31.1%

Notes:

1. The reconciliation is rounded to one decimal place.
2. To exclude the effect of "Share of profit of investments accounted for using the equity method" included in profit before tax in the consolidated statements of income which cause the difference between the effective tax rate and the combined statutory tax rate, “Effective income tax rate on income before income taxes of the Parent and subsidiaries” is disclosed.

Significant components of deferred tax assets and liabilities at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Assets:			
Loss allowance	¥18,891	¥20,322	$152
Accrued pension and retirement benefits	25,414	22,918	171
Property, plant and equipment, Investment property and Intangible assets	32,039	27,885	208
Short-term investments and Other investments	32,874	47,239	353
Net operating loss carry forwards	72,332	27,045	202
Provisions and other	109,034	119,736	894
Derivatives	73,940	55,853	417
Other	89,214	94,078	701
Gross deferred tax assets	453,738	415,076	3,098
Liabilities:			
Short-term investments and Other investments	383,237	360,146	2,688
Property, plant and equipment, Investment property and Intangible assets	396,493	385,346	2,876
Investments accounted for using the equity method	150,002	187,295	1,398
Derivatives	24,991	39,619	296
Other	89,329	82,732	616
Gross deferred tax liabilities	1,044,052	1,055,138	7,874
Net deferred tax liabilities	¥(590,314)	¥(640,062)	$(4,776)

No deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements where the Parent considers that the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. At March 31, 2022 and 2023, the amount of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements on which deferred tax liabilities were not recognized in the Company's consolidated financial statements were ¥2,291,260 million and ¥2,562,634 million ($19,124 million), respectively.

The Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2022 and 2023 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 5 years	¥155,890	¥80,237	$599
Later than 5 years and not later than 10 years	330,523	325,382	2,428
Later than 10 years	1,210,320	1,239,283	9,248
Total	¥1,696,733	¥1,644,902	$12,275

The amounts of deductible temporary differences associated with investments in subsidiaries, on which deferred tax assets were not recognized in the Company's consolidated financial statements at March 31, 2022 and 2023 were ¥551,026 million and ¥450,805 million ($3,364 million), respectively, and are not included in the above.

Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan but did not recognize deferred tax assets on the local tax, considering the recoverability, as of March 31, 2022 and 2023, were ¥619,510 million and ¥573,561 million ($4,280 million), respectively, which are included in the above table and the amount of deductible temporary differences associated with investments in subsidiaries.

29. EARNINGS PER SHARE

Reconciliations of the basic and diluted profit for the years attributable to owners of the Parent per share are as follows:

	Yen		U.S. Dollars
	2022	2023	2023
Profit for the year attributable to owners of the Parent per share			
Basic	¥635.06	¥809.29	$6.04
Diluted	625.73	805.69	6.01

			Millions of U.S. Dollars
	2022	2023	2023
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥937,529	¥1,180,694	$8,811
Reconciliation of profit for the year	(10,268)	—	—
Diluted profit for the year attributable to owners of the Parent	¥927,261	¥1,180,694	$8,811
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,476,279	1,458,928	
Effect of dilutive securities:			
Share-based remuneration	5,617	6,513	
Diluted outstanding shares	1,481,896	1,465,441	

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following tables categorize assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and 2023, respectively.

(March 31, 2022)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,285,218	—	—	—	¥1,285,218
Short-term investments and other investments					
Financial assets measured at FVTPL	16,803	¥344	¥164,598	—	181,745
Financial assets measured at FVTOCI					
Marketable securities	542,647	—	—	—	542,647
Non-marketable securities	—	318	1,019,554	—	1,019,872
Trade and other receivables					
Financial assets measured at FVTPL	193	150,245	24,777	—	175,215
Other financial assets (Derivatives)					
Interest rate contracts	—	46,416	—	¥(306)	46,110
Foreign exchange contracts	38	94,949	—	(10,526)	84,461
Commodity contracts and others	1,363,833	2,997,245	36,186	(3,534,301)	862,963
Inventories	9,867	544,689	—	—	554,556
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	341,631	—	—	341,631
Total assets	¥3,218,599	¥4,175,837	¥1,245,115	¥(3,545,133)	¥5,094,418
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	26,121	—	(305)	25,816
Foreign exchange contracts	—	43,300	—	(10,531)	32,769
Commodity contracts and others	1,417,803	3,093,175	70,576	(3,537,974)	1,043,580
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	298,982	—	—	298,982
Total liabilities	¥1,417,803	¥3,461,578	¥70,576	¥(3,548,810)	¥1,401,147

Notes:

1. There were no material transfers between different levels during the year ended March 31, 2022.
2. Please refer to Note 7 for the main items for "Financial assets measured at FVTOCI (Marketable securities) " classified in Level 1.
3. The main items for "Financial assets measured at FVTOCI (Non-marketable securities)" classified in Level 3 include investment in copper business in the Mineral Resources segment and LNG -related business in the Natural Gas segment. Please refer to Note 2 for details.

(March 31, 2023)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,319,000	—	—	—	¥1,319,000
Short-term investments and other investments					
Financial assets measured at FVTPL	15,612	¥361	¥209,063	—	225,036
Financial assets measured at FVTOCI					
Marketable securities	558,974	—	—	—	558,974
Non-marketable securities	—	314	858,030	—	858,344
Trade and other receivables					
Financial assets measured at FVTPL	1,945	167,105	23,170	—	192,220
Other financial assets (Derivatives)					
Interest rate contracts	—	51,511	—	¥(306)	51,205
Foreign exchange contracts	—	53,787	—	(5,303)	48,484
Commodity contracts and others	988,240	736,727	35,133	(1,306,253)	453,847
Inventories	57,367	400,196	—	—	457,563
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	346,001	—	—	346,001
Total assets	¥2,941,138	¥1,756,002	¥1,125,396	¥(1,311,862)	¥4,510,674
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	37,903	—	(305)	37,598
Foreign exchange contracts	—	30,332	—	(5,302)	25,030
Commodity contracts and others	871,460	820,055	81,893	(1,304,590)	468,818
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	273,062	—	—	273,062
Total liabilities	¥871,460	¥1,161,352	¥81,893	¥(1,310,197)	¥804,508

(March 31, 2023)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$9,843	—	—	—	$9,843
Short-term investments and other investments					
Financial assets measured at FVTPL	116	$3	$1,560	—	1,679
Financial assets measured at FVTOCI					
Marketable securities	4,172	—	—	—	4,172
Non-marketable securities	—	2	6,403	—	6,405
Trade and other receivables					
Financial assets measured at FVTPL	14	1,247	173	—	1,434
Other financial assets (Derivatives)					
Interest rate contracts	—	384	—	$(2)	382
Foreign exchange contracts	—	402	—	(40)	362
Commodity contracts and others	7,375	5,498	262	(9,748)	3,387
Inventories	428	2,987	—	—	3,415
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	2,582	—	—	2,582
Total assets	$21,948	$13,105	$8,398	$(9,790)	$33,661
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	283	—	(2)	281
Foreign exchange contracts	—	227	—	(40)	187
Commodity contracts and others	6,503	6,120	611	(9,736)	3,498
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	2,038	—	—	2,038
Total liabilities	$6,503	$8,668	$611	$(9,778)	$6,004

Notes:

1. There are no material transfers between different levels during the year ended March 31, 2023.
2. Please refer to Note 7 for the main items for "Financial assets measured at FVTOCI (Marketable securities) " classified in Level 1.
3. The main items for "Financial assets measured at FVTOCI (Non-marketable securities)" classified in Level 3 include investment in copper business in the Mineral Resources segment and LNG -related business in the Natural Gas segment. Please refer to Note 2 for details.

Please refer to Note 10 for the details of biological assets measured at fair value.

The following tables represent the changes in the balance of major Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2022 and 2023, respectively.

(Year ended March 31, 2022)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	¥148,916	¥29,662	¥9,210	¥10,215	¥(31,186)	¥(2,219)	¥164,598	¥29,866
Financial assets measured at FVTOCI (Non-marketable securities)	868,811	―	107,102	67,706	(23,922)	(143)	1,019,554	―
Other financial assets (Derivatives)								
Commodity contracts and others	9,982	30,888	3,569	2,051	―	(10,304)	36,186	26,106
Other financial liabilities (Derivatives)								
Commodity contracts and others	9,293	8,363	60,086	―	―	(7,166)	70,576	3,720

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There were no material transfers between different levels during the year ended March 31, 2022.
3. "Increase due to purchases and other" under "Financial assets measured at FVTOCI" includes an increase of ¥66,996 million in the fiscal year ended March 31, 2022 due to a change in ownership of the investment in HERE Technologies; from held through the Company’s joint venture COCO TECH HOLDING, to directly held by the Parent.

(Year ended March 31, 2023)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	¥164,598	¥4,451	¥7,990	¥65,360	¥(32,880)	¥(456)	¥209,063	¥2,612
Financial assets measured at FVTOCI (Non-marketable securities)	1,019,554	—	(139,070)	515	(22,968)	(1)	858,030	—
Other financial assets (Derivatives)								
Commodity contracts and others	36,186	18,470	2,867	443	—	(22,833)	35,133	10,056
Other financial liabilities (Derivatives)								
Commodity contracts and others	70,576	5,882	10,127	6,601	—	(11,293)	81,893	2,300

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	$1,228	$33	$60	$487	$(245)	$(3)	$1,560	$19
Financial assets measured at FVTOCI (Non-marketable securities)	7,609	—	(1,038)	4	(172)	—	6,403	—
Other financial assets (Derivatives)								
Commodity contracts and others	270	138	21	3	—	(170)	262	75
Other financial liabilities (Derivatives)								
Commodity contracts and others	527	44	75	49	—	(84)	611	17

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2023.
3. "Increase due to purchases and other" under "Financial assets measured at FVTPL" in the fiscal year ended March 31, 2023 includes an increase of ¥24,117 million ($180 million) due to sales of partial interest in electricity and gas retailer company in the United Kingdom accounted for using the equity method and a classification for the remaining interests as financial assets measured at FVTPL, as well as an increase of ¥30,000 million ($224 million) due to a payment of equity in the functional materials specialized company.

Net realized/unrealized gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in "Gains (losses) on investments" in the consolidated statement of income. The amount recognized as other comprehensive income (loss) is included in "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

The amount recognized as other comprehensive income (loss) for short-term investments and other investments (FVTOCI) is included in "Gains (losses) on other investments designated as FVTOCI" and "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income. In the fiscal year ended March 31, 2023, the amount recognized as other comprehensive income (loss) included a decrease of ¥60,185 million ($449 million) in the fair value for the investment in the LNG-related business in Russia, a decrease of ¥49,559 million ($370 million) in the fair value of the investment in the LNG-related business in Malaysia due to downward dividend forecast revisions, and a decrease of ¥32,888 million ($245 million) in the fair value for the investment in HERE Technologies due to business plan revisions. Please refer to Note 2 for estimates and underlying assumptions regarding the LNG-related business in Russia.

The amount recognized as profit or loss for other financial assets (derivatives) is included mainly in “Revenues” and “Cost of revenues” in the consolidated statement of income. The amount recognized as other comprehensive income for other financial liabilities (derivatives) is included mainly in “Cash flow hedges” in the consolidated statement of comprehensive income.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents consist of cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments primarily consist of marketable equity securities valued at the quoted market price in an active market. Level 3 short-term investments and other investments primarily consist of non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting department of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables

Trade and other receivables measured at fair value on a recurring basis primarily consist of restricted cash and non-recourse receivables, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating. Trade and other receivables are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting department of the Company who manage the corresponding assets, or personnel in charge of accounting at a subsidiary that possesses such assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchange markets, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by the income approach based on unobservable inputs such as estimated future market prices. For long-term electric power contracts and related derivatives (sales and procurement), which are the primary transactions, future market prices are estimated using such observable inputs as market prices, as well as such unobservable inputs as government energy policy and forecasts of electricity supply and demand. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories

Level 1 and Level 2 inventories primarily consist of inventories of nonferrous metals held for trading purposes, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

Other current assets and other non-current assets (Assets related to commodity loan transactions)
Other current assets and other non-current assets measured at fair value on a recurring basis primarily consist of assets related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2. The fair values include costs to sell, which are immaterial.

Other current liabilities and other non-current liabilities (Liabilities related to commodity loan transactions)
Other current liabilities and other non-current liabilities measured at fair value on a recurring basis primarily consist of liabilities related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

Quantitative information about Level 3 Fair Value Measurements

The following tables represent main information about valuation methods and unobservable inputs used for the major Level 3 assets measured at fair value as of March 31, 2022 and 2023, respectively.

(March 31, 2022)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	11.8%

(March 31, 2023)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	13.9%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Substantial changes in such inputs cause the fair value to substantially fall (rise). Discount rates increased year over year mainly due to a rise in risk-free rates.

The nonmarketable equity securities primarily consist of those related to copper business and LNG business. The medium- to long-term copper and crude oil price forecast is one of the significant unobservable input used in measuring the fair value of these securities. Please refer to Note 2 for the fair values and estimates of those for nonmarketable equity securities related to copper business and LNG business.

Fair value of financial instruments measured at amortized cost

The following is the carrying amounts and information about fair values of financial instruments that are measured at amortized cost.

Cash equivalents and time deposits

The carrying amounts of cash equivalents and time deposits measured at amortized cost were ¥418,230 million and ¥333,290 million ($2,487 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate their fair values due to most of these instruments having relatively short maturities.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost mainly consist of domestic and foreign debt securities and non-marketable assets such as guarantee deposits in domestic business. The carrying amounts were ¥220,616 million and ¥216,624 million ($1,616 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values because debt securities are hedged through fair value hedge with interest rate swap as hedging instruments so that the hedge effect are included in the carrying amounts. The discount rates applied to fair value measurement of guarantee deposits have not changed materially since initial recognition due to domestic interest rate having been staying low.

Trade and other receivables

The carrying amounts of trade and other receivables were ¥4,349,801 million and ¥4,283,129 million ($31,964 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with relatively long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

Bonds and borrowings

The carrying amounts of bonds and borrowings were ¥5,643,169 million and ¥4,889,881 million ($36,492 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values, provided the carrying amounts are measured taking into account the effects of fair value hedges, where the hedging instruments of interest rate swap are applied for fixed-rate debts with long maturities that are vulnerable to interest rate volatilities. Please refer to Note 17 and 32 for fair value hedge and Note 33 for risk management policy.

Trade and other payables

The carrying amounts of trade and other payables were ¥3,426,333 million and ¥3,424,965 million ($25,559 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offset amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2022 and 2023 were as follows.

(March 31, 2022)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥4,538,667	¥4,650,975
Offset amount	(3,545,133)	(3,548,810)
Amount presented in the consolidated statement of financial position	993,534	1,102,165
Amount not offset in the consolidated statement of financial position	(412,629)	(390,702)
Net	¥580,905	¥711,463

"Offset amount" include a portion of financial collateral that meet the offsetting criteria, as well as derivatives.

(March 31, 2023)

	Millions of Yen			Millions of U.S. Dollars		
	Financial assets		Financial liabilities	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥1,865,398	¥45,000	¥1,841,643	$13,921	$336	$13,744
Offset amount	(1,311,862)	—	(1,310,197)	(9,790)	—	(9,778)
Amount presented in the consolidated statement of financial position	553,536	45,000	531,446	4,131	336	3,966
Amount not offset in the consolidated statement of financial position	(304,458)	(45,000)	(223,528)	(2,272)	(336)	(1,668)
Net	¥249,078	—	¥307,918	$1,859	—	$2,298

"Offset amount" include a portion of financial collateral that meet the offsetting criteria, as well as derivatives.

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and creates a right of set off but the agreement does not automatically grant the right of set off.

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loan in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set off for the Company but do not grant the right of set off automatically.

Also, the Company does not include the amount related to securities lending transactions and sale-and-repurchase transactions in Note 34 (2) “Transferred financial assets that were not derecognized” and in the table above, while these agreements provide a right of set off for the Company in the same way as reverse repurchase transactions.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, foreign exchange contracts, currency swaps, commodity futures contracts and commodity swaps. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting, but its effect on profit or loss is immaterial.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2022 and 2023.

	Millions of Yen				Millions of U.S. Dollars	
	2022		2023		2023	
Types of hedges	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges	¥45,837	¥25,249	¥38,411	¥47,867	$287	$356
Cash flow hedges	189,358	364,847	88,311	122,920	659	917
Hedge of the net investment in foreign operations	302	55,432	241	38,531	2	288
Total	¥235,497	¥445,528	¥126,963	¥209,318	$948	$1,561

The derivative instruments above are included in "Other financial assets", "Other financial liabilities", and "Bonds and borrowings" in the consolidated statement of financial position.

The primary hedging instrument for fair value hedges is Interest rate swap contracts.
The primary hedging instrument for cash flow hedges is Commodity contracts.
The primary hedging instrument for hedge of the net investment in foreign operations is Foreign-currency-denominated debt.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2022 and 2023. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2022)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,524,000	Million yen
		Fixed receive / floating pay interest rate swap (Note 1)	1,634,695	Thousand U.S. Dollars
		Fixed receive / floating pay interest rate swap	500,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap (Note 1)	615,829	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	326,952	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap (Note 1)	100,000	Thousand U.S. Dollars
		U.S. Dollars buy / Japanese Yen sell currency swap	50,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	813,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	1,320,350	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,456,623	Thousand U.S. Dollars
		U.S. Dollars denominated debt	370,485	Thousand U.S. Dollars
		British Pounds sell / Euros buy foreign exchange contract	179,000	Thousand British Pounds
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap (Note 1)	159,833	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	24,895,000	TOZ
		Platinum commodity derivative	191,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	381,328,187	MMBTU
		Gas / Power commodity derivative	13,923,054	MWH

Note:
1. The derivative instruments refer to LIBOR as their interest rate benchmark. Please refer to "Interest rate risk management" at Note 33 for the detail with regards to preparation for the interest rate benchmark reform

(March 31, 2023)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,459,000	Million yen
		Fixed receive / floating pay interest rate swap (Note 1)	1,000,000	Thousand U.S. Dollars
		Fixed receive / floating pay interest rate swap	500,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap (Note 1)	552,236	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	294,557	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap (Note 1)	100,000	Thousand U.S. Dollars
		U.S. Dollars buy / Japanese Yen sell currency swap	850,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	749,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	3,538,100	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,442,401	Thousand U.S. Dollars
		U.S. Dollars denominated debt	268,410	Thousand U.S. Dollars
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap (Note 1)	147,167	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	23,895,000	TOZ
		Platinum commodity derivative	181,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	177,907,362	MMBTU
		Gas / Power commodity derivative	16,776,900	MWH

Note:

1. The derivative instruments refer to LIBOR as their interest rate benchmark. Please refer to "Interest rate risk management" at Note 33 for the detail with regards to preparation for the interest rate benchmark reform

(2) Fair value hedges

The following are the carrying amounts of the main hedged items and the accumulated amounts of fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2022 and 2023.

(March 31, 2022)

		Millions of Yen	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,801,722	¥17,229

(March 31, 2023)

		Millions of Yen	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,643,143	¥(9,825)

(March 31, 2023)

		Millions of U.S. Dollars	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	$12,262	$(73)

The amount of hedge ineffectiveness and the accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses were immaterial for the year ended March 31, 2022 and 2023.

(3) Cash flow hedges

The following are the amounts of other components of equity recognized by continuing cash flow hedges at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
Risk category	2022	2023	2023
Interest rate risk	¥(6,426)	¥74,197	$554
Foreign currency risk	23,528	18,282	136
Commodity price risk	(138,361)	(39,435)	(294)

The amounts recorded as other components of equity recognized by hedging relationships for which hedge accounting is no longer applied was immaterial at March 31, 2022 and 2023.

The following are the gains or losses related to hedging activities for the years ended March 31, 2022 and 2023.

(Year ended March 31, 2022)

During the year ended March 31, 2022, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥164,790 million (losses) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥14,462 million (losses) in "Other income (expense)-net" in the categories of foreign currency risk and ¥15,227 million (losses) in "Revenues" / "Cost of revenues" in the categories of commodity price risk, for the year ended March 31, 2022.

As a result of the closure transaction for purchase agreement prior to the delivery date, cash flows from future sales transaction that were designated as hedged items became no longer expected to occur in the gross amount. Due to such transaction, ¥13,398 million (losses) was reclassified from other components of equity into profit or loss in "Cost of revenues", in which such reclassified loss was effectively offset against closure transaction, resulting that the net amount after offsetting was immaterial.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2022.

(Year ended March 31, 2023)

During the year ended March 31, 2023, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥68,322 million ($510 million) (losses) recorded in the categories of foreign currency risk and ¥68,456 million ($511 million) (gains) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥60,725 million ($453 million) (losses) in "Other income (expense)-net" in the categories of foreign currency risk and ¥65,391 million ($488 million) (losses) in "Revenues" / "Cost of revenues" in the categories of commodity price risk, for the year ended March 31, 2023.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2023.

(4) Net investment hedges

The following are the amounts of other components of equity recognized by net investment hedges at March 31, 2022 and 2023.

		Millions of Yen		Millions of U.S. Dollars
Risk category		2022	2023	2023
Foreign currency risk	Other components of equity recognized by continuing hedges	¥(46,813)	¥(26,233)	$(196)
	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	(94,190)	(112,624)	(840)

The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) and hedge ineffectiveness were immaterial for the year ended March 31, 2022 and 2023.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for more information regarding hedging activities related to each risk.

Interest rate risk management

The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2022 and 2023, the Company had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,643.2 billion and ¥4,889.9 billion ($36.5 billion), respectively. Since almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by increases in interest rates. Since a rise in interest rates produces an increase in income from these assets, although there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings. However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses. To monitor market movements in interest rates and respond flexibly to market risks, the Parent has an ALM (Asset Liability Management) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations. Assuming that the interest rate increased/decreased by 1% at March 31, 2022 and 2023, its impact on net income and total equity would be immaterial.

Stemming from the proposal by the Financial Stability Board in July 2014, a reform of major interest rate benchmarks such as some interbank offered rates (IBORs) including LIBOR is being undertaken with the replacement of IBORs to alternative indices such as risk-free rates. Regards to the publication of LIBOR, with exception of certain tenors for US dollar, it has already been ceased after the end of December 2021, and the remaining US dollar tenors will be ceased after the end of June 2023. The Parent and affiliated companies are evaluating the risks and implementing the transition to risk-free rates from IBORs or introducing the fallback provision to related contracts. The interest rate benchmarks will be replaced in sequence after July 2023, when LIBOR is fully abolished. The Company owns financial assets and liabilities (interest-bearing debt, etc.), and derivative instruments (interest rate swaps, etc.) that refer to interest rate benchmarks subject to the reform. For the carrying amounts of "Bonds and borrowings (non-current liabilities)" and the nominal amounts related to derivative instruments that refer to LIBOR, please refer to Note 17 and 32, respectively.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2022 and 2023 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2022 (Billion Yen)	2023 (Billion Yen)	2023 (Million U.S. Dollars)
U.S. Dollar	¥19.6	¥18.6	$139
Australian Dollar	13.9	11.4	85
Euro	4.2	4.1	31

Commodity price risk management

The Company is exposed to risks related to fluctuations in commodity prices in various trading and other operating activities and enters into derivatives such as commodity futures, options, swaps and contracts to buy or sell non-financial items that can be settled net in cash or other financial instruments in order to hedge or manage such risks. Although some of these derivatives are not designated as hedging relationships such as cash flow hedges or fair value hedges, the Company believes that the impacts derived from fluctuations in commodity prices are effectively managed, as trading positions, which may also include inventories, assets and liability related to commodity loan transactions and others, are integrally managed by each commodity with exposure and loss limit set and monitored in accordance with risk management strategies.
The derivatives held to hedge or manage risks related to changes in commodity prices are measured at fair value and their fluctuations are recognized in "revenues" or "cost of revenues" in the consolidated statement of income, being offset by profits or losses related to inventories or commodity loan contracts measured at fair value if applicable. Such net profits are administrated as transaction profits (gross profit) by each commodity.
Transactions utilizing such derivatives are operated mainly in the Mineral resources trading business and the Overseas power business where the transaction profits (gross profits) were ¥74.2 billion and ¥95.6 billion ($0.7 billion) for the year ended at March 31, 2022 and 2023, respectively.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.
At March 31, 2022 and 2023, the Company owned ¥559.5 billion and ¥574.6 billion ($4.3 billion) of marketable securities. These investments are mostly equity securities of customers and suppliers which are exposed to the risk of fluctuations in share prices. These amounts are based on fair value and not including equity securities of the associates.
Assuming that the share price rose or fell by 10% at March 31, 2022 and 2023, the increase or decrease in total equity would amount to approximately ¥39.0 billion and approximately ¥40.0 billion ($0.3 billion), respectively. As most of the marketable equity securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable equity securities at March 31, 2022 and 2023.

Credit risk management

The Company is exposed to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company to experience credit losses. To manage the credit risk, the Company maintains credit and transaction limits for each customer. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty. In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk using a certain formula that refers to the financial position of the counterparties as an input, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.
The contract amount of guarantees and financing agreements and the amount of financial assets in Note 8 represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 40 for details of guarantees and financing agreements.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for Lease Liabilities) by due date at March 31, 2022 and 2023 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.
Please refer to Note 35 for Lease Liabilities by due date.
Financial guarantee contracts are not included in the breakdown, since the Company's payment timing can be changed due to condition of the guaranteed liabilities or situation of debtors. Please refer to Note 40 for the exposure related to financial guarantee contracts.

(March 31, 2022)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,602,357	¥1,579,687	¥2,449,219	¥5,631,263
Trade and other payables	3,374,766	24,006	31,154	3,429,926
Other financial liabilities (derivatives)	884,112	189,953	28,100	1,102,165
Total	¥5,861,235	¥1,793,646	¥2,508,473	¥10,163,354

(March 31, 2023)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,395,499	¥1,457,493	¥2,051,173	¥4,904,165
Trade and other payables	3,355,895	36,932	35,426	3,428,253
Other financial liabilities (derivatives)	354,066	104,634	72,746	531,446
Total	¥5,105,460	¥1,599,059	¥2,159,345	¥8,863,864

(March 31, 2023)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$10,414	$10,877	$15,307	$36,598
Trade and other payables	25,044	275	265	25,584
Other financial liabilities (derivatives)	2,642	781	543	3,966
Total	$38,100	$11,933	$16,115	$66,148

The Company maintains lines of credit in both bilateral and syndicated structures arranged by various banks. The short-term and long-term portions of unused lines of credit totaled ¥335,232 million and ¥625,875 million, respectively, at March 31, 2022 and ¥334,235 million ($2,494 million) and ¥1,143,320 million ($8,532 million), respectively, at March 31, 2023. The company is required to comply with certain financial covenants to maintain these facilities. These amounts do not include the amounts of overdraft contracts.
The unused lines of credit are maintained sufficiently mainly as a purpose of backup in case of fund shortage for redemption of the commercial paper program, which the Parent has issued to fund working capital and other general corporate requirements, resulting in a sufficient level of liquidity.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2022 and 2023 were as follows.

The consolidated subsidiary in the Automotive & Mobility segment has established a Receivable Purchase Facility with a maximum funding amount of EUR 400 million (¥58,288 million, or $435 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 400 million (¥58,288 million, or $435 million). The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a servicer, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2022 and 2023 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Total amount of the loan receivables derecognized	¥9,645	¥26,571	$198
Total amount of consideration received	9,607	26,464	197

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as current assets. The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2022 and 2023.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2022 and 2023.

The fair value of the assets and liabilities are measured on a recurring basis by the same method mentioned above and the changes in fair value are recognized in "Other income (expense)-net".

The balance of the main accounts related to the facility as of the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance of transferred receivables (the principal amount outstanding)	¥57,063	¥58,285	$435
Fair value of future interest income	1,584	767	6
Maximum amount of exposure to losses	10,303	7,854	59

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2022 and 2023. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2022 and 2023.

Note that the sale of all shares of said subsidiary held by the Company was completed on May 31, 2023. For details, please refer to “The transfer of shares in MCE Bank GmbH (Automobile finance business)” under Note 41. “Subsequent Events.”

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2022 and 2023 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default. The amounts of the transferred financial assets and the liabilities associated to the transferred financial assets were immaterial at March 31, 2022 and 2023.

The Company provides some debt securities for securities lending transactions and sale-and-repurchase transactions.
In respect of securities lending transactions, the Company lends securities and receives cash as collateral while the rights to receive interest income from the securities and the risks of price fluctuations are retained. In respect of sale-and-repurchase transaction, the Company sells a security and agrees to repurchase it at a fixed price on a future date and retains the risks of price fluctuations. The Company continues to recognize these securities because they do not qualify for derecognition.

The amounts of these securities were ¥39,112 million ($292 million) as "Short-term investments" at March 31, 2023, and ¥45,903 million and ¥9,428 million ($70 million) as "Other investments" at March 31, 2022 and 2023, respectively. The liabilities associated with the cash received as collateral were included in "Bonds and borrowings" totaling ¥44,397 million and ¥48,667 million ($363 million) at March 31, 2022 and 2023, respectively. The liabilities will be settled at the time of returning back and repurchase and the Company does not have the ability to use these securities until the settlement.

The carrying amount of these securities and the associated liabilities approximate fair value.

35. LEASES

Lessee

Leases as lessee

The Company leases, as lessee, mainly real estates including land, buildings and structures for convenience store business, offices, distribution center, as well as equipment and fixtures for business operation etc., and vessels. Some of these leases contain options to terminate and/or extend the lease. The Company reflects these options upon initial recognition of "Right-of-use assets" and "Lease liabilities" by evaluating the enforceability of those options as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise.

At March 31, 2022 and 2023, the carrying amounts of "Right-of-use assets" were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Real estate	¥1,156,556	¥1,221,374	$9,115
Machinery and equipment	172,334	172,954	1,291
Vessels and vehicles	168,459	173,499	1,295
Other	23,187	22,456	167
Total	¥1,520,536	¥1,590,283	$11,868

Notes:
The additions to "Right-of-use assets", due to new contract and others, were ¥328,964 million and ¥339,084 million ($2,530 million) for the years ended March 31, 2022 and 2023, respectively.

The depreciation of "Right-of-use assets" for the years ended March 31, 2022 and 2023 were as follows:

Depreciation	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Real estate	¥180,722	¥190,880	$1,424
Machinery and equipment	46,438	44,897	335
Vessels and vehicles	23,305	31,249	233
Other	7,856	7,867	59
Total	¥258,321	¥274,893	$2,051

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2022 and 2023.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2022	2023	2023
Interest expense on lease liabilities	Finance costs	¥(17,785)	¥(20,750)	$(155)
Expense related to short-term leases	Selling, general and administrative expenses	(28,549)	(33,109)	(247)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(8,903)	(10,930)	(82)
Income from subleasing right-of-use assets	Revenues	46,782	54,863	409

Total cash outflow for leases as lessee for the year ended March 31, 2022 and 2023 were ¥326,856 million and ¥362,844 million ($2,708 million), respectively. The cash outflow included in the measurement of "Lease liabilities" are included in Financing activities as "Repayments of lease liabilities", and the cash outflow not included in the measurement of "Lease liabilities" are included in Operating activities.

The breakdown of future lease payments included in the measurement of "Lease liabilities" at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥260,104	¥276,001	$2,060
Later than 1 year and not later than 5 years	688,715	720,144	5,374
Later than 5 years	790,576	833,817	6,222
Sub-total	¥1,739,395	¥1,829,962	$13,656
Less amount representing interest	(147,088)	(162,273)	(1,211)
Lease liabilities	¥1,592,307	¥1,667,689	$12,445

The amount of leases not yet commenced to which the lessee is committed at March 31, 2022 and 2023 were ¥158,222 million and ¥240,455 million ($1,794 million), respectively.
The amount includes contractual commitments of leases as lessee of real estates for convenience store business, contractual commitments of the LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in the LNG Canada Project.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of lease payments receivable by receipt period and the present value of lease payments receivable, and the components of the outstanding receivables under finance leases at March 31, 2022 and 2023 were as follows:

	Components of receivables under finance lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023	2022	2023	2023
Lease payments receivable						
Not later than 1 year	¥177,738	¥197,565	$1,474	¥169,094	¥188,281	$1,405
Later than 1 year and not later than 2 years	142,564	155,759	1,163	129,531	142,054	1,060
Later than 2 years and not later than 3 years	102,478	120,080	896	89,566	105,396	786
Later than 3 years and not later than 4 years	72,565	91,405	682	61,367	77,269	577
Later than 4 years and not later than 5 years	51,512	62,051	463	41,822	49,980	373
Later than 5 years	80,210	92,364	689	55,015	66,024	493
Sub-total	¥627,067	¥719,224	$5,367	¥546,395	¥629,004	$4,694
Estimated unguaranteed residual value of leased assets	2,754	2,966	22			
Gross investment in the lease	¥629,821	¥722,190	$5,389			
Less unearned income	(80,674)	(90,220)	(673)			
Finance lease receivables	¥549,147	¥631,970	$4,716			
Less loss allowance	(5,527)	(8,163)	(61)			
Receivables under finance leases (net of loss allowance)	¥543,620	¥623,807	$4,655			

The following are the amounts mainly recognized in the consolidated statement of income related to finance leases as lessor for the year ended March 31, 2022 and 2023.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2022	2023	2023
Finance income on the net investment in the lease	Revenues	¥26,089	¥31,457	$235

Operating leases as lessor

The Company leases, as lessor, vessels, real estates and other industrial machinery under operating leases.

The breakdown of lease payments receivable at March 31, 2022 and 2023 were as follows. Variable lease payments receivable that do not depend on an index or a rate, such as variable lease income included in franchise commissions from franchised stores, are not included.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥40,244	¥41,779	$312
Later than 1 year and not later than 2 years	27,360	23,598	176
Later than 2 years and not later than 3 years	18,702	18,500	138
Later than 3 years and not later than 4 years	14,442	12,628	94
Later than 4 years and not later than 5 years	10,411	8,159	61
Later than 5 years	18,931	17,362	130
Total	¥130,090	¥122,026	$911

The amount of lease income for the year ended March 31, 2022 and 2023 were ¥112,789 million and ¥127,944 million ($955 million), respectively.

In addition, as for the variable lease income included in franchise commissions from franchised stores which is recognized in "Revenues" in the consolidated statement of income, please refer to Note 24.

As for "Property, plant and equipment" subject to operating leases as a lessor, please refer to Note 12.

36. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Acquisition of businesses:			
Consideration for acquisition			
Total amount of consideration for acquisition	¥56,666	¥25,832	$193
Amount payable included in consideration for acquisition	11,509	—	—
Payment of outstanding balance as of the end of the previous fiscal year	—	11,509	86
Cash acquired	3	98	1
Acquisitions of businesses - net of cash acquired	45,154	14,225	106

Notes:

1. For details of significant assets acquired and liabilities assumed in the acquisitions of businesses, please refer to Note 5.
2. "Acquisition of businesses - net of cash acquired" in consolidated statement of cash flows for the year ended March 31, 2023 includes "Payment of outstanding balance as of the end of the previous fiscal year".

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Disposals of businesses:			
Consideration for sales			
Total amount of consideration for sales	¥64,402	¥209,656	$1,565
Cash divested	11,124	36,294	271
Proceeds from disposal of businesses - net of cash divested	53,278	173,362	1,294
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	11,629	13,272	99
Inventories	3,072	21,566	161
Assets classified as held for sale	31,126	6,429	48
Property, plant and equipment and investment property	88,448	25,122	188
Intangible assets and goodwill	22,815	466	3
Right-of-use assets	—	4,547	34
Investments accounted for using the equity method	—	51,807	387
Other	7,579	11,427	85
Total sold assets	¥164,669	¥134,636	$1,005
Liabilities sold			
Bonds and borrowings	69,451	26,934	201
Trade and other payables	10,319	18,298	136
Liabilities directly associated with classified as held for sale	12,431	1,752	13
Other	21,800	5,067	38
Total sold liabilities	¥114,001	¥52,051	$388
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	32,159	39,586	295

Assets recognized due to loss of control (net of liabilities) principally include Investments accounted for using the equity method.

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2022 and 2023.

(Year ended March 31, 2022)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2021	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2022
Bonds and borrowings	¥5,644,315	¥(160,445)	¥247,579	¥(37,871)	¥(52,195)	—	¥1,796	¥5,643,169
Lease liabilities	1,540,201	(279,784)	23,016	—	(1,856)	¥333,654	(22,924)	1,592,307

(Year ended March 31, 2023)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2022	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2023
Bonds and borrowings	¥5,643,169	¥(967,302)	¥263,553	¥(27,136)	¥(23,496)	—	¥1,093	¥4,889,881
Lease liabilities	1,592,307	(308,946)	23,352	—	2,601	¥346,714	11,661	1,667,689

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
			Non-cash changes					
	Balance at April 1, 2022	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2023
Bonds and borrowings	$42,113	$(7,219)	$1,968	$(203)	$(175)	—	$8	$36,492
Lease liabilities	11,883	(2,305)	174	—	19	$2,588	87	12,446

Notes:

1. Cash flows related to "Bonds and borrowings" are included in "Net increase (decrease) in short-term debts", "Proceeds from long-term debts" and "Repayments of long-term debts" in the consolidated statement of cash flows.
2. Cash flows related to "Lease liabilities" are included in "Repayments of lease liabilities" in the consolidated statement of cash flows.
3. "Other" in "Lease liabilities" for the year ended 31 March, 2022 and 2023 includes changes due to cancellation of lease contracts and remeasurement of lease liabilities.

37. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control were immaterial for the years ended March 31, 2022 and 2023.

The gains (losses) associated with the loss of control of subsidiaries

The net gain associated with the loss of control of subsidiaries (before tax) was ¥44,009 million and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥10,255 million for the year ended March 31, 2022.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥159,619 million ($1,191 million) and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥11,344 million ($85 million) for the year ended March 31, 2023.

These gains are included in “Gains (losses) on investments” in the consolidated statement of income.

(Mitsubishi Corp.-UBS Realty Inc.)
As of March 31, 2022, the assets and liabilities owned by Mitsubishi Corp.-UBS Realty Inc. (MC-UBSR), a consolidated subsidiary in the Urban Development segment, were classified as a disposal group held for sale. On April 28, 2022, all the shares in MC-UBSR owned by the Company (51% of all outstanding stock) were sold to 76KK, an indirect subsidiary of KKR & CO. INC.

With this sale of shares, the Company has lost control of MC-UBSR. Therefore, the Company recorded ¥112,018 million ($836 million) in gains on sales following loss of control and ¥27,940 million ($209 million) in related income tax expenses under “Gains (losses) on investments” and “Income taxes” in the consolidated statement of income, respectively. In addition, the Company recorded ¥115,652 million ($863 million) in consideration received in cash as “Proceeds from disposal of businesses-net of cash divested” in the consolidated statement of cash flows.

(DGA SEG B.V.)
During the year ended March 31, 2023, the Company sold its 50% shares in DGA SEG B.V. (SEG B.V.), a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment company in Indonesia.
As a result, the Company has lost control of SEG B.V. and accounted for its investment in SEG B.V. using the equity method as a joint venture. The company recorded gains on sales of ¥12,017 million ($90 million) and profit from remeasurement of the remaining shares at fair value by the loss of control of ¥7,618 million ($57 million) in “Gains (losses) on investments” in consolidated statement of income.

(Diamond Generating Europe Investments Limited)

During the year ended March 31, 2023, the Company sold all the shares in Diamond Generating Europe Investments Limited (DGI), a wholly owned subsidiary in the Power Solution segment, which owned 16.7% interest in the offshore wind farm operating off the coast of Scotland in the United Kingdom. With this sale of the shares, the Company has lost control of DGI and recorded gains on sales following loss of control of ¥23,255 million ($174 million) in “Gains (losses) on investments” in consolidated statement of income.

Subsidiaries with material non-controlling interests

Company Name	Voting Rights held by non-controlling interests
Metal One Corporation (Japan)	40.00%
Diamond Chubu Europe B.V. (Netherlands)	20.00%
Lawson, Inc. (Japan)	49.88%

Entity of which the Company has control regardless of the possession of less than half of the voting rights

Chiyoda Corporation

The Company has purchased class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company. The Company holds 33.46% of the voting rights to Chiyoda Corporation and if it were to exercise the conversion request rights attached to the class A preferred shares, it would hold 81.99% of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, the Company accounts for Chiyoda Corporation as a consolidated subsidiary.

38. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")
The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX"), which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")
The Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company with an investment in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation ("KOGAS") holding a 25% ownership interest. Under the shareholder's agreement with KOGAS, significant decisions regarding Sulawesi LNG Development's operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method as a joint venture.

DRI-GP2 Co. Ltd.
The Company holds 51% of the voting rights in DRI-GP2 Co. Ltd. (a Japanese company), which invests in an urban development project known as Grand Park Phase 3 in the suburbs of Ho Chi Minh City, Vietnam. Nomura Real Estate Development Co., Ltd. holds the remaining 49% ownership interest. Under the shareholder’s agreement with Nomura Real Estate Development Co., Ltd., significant decisions regarding DRI-GP2 Co. Ltd.’s operations require unanimous consent by the Company and Nomura Real Estate Development Co., Ltd. The rights given to Nomura Real Estate Development Co., Ltd. in the shareholder’s agreement are considered substantive participating rights, and control over the operations or assets of DRIGP2 Co. Ltd. does not rest with the Company. Accordingly, the Company accounts for its investment in DRI-GP2 Co. Ltd. using the equity method as a joint venture.

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam Group Limited (Olam)
The Company holds a 14.45% ownership interest in Olam, an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam (at the time "Olam International Limited") issued were exercised and the Company’s voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

Mitsubishi HC Capital Inc.
As of March 31, 2021, the Company held an approximately 25% stake of Mitsubishi UFJ Lease & Finance Company Ltd. and an approximately 3% stake of Hitachi Capital Corporation. These two companies integrated their operations through an absorption-type merger that took effect on April 1, 2021, with Mitsubishi UFJ Lease & Finance Company Ltd. as the surviving company and Hitachi Capital Corporation as the merged company, forming Mitsubishi HC Capital Inc.
As of April 1, 2021, the Company held approximately 17% of the shares of Mitsubishi HC Capital Inc. and has increased its holdings up to 18% in the year ended March 31, 2022 and continues to collaborate on its future growth and development. Although the Company holds less than 20% of the voting rights to Mitsubishi HC Capital Inc., said company's shareholder composition, excluding Mitsubishi UFJ Financial Group and the Company, is widely distributed, and the Company's voting rights have a relatively high significance. Furthermore, the Company has significant influence (power to participate in financial and operating policy decisions) over Mitsubishi HC Capital Inc. through directors and senior vice presidents of asset finance and other important business domains dispatched by the Company. As such, the Company continues to account for its investment in Mitsubishi HC Capital Inc. using the equity method.
In the year ended March 31, 2022, as a result of the merger described above, equity interests held by the Company were diluted, and the Company recorded a profit of ¥9,612 million as “Gains (losses) on investments” of the difference between the decreased equity interests and the increased equity interests in net asset of the new company held by the Company. This profit is included in consolidated net income for the Urban Development segment.

(3) Material joint arrangements

BMA metallurgical coal business
Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of metallurgical coal which is used for steel manufacturing. The Company holds through MDP a 50% interest in BMA metallurgical coal business in Queensland, Australia, as a joint operation with a partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest metallurgical coal businesses. As of March 31, 2023, the book value of MDP's fixed assets is ¥994,604 million ($7,422 million).

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Profit for the year			
Joint ventures	¥123,842	¥260,500	$1,944
Associates	269,961	239,680	1,789
Sub-total	393,803	500,180	3,733
Other comprehensive income	119,496	187,141	1,397
Comprehensive income	¥513,299	¥687,321	$5,130

Impairment losses on investments accounted for using the equity method
During the year ended March 31, 2022, the Company recorded impairment losses of ¥16,070 million as "Gains (losses) on investments." The impairment is a result of progress on sales negotiations regarding the Company's wholly owned subsidiary MC Aviation Partners Inc.'s 40% stake in an aircraft leasing business, with the sale expected to happen within one year. The Company classified the investment in the disposal group held for sale and estimated the fair value less cost of sales (Level 2). These losses are included in consolidated net income for the Urban Development segment. The sale was completed on November 1, 2021.

During the year ended March 31, 2023, the Company recorded impairment losses of ¥37,095 million ($277 million) in "Share of profit (loss) of investments accounted for using the equity method" on its investment in Anglo American Sur S.A. ("AAS", Head quarter: Santiago, Chile), a Chilean copper resource company, in which the Company holds 20.4% interest; mainly due to delays in development schedule on the mine according to the revised business plan. This loss is included in the consolidated net income of the Mineral Resources segment. As a result, the book value of the Company's investment in AAS at March 31, 2023, is ¥144,863 million ($1,081 million).
Copper is an essential resource for transitioning to decarbonized society in the future, and demand is expected to grow. However, supply constraints are likely to increase mainly due to the declining production volume and degradation of ore at existing mines and the increasing difficulty to develop new mines. The Company forecasts that the copper market will be tightened medium- to long-term. Although the Company believes that the potential for future copper resource in the mine remains high, AAS has been closely examining the impact on its business plans following the rejection in May 2022 of its application for an environmental permit required for its development. As a result of this process, since it became clear that there would be delays in development schedule on the producing and the undeveloped mine site, and that development will be more difficult than previously assumed with regards to economic aspect due to environmental countermeasure etc., the Company revised assumptions for valuation of the mine and recorded impairment losses accordingly.
AAS reapplied to the Environmental Assessment Service of Chile (SEA) for the required environmental permit in June 2022 and received notification that the permit was approved in April 2023. The Company used the business plan based on this reapplication to measure impairment losses.

During the year ended March 31, 2023, the Company identified indications of impairment on the joint venture investments which operate power plants in Japan, due to the suspension of operations in connection with the plant's equipment failure remediation work. The impairment test was performed based on the latest business plan, which incorporates the downtime from the remediation work aimed at stabilizing the power plants' operations. As a result, the Company recorded impairment losses of ¥12,531 million ($94 million) in "Share of profit (loss) of investments accounted for using the equity method" and ¥8,338 million ($62 million) in "Gains (losses) on investments – net," respectively, mainly due to the decrease in revenue from power sales contracts during the downtime period. These losses are included in the consolidated net income of the Power Solution segment. The recoverable amount for the impairment test was estimated based on value in use, which was estimated using the discounted present value of the future cash flows.

The differences between the book values and the recoverable amounts of individual assets and investments are recorded as losses.

Mozal SA

During the year ended March 31, 2022, the Company recorded a reversal of impairment loss of ¥5,076 million as “Share of profit (loss) of investments accounted for using the equity method” and ¥5,894 million as “Gains (losses) on investments”, respectively. The reversal results from the sale of the Company’s wholly owned subsidiary, MCA Metals Holdings GmbH’s 25% stake in the aluminum smelting operating company, Mozal SA. The Company has classified the investment as assets held for sale and estimated sales price through the fair value less cost of sales (Level 2). In addition, ¥5,620 million in dividend income received from Mozal SA was recorded “Finance Income” after being classified as assets held for sale.
During the year ended March 31, 2023, the sale of the investment which was classified as assets held for sale was completed by October 31, 2022. The Company recorded profit of ¥12,258 million ($91 million) for the sale as “Gains (losses) on investments.” These profits are included in consolidated net income for the Mineral Resources segment.

GAC MITSUBISHI MOTORS

During the year ended March 31, 2023, the Company recorded losses of ¥18,555 million ($138 million) in “Share of profit (loss) of investments accounted for using the equity method” on its investment in GAC MITSUBISHI MOTORS Co., LTD. (GMMC), an automobile manufacturing and sales operating company, in which the Company holds 20% equity interest, mainly due to the fact that GMMC’s profitability is expected to decline as its performance continued to fall short of sales plans amid intensifying competition in the Chinese market. This impairment loss includes the Company’s share of the related losses at Mitsubishi Motors Corporation, which holds 30% of shares in GMMC. In addition, the Company recorded losses on provisions related to loans to GMMC and unused loan commitments to said company of ¥7,674 million ($57 million) in “Selling, general and administrative expenses” as well as a corresponding tax effect of ¥1,919 million ($14 million) (gain) in “Income taxes”, respectively. These losses are included in the consolidated net income for the Automotive & Mobility segment.

Electricity and gas retailer company in the United Kingdom

During the year ended March 31, 2023, the Company sold its 1% equity interest of the Electricity and gas retailer company in the United Kingdom, which was an affiliated company accounted for using the equity method with 20.54% equity interest. As a result of this sale, the Company lost significant influence over this company and discontinued to apply the equity method due to less than 20% of proportion of the voting rights held. The Company classified the remaining 19.54% equity interest as financial assets measured at FVTPL (Level 3). As a result, the Company recorded ¥22,212 million ($166 million) (gain) in “Gains (losses) on investments” as a total of gains from the sale of 1% interest and the difference between the book value of the remaining interests and the fair value measured using the present value of future cash flows based on the latest business plan as of the date of the discontinuation of the equity method.
In addition, the Electricity and gas retailer company in the United Kingdom measures a portion of its power and gas procurement contracts at fair value based on the market value in the U.K. power and gas market as contracts to buy or sell non-financial items under IFRS 9 Financial Instruments. During the year ended March 31, 2023, until the discontinuation of the equity method, due to a decline in transaction prices traded in the market, the Company recorded losses of ¥21,117 million ($158 million) as "Share of profit (loss) of investments accounted for using the equity method" based on the fair value measurement of these contracts.
These gains and losses are included in the consolidated net income for the Power Solution segment.

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Sale of goods / rendering of service	¥632,729	¥720,311	$5,375
Goods purchased / service received	1,106,495	1,457,054	10,874

(6) Assets and liabilities of the Company to joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
(Assets)			
Trade receivables	¥157,740	¥169,446	$1,265
Loans and other	329,475	447,495	3,340
(Liabilities)			
Trade payables	267,792	252,594	1,885
Borrowings and other	299,844	267,909	1,999

In addition to the above, at March 31, 2022 and 2023, the Company provided ¥280,222 million and ¥339,319 million ($2,532 million), respectively, of credit guarantees for certain joint ventures and associates.
The Company has entered into substantial sales commitments with joint ventures and associates at March 31, 2022 and 2023. The outstanding sales commitments amounted to ¥252,596 million and ¥254,807 million ($1,902 million), respectively.
Furthermore, the Company has also entered into substantial purchase commitments with joint ventures and associates at March 31, 2022 and 2023. The outstanding purchase commitments amounted to ¥1,008,552 million and ¥2,064,946 million ($15,410 million), respectively. During the year ended March 31, 2023, the amount of the outstanding purchase commitments increased mainly due to the long-term purchase agreement of copper concentrate produced from Quellaveco copper mine (Peru), which MITSUBISHI CORPORATION RTM INTERNATIONAL PTE. LTD. contracted with Anglo American Quellaveco S.A.

Cameron LNG Project
With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in the U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG from August 2020, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.
In relation to most of the LNG the Company plans to purchase, the Company also entered into long-term LNG sales contracts with customers mainly in Japan.

39. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE as a subsidiary.

Non-consolidated SEs

The SEs that the Company does not consolidate as subsidiaries due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

The following table summarizes the carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs	¥125,588	¥115,463	$862

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consist primarily of "Investments accounted for using the equity method" and "Other investments". The carrying amounts of liabilities in the Company's consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2022 and 2023.

The Company provides credit guarantees on some of these SEs. The amounts of these guarantees are immaterial.

40. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2022 and 2023 amounting to ¥144,893 million and ¥143,015 million ($1,067 million), respectively.

N.V. Eneco has energy purchase commitments at March 31, 2022 and 2023 amounting to ¥2,701,990 million and ¥2,961,645 million ($22,102 million), respectively under long-term energy purchase contracts.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Financial guarantees			
Outstanding amount	¥489,498	¥495,503	$3,698
Maximum potential amount of future payments	757,816	737,347	5,503
Performance guarantees			
Outstanding amount	272,605	258,636	1,930
Maximum potential amount of future payments	272,605	258,636	1,930

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2023 will expire within 10 years, with certain credit guarantees expiring by the end of 2045. Should the customers, suppliers and the companies accounted for using the equity method fail to perform obligations under the terms of the transaction or financing arrangement, the Company would be required to perform obligations on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2022 and 2023, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥8,722 million and ¥14,323 million ($107 million), respectively.
At March 31, 2022 and 2023, financial guarantees include ¥86,684 million and ¥64,008 million ($478 million) of letters of credit issued for bills discounted.
For a part of performance guarantees, the Company mitigates the risk through arrangements entered into between partners of a consortium in construction contracts whereby a party attributable to the cause of indemnification shall bear the cost, and/or such as recourse provisions from bank, parent company guarantee.

As of March 31, 2023, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit at March 31, 2022 and 2023 amounted to US$1,064 million and US$966 million, respectively, and are included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2022 and 2023, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$1,064 million and US$966 million, respectively. The amount is included in "Financial guarantees – Outstanding amount" in the table.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

41. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 23, 2023.

Repurchase and cancellation of shares

The Company resolved at a meeting of the Board of Directors held on May 9, 2023 the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and has resolved to cancel treasury stock pursuant to Article 178 of the Companies Act, as described below.

1. Details of the Share Repurchase;

Class of shares to be repurchased	: Common stock
No. of shares to be repurchased	: Up to 86 million shares (Represents up to 6.0% of the common shares outstanding (excluding treasury stock))
Total value of stock repurchased of shares	: Up to 300 billion yen
Period of repurchase (planned)	: May 10, 2023 to December 31, 2023

2. Details of the Cancellation of Treasury Stock;

Class of shares to be cancelled	: Common Stock
No. of shares to be cancelled	: The entire number of shares repurchased mentioned above
Date of cancellation (planned)	: January 31, 2024

The transfer of shares regarding the affiliated company in the Food Industry segment

On April 3, 2023, the Company formed a share transfer agreement to transfer all of the Company's shares related to the affiliated company in the Food Industry segment. Reflecting this transfer, the Company classified the affiliated company as disposal groups held for sales as of March 31, 2023. Upon receiving of dividends and the sales of these shares, the Company expects to record gain on sales of shares of ¥39.7 billion in "Gains(losses) on investments", dividend of ¥11.8 billion in "Finance income" and related income tax expenses of ¥12.1 billion in "Income taxes", respectively, in the consolidated statement of income for the year ending March 31, 2024.

The transfer of investment property in the Urban Development segment

On May 31, 2023, the Company formed a transfer agreement to transfer the Company's investment property (office buildings, commercial complexes, etc. held to earn rentals) in the Urban Development segment. Reflecting this transfer, the Company classified the investment property as disposal groups held for sales as of March 31, 2023. With the sale of this investment property, the Company expects to record gain on sale of ¥18.4 billion in "Gains (losses) on disposal and sale of property, plant and equipment and others" and related income tax expenses of ¥4.6 billion in "Income taxes", respectively, in consolidated statement of income for the year ending March 31, 2024. In addition, the Company expects to record ¥63.3 billion in consideration received in cash as "Proceeds from disposal of investments property" in the consolidated statement of cash flows.

LNG-related business in Russia

Please refer to Note 2 "(5) Significant accounting judgements, estimates and assumptions" for the impact of the Russian Governmental Resolution issued on April 11, 2023 (No. 890).

The transfer of interests in Browse project in Australia between other partners

Japan Australia LNG (MIMI Browse) Pty. Ltd. is a wholly owned subsidiary of Japan Australia LNG (MIMI) Pty. Ltd. and holds 14.4% interests in the Browse project in Australia. The Company holds 50.0% of shares in MIMI and accounts for this investment using the equity method as a joint venture through our UK-based wholly owned subsidiary, Pinnacle Resources Limited. As of April 28, 2023, an agreement to transfer the interests in the Browse project has been signed between other partners.

The Company is currently assessing the impact of this agreement on the project. The book value of the interest for the assets indirectly owned by the Company related to the project was ¥82.1 billion and included in “Investments accounted for using the equity method” in the consolidated statement of financial position as of March 31, 2023.

The transfer of shares in MCE Bank GmbH (Automobile finance business)

The Company classified the assets and liabilities owned by MCE Bank GmbH (MCE Bank), a consolidated subsidiary in the Automotive & Mobility segment, as a disposal group held for sale from March 31, 2022. On May 31, 2023, all the shares in MCE Bank owned by the Company (100% of all outstanding shares) were sold to Santander Consumer Bank AG. With this sale of shares, the Company has lost control of MCE Bank. The Company recorded assets of ¥141,382 million in "Assets classified as held for sale" and liabilities of ¥7,714 million in "Liabilities directly associated with assets classified as held for sale", respectively, in the consolidated statement of financial position as of March 31, 2023. In addition, the gains (losses) associated with the loss of control expected to be recorded in the year ending March 31, 2024, are immaterial.

Dividends

Please refer to Note 21 for the cash dividend resolved at the ordinary general shareholders' meeting held on June 23, 2023.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 23, 2023.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2023 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	DGS Japan Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn. Bhd. (Malaysia)	100.00
	Diamond Gas International Pte. Ltd. (Singapore)	100.00
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Partnership (Canada)	96.70 (96.70)
	Tomori E&P Limited (U.K.)	51.00
	Others (27 Companies)	
Industrial Materials Group	M.O. Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Specialty Steel Corporation (Japan)	100.00 (100.00)
	Metal One Tubular Products Inc. (Japan)	100.00 (100.00)
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Seikoh Company Ltd. (Japan)	100.00 (100.00)
	SUS-TECH Corporation (Japan)	75.00 (75.00)
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	Cantak Corporation (Canada)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	COILPLUS, INC. (U.S.A.)	100.00 (100.00)
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One (China) Corporation (China)	100.00 (100.00)
	METAL ONE (THAILAND) COMPANY LIMITED (Thailand)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	METAL ONE STEEL SERVICE DE MEXICO, S.A. DE C.V. (Mexico)	100.00 (100.00)
	MITSUBISHI INTERNATIONAL POLYMERTRADE CORPORATION (U.S.A.)	100.00 (80.00)
	Others (69 Companies)	
Petroleum & Chemicals Solution Group	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (21 Companies)	

Business Segment	Company Name	Voting Rights (%)
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MITSUBISHI CORPORATION RTM CHINA LIMITED (China)	100.00 (100.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (10 Companies)	
Industrial Infrastructure Group	CHIYODA CORPORATION (Japan)	33.46
	CHIYODA KOSHO CO., LTD. (Japan)	100.00 (100.00)
	MC Shipping Ltd. (Japan)	100.00
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	CHIYODA INTERNATIONAL CORPORATION (U.S.A.)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	P.T. CHIYODA INTERNATIONAL INDONESIA (Indonesia)	100.00 (100.00)
	Others (56 Companies)	
Automotive & Mobility Group	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73 (41.66)
	Others (28 Companies)	

Business Segment	Company Name	Voting Rights (%)
Food Industry Group	Foodlink Corporation (Japan)	99.42
	JAPAN FARM HOLDINGS INC. (Japan)	92.66
	MC Agri Alliance Ltd. (Japan)	70.00
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00 (100.00)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.96
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	65.54
	Nosan Corporation (Japan)	100.00
	Seto Futo Co., Ltd. (Japan)	86.63
	Toyo Reizo Co., Ltd. (Japan)	95.08
	AGREX ASIA PTE. LTD. (Singapore)	100.00
	AGREX DO BRASIL LTDA. (Brazil)	100.00
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	ASIA MODIFIED STARCH CO., LTD (Thailand)	100.00 (100.00)
	Cermaq Group AS (Norway)	100.00 (100.00)
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC. (U.S.A.)	100.00 (100.00)
	Princes Limited (U.K.)	100.00
	Riverina (Australia) Pty Ltd (Australia)	100.00
	Others (99 Companies)	
Consumer Industry Group	Lawson Bank, Inc. (Japan)	95.00 (95.00)
	Lawson, Inc. (Japan)	50.12
	MC Healthcare, Inc. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Corporation Packaging Ltd. (Japan)	100.00
	Mitsubishi Shokuhin Co., Ltd. (Japan)	50.14
	SEIJO ISHII CO., LTD (Japan)	100.00 (100.00)
	Others (63 Companies)	
Power Solution Group	Mitsubishi Corporation Clean Energy Ltd. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Energy Solutions Ltd. (Japan)	100.00
	Mitsubishi Corporation Offshore Wind Ltd. (Japan)	100.00 (100.00)
	DGA Ho Ping B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (China)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	N.V. Eneco (The Netherlands)	100.00 (100.00)
	NEXAMP, INC (U.S.A.)	87.95 (87.95)
	Others (683 Companies)	

Business Segment	Company Name	Voting Rights (%)
Urban Development Group	DIAMOND REALTY INVESTMENT OCEAN PARK CO., LTD. (Japan)	100.00
	Diamond Realty Management Inc. (Japan)	100.00
	DRI INDIA CO., LTD. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	53.67
	AIGF ADVISORS PTE. LTD. (Singapore)	100.00
	Diamond RC Holding Limited (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	DIAMOND REALTY MANAGEMENT AMERICA INC. (U.S.A)	100.00 (100.00)
	DRIC PERIDOT LIMITED (China)	60.00
	JAPAN AIRPORT MANAGEMENT LLC (Mongolia)	70.00
	JAPAN HIGHWAYS INTERNATIONAL B.V. (The Netherlands)	69.20
	MARUNOUCHI INVESTMENT B.V. (The Netherlands)	100.00
	MC ALABANG, INC. (Philippines)	100.00
	MC DEVELOPMENT ASIA PTE. LTD. (Singapore)	100.00
	MC DIAMOND REALTY INVESTMENT PHILIPPINES, INC. (Philippines)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	100.00
	MC UK Investment Ltd. (U.K.)	100.00
	MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED (Vietnam)	100.00
	MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (Vietnam)	80.17 (80.17)
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	53.52
	PT. MC URBAN DEVELOPMENT INDONESIA (Indonesia)	100.00 (0.01)
	Others (103 Companies)	

Business Segment	Company Name	Voting Rights (%)
Others	MC DATA PLUS (Japan)	100.00
	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (4 Companies)	
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (China)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00
	Mitsubishi International Corporation (U.S.A.)	100.00 (100.00)
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.40 (47.40)
	Others (27 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

June 23, 2023

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Yuzo Nouchi, Director, Executive Vice President, Chief Financial Officer, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the assets, liabilities, financial position and profit or loss of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole; and

- to the best of his knowledge, the management report includes a fair review of the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.