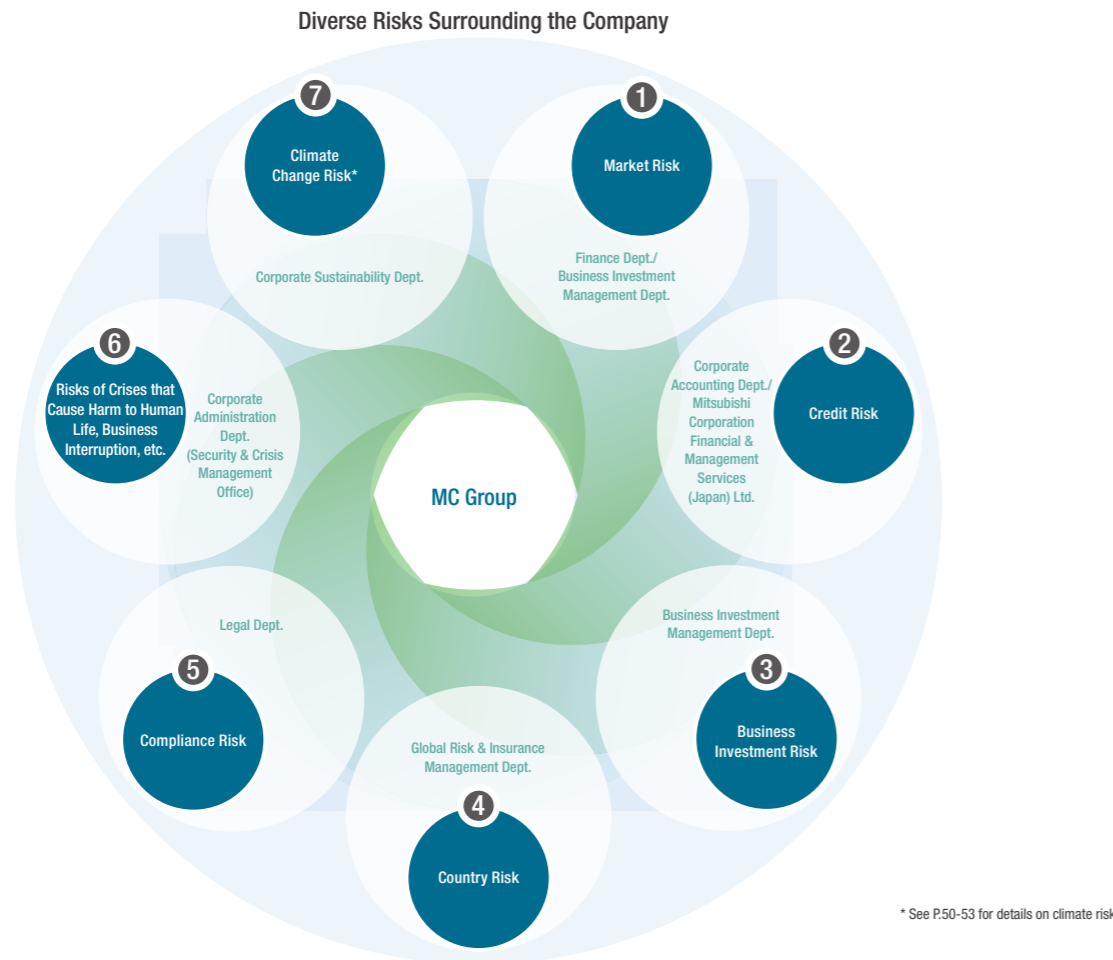


## The MC Group's Risk Management Framework

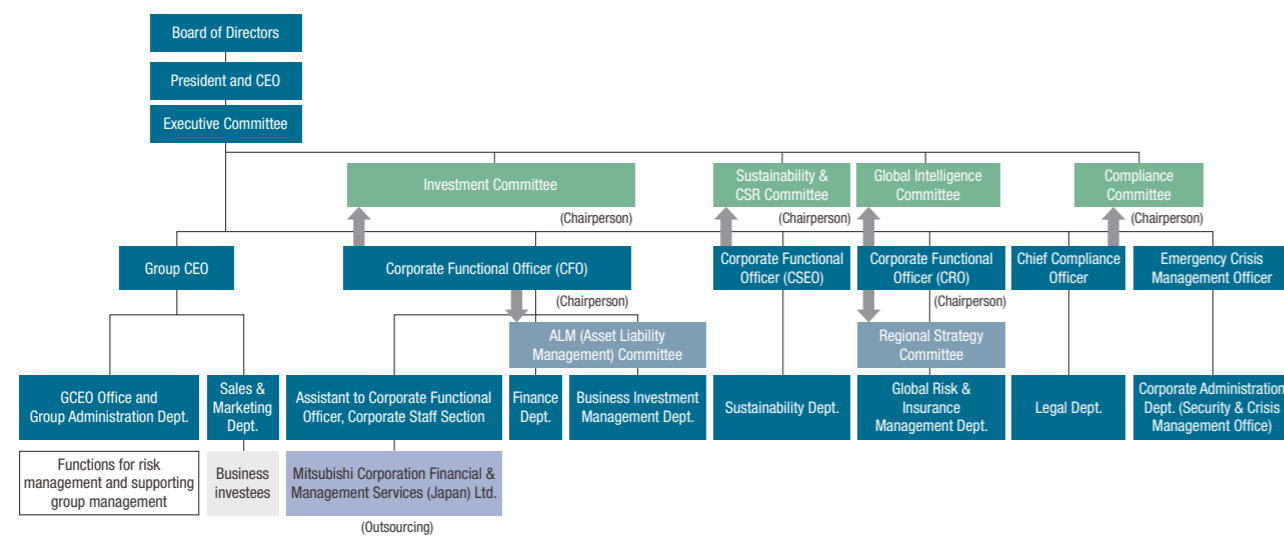
As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group's Risk Management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



\* See P.50-53 for details on climate risk.

### 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.



## 1 Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign currency risk, interest rate risk, and stock price risk.

### 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 risk is 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 1.1076 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 149.5 billion yen, and there is a risk that this valuation gain could decrease depending on stock price movements.

	Fiscal year ending March 31, 2024 Assumptions behind results forecasts	Profit and loss impact on the fiscal year ending March 31, 2024 results forecast
Exchange rate (yen/US\$)	130.00	±5.0 billion yen (±1 yen/US\$) per year
Oil price (Brent) (US\$/BBL)	83 [Apr.-Dec. 2023: 83]	±1.5 billion yen (±1 US\$/BBL) per year <sup>*1</sup>
Copper ore (US\$/MT) (US\$/lb)	8,378 [380]	±2.9 billion yen (±100 US\$/MT) per year <sup>*2</sup> ±6.4 billion yen (±10 US\$/lb) per year
Yen interest rate (%) TIBOR 3M	0.15	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	4.80	

<sup>\*1</sup> Taking into account differences in accounting periods of consolidated companies and the time lag before oil prices are reflected in LNG selling prices, the average oil price from six months earlier (October-September average for the whole year) and three months earlier (January-December average for the whole year). However, as there are impacts not only from oil price fluctuations, but also from factors such as foreign exchange rates and production/sales volumes, the profit impact is not determined by oil prices alone.  
<sup>\*2</sup> 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 Currency 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 currency 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

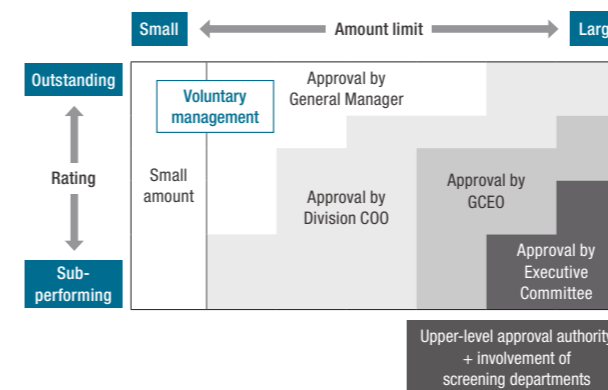
- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the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

## 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.

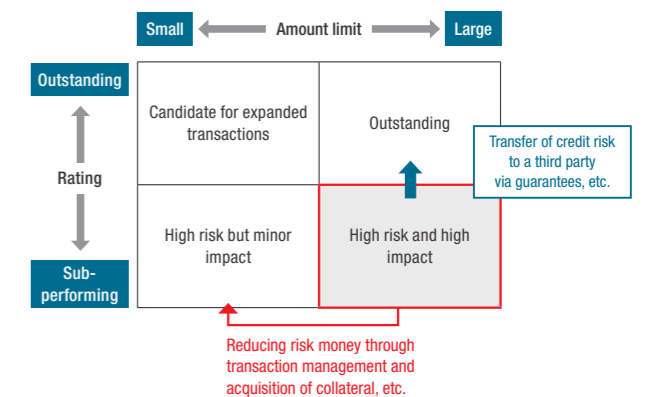
### Individual Project Approval Authority

- 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.





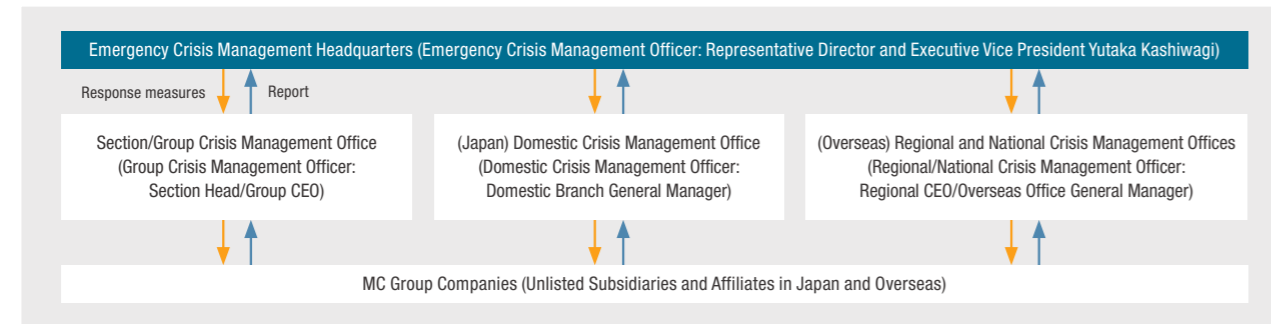
## 6 Responding to Risks of Crises that Cause Harm to Human Life, Business Interruption, etc.

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 Section/Group/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, emerging infectious diseases, supply chain disruptions, legal transgressions, cyber incidents, etc. Under usual conditions, in cooperation with the organizations in charge (related Corporate Staff Departments and Section/Groups), we build and establish various crisis management measures and structures needed in the event that a crisis does occur, so that we can ensure the safety

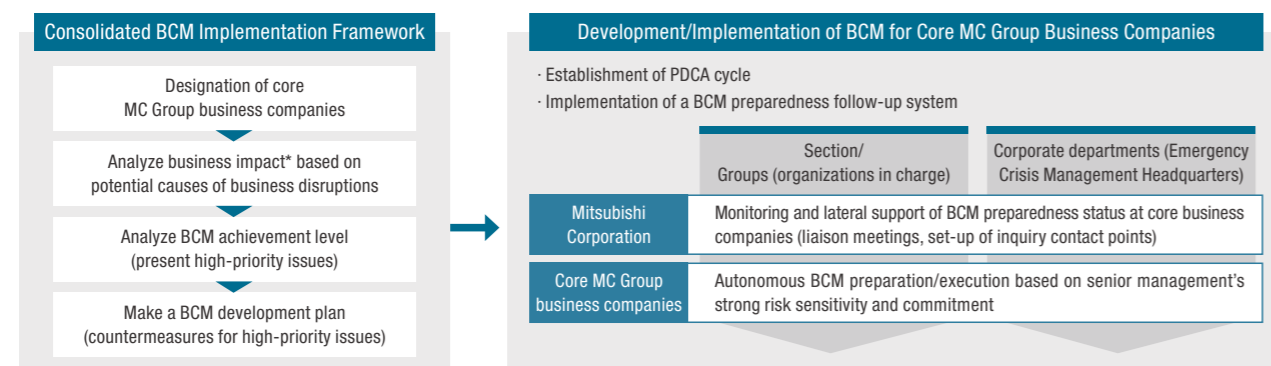
and ascertain the status of all concerned as part of our initial response, and then act promptly to maintain and recover the infrastructure necessary for business continuity. In particular, for a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we have a structure in place in which we will respond under the companywide direction of the Emergency Crisis Management Officer, in accordance with our BCM process on a consolidated basis.

### BCM on a Consolidated Basis

In FY2018, MC adopted 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.

BCM refers to comprehensive management activities based on an



\* 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 to 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, suspension of business), money (suspension of cash withdrawals, remittances and/or payments)

## FOCUS: Integrated Risk Management and Monitoring

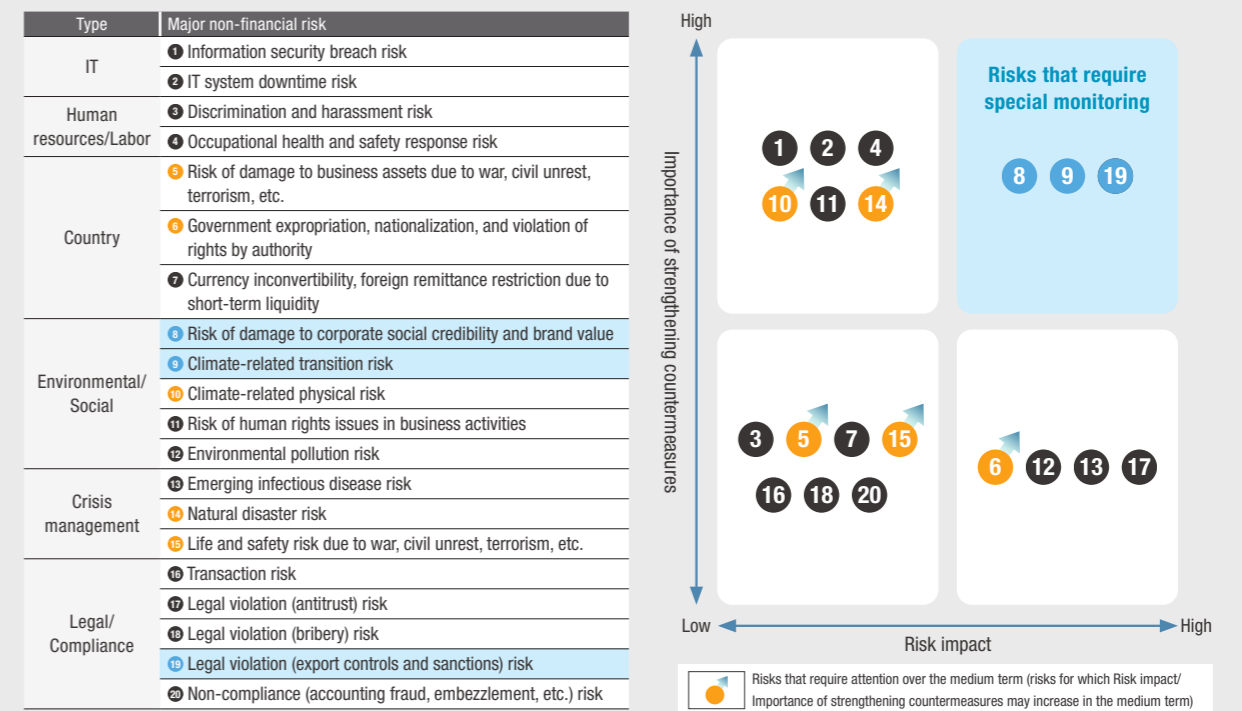
MC implements integrated risk management and monitoring in addition to responding to risks individually. As an example, we comprehensively identify non-financial risks, which have become increasingly important in recent years. Every year, we report our evaluation of these risks to the Board of Directors, which is based on unified standards, as well as on the establishment and operation of risk management systems, taking into account future changes in the external environment. In FY2022, we conducted the following three-step evaluation and reported the results to the Board of Directors.

### STEP 01 Evaluation of the current situation by developing a risk map

MC identifies the major non-financial risks in the Company and then evaluates the risks on a consolidated basis in accordance with unified standards, before listing them as a risk map as follows. We identify "Risks that require special monitoring" (located in the upper right hand corner of the risk map), and the Board of Directors monitors the countermeasures.

### STEP 02 Medium-term evaluation taking into account the external environment

In addition to evaluating the current situation (Step 01), MC identifies external environmental factors (geopolitics, the environment, etc.) that may affect major non-financial risks in order to take into account changes in the external environment over the medium term. We identify non-financial risks that are particularly susceptible to such factors as "Risks that require attention over the medium term" since they may shift to "Risks that require special monitoring" in the future (see 5, 6, 10, 14, and 15 below).



### STEP 03 Addressing risks that require attention over the medium term

In addition to "Risks that require special monitoring," MC also positions "Risks that require attention over the medium term" as risks for which we should especially strengthen our responses in the future. We arrange the countermeasures for these risks as follows, and the Board of Directors monitors them.

- 5 Risk of damage to business assets due to war, civil unrest, terrorism, etc. In addition to the existing country risk countermeasure system, under Midterm Corporate Strategy 2024, MC has strengthened the system that enhances the timely integration of global intelligence into companywide management through the GI Committee, etc.
- 6 Government expropriation, nationalization, and violation of rights by authority
- 15 Life and safety risk due to war, civil unrest, terrorism, etc. MC has developed risk management systems for the lives and safety of our employees on a consolidated basis both in Japan and overseas. We conduct regular reviews in preparation for emergencies.
- 10 Climate-related physical risk
- 14 Natural disaster risk MC conducts the verification of countermeasures for high-priority risk assets.