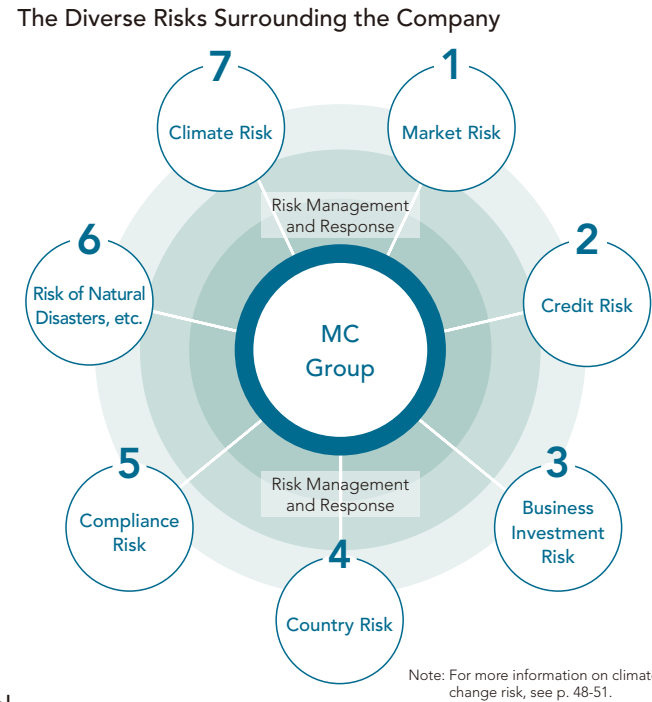


The MC Group's Risk Management Framework

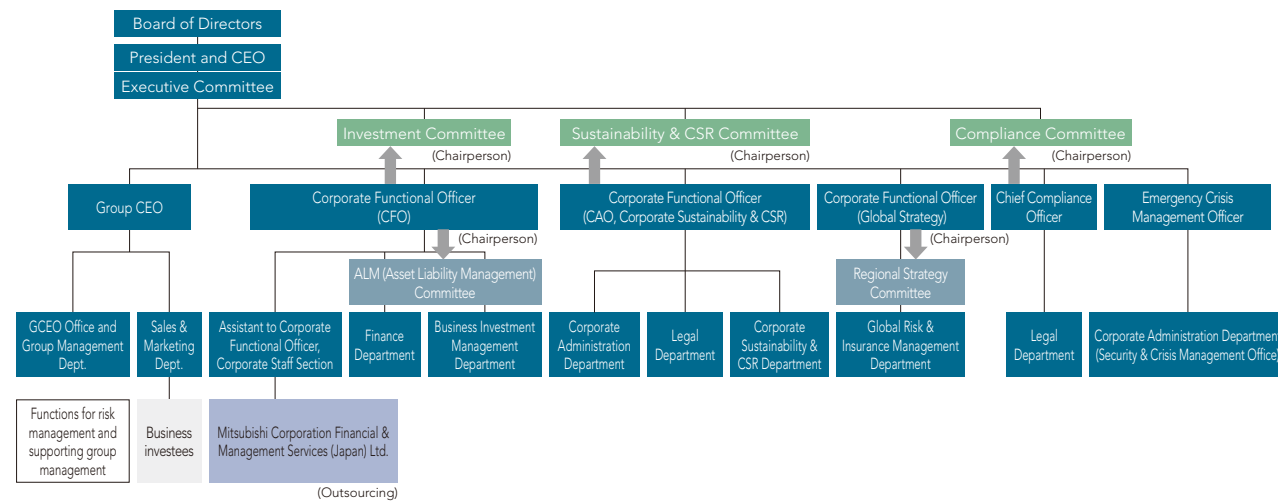
As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group's Risk Management Framework and related response measures.



Note: For more information on climate change risk, see p. 48-51.

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.



| Supervising organization | Matters for supervision |
|---|---|
| Business Investment Management Department | Business investment risk and market risk (Investment Return Valuation System, new business investments, actions for existing business investees, transactions by business investees, granting loans/guaranty, acquisition and disposal of fixed assets, etc.) |
| Global Risk & Insurance Management Department | Country risk |
| Finance Department | Credit risk, market risk (foreign exchange, interest rate, stock price, <i>mikoshi</i> *, acquisition and disposal of non-affiliated investments, etc.) |
| Mitsubishi Corporation Financial & Management Services (Japan) Ltd. | Credit risk (rating systems, conclusion of contracts, trade credits, bailment, payment extension, etc.) |
| Legal Department | Compliance risk (litigation/government investigations, laws and regulations, scandals/compliance issues) |
| Corporate Sustainability & CSR Department | Climate risk, etc. |
| Corporate Administration Department (Security & Crisis Management Office) | Risk of natural disasters, etc. (risks related to employee safety, including natural disasters, terrorism, new infectious diseases, and business continuity risks) |

Note: The above list excludes those items that are related to major risks and those that are explained separately. * The Structured Finance, M&A Advisory Dept. also manages foreign exchange *mikoshi*.

1 Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign exchange risk, interest rate risk and stock price risk. This section explains the impact of these risks on our business as well as our status in managing these risks.

Financial Impacts of Commodity Market Conditions/Exchange Rates/Interest Rates/Stock Price Risks

- The impacts on MC from specific market fluctuations are shown in the table below. Commodity market risks are also reflected in metallurgic coal, affecting the profit and loss of Mitsubishi Development Pty Ltd (MDP), an MC subsidiary.
- With regard to stock price risk, MC holds marketable stocks with a market value of approximately 1.01 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 160 billion yen, and there is a risk that this valuation gain could decrease depending on stock price movements.

| | Fiscal year ending March 31, 2023 assumptions behind results forecasts | Profit and loss impact on the fiscal year ending March 31, 2023 results forecast |
|--------------------------------------|--|---|
| Exchange rate (yen/US\$) | 120.00 | ±4.0 billion yen (±1 yen/US\$) per year |
| Oil price (Dubai) (US\$/BBL) | 91 (April-September 2022: 96) | ±2.5 billion yen (±1 US\$/BBL) per year*1 |
| Copper ore (US\$/MT) (US\$/lb) | 8,818 (400) | ±1.6 billion yen (±100 US\$/MT) per year*2 ±3.6 billion yen (±10 US\$/lb) per year |
| Yen interest rate (%) TIBOR 3M | 0.10 | The impact of rising interest rates is largely offset by profits on transactions and investments. If interest rates rise sharply, however, profit and loss will be temporarily affected |
| US dollar interest rate (%) LIBOR 3M | 2.30 | |

*1 Taking into account effects on MC's performance from factors including differences in accounting periods of consolidated companies and the time lag before oil prices are reflected in LNG selling prices, the oil price shown is from six months earlier (October-September average for the whole year). However, as there are impacts not only from oil price fluctuations, but also from factors such as dividend payout ratios, foreign exchange rates and production/sales volumes, the profit impact is not determined by oil prices alone.
*2 However, as there are impacts not only from copper price fluctuations but also from factors such as ore grade, production/operational status and reinvestment plans, the profit impact is not determined by copper prices alone.

Response to Foreign Exchange Risk

- MC conducts foreign currency-denominated settlements in import/export and trade transactions with foreign countries, resulting in exposure to the risk of exchange rate fluctuations. In response, we employ hedging measures such as forward exchange contracts. However, there is no guarantee that MC can fully avoid foreign exchange risk.
- In addition, hedging is used as required for some foreign currency-denominated investments to companies that are included in the consolidation. However, there is a risk that other investments will make reductions in equity capital due to exchange differences on translating foreign companies.

Response to Interest Rate Risk

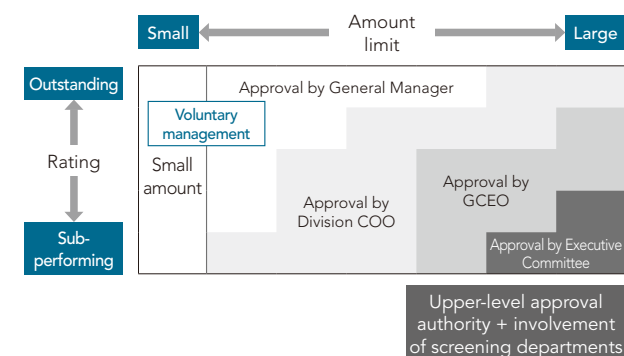
- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the risk of interest rate fluctuations.
- However, if interest rates rise rapidly, the interest burden could increase beforehand, temporarily impairing MC's business performance.

2 Responding to Credit Risk

- MC sets upper limits on credit extended to third parties in order to manage the contract and credit risk involved in transaction credit, loans/guarantees and investments in unlisted companies. In addition, each business partner is assigned a business partner rating based on an in-house rating system.
- We designate business partners that have a significant impact on the Company as targets for priority management, and regularly monitor our guidelines on risk money (limit), returns, credit protection, etc.

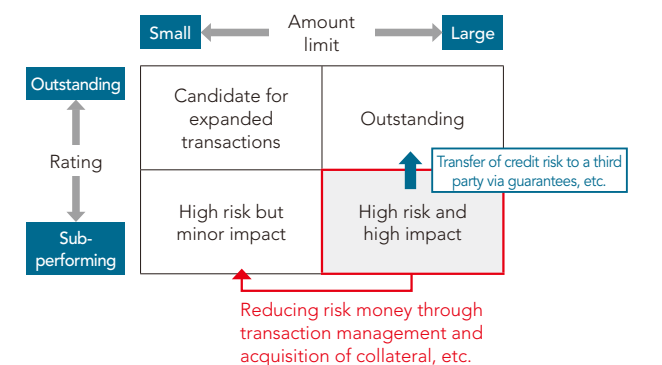
Individual Project Approval Authority

- Approval authority is categorized according to amount limits and ratings.



Approach to Credit Risk Management

- Estimating appropriate credit costs and promoting improvements in the quality of loans through a reserve system that uses ratings.

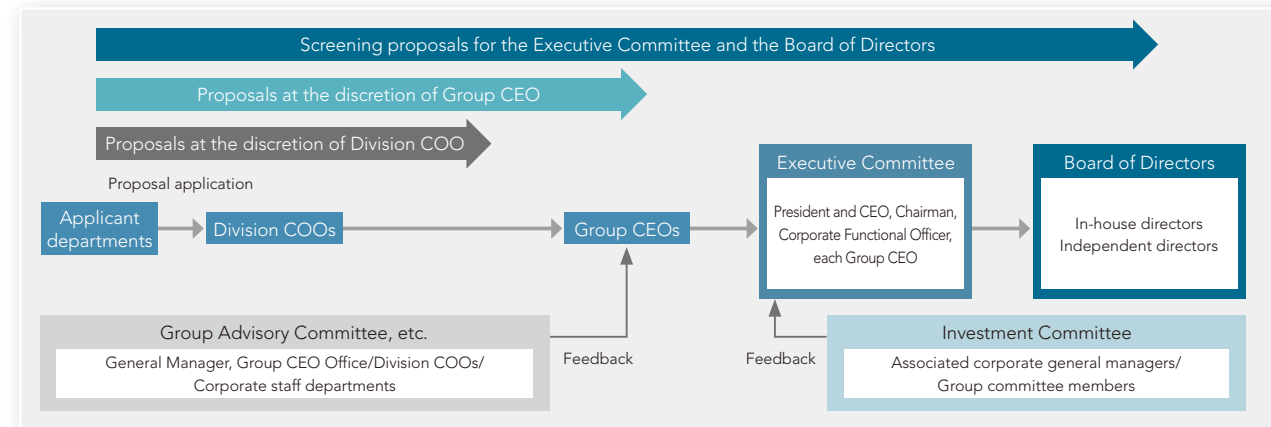


3 Responding to Business Investment Risk

To manage business investment risk properly, MC has established a screening process to review and make decisions on new, existing, re-profiling and each other type of projects.

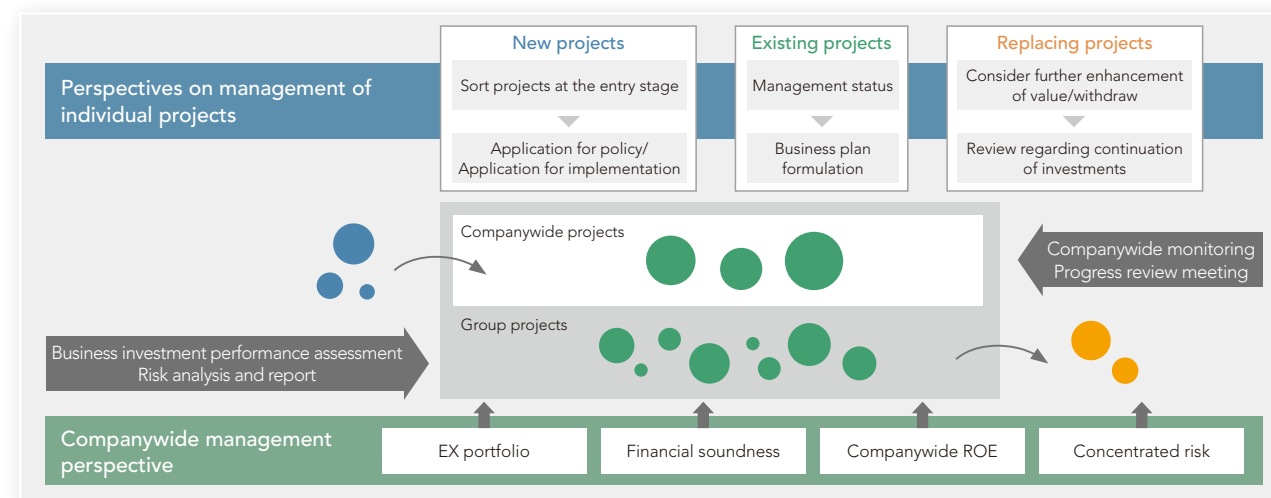
| Management of individual projects | Project Type | Process | Objective |
|-----------------------------------|----------------------|--|---|
| | New projects | Application for policy/ Application for implementation | Narrow down new investment and finance proposals by comprehensively evaluating quantitative aspects in terms of the invested capital and its return determined on the basis of the characteristics of each business, in addition to evaluation of qualitative aspects, including consistency with the business strategy of each Business Group, as well as risk locations and countermeasures |
| | Existing projects | Business plan formulation | Once a year, review subsidiaries and affiliates' management issues and initiatives as well as MC's functions and business life cycle |
| | Replacement projects | Review regarding continuation of investments | Conduct qualitative and quantitative evaluations of new investment and finance proposals based on the priority order of Business Group strategies and promote a healthy business metabolism |

Screening process for proposals



MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman of the Investment Committee. To make full use of the knowledge of each Business Group and the expert viewpoints of each corporate department, the Company selects representatives from among associated corporate general managers and within each Business Group to serve as committee members and comprehensively consider proposals, including non-financial aspects.

| Companywide management | Management Area | Process | Objective |
|------------------------|------------------------|---|--|
| | Overall portfolio | Business investment performance assessment/Risk analysis and report | Analysis results on the risk/return of business investments, companywide risks and risk tolerance are reported to the Executive Committee, and the risk report is utilized to ascertain the overall status of the businesses and determine policies for capital allocation |
| | Companywide monitoring | Business plan formulation/Progress review meeting | Business plans for select subsidiaries and affiliates are reported to the Executive Committee. This information is used in processes that promote business growth and value creation, including the monitoring of business management effectiveness, and the discussion of medium- to long-term growth strategies, as well as timely replacement of projects |



4 Responding to Country Risk

MC has established a Regional Strategy Committee and a country risk countermeasure system to properly assess and manage country risk. We also enact appropriate risk hedging measures, such as insuring projects.

Regional Strategy Committee

- The Regional Strategy Committee is chaired by the Corporate Functional Officer (Global Strategy). Its responsibilities include assessing the risk situation in various countries and establishing and managing the country risk countermeasure system.

| | |
|-------------|---|
| Chairperson | Corporate Functional Officer (Global Strategy) General Manager, Audit & Supervisory Board Members Office; General Manager, Global Risk & Insurance Management Department; related corporate general managers; Business Group CEO Office general managers, etc. |
| Members | |

Country Risk Countermeasure System

- Under the country risk countermeasure system, MC controls the accumulation of risk through methods such as setting categories and ceilings based on the credit ratings of each country.
- In addition to risk management through the country risk countermeasure system, MC closely monitors the impact of global economic trends and shifts in international affairs on the political and economic situation of each country in order to flexibly respond to risks based on the current international situation.

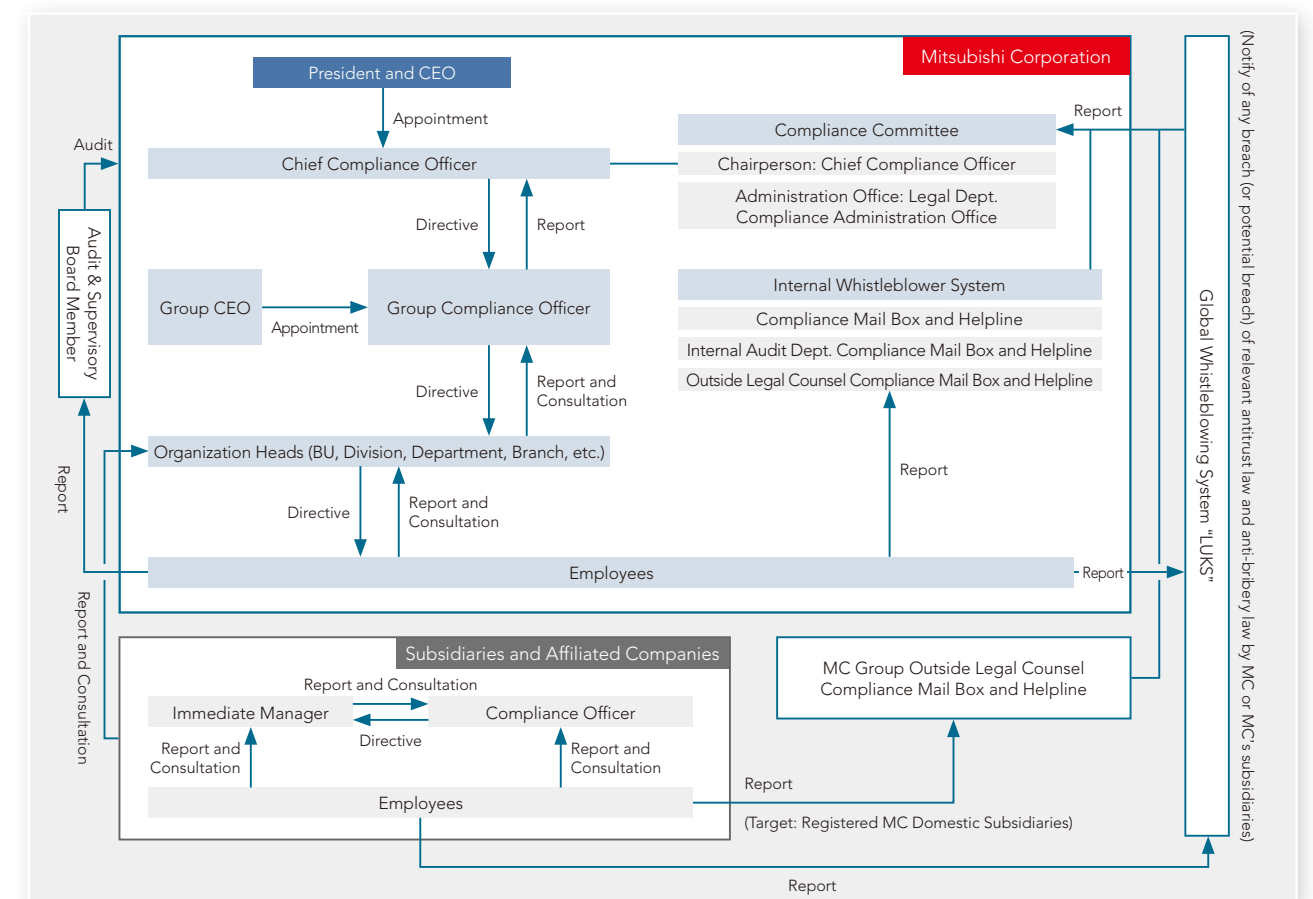
5 Responding to Compliance Risks

Based on internal rules and regulations related to compliance, MC has established a Compliance Framework and provides support for a Compliance Risk Management Framework on a consolidated basis. Compliance-related measures are enacted through discussions by the Compliance Committee, and these measures are reported to the Board of Directors annually in June.

The Chief Compliance Officer also serves as the chief executive officer for security trade control, trade procedures management, and sanctions management, strengthening the centralized management system for compliance, including trade compliance.

MC has also set up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.

Compliance Framework



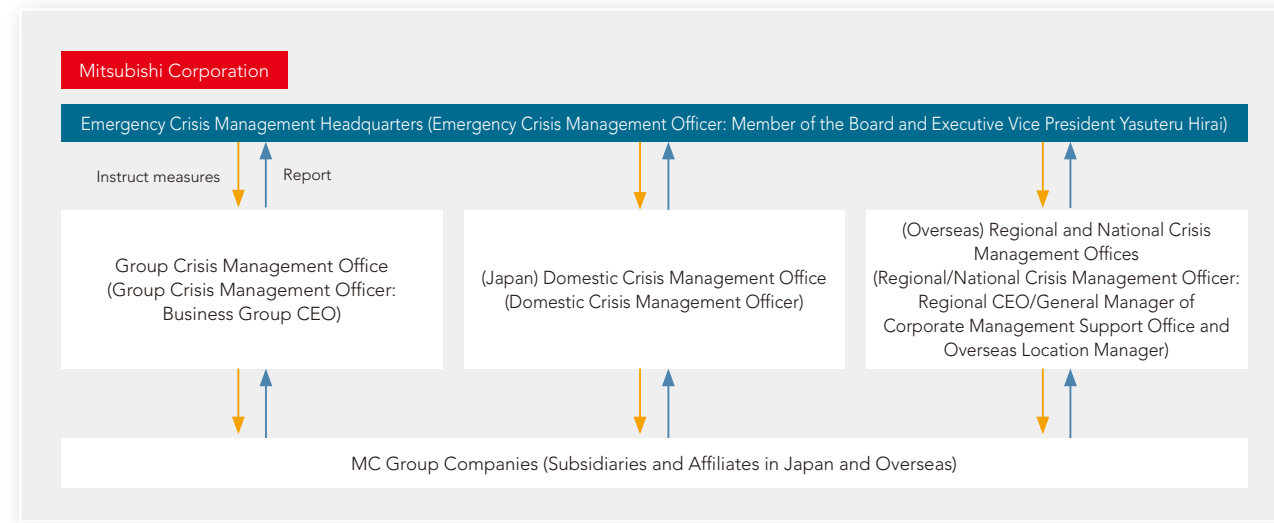
6 Responding to Risks from Natural Disasters and Other Types of Disasters

Crisis management on a consolidated basis/business continuity management (BCM)

Crisis Management Structure on a Consolidated Basis

MC has built up a structure for securing the lives and safety of employees and their families as we respond on a consolidated basis to all crises that impact our profit and business continuity (all-hazard approach) by linking

together each Business Group and Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.

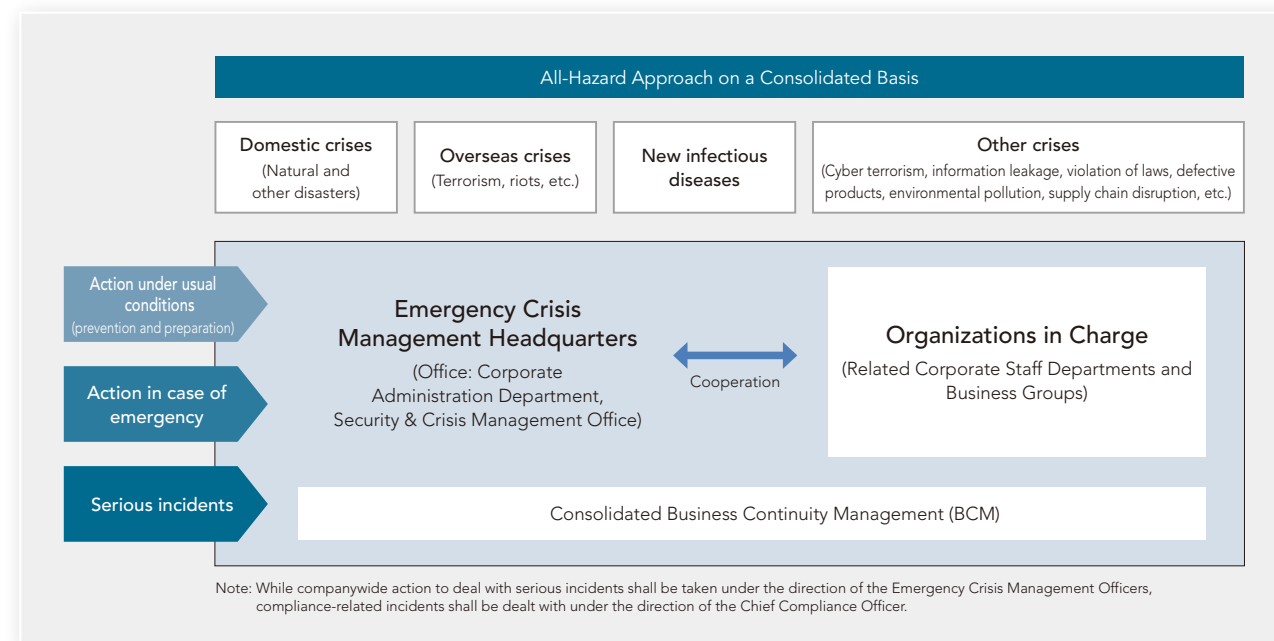


All-Hazard Approach

Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, riots, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur, so that we can ensure the safety and ascertain the status of all concerned as part of our

initial response, and then act promptly to maintain and recover the infrastructure necessary for business continuity.

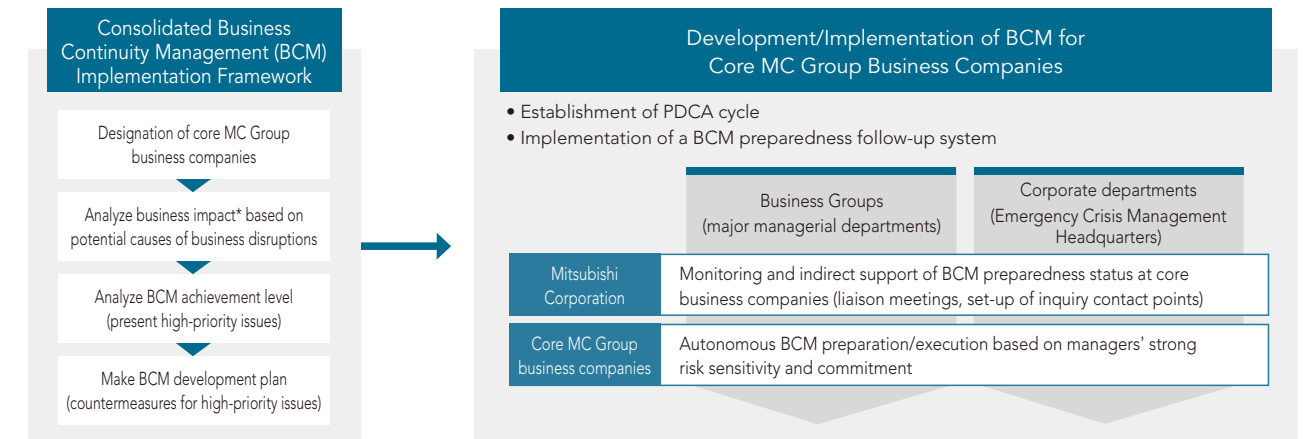
In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.



Business Continuity Management (BCM) on a Consolidated Basis

In 2018, MC adopted "business continuity management (BCM)" for its core business companies (selected from among MC Group companies) to establish and strengthen our consolidated framework designed to equip us with the business continuity capabilities needed to respond appropriately to major crisis situations.

BCM refers to comprehensive management activities based on an all-hazard risk and impact analysis that takes into account the business characteristics (business type and location) of the operating company, which include the formulation of initial response and BCP, establishment of a structure, and implementation of an ongoing PDCA cycle through education and training.



* Business impact analysis framework
We conduct analyses of the "cause incidents" that disrupt core operations and trigger "result incidents," while taking into consideration the characteristics of operations at each company.

| | |
|------------------|--|
| Cause incidents | Natural disasters, infectious diseases, technology-related, external incidents, internal faults, legal issues, third-party related |
| Result incidents | Human resources (death/unconfirmed safety, inability to report/commute to work), physical resources (damage of manufacturing/distribution or other facilities), supply chains (disruption of distribution channels, disruption of material/fuel supply), information (breakdown of IT systems or damage to electronic data, data manipulation/alteration, information leakage), reputation (product or service quality issues, environmental problems, administrative penalties), money (suspension of cash withdrawals, suspension of remittance or payments) |

Specific Crisis Response Measures and Identifying Future Issues

Yasuteru Hirai
Emergency Crisis Management Officer
Member of the Board,
Executive Vice President



pose a new threat to our corporate activities, such as the global spread of monkeypox infection, we will take appropriate measures in a timely manner by utilizing the knowledge we have gained through our response to COVID-19.

Q: How do you respond when the security situation worsens overseas?

Because the global situation continues to be difficult to predict, it is becoming increasingly important to ensure thorough crisis management overseas to minimize the impact of conflicts, terrorism, demonstrations, riots, etc. in various parts of the world. We have a worldwide crisis management system centered on the Emergency Crisis Management Headquarters. In the event of an emergency, this Headquarters cooperates with the Japanese government and diplomatic missions abroad, as well as with related regions and offices, assesses the situation and implements the necessary measures to confirm and ensure the safety of employees, their families, and local staff. During normal times, we always strive to keep abreast of the political and security situation in cooperation with related regions and bases, and prepare for contingencies by conducting periodic inspections of safety measures, developing BCPs, and conducting drills and exercises on a consolidated basis.

Q: What do you see as your future priorities in terms of risk management and BCM?

MC faces an increasingly diverse range of risks in its business environment, including COVID-19, worsening security situations in overseas countries and cyber incidents. We must continually strengthen our ability to respond to all types of risks. We will further strengthen and enhance our business continuity preparedness at the consolidated level based on an all-hazard approach to apply the lessons learned and experience gained from each crisis.

Q: How has the response to COVID-19 been strengthened?

With regard to COVID-19, there are risks such as the emergence of mutant strains, so we believe it is necessary to remain vigilant in our response. We have been working to ensure the safety of our employees, both in Japan and overseas, from the perspectives of preventing both employee infection and the spread of infection and appropriate business continuity. Our activities center on the Emergency Crisis Response Headquarters, which includes industrial physicians, while placing the highest priority on the safety of employees. And, in response to the status of infection, the requirements of the Japanese government and local authorities, as well as the situation and regulations in each country, we have been taking thorough infection control measures, implementing the necessary measures on a case-by-case basis, and confirming their safety to ensure appropriate business continuity. During this period, we believe that we have strengthened our response capabilities on a consolidated basis by reviewing our business structure, establishing backup systems, and revising our BCP and other response manuals to minimize business interruption and the impact on our business activities at our company and each of our group companies. With regard to our response to infectious diseases that