

***Other Electronic Provision Measures Matters of  
2023 Ordinary General Meeting of Shareholders  
(Items Excluded From Notice of  
2023 Ordinary General Meeting of Shareholders)***



(Note)

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If minor amendments are required to matters contained in the Business Report, the financial statements or other documents, Mitsubishi Corporation will post revisions on its website ([2023 Ordinary General Meeting of Shareholders | Mitsubishi Corporation](#))

## Contents

### **Business Report**

Internal Control System (summary of systems necessary to ensure the proper operations of the Company) .....	1
Matters Concerning Independent Auditors .....	8
Stock Acquisition Rights .....	10

### **Consolidated Financial Statement**

Consolidated Statement of Comprehensive Income (Reference only) .....	15
Consolidated Statement of Changes in Equity .....	16
Consolidated Statement of Cash Flows (Reference only) .....	17
Segment Information (Reference only) .....	19
Notes .....	21

### **Non-consolidated Financial Statements**

Non-consolidated Statement of Changes in Equity .....	52
Notes .....	53

## ■ Business Report

### ● Internal Control System (summary of systems necessary to ensure the proper operations of the Company) (Article 362, Paragraph 4, Item 6 of the Companies Act)

On May 10, 2022, the Board of Directors of MC resolved the basic policy of establishing the following internal control systems for the entire MC Group (MC and its subsidiaries) to improve corporate value through proper and efficient business operations in conformity with laws and its Articles of Incorporation. Details of this policy are presented below in a matter consistent with the provisions stipulated by Article 100, Paragraph 1, Item 3 of Regulation for Enforcement of the Companies Act. MC checks the operating status of these systems and endeavors to continuously improve and strengthen them.

#### **Basic Policy of Establishing the Internal Control System**

##### **1. System to Ensure that the Execution of Duties by Directors and Employees Is in Conformity with the Laws and Regulations and Articles of Incorporation**

###### **(1) System to Ensure Compliance**

MC shall establish internal rules and regulations for such matters as codes of conduct for officers and employees; Companywide lateral management systems; and measures for prevention, correction, and improvement; and internal whistleblower systems. After informing all parties, MC shall rigorously reflect the rules and regulations in operations. Further, MC shall realize its compliance capabilities as the MC Group by encouraging subsidiaries to establish similar systems.

###### **(2) System to Ensure Proper Financial Reporting**

MC shall establish internal rules and regulations for such matters as the establishment of persons responsible for each accounting organization and procedures for the preparation of financial statements in conformity with laws and accounting standards. After informing all parties, MC shall rigorously reflect the rules and regulations in operations and ensure proper and timely disclosure of financial information of the MC Group.

###### **(3) System to Ensure Robust Audits and Monitoring**

MC shall establish internal rules and regulations for such matters as the systems and main points of internal auditing. After informing all parties, MC shall rigorously reflect the rules and regulations in operations and objectively inspect, evaluate, and improve the execution of duties as the MC Group.

##### **2. System for the Storage and Management of Information Related to Directors' Execution of Duties**

After establishing internal rules and regulations in relation to such matters as persons responsible for management of information in the course of execution of duties and methods and informing all parties, MC shall rigorously reflect the rules and regulations in operations and prepare, process, and store information appropriately.

##### **3. Regulations and Other Systems Concerning Management of Loss Risk**

MC shall establish internal rules and regulations for such matters as risk classes, persons responsible for management and methods for each class, and systems. After informing all parties, MC shall rigorously reflect the rules and regulations in operations. In addition, MC shall encourage each subsidiary to develop necessary risk management systems in accordance with its business lines or the size of its operations, thereby appropriately controlling, on a corporate group basis, risk accompanying the execution of duties.

##### **4. System for Ensuring that Directors Perform Duties Efficiently**

(1) The President and CEO shall establish management policies and goals as the MC Group, prepare

management plans aimed at achieving them, and then endeavor to execute duties efficiently by implementing these plans.

(2) MC shall establish internal rules and regulations for such matters as standards and main points relating to reorganization, the division of duties, personnel allocation, and authority. After informing all parties, MC shall rigorously reflect the rules and regulations in operations. Further, in accordance with the business lines or size of subsidiaries, MC shall ensure efficiency by encouraging the establishment of similar internal rules and regulations and other measures.

## **5. System to Ensure the Suitability of Business Conducted by the Stock Company and the Corporate Group Comprising the Parent Company and Subsidiaries**

To ensure the suitability of the business activities conducted by the MC Group, MC shall establish basic policies as the MC Group while, for each subsidiary and affiliate, establishing internal rules and regulations for such matters as persons responsible, important management-related items, management methods, and the exercise of shareholder rights. After informing all parties, MC shall rigorously reflect the rules and regulations in operations. Further, the persons responsible shall receive reports required by the Parent Company concerning the status of the execution of duties by directors and others at subsidiaries and shall understand the qualitative and quantitative status and issues of subsidiaries.

## **6. Items Concerning Employees Assisting in the Duties of Audit & Supervisory Board Members and Items Concerning Their Independence from Directors**

An organization is established directly under the Audit & Supervisory Board for supporting the duties of employees assisting in the duties of Audit & Supervisory Board Members, and employees assigned exclusively to this organization assist the duties of the Audit & Supervisory Board Members. Furthermore, regarding personnel matters concerning these employees, such as evaluations and transfers, MC shall seek the opinions of Audit & Supervisory Board Members and shall respect these opinions.

## **7. System to Enable Directors, Employees, and Others to Report to Audit & Supervisory Board Members and Other Systems for Reporting to Audit & Supervisory Board Members**

(1) Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other important management meetings and shall state opinions.

(2) MC shall establish internal rules and regulations for such matters as persons responsible, standards, and methods in relation to reporting to Audit & Supervisory Board Members if there is a risk of substantial detriment occurring.

(3) MC shall encourage the construction of systems, including a system for enabling the persons responsible or officers and employees of respective subsidiaries to report if Audit & Supervisory Board Members request reports relating to subsidiaries and a system to enable the reporting of important matters, including subsidiaries' significant compliance matters, to Audit & Supervisory Board Members.

(4) MC shall prohibit the disadvantageous treatment of officers and employees as a result of having reported to Audit & Supervisory Board Members and shall rigorously inform subsidiaries of this policy.

## **8. Other Systems to Ensure That Audit & Supervisory Board Members' Audits Are Executed Effectively**

(1) Audit & Supervisory Board Members shall endeavor to communicate with related internal

departments and independent auditors, collect information, and conduct investigations. The related departments shall cooperate with these efforts.

(2) MC will bear the necessary expenses for the Audit & Supervisory Board Members' execution of duties.

### **Operating Status of the Internal Control System**

Every year, MC monitors the status of development and operations of its internal control system in place for the Group. Based on results of such monitoring, MC enhances said system while assisting its subsidiaries in their efforts to improve internal control. The operating status of the internal control system is reported to the Board of Directors. The main content of this reporting is as follows.

#### **1. System to Ensure that the Execution of Duties by Directors and Employees Is in Conformity with the Laws and Regulations and Articles of Incorporation**

##### **(1) System to Ensure Compliance**

MC considers compliance, namely, acting in accordance with laws and social norms, to be a matter of the utmost priority in business conduct. Accordingly, MC strives to ensure that its corporate philosophy is embraced by every Group member while establishing and disseminating the Code of Conduct and other basic compliance principles to be observed by all officers and employees.

To this end, a Chief Compliance Officer is appointed to supervise relevant matters. Moreover, MC appoints persons responsible for compliance at each business unit and subsidiary while holding periodic Compliance Committee meetings to facilitate information sharing. Through these and other initiatives, MC develops a robust compliance promotion structure for the entire Group. As part of measures aimed at preventing and correcting compliance violation and other incidents, MC implements necessary training for Group members to ensure adherence to various laws and regulations. The MC Code of Conduct mandates that all officers and employees undergo such training on an annual basis, in addition to submitting a written oath on compliance. Furthermore, round table sessions addressing compliance matters are regularly being held to facilitate free and in-depth discussion between individuals from Group companies, with the aim of raising compliance awareness among officers and employees.

The status of compliance is reported to the Board of Directors from relevant officers and employees at each business unit and subsidiary, and MC has in place an external whistleblower system run by outside attorney as well as whistleblowing systems that cover each region. In these ways, MC endeavors to swiftly identify and resolve compliance issues and ensure that relevant information is quickly shared by Group members, with the Board of Directors and the Audit & Supervisory Board Members receiving proper reporting on a regular basis. MC also made it a strict rule to protect whistleblowers, regardless of what business unit or subsidiary they belong to, so that they will not be subjected to detrimental treatment on the grounds of whistleblowing.

##### **(2) System to Ensure Proper Financial Reporting**

To maintain the appropriate and timely disclosure of financial statements, MC appoints persons responsible for accounting and thereby ensures that its financial statements are prepared in conformity with laws, regulations and accounting standards. These statements are publicly disclosed in accordance with the Corporate Disclosure Policy that has been discussed and confirmed by the Disclosure Committee.

With regard to internal control for ensuring proper financial reporting, MC promotes and monitors internal control activities in line with internal control reporting systems stipulated by the Financial Instruments and

Exchange Act. Thus, MC implements initiatives to secure the effectiveness of internal control on a consolidated basis.

### (3) System to Ensure Robust Audits and Monitoring

Having established bodies tasked with internal audits, MC performs periodic audits of each business unit and subsidiary to inspect and evaluate the status of their operations from an objective standpoint.

## **2. System for the Storage and Management of Information Related to Directors' Execution of Duties**

MC appoints persons responsible for managing information related to directors' execution of duties and for instructing individuals who use such information based on classification defined by the importance of the content. In this way, MC maintains information security in a way that enables it to efficiently process relevant administrative tasks while ensuring that necessary information is shared by all individuals involved.

Said persons are also responsible for storing information it is mandatory to preserve or that is deemed important by MC due to its relevance to internal management. In addition to ensuring that this information is preserved for a prescribed period of time, such persons decide on the handling of other information and, to this end, determine whether or not to preserve it, and the necessary period for preservation.

Aware of threats posed by cyberattacks aimed at exploiting or destroying information stored by businesses, MC implements robust systemic countermeasures while providing ongoing employee education. Moreover, MC regularly confirms the status of incident-response systems in place at Group companies, including key subsidiaries, and helps them develop said systems while acting in collaboration with external specialist organizations to obtain the latest insights which will, in turn, inform the introduction of more effective countermeasures.

## **3. Regulations and Other Systems Concerning Management of Loss Risk**

Risks associated with MC's operations are classified into credit risk, market risk, investment risk, country risk, compliance risk, legal risk, information management risk and environmental risk, as well as risk arising from the emergence of a crisis that causes harm to human life, results in business interruption, etc. The classification of each risk is determined in light of the Group's business lines and the size of its operations exposed to each relevant risk. Moreover, MC maintains departments responsible for addressing each risk class. Were a novel risk to emerge, the Company would promptly designate a department in charge of that risk. In these and other ways, MC establishes risk management policies, systems and procedures, along with crisis management and business continuity frameworks in preparation for emergencies, so that all risk management matters are properly handled on a consolidated basis.

In the face of the global outbreak of COVID-19, MC has been promptly implementing necessary countermeasures with the aim of safeguarding employees from infection, preventing the spread of the virus and appropriately ensuring business continuity. The Emergency Crisis Management Headquarters, in which industrial physicians participate, is spearheading these endeavors. 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, MC has been taking thorough infection control measures, implementing the necessary steps on a case-by-case basis and confirming the safety of conditions to ensure appropriate business continuity while placing the highest priority on the safety of employees.

In response to growing geopolitical risks and increasing volatility in international affairs, MC is currently developing an even more robust management structure so that the Company can secure the safety of its

employees, provide them with timely updates about sanctions and other relevant regulations that may affect them, and otherwise take appropriate steps to handle changes in circumstances.

In addition, each project proposal is greenlighted or declined by heads of related departments based on the prescribed decision-making authority assigned to them. These decisions are made based on results of the analysis and assessment of risk and return associated with each project in accordance with Companywide policies and procedures. While a greenlighted project is thus promoted, the verification of its risk and return is periodically conducted in a way that takes its progress into account and gives due consideration to changes in the external environment. In addition to managing risks associated with each project, MC assesses, quantifies and appropriately manages the overall status of the various risks relevant to the Group as a whole while implementing reviews of such risks as necessary.

#### **4. System for Ensuring that Directors Perform Duties Efficiently**

The President and CEO of MC identifies basic policies for the management of the MC Group, spearheading the determination of specific management targets as well as the formulation of management plans and other endeavors to efficiently achieve such targets. To ensure that management targets are met in the most efficient way, these endeavors include flexible reorganization and the allocation of optimal human resources to each operation in addition to the clarification of organizational reporting lines. To this end, the President and CEO also delegates authority to the heads of each business unit and its members to an extent necessary to the achievement of said targets while mandating that they report the status of their tasks on an as necessary basis. Also, the Board of Directors Office is in place to secure the sufficiency and efficiency of supervisory functions provided by directors. This office is tasked with providing directors with information necessary to the execution of their duties and otherwise assisting them in an appropriate and timely manner. In step with the sophistication of its consolidated management, MC has striven to enhance the quality of monitoring functions provided by the Board of Directors while updating and streamlining its operations. In the fiscal year ended March 31, 2019, these efforts resulted in the upward revision of monetary threshold standards related to investment and loan proposals. Moreover, in the fiscal year ended March 31, 2021, the Board of Directors expanded the scope of agenda items associated with Companywide management as part of initiatives to further improve the effectiveness of its operations. With the aim of constantly enhancing corporate governance, the effectiveness of the Board of Directors' operations is being annually evaluated, with independent outside directors and Audit & Supervisory Board Members fulfilling key roles in this evaluation.

The Board of Directors receives periodic follow-up reporting on the status of the implementation of management plans and thus reviews such plans cyclically in light of the degree of their progress, the prevailing external environment and other factors. Specifically, after reviewing Midterm Corporate Strategy 2021, the Board of Directors discussed the next plan on an ongoing basis from the earliest stages of its formulation, leading to the May 2022 announcement of Midterm Corporate Strategy 2024. As its goal, Midterm Corporate Strategy 2024 designates the continuous creation of significant shared value by elevating MC Group's collective capabilities in order to address societal challenges. MC is implementing Midterm Corporate Strategy 2024 by implementing and advancing growth strategies, business management, management mechanisms, HR policies and sustainability policies.

#### **5. System to Ensure the Suitability of Business Conducted by the Stock Company and the Corporate Group Comprising the Parent Company and Subsidiaries**

MC establishes internal rules for subsidiary management and designates departments in charge of managing every subsidiary. In addition to assessing each subsidiary's business results, management efficiency and other quantitative indicators on an annual basis, the heads of these departments request directors at each

subsidiary report regularly on the execution of its operations. Furthermore, these heads strive to identify the qualitative issues each subsidiary is facing, including those associated with compliance and risk management, and confirm the status of the development and operation of its internal control systems, as well as whether or not such systems need to be improved.

MC also engages with each subsidiary to ensure that its operations are appropriate and in conformity with laws, regulations, its articles of incorporation and internal rules by, for example, dispatching officers, signing joint venture agreements and exercising voting rights. MC also implements various measures to help each subsidiary efficiently execute its operations and thereby achieve sustainable growth, with the aim of improving corporate value on a consolidated basis.

#### **6. Items Concerning Employees Assisting in the Duties of Audit & Supervisory Board Members and Items Concerning Their Independence from Directors**

#### **7. System to Enable Directors, Employees, and Others to Report to Audit & Supervisory Board Members and Other Systems for Reporting to Audit & Supervisory Board Members**

#### **8. Other Systems to Ensure That Audit & Supervisory Board Members' Audits Are Executed Effectively**

MC's Audit & Supervisory Board Members attend Board of Directors meetings and other important management meetings to offer their opinions. They also maintain communication with independent auditors, directors, senior vice presidents and other employees at MC as well as directors, Audit & Supervisory Board Members and others at each subsidiary to collect information and look into the status of business execution. These individuals cooperate with Audit & Supervisory Board Members as necessary. Moreover, Audit & Supervisory Board Members hold regular meetings in conjunction with the finalization of quarterly financial results as well as on a monthly basis to engage with independent auditors in addition to securing opportunities to exchange opinions on an as necessary basis with independent auditors who serve for subsidiaries and affiliates. They also regularly meet representatives from MC's internal auditing bodies at audit reporting meetings as part of quarterly Audit & Supervisory Board meetings and at monthly regular meetings while hosting liaison meetings attended by individuals from the internal audit departments of subsidiaries and affiliates, as well as Audit & Supervisory Board Members of these entities. Through these initiatives, MC strives to enhance its consolidated "tripartite audit" structure supported by collaborative initiatives involving its Audit & Supervisory Board Members, internal auditing bodies and independent auditors. To secure the effectiveness of audits, MC bears necessary expenses for audits.

MC made it a rule that, if there is a potential incident that could result in the recording of a loss above a certain threshold or another serious problem, the heads of relevant departments must swiftly report this to Audit & Supervisory Board Members in accordance with the prescribed criteria and procedures. Moreover, MC also maintains and operates a structure in which subsidiaries are obliged to submit reports to its Audit & Supervisory Board Members through departments charged with managing these entities should they recognize similar possibilities. MC prohibits the detrimental treatment of officers and employees on the grounds of reporting to Audit & Supervisory Board Members, and obliges all of its subsidiaries to similarly enforce this prohibition.

To enhance the effectiveness of audits by Audit & Supervisory Board Members, MC maintains an organization tasked with assisting Audit & Supervisory Board Members in the execution of their duties. This organization is operated directly under the Audit & Supervisory Board, with employees being assigned exclusively to it in order to flexibly support activities of the Audit & Supervisory Board Members. The evaluation and transfer of these employees is decided in a way that gives due consideration to the independence of this organization and, to this end, honors the opinions of Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board appoints external specialists and invites them to



attend periodic discussions, utilizing the expertise and insights offered by these individuals to improve its auditing activities.

## ● Matters Concerning Independent Auditors

### 1. Name of MC's Independent Auditors

Deloitte Touche Tohmatsu LLC

### 2. Independent Auditors' Fees for the Fiscal Year Ended March 31, 2023

	Amount paid (Million yen)
Amount of fees for services in accordance with Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (Act No. 103 of 1948) (Note 1)	846
Amount of fees for services other than those prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (Note 2)	38
Total amount of fees paid by MC to the independent auditors for the fiscal year ended March 31, 2023	884
Total amount of fees to be paid by the Parent and its subsidiaries (Note 3)	2,838

(Figures less than one million yen are rounded to the nearest million.)

(Note 1) Fees for services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan (Act No. 103 of 1948) are fees, etc., for audit certification services relating to English language financial statements prepared based on accounting standards generally accepted in the International Financial Reporting Standards and audit certification based on the Companies Act and the Financial Instruments and Exchange Act.

(Note 2) Fees for services other than those prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act of Japan are fees for a comfort letter for the issuance of Company bonds, training, etc.

(Note 3) Some subsidiaries are audited by certified public accountants or independent auditors (including persons with qualifications equivalent to these qualifications in overseas countries) other than MC's independent auditors.

### 3. Reason for Agreement of the Audit & Supervisory Board with the Remuneration of Independent Auditors, etc.

As a result of confirming such items as details of the audit plans, status of the execution of duties, and the basis for calculation of the remuneration estimates of the independent auditors, these were deemed to be reasonable in light of the perspectives of ensuring the quality of the auditing of the independent auditors and ensuring independence. Therefore, an agreement in accordance with Article 399, Paragraph 1 of the Companies Act was concluded with respect to the amount of such items as remuneration of independent auditors.

### 4. Policy for the Dismissal or Non-reappointment of Independent Auditors

MC has a policy to dismiss independent auditors based on the unanimous agreement of all Audit & Supervisory Board Members if any of the items set forth in Article 340, Paragraph 1 of the Companies Act is applicable to the independent auditors. In this instance, at the Ordinary General Meeting of Shareholders first convened after the dismissal, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report on the dismissal of the independent auditors and the reason for this action.

Furthermore, if the Audit & Supervisory Board decides it is appropriate to dismiss or not to reappoint the independent auditors after comprehensively taking into consideration and evaluating the independent auditors' execution of duties and other circumstances, the Audit & Supervisory Board will submit a proposal to the Ordinary General Meeting of Shareholders to dismiss or not to reappoint the independent auditors concerned and to appoint new independent auditors concerned and to appoint new independent auditors.

## ● Stock Acquisition Rights

### 1. Stock Acquisition Rights as of March 31, 2023

< Stock Options Held by Directors, Audit & Supervisory Board Members and Executive Officers >

#### Stock Acquisition Rights as Stock Options for Stock-option-based Remuneration

Fiscal year issued	No. of stock options	Class and number of shares to be issued upon exercise of stock options	Issue price	Price per share due upon exercise of stock options (exercise price)	Stock option term
FY 2017	305	30,500 shares of the Company's common stock	Issued in gratis	¥1	From June 6, 2017 through June 5, 2047
FY 2018	388	38,800 shares of the Company's common stock	Issued in gratis	¥1	From June 5, 2018 through June 4, 2048

#### Stock Acquisition Rights as Stock Options for Stock-linked Compensation Plan with Market Conditions

Fiscal year issued	No. of stock options	Class and number of shares to be issued upon exercise of stock options	Issue price	Price per share due upon exercise of stock options (exercise price)	Stock option term
FY 2019	1,717	171,700 shares of the Company's common stock	Issued in gratis	¥1	From July 9, 2022 through July 8, 2049
FY 2020	7,190	719,000 shares of the Company's common stock	Issued in gratis	¥1	From July 7, 2023 through July 6, 2050
For FY 2020 (issued June 7, 2021)	351	35,100 shares of the Company's common stock	Issued in gratis	¥1	From July 7, 2023 through July 6, 2050
FY 2021	7,223	722,300 shares of the Company's common stock	Issued in gratis	¥1	From July 13, 2024 through July 12, 2051
For FY 2021 (issued June 6, 2022)	151	15,100 shares of the Company's common stock	Issued in gratis	¥1	From July 13, 2024 through July 12, 2051
FY 2022	5,206	520,600 shares of the Company's common stock	Issued in gratis	¥1	From July 12, 2025 through July 11, 2052

< Breakdown >

Stock Acquisition Rights as Stock Options for Stock-option-based Remuneration

Fiscal year issued	Directors (Excluding Independent Directors)		Audit & Supervisory Board Members		Executive Officers	
	No. of stock options	No. of holders	No. of stock options	No. of holders	No. of stock options	No. of holders
FY 2017	—	—	217	2	88	1
FY 2018	87	1	94	1	207	3

Stock Acquisition Rights as Stock Options for Stock-linked Compensation Plan with Market Conditions

Fiscal year issued	Directors (Excluding Independent Directors)		Audit & Supervisory Board Members		Executive Officers	
	No. of stock options	No. of holders	No. of stock options	No. of holders	No. of stock options	No. of holders
FY 2019	289	1	289	1	1,139	6
FY 2020	2,363	5	351	1	4,476	20
For FY 2020 (issued June 7, 2021)	351	1	—	—	—	—
FY 2021	2,264	6	277	1	4,682	26
For FY 2021 (issued June 6, 2022)	-	-	-	-	151	1
FY 2022	1,224	5	-	-	3,982	36

(Notes)

1. Holdings by Executive Officers who also serve as Directors are listed in the Directors column.
2. Stock acquisition rights held by Audit & Supervisory Board Member were granted during his term as Executive Officer, not while he served as Audit & Supervisory Board Member.
3. Stock options for stock-linked compensation plan with market conditions for FY 2020 (issued on June 7, 2021) and FY2021(issued June 6,2022)are for Executive Officers who returned to Japan from overseas and were granted stock options during their service overseas.
4. The total number of shares for the purpose of stock acquisition rights as of March 31, 2023 was 3,818,600 including stock acquisition rights held by retirees.

## 2. Stock Acquisition Rights Granted During the Fiscal Year Ended March 31, 2023

### Stock Acquisition Rights as Stock-option-based Remuneration

	2022 Stock Options Plan A (Note 1)
Issuance resolution date	June 24, 2022
No. of stock options	78
No. of allottees and rights granted	Senior Vice Presidents (Note 2) 3 people 78 units
Class and number of shares to be issued upon exercise of stock options	7,800 shares of the Company's common stock
Issue price of stock options	Issued in gratis
Price per share due upon exercise of stock acquisition rights (Exercise Price)	¥1
Stock option term	From July 12, 2022 through July 11, 2051
Other conditions for exercise of stock options	a. A stock option holder may not exercise their stock options after 10 years have passed from the day following the Allotment Date for the Stock Options or the day after losing their positions as both Director, Executive Officer and Senior Vice President of the Company, whichever is later.
	b. In the event that a stock option holder forfeits their stock options, such stock options cannot be exercised.

(Notes)

1. Executive Officers and Senior Vice Presidents who returned to Japan from overseas were granted stock options while they were serving overseas.
2. The above figures include individuals who retired in FY2018. The Senior Vice President system was discontinued on March 31, 2019.

### Stock Acquisition Rights as Stock Options for Stock-linked Compensation Plan with Market Conditions

	2022 Stock Options Plan C2 (Note 1)	2022 Stock Options Plan C1 (Note 1)	2022 Stock Options Plan D
Issuance resolution date	May 20, 2022	May 20, 2022	June 24, 2022
No. of stock options	192	302	5,206
No. of allottees and rights granted	Executive Officers (Note 2) 1 people 192 units	Executive Officers (Note 2) 2 people 302 units	Directors 5 people 1,224 units Executive Officer 36 people 3,982 units
Class and number of shares to be issued upon exercise of stock options	19,200 shares of the Company's common stock	30,200 shares of the Company's common stock	520,600 shares of the Company's common stock
Issue price of stock options	Issued in gratis		
Price per share due upon exercise of stock acquisition rights (Exercise Price)	¥1		
Stock option term	From July 7, 2023 through July 6, 2050	From July 13, 2024 through July 12, 2051	From July 12, 2025 through July 11, 2052
Other conditions for exercise of stock options	a. Initial number of allotted stock options calculated for rank as of April 1, 2020	a. Initial number of allotted stock options calculated for rank as of April 1, 2021	a. Initial number of allotted stock options calculated for rank as of April 1, 2022
	b. Performance evaluation period is three-year period starting on July 6, 2020	b. Performance evaluation period is three-year period starting on July 12, 2021	b. Performance evaluation period is three-year period starting on July 11, 2022
	c. A stock option holder may exercise the number of exercisable stock options from among the allocated stock options, within the stock option term in accordance with the growth rate in the Company's shares during the performance evaluation period (calculated by dividing the Company's Total Shareholder Return (TSR) by the growth rate in the Tokyo Stock Price Index (TOPIX) index during the evaluation period). (Note 3)		
	d. A stock option holder may not exercise their stock options after 10 years from the day after losing their positions as either Director or Executive Officer of MC.		
	e. In the event that a stock option holder relinquishes their stock options, such stock options cannot be exercised.		

(Notes)

1. Executive Officers who returned to Japan from overseas were granted stock options while they were serving overseas.
2. The above figures include individuals who retired in FY2021.
3. Details for share price conditions are as follows.
  - (1) The number of exercisable stock options is determined using the formula below. Provided, however, that numbers less than one stock option are rounded.
    - (Initial number of allotted stock options) x (vesting ratio)
  - (2) The vesting ratio for stock options varies, as shown below, depending on the growth rate in the Company's shares over the evaluation period. Provided, however, that numbers less than 1% are rounded.
    - Growth rate of at least 125% in the Company's shares: 100%

- Growth rate between 75% and 125% in the Company's shares:  
 $40\% + \{\text{the Company's share growth rate (\%)} - 75 (\%)\} \times 1.2$   
 (amounts less than 1% rounded to the nearest whole number)
  - Growth rate less than 75% in the Company's shares: 40%
- (3) The growth rate in the Company's shares is as follows.
- Growth rate in the Company's shares = the Company's TSR/TOPIX growth rate  
 The Company's TSR during the evaluation period = (A + B)/C; TOPIX growth rate during the evaluation period = D/E
- i. 2022 Stock Options Plan C2
    - A: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - B: Total amount of dividends per share of the Company's common stock from July 6, 2020 to the date when the exercise period began
    - C: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month of July 6, 2020
    - D: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - E: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month of July 6, 2020
  - ii. 2022 Stock Options Plan C1
    - A: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - B: Total amount of dividends per share of the Company's common stock from July 12, 2021 to the date when the exercise period began
    - C: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month of July 12, 2021
    - D: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - E: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month of July 12, 2021
  - iii. 2022 Stock Options Plan D
    - A: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - B: Total amount of dividends per share of the Company's common stock from the date of allotment of stock options to the date when the exercise period began
    - C: Average closing price for shares of the Company's common stock on the Tokyo Stock Exchange on each trading day during the three months preceding the month when stock options are allotted
    - D: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month when the exercise period began
    - E: Average closing price for TOPIX on the Tokyo Stock Exchange on each trading day during the three months preceding the month when stock options are allotted

\* A, C, D and E exclude days on which there were no trades.



## ■ Consolidated Financial Statements

### Consolidated Statement of Comprehensive Income (Reference only) (Prepared based on IFRS)

(Millions of Yen)

Item	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Profit for the year	¥1,004,459	¥1,271,499
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss for the year		
Gains on other investments designated as FVTOCI	82,239	(94,571)
Remeasurement of defined benefit pension plans	20,412	15,602
Share of other comprehensive income of equity method investees	10,968	595
Total	113,619	(78,374)
Items that may be reclassified to profit or loss for the year		
Cash flow hedges	(97,950)	103,164
Exchange differences on translating foreign operations	440,530	296,053
Share of OCI of equity method investees	108,528	186,546
Total	451,108	585,763
Total other comprehensive loss, net of tax	564,727	507,389
Total comprehensive income	¥1,569,186	¥1,778,888
Comprehensive income attributable to:		
Owners of the Parent	1,471,506	1,651,771
Non-controlling interests	97,680	127,117
	¥1,569,186	¥1,778,888

(Figures less than one million yen are rounded to the nearest million.)

## Consolidated Statement of Changes in Equity (Prepared based on IFRS)

(Millions of Yen)

Item	Fiscal year ended March 31, 2022 (Reference only)	Fiscal year ended March 31, 2023
<b>Common stock</b>		
Balance at the beginning of the year	¥204,447	¥204,447
Balance at the end of the year	204,447	204,447
<b>Additional paid-in capital</b>		
Balance at the beginning of the year	228,552	226,483
Compensation costs related to share-based payment	2,135	2,150
Sales of treasury stock upon exercise of share-based payment	(636)	(1,723)
Equity transactions with non-controlling interests and others	(3,568)	(1,052)
Balance at the end of the year	226,483	225,858
<b>Treasury Stock</b>		
Balance at the beginning of the year	(26,750)	(25,544)
Sales of treasury stock upon exercise of share-based payment	1,218	4,378
Purchases and sales – net	(12)	(216,740)
Cancellation	–	113,823
Balance at the end of the year	(25,544)	(124,083)
<b>Other components of equity</b>		
Balance at the beginning of the year	784,685	1,270,412
Other comprehensive income (loss) attributable to owners of the Parent	533,977	471,077
Transfer to retained earnings	(48,250)	(25,949)
Balance at the end of the year	1,270,412	1,715,540
<b>Retained earnings</b>		
Balance at the beginning of the year	4,422,713	5,204,434
Cumulative effects due to change in accounting policy	–	(17,003)
Adjusted balance at the beginning of the year	4,422,713	5,187,431
Profit (loss) for the year attributable to owners of the Parent	937,529	1,180,694
Cash dividends paid to owners of the Parent	(203,737)	(228,829)
Sales of treasury stock upon share-based payment	(321)	(2,163)
Cancellation of treasury stock	–	(113,823)
Transfer from other components of equity	48,250	25,949
Balance at the end of the year	5,204,434	6,049,259
Equity attributable to owners of the Parent	6,880,232	8,071,021
<b>Non-controlling interests</b>		
Balance at the beginning of the year	924,743	976,940
Cash dividends paid to non-controlling interests	(54,047)	(56,348)
Equity transactions with non-controlling interests and others	8,564	5,687
Profit (loss) for the year attributable to non-controlling interests	66,930	90,805
Other comprehensive income (loss) attributable to non-controlling interests	30,750	36,312
Balance at the end of the year	976,940	1,053,396
Total equity	¥7,857,172	¥9,124,417
<b>Comprehensive income (loss) attributable to:</b>		
Owners of the Parent	¥1,471,506	¥1,651,771
Non-controlling interests	97,680	127,117
Total comprehensive income (loss)	¥1,569,186	¥1,778,888

(Figures less than one million yen are rounded to the nearest million.)

Consolidated Statement of Cash Flows (Reference only) (Prepared based on IFRS)

(Millions of Yen)

Item	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Operating activities		
Profit for the year	¥1,004,459	¥1,271,499
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation and amortization	545,043	583,294
Gains (losses) on investments - net	(75,254)	(197,005)
Losses on property, plant, and equipment	57,805	31,910
Finance income – net of finance costs	(139,850)	(88,265)
Share of profit of investments accounted for using the equity method	(393,803)	(500,180)
Income taxes	288,657	409,132
Changes in trade receivables	(673,674)	179,318
Changes in inventories	(236,396)	(12,929)
Changes in trade payables	396,298	(108,217)
Changes in margin deposits of derivative transactions and others	(36,149)	144,813
Other – net	(34,370)	79,526
Dividends received	493,860	489,353
Interest received	80,601	121,653
Interest paid	(64,444)	(134,224)
Income taxes paid	(156,939)	(339,540)
Net cash provided by operating activities	¥1,055,844	¥1,930,138

(Figures less than one million yen are rounded to the nearest million.)

Item	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
<b>Investing activities</b>		
Payments for property, plant, and equipment	(393,833)	(454,954)
Proceeds from sales of property, plant, and equipment	27,888	20,276
Payments for investment property	(443)	(611)
Proceeds from disposal of investment property	1,329	395
Purchases of investments accounted for using the equity method	(157,003)	(181,025)
Proceeds from disposal of investments accounted for using the equity method	246,455	284,129
Acquisitions of businesses – net of cash acquired	(45,154)	(25,734)
Proceeds from disposal of businesses – net of cash divested	53,278	173,362
Purchases of other investments	(26,990)	(62,425)
Proceeds from disposal of other investments	142,987	116,835
Increase in loans receivable	(82,953)	(157,096)
Collection of loans receivable	60,809	46,889
Net increase in time deposits	6,080	62,493
Net cash used in investing activities	(167,550)	(177,466)
<b>Financing activities</b>		
Net increase in short-term debts	(159,572)	(408,701)
Proceeds from long-term debts	864,567	214,020
Repayment of long-term debts	(865,450)	(772,621)
Repayments of lease liabilities	(279,784)	(308,946)
Payment of dividends	(203,737)	(228,829)
Payment of dividends to non-controlling interests	(54,047)	(56,348)
Payment for the acquisition of subsidiaries interests from non-controlling interests	(20,393)	(14,526)
Proceeds from the sales of subsidiaries interests to non-controlling interests	25,033	26,420
Net (increase) in treasury stock	(13)	(217,107)
Net cash used in financing activities	(693,396)	(1,766,638)
Effect of exchange rate changes on cash and cash equivalents	42,848	15,395
Net increase (decrease) in cash and cash equivalents	237,746	1,429
Cash and cash equivalents, beginning of year	1,317,824	1,555,570
Cash and cash equivalents, end of year	1,555,570	1,556,999

(Figures less than one million yen are rounded to the nearest million.)

## Segment Information (Reference only) (Prepared based on IFRS)

Fiscal year ended March 31, 2022

(Millions of Yen)

	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit (loss)	28,527	143,642	105,219	482,490	110,955	179,230	268,780
Share of profit (loss) of investments accounted for using the equity method	92,106	35,154	14,247	86,994	2,131	48,210	29,731
Profit (loss) 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

(Millions of Yen)

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit (loss)	681,647	115,556	29,267	2,145,313	6,977	(1,526)	2,150,764
Share of profit (loss) of investments accounted for using the equity method	13,771	15,009	54,424	391,777	2,026	—	393,803
Profit (loss) 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

(Figures less than one million yen are rounded to the nearest million.)

Fiscal year ended March 31, 2023

(Millions of Yen)

	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit (loss)	140	175,200	115,207	656,828	125,293	225,445	314,192
Share of profit (loss) of investments accounted for using the equity method	233,173	43,993	19,592	19,164	21,407	62,955	32,318
Profit (loss) 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

(Millions of Yen)

	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit (loss)	739,627	170,084	29,967	2,551,983	9,183	(1,204)	2,559,962
Share of profit (loss) of investments accounted for using the equity method	16,152	3,514	47,891	500,159	14	7	500,180
Profit (loss) 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

(Figures less than one million yen are rounded to the nearest million.)

(Notes)

1. "Other" represents the corporate departments that 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" include certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.

## Notes

### Significant matters on basis of preparing Consolidated Financial Statements

#### Notes Concerning Material Accounting Policies (for the fiscal year ended March 31, 2023)

### 1. Basis of Preparing Consolidated Financial Statements

#### (1) Standards of preparing consolidated financial statements

The consolidated financial statements of Mitsubishi Corporation (the “Parent”) and its consolidated subsidiaries (collectively, the “Company”) have been prepared under International Financial Reporting Standards (“IFRS”) in accordance with the first paragraph of Article 120 of the Ordinance on Company Accounting of Japan. Pursuant to the second sentence of the paragraph, certain disclosures and notes required by IFRS have been omitted.

#### (2) Changes in Accounting Policies and Changes in Accounting Estimates

The significant accounting policies applied to the consolidated financial statements for the year ended March 31, 2023 are identical to those for the previous fiscal year, except for the following:

#### New standards and interpretations applied

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

#### IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amended)

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.

## 2. Scope of Consolidation and Application of the Equity Method

	Number of companies*	Major companies
Consolidated subsidiaries	1,321	Mitsubishi Corporation (Americas) Mitsubishi Corporation International (Europe) Plc Mitsubishi Corporation (Shanghai) Ltd. MITSUBISHI CORPORATION FINANCE PLC Metal One Corporation MITSUBISHI DEVELOPMENT PTY LTD Chiyoda Corporation TRI PETCH ISUZU SALES COMPANY LIMITED Mitsubishi Shokuhin Co., Ltd. Lawson, Inc. N.V. ENECO**
Investments accounted for using the equity method	416	Japan Australia LNG (MIMI) Pty. Ltd. Mitsubishi Motors Corporation

\*The number of companies shown above include 1,299 associates directly consolidated by companies subject to consolidation.

If these associates were to be excluded, the number of companies subject to consolidation amounts to 438.

\*\* The Company holds 100% of voting rights through Diamond Chubu Europe B.V., in which the Company holds 80% stake.

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.

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 invested 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 DRI-GP2 Co. Ltd. does not rest with the Company. Accordingly, the Company accounts for its investment in DRI-GP2 Co. Ltd. as a joint venture using the equity method.

### **3. Primary Changes in the Scope of Consolidation and the Application of the Equity Method**

Consolidated subsidiaries	Inclusion	DGS Japan Co., Ltd. Diamond Trading Inc. MC Healthcare, Inc. * Mitsubishi Corporation Offshore Wind Power Ltd. Mitsubishi Corporation Clean Energy Ltd.
	Exclusion	DIAMOND GAS SAKHALIN B.V.
Investments accounted for using the equity method	Inclusion	DGA SEG B.V.** Mitsubishi HC Capital Auto Lease Corporation Mitsubishi Auto Leasing Corporation
	Exclusion	Mitsubishi Ore Transport Co., Ltd. SELENA BIDCO LIMITED OVO GROUP LTD STAR ENERGY GEOTHERMAL PTE LTD Mitsubishi Auto Leasing Holdings Corporation

\* As a result of organization restructuring in the fiscal year ended March 31, 2023, the existing MC Healthcare, Inc. was renamed MC Healthcare Holdings, Inc., and a new company named MC Healthcare, Inc. was established as a consolidated subsidiary of the existing company, taking over said company's business. As such, this company is listed as a newly included subsidiary of the Parent.

\*\* Due to the sale of part of the Company's shares in DGA SEG B.V., this company has been reclassified from consolidated subsidiary to investment accounted for using the equity method in the current fiscal year.

#### 4. 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.

###### (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 in the financial statements 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.

(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 cost 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 cost 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.

(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 independent third parties. 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 independent third parties. These inputs are analyzed in comparison with those from the prior year, and reports issued by the independent third parties 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.

## 5. Accounting Estimates

In preparing IFRS-based 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.

### (1) 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 (of which, the balance of cash and cash equivalents restricted on international remittances was ¥50,546 million).

For details on the LNG-related business investment's fair value, refer to "Notes Concerning Financial Instruments".

### (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 at March 31, 2023 and consequently recorded decrease of ¥60,185 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.

## (2) 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 our 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 have relatively a 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 MDP's fixed asset is ¥994,604 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 are 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 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 "(3) Medium- to long-term price assumption for copper and crude oil".

(3) 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)

	March 31, 2022	March 31, 2023
Copper business		
Other investments (financial assets measured at FVTOCI)	¥367,755	¥377,790
Investments accounted for using the equity method	385,296	388,462
LNG-related business		
Other investments (financial assets measured at FVTOCI)	¥326,419	¥197,443
Investments accounted for using the equity method	391,031	488,015
Property, plant and equipment	210,071	281,332
Shale gas business		
Investments accounted for using the equity method	¥207,428	¥225,135

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 “Notes Concerning Financial Instruments”.

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 Russia-Ukraine situation and COVID-19 pandemic might result in a decrease in short-term demands for copper, the Company anticipates a further increase in demands for copper in future, which has superior electrical conductivity, 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), 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 increases 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.

#### (4) Fair value of financial instruments

For methods used to calculate the fair value for each class of financial instruments measured at fair value, refer to "Notes Concerning Financial Instruments", "Note 4 Material Accounting Policies (3) Financial instruments (iii) Financial assets measured at fair value" and "Note 4 Material Accounting Policies (17) Fair value measurements".

#### (5) Impairment losses on financial assets

In the year ended March 31, 2023, the Company recorded loss allowance of 84,216 million yen, included in "Trade and other receivables" of 5,140,703 million yen in the Consolidated Statement of Financial Position. For methods used to calculate the allowance, refer to "Note 4 Material Accounting Policies (3) Financial instruments (iv) Impairment of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income".

#### (6) Impairment losses on non-financial assets

In the year ended March 31, 2023, the Company recorded impairment losses on non-financial assets of 31,638 million yen, in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the Consolidated Statement of Income. The carrying amount after the impairment losses for "Property, plant and equipment", "Investment property", "Intangible assets and goodwill", and "Right-of-use assets" were 2,992,042 million yen, 81,986 million yen, 1,207,402 million yen, and 1,590,283 million yen, respectively. For methods used to calculate the losses, refer to "Note 4 Material Accounting Policies (12) Impairment of non-financial assets".

#### (7) Measurement of defined benefit plan obligations

In the year ended March 31, 2023, the Company recorded "Retirement benefit obligations" in the Consolidated Statement of Financial Position for 118,470 million yen. For methods used to calculate the retirement benefit obligations, refer to "Note 4 Material Accounting Policies (13) Post-employment benefits".

#### (8) Provisions

In the year ended March 31, 2023, the Company recorded "Provisions" in the Consolidated Statement of Financial Position for 427,426 million yen. For methods used to calculate the provisions, refer to "Note 4 Material Accounting Policies (14) Provision".

#### (9) Recoverability of deferred tax assets

In the year ended March 31, 2023, the Company recorded “Deferred tax asset” in the Consolidated Statement of Financial Position for 39,082 million yen. For methods used to calculate the recoverable deferred tax assets, refer to “Note 4 Material Accounting Policies (16) Income taxes”.

## 6. Changes in Accounting Estimates

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the fiscal year ended March 31, 2023, are as follows:

### (1) Impairment Losses on Investments Accounted for Using the Equity Method

#### Domestic power plants operating businesses

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 in “Share of profit (loss) of investments accounted for using the equity method” and ¥8,338 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.

#### Anglo American Sur S.A.

During the year ended March 31, 2023, the Company recorded impairment losses of ¥37,095 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 Resource segment. As a result, the book value of the Company’s investment in AAS as of March 31, 2023, is ¥144,863 million.

Copper is an essential resource for transitioning to decarbonized society in the future, and demand is expected to grow. However, supply constraints are like 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 copper market to 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.

(2) Losses on Investments Accounted for Using the Equity Method and Recognition of Provisions Related to Loans

During the year ended March 31, 2023, the Company recorded losses of ¥18,555 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 in “Selling, general and administrative expenses” as well as a corresponding tax effect of ¥1,919 million (Gain) in “Income taxes”, respectively.

These losses are included in the consolidated net income of the Automotive & Mobility segment.

(3) Provision relating to onerous contracts

During the year ended March 31, 2023, the Company recorded losses of ¥14,337 million in “Cost of revenues”, due to the revisions made on the procurement cost for some of LNG sales business contracts, since it relates to onerous contracts based on IAS37. These losses are included in the consolidated net income of the Natural Gas segment. For provision relating to onerous contracts based on IAS37, refer to “Note 1 Basis of Preparing Consolidated Financial Statements (2) New major standards and interpretations applied”.

## Notes Concerning Consolidated Statement of Financial Position

### 1. Assets pledged as collateral

#### (1) Pledged assets

Trade and other receivables (current and non-current)	197,099 million yen
Other investments (current and non-current)	340,889 million yen
Property, plant, and equipment (net of accumulated depreciation and accumulated impairment losses)	141,783 million yen
Investment property (net of accumulated depreciation and accumulated impairment losses)	187 million yen
Assets classified as held for sale	45,081 million yen
Other	10,701 million yen
Total	735,740 million yen

#### (2) Liabilities with the pledged assets listed above

Short-term debt	10,107 million yen
Long-term debt	191,670 million yen
Guarantees of contracts and others	533,963 million yen
Total	735,740 million yen

Transfer transactions that do not involve the derecognition of non-financial assets and financial assets can be viewed as an effective pledge of collateral. However, these transactions differ in nature from the ordinary pledge of collateral, in which legal ownership of the pledged assets is retained. Accordingly, such transfer transactions are not included in the amounts above.

As of March 31, 2023, as an example of transfer transactions for such assets that do not involve derecognition, the Company has repurchase agreements for bonds and precious metals. The balance of assets for such transactions stood at 127,144 million yen as of March 31, 2023.

2. Accumulated depreciation and impairment losses on property, plant, and equipment	2,256,462 million yen
3. Accumulated depreciation and impairment losses on investment properties	89,327 million yen
4. Accumulated amortization and impairment losses on intangible assets	466,797 million yen
5. Guarantees	
Financial guarantees	495,503 million yen
Performance guarantees	258,636 million yen
Total	754,139 million yen

These guarantees are credit enhancements in the form of standby letters of credit and performance guarantees in order to enable the Company's customers, suppliers, and associates to execute transactions or obtain desired financing arrangements with third parties.

## Notes Concerning Consolidated Statement of Changes in Equity

1. Number of shares issued at the end of the fiscal year ended March 31, 2023                      Common stock    1,458,302,351 shares

2. Matters concerning dividends

(1) Matters concerning dividends paid during the fiscal year ended March 31, 2022

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	116,909 million yen	79 yen	March 31, 2022	June 27, 2022
November 8, 2022 Board of Directors Meeting	Ordinary shares	112,715 million yen	77 yen	September 30, 2022	December 1, 2022

(2) Matters concerning dividends to be paid after the end of the fiscal year ended March 31, 2023

The Parent plans to submit the following proposal for approval at the Ordinary General Meeting of Shareholders on June 23, 2023.

Amount of dividends:	147,890,997,069 yen
Dividend per share of ordinary shares:	103 yen
Effective date:	June 26, 2023
Source of dividends:	Retained earnings

3. Number of shares resulting from the potential exercise of stock acquisition rights at the end of the fiscal year

1,126,500 shares of ordinary shares (excluding shares for which the exercise period has not commenced)

## Notes Concerning Financial Instruments

### **1. Matters concerning financial instruments**

The Company, in the normal course of its business, deals with various financial instruments. The Company engages in business transactions with a significant number of customers in a wide variety of industries all over the world, and its receivables from, and guarantees to, such parties are broadly diversified. Consequently, in management's opinion, there is no significant concentration of credit risk in any particular region or to any specific customer. The Company manages credit risk of these financial instruments by setting and approving credit limits and by periodically monitoring the credit standing of counterparties based on the Company's credit risk management policies. The Company requires collateral to the extent considered necessary.

As for derivative transactions, the Company enters into various derivative contracts in accordance with its risk management policy to mitigate specific risks.

### **2. Matters concerning fair value of financial instruments and breakdown by the level of fair value hierarchy**

#### Assets and liabilities measured at fair value on a recurring basis

The following table categorizes assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2023.

(March 31, 2023)	Classification	(Millions of Yen)				
		Level 1	Level 2	Level 3	Netting	Total
<b>Assets</b>						
	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
<b>Derivatives</b>						
	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
	<b>Total assets</b>	<b>2,941,138</b>	<b>1,410,001</b>	<b>1,125,396</b>	<b>(1,311,862)</b>	<b>4,164,673</b>
<b>Liabilities</b>						
<b>Derivatives</b>						
	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
	<b>Total liabilities</b>	<b>871,460</b>	<b>888,290</b>	<b>81,893</b>	<b>(1,310,197)</b>	<b>531,446</b>

#### Notes:

- There were no material transfers between different levels during the fiscal year ended March 31, 2023.
- The main items for "Financial assets measured at FVTOCI (Non marketable securities)" classified in Level 3 include investment in copper business in Mineral resources segment and LNG related business in Natural gas business. For details, please refer to Note 5. Accounting Estimates (3) Medium- to long-term price assumption for copper and crude oil.
- In addition to the above trade and other receivables measured at fair value on a recurring basis, financial assets measured at FVTPL (Level 2) with a carrying amount of 767 million yen and financial assets measured at FVTOCI (Level 2) with a carrying amount of 79,422 million yen are included in "Assets classified as held for sale." These are mainly trade receivables held by a consolidated subsidiary in the Automotive & Mobility segment, due to the progress in negotiation of the sale of the subsidiary's shares, they have been classified in a

disposal group held for sale.

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

(Fiscal 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 equity securities, etc.)	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

Notes:

- "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.
- There are no material transfers between different levels during the fiscal year ended March 31, 2023.
- "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 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 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 comprehensive income.

The amount of net realized/unrealized gains (losses) on short-term investments and other investments (FVTPL) recognized as other comprehensive income (loss) is included in "Gains on other investments designated as FVTOCI" and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income. In the fiscal year ended March 31, 2023, the amount recognized as "Other comprehensive income (loss)" included a 60,185 million yen decrease in fair value of investment in the LNG-related business in Russia; a 49,559 million yen decrease in fair value of investment in the LNG-related business in Malaysia due to downward revisions to dividend forecasts; and a 32,888 million yen decrease in fair value of investment in HERE Technologies due mainly to business plan revisions. Refer to Material Accounting Policies Note 5. Accounting Estimates "(1) Impact of the Russia Ukraine Situation" for the estimates and the underlying assumptions used regarding LNG-related business in Russia. Net realized/unrealized gains (losses) on other financial assets (derivatives) is included in profit for the year are recognized in "Revenue" and "Cost of revenue" respectively, in the consolidated statement of income. The amount recognized as other comprehensive income for other financial liabilities (derivatives) is included mainly in "Cashflow hedge" 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 mainly 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 future 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 external 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 which will be transferred to third parties through a Receivable Purchase Facility, 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 market, 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 contract and related derivatives (sales and procurement) that are considered to primary transactions, the future market prices are estimated by unobservable inputs such as government energy policy and forecasts of electricity supply and demand, in addition to observable inputs such as market prices.

The fair value of derivative contract is measured after adjusting the credit risk 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.

Quantitative Information about Level 3 Fair Value Measurements

The following table represents main information about valuation methods and unobservable inputs used for the major Level 3 assets measured at fair value as of March 31, 2023.

(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 increase (decrease) in such inputs cause the fair value to substantially fall (rise).

The non-marketable equity securities primarily consist of those related to Copper business and LNG-related business. The medium-to long-term copper and crude oil price forecast is one of the significant unobservable inputs used in measuring the fair value of these securities. Please refer to Note 5. Accounting Estimates (3) Medium- to long-term price assumption for copper and crude oil, for the fair values and estimates of those for non-marketable equity securities related to copper business and LNG-related 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 as of March 31, 2023.

#### Cash equivalents and time deposits

The carrying amount of cash equivalents and time deposits measured at amortized cost was 333,290 million yen. The carrying amount approximates 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 amount was 216,624 million yen. The carrying amount approximates the fair values because debt securities are hedged through fair value hedge with interest rate swap as hedging instruments so that the hedge effects 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 amount of trade and other receivables was 4,283,129 million yen. The carrying amount approximates the fair values due to most of these instruments having relatively short maturities. The amount of the instruments with relatively long maturities are immaterial which could cause significant difference between carrying amounts and fair values.

#### Bonds and borrowings

The carrying amount of bonds and borrowings was 4,889,881 million yen. The carrying amount approximates 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.

#### Trade and other payables

The carrying amount of trade and other payables was 3,424,965 million yen. The carrying amount approximates the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with long maturities are immaterial which could cause significant difference between carrying amounts and fair values.



## **Notes Concerning Investment Property**

### **1. Matters concerning investment property**

The Company holds investment property throughout Japan, including commercial facilities (along with the land) and other property for rent.

### **2. Matters concerning fair value of investment property**

As of March 31, 2023, the carrying amount of investment property was 81,986 million yen and the fair value was 94,766 million yen.

The carrying amount is calculated as the acquisition cost, net of accumulated depreciation and accumulated impairment losses.

The fair value is determined based on evaluations obtained from independent appraisers with recent appraisal experience in relation to the location and real estate type and with publicly certified qualifications suited to a specialist, such as a real estate appraiser, or other similar evaluations. These evaluations are based on an income approach utilizing input information, such as anticipated rental fees and discount rates.

## **Notes Concerning Per-Share Information**

Total equity attributable to owners of the Parent per share	5,648.84 yen
Basic profit for the year attributable to owners of the Parent per share	809.29 yen
Diluted profit for the year attributable to owners of the Parent per share	805.69 yen

## Notes Concerning Revenue Recognition

### 1. The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the fiscal year ended March 31, 2023.

Fiscal year ended March 31, 2023 (Millions of Yen)

	Natural Gas Segment	Industrial Materials Segment	Petroleum & Chemicals Solution Segment	Mineral Resources Segment	Industrial Infrastructure Segment	Automotive & Mobility Segment	Food Industry Segment
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 Segment	Power Solution Segment	Urban Development Segment	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

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 251,564 million yen for the fiscal year ended March 31, 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 428,189 million yen for the fiscal year ended March 31, 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 fiscal year ended March 31, 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).

(Millions of Yen)

	Fiscal year ended March 31, 2023	
	Contract assets	Contract liabilities
Balance at the beginning of the year	46,032	255,629
Changes during the year	(4,497)	69,210
Balance at the end of the year	41,535	324,839

Revenues recognized for the fiscal year ended March 31, 2023 that were included in the contract liabilities balance at the beginning of the year were 162,362 million yen. Revenues for the fiscal year ended March 31, 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 fiscal year ended March 31, 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 fiscal year ended March 31, 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 at Louisiana Terminal in the U.S. and the LNG Canada Project in British Columbia, Canada.

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)	
	Fiscal year ended March 31, 2023
Not later than 1 year	1,501,156
Later than 1 year and not later than 5 years	3,594,412
Later than 5 years and not later than 10 years	2,434,136
Later than 10 years	3,054,047
Total	10,583,751

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe as at March 31, 2023. The amount of estimated consideration was 94,934 million yen per year.

## **Notes Concerning Significant Subsequent Events**

### **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

### **LNG-related business in Russia**

Please refer to Material Accounting Policies Note 5. Accounting Estimates “(1) Changes in Accounting Policies and Changes in Accounting Estimates” 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.

■ **Non-consolidated Financial Statements**  
**Non-consolidated Statement of Changes in Equity**

(Millions of Yen)

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)														
	Shareholders' equity								Valuation and translation adjustments			Stock acquisition Rights	Total Equity	
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedging gains	Total valuation and translation adjustments			
		Additional paid-in capital appropriated for legal reserve	Other capital surplus	Retained earnings appropriated for legal reserve	Other retained earnings									
				Reserve for deferred gain on sales of property	General reserve	Unappropriated retained earnings								
Balance as of April 1, 2021	204,446	214,161	—	31,652	11,543	2,028,760	107,170	(26,335)	2,571,398	253,306	(34,642)	218,664	5,466	2,795,529
Changes during the fiscal year														
Dividends							(204,183)		(204,183)					(204,183)
Transfer to general reserve						(92,000)	92,000		—					—
Net income							402,624		402,624					402,624
Purchase of treasury stock								(12)	(12)					(12)
Sales of treasury stock								1,217	895					895
Net changes in items other than shareholders' equity during the fiscal year									—	1,608	(21,676)	(20,068)	1,305	(18,763)
Total changes during the fiscal year	—	—	—	—	—	(92,000)	290,119	1,205	199,324	1,608	(21,676)	(20,068)	1,305	180,561
Balance as of March 31, 2022	204,446	214,161	—	31,652	11,543	1,936,760	397,289	(25,130)	2,770,723	254,915	(56,319)	198,595	6,771	2,976,091

(Figures less than one million yen are rounded down.)

(Millions of Yen)

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)														
	Shareholders' equity								Valuation and translation adjustments			Stock acquisition Rights	Total Equity	
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedging gains	Total valuation and translation adjustments			
		Additional paid-in capital appropriated for legal reserve	Other capital surplus	Retained earnings appropriated for legal reserve	Other retained earnings									
				Reserve for deferred gain on sales of property	General reserve	Unappropriated retained earnings								
Balance as of April 1, 2022	204,446	214,161	—	31,652	11,543	1,936,760	397,289	(25,130)	2,770,723	254,915	(56,319)	198,595	6,771	2,976,091
Changes during the fiscal year														
Dividends							(229,624)		(229,624)					(229,624)
Transfer to general reserve						110,000	(110,000)		—					—
Net income							1,263,525		1,263,525					1,263,525
Purchase of treasury stock								(217,106)	(217,106)					(217,106)
Sales of treasury stock								4,378	2,214					2,214
Cancellation of treasury stock								(113,821)	113,821					—
Net changes in items other than shareholders' equity during the fiscal year									—	5,123	(14,381)	(9,257)	(588)	(9,846)
Total changes during the fiscal year	—	—	—	—	—	110,000	807,915	(98,906)	819,009	5,123	(14,381)	(9,257)	(588)	809,162
Balance as of March 31, 2023	204,446	214,161	—	31,652	11,543	2,046,760	1,205,205	(124,036)	3,589,732	260,038	(70,700)	189,338	6,182	3,785,253

(Figures less than one million yen are rounded down.)

## Notes to Non-consolidated Financial Statements

### Notes Concerning Significant Accounting Policies (Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2023)

#### **1. Measurement and Valuation Method of Inventories**

Inventories held for ordinary sale are measured at the lower of cost or net realizable value. Cost is determined by the average cost method or specific identification method.

#### **2. Measurement and Valuation Method of Securities**

Bonds held to maturity are valued using the amortized cost method. Shares held in subsidiaries and affiliates are valued using the moving average cost method. Other securities, excluding those without a quoted market price, are valued based on their market value, referring to market prices on the account closing date (valuation differences are reported as a component of shareholders' equity, and cost of sales is calculated using the moving average method). Other securities without quoted market prices are valued using the moving average cost method.

For bonds held to maturity, shares held in subsidiaries and affiliates, and other securities, excluding securities which do not have a quoted market price, unless there is a viable and rational business plan as well as sufficient evidence that supports the investee to recover, when the investment value deteriorates significantly due to consecutive loss by the investee, the Company must recognize the securities at fair value in the balance sheet and difference between the carrying amount is recognized as a loss in the current year. For investments without quoted market prices, when the investment value deteriorates significantly due to consecutive loss by the investee, unless there is a viable and rational business plan as well as sufficient evidence that supports the investee to recover, the Company must recognize the difference as a loss in the current year. Determinations of whether impairment is required for the shares without quoted market prices held in subsidiaries and affiliates in the copper business, LNG-related business and shale gas business are significantly impacted by the medium- to long-term price assumptions for copper and crude oil used by the management. For methods used to calculate these assumptions, please refer to the Material Accounting Policies Note 5 Accounting Estimates (3) Medium- to long-term price assumption for copper and crude oil" on the Consolidated Financial Statement.

#### **3. Derivatives**

Derivatives are measured at fair value.

For those derivative financial instruments used to manage exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices, hedge accounting is applied when the hedge effectiveness requirements are met.

#### **4. Depreciation Method of Property, Plant and Equipment**

Depreciation of property, plant and equipment (excluding leased assets) is calculated using the declining-balance method. However, depreciation of buildings (excluding fixtures) acquired after March 31, 1998, as well as facilities attached to buildings and other structures acquired after March 31, 2016, is calculated using the straight-line method.

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method, based on an estimated useful life of no more than 15 years.

Leased assets under finance leases other than those that transfer ownership are depreciated using the straight-line method, based on the lease term as the useful life, and residual value of zero.

#### **5. Amortization Method of Deferred Assets**

Bond issuance expenses are amortized by the interest method over the bond term.

#### **6. Foreign Currency Translation of Assets and Liabilities**

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at year-end exchange rates with the resulting exchange gains or losses recognized in the Non-consolidated Statement of Income.

**7. Accounting for Allowance for Doubtful Receivables**

Regarding the allowance for doubtful receivables, general allowance is established based on the Parent's past credit loss experience and allowance for individual doubtful receivables is based on evaluation of potential losses in the receivables outstanding.

**8. Accounting for Accrued Pension and Severance Liabilities**

Accrued pension and severance liabilities are accounted for based on the projected benefit obligations and the plan assets as at March 31, 2023.

The unrecognized net actuarial loss is amortized using the straight-line method over the average remaining service period of active employees in service from the following fiscal year. Prior service costs are amortized using the straight-line method over the average remaining service period of employees.

**9. Accounting for Provision for Loss on Guarantees of Obligations**

The Parent provides for contingent losses on guarantees of obligations of subsidiaries and other parties in the amount deemed necessary in consideration of financial conditions and other factors.

**10. Accounting for Provision for Share-based Compensation**

The provision for share-based compensation is provided in the amount of estimated share-based compensation based on points awarded to employees according to the Share-Based Compensation Plan Rules under the compensation plan. Thus, the Company sets aside funds for the Employee Stock Ownership Plan (ESOP) Trust to grant the Company's shares to employees.

**11. Income Taxes**

The Company applies the group tax sharing system.



### **Changes in Presentation Method**

#### Balance Sheet

In the fiscal year ended March 31, 2022, “Software in progress” under “Assets” as well as “Provision for directors’ bonuses,” “Retirement provision for directors and executive officers,” “Provision for special repairs” and “Provision for environmental measures” under “Liabilities” were listed individually on the Balance Sheet. However, these balances are included in “Other intangible assets” and “Other noncurrent liabilities” respectively, because the amounts of these items became immaterial during the fiscal year ended March 31, 2023. The financial statements for the fiscal year ended March 31, 2022 have been amended to reflect this change.

## **Notes Concerning Accounting Estimates**

### **1. Accounting Method for Loss Allowances**

In the year ended March 31, 2023, the Company recorded 24,308 million yen of Allowance for doubtful receivables on the balance sheet. For methods used to calculate the estimate, refer to Notes Concerning Significant Accounting Policies Note 7 Accounting for Allowance for Doubtful Receivables.

### **2. Accounting Method for Provisions for Retirement Benefits**

In the year ended March 31, 2023, the Company recorded 45,202 million yen of Accrued Pension and Severance Liabilities under Retirement benefit obligations on the balance sheet. For methods used to calculate the estimate, refer to Notes Concerning Significant Accounting Policies Note 8 Accounting for Accrued Pension and Severance Liabilities.

### **3. Provisions**

In the year ended March 31, 2023, the Company recorded the following provisions: Provision for Loss on Guarantees of Obligation 15,978 million yen, and Provision for Share-based Compensation 8,248 million yen. For methods used to calculate the estimate, refer to Notes Concerning Significant Accounting Policies Note 9 Accounting for Provision for Loss on Guarantees of Obligations, and Note 10 Accounting for Provision for Share-based Compensation.

### **4. Recoverability of Deferred Tax Assets**

For deferred tax assets recognized in the year ended March 31, 2023, refer to Notes Concerning Tax Income Tax Effect.

### **5. Loss on write-down of investment securities**

In the year ended March 31, 2023, the Company recorded 70,654 million yen as a “Loss on write-down of investment securities” on the Statement of Income. The Company also recorded 4,067,751 million yen in “Investments in affiliates – stock” on the Balance Sheet. For methods used to calculate these estimates, refer to Notes Concerning Significant Accounting Policies Note 2 “Measurement and Valuation Method of Securities,” and notes to the Consolidated Financial Statements under Notes Concerning Material Accounting Policies, Note 5 “Accounting Estimates (3) Medium- to long-term price assumption for copper and crude oil.

## Changes in Accounting Estimates

(Provision for doubtful receivables from affiliates)

During the year ended March 31, 2023, the Company recorded losses 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. These losses are comprised of provisions related to loans and unused loan commitments to GMMC of ¥19,948 million in "Provision for doubtful receivables from affiliates", as well as a corresponding tax effect of ¥4,987 million (Gain) in "Income taxes – deferred".

In addition, the Company recorded ¥4,994 million in "Allowance for doubtful receivables"(current assets), ¥14,954 million in "Other current liabilities" and ¥4,987 million in "Deferred tax assets" in the non-consolidated balance sheet as of March 31, 2023.

(Loss on write-down of investment securities)

During the year ended March 31, 2023, the Company recorded impairment losses on its investment in HERE Technologies (HERE), in which the company holds 14.17% of shares, mainly due to the fact that the capital increase was conducted by other shareholders, and its business plan was revised. These losses are comprised of impairment losses of ¥30,923 million in "Loss on write-down of investment securities" as well as a corresponding tax effect of ¥7,731 million (Gain) in "Income taxes – deferred".

## Notes to Non-consolidated Balance Sheet

### 1. Assets pledged as collateral and significant liabilities with collateral

#### (1) Assets pledged as collateral

Investments in affiliates – stock	72,588	million yen
Buildings and structures	4,312	million yen
Land	6,695	million yen
Other*	26,193	million yen
Total	109,790	million yen

(Note)

"Other" consists primarily of lease deposits and guarantees related to operating transactions and derivative transactions.

#### (2) Significant liabilities with collateral

Deposit liabilities and others	9,763	million yen
Total	9,763	million yen

Transfer transactions that do not involve the derecognition of non-financial assets and financial assets can be viewed as an effective pledge of collateral. However, these transactions differ in nature from the ordinary pledge of collateral, in which legal ownership of the pledged assets is retained. Accordingly, such transfer transactions are not included in the amounts above.

As of March 31, 2023, as an example of transfer transactions for such assets that do not involve derecognition, the Company has bond repurchase agreements. The balance of financial assets for such transactions stood at 39,219 million yen as of March 31, 2023.

**2. Accumulated depreciation for property, plant, and equipment**

94,451 million yen

**3. Credit guarantee of indebtedness**

**Guarantees for borrowings from banks and others by customers and suppliers**

Category	Guaranteed party	Voting rights held	Credit guarantee (Millions of Yen)
Consolidated subsidiary	TRI PETCH ISUZU LEASING CO., LTD.	93.50%	246,110
Consolidated subsidiary	Mitsubishi Corporation (Americas)	100%	219,656
Consolidated subsidiary	Mitsubishi Corporation RtM Japan Ltd.	100%	215,243
Consolidated subsidiary	mitsubishi corporation finance plc	100%	207,624
Consolidated subsidiary	PT. DIPO STAR FINANCE	95%	200,679
Affiliate	PE WHEATSTONE PTY LTD	39.66%	128,947
Consolidated subsidiary	MCE BANK GMBH	100%	120,917
Consolidated subsidiary	MITSUBISHI CORPORATION RTM INTERNATIONAL PTE. LTD.	100%	113,927
Consolidated subsidiary	DIAMOND REALTY INVESTMENTS, INC.	100%	93,513
Consolidated subsidiary	DIAMOND GENERATING CORPORATION	100%	82,930
Others (148 companies)			1,380,812
Total			3,010,363

The table above includes quasi-guarantees on bank loans and other liabilities. The Company receives a guarantor fee from the individually listed companies based in part on prevailing market interest rates.

The above obligations include the Company's guarantees for borrowings of a subsidiary based in Russia. As of March 31, 2023, guarantees related to Russia amount to 55,991 million yen, this amount includes guarantees for borrowings between subsidiaries which amount to 48,915 million yen.

In addition to the above, the Parent has a Keep Well Agreement with its affiliate Mitsubishi International Corporation. Although the agreement does not present a guarantee by the Parent to service the debt obligations of this affiliate, it promises the Parent will provide funds for pledging to financial and other institutions in the event that the affiliate experiences either a decline in net assets below a predetermined amount or a shortage in current assets required for paying its debt obligations.

However, as of the end of the fiscal year ended March 31, 2023, none of the affiliates recorded any guarantees or borrowings, all maintained net assets above the predetermined amount, and none had experienced a shortage in current assets.

In addition to the above-mentioned credit guarantees for borrowings from banks and others by customers and suppliers, the Parent provides performance guarantees for Liquefied Natural Gas (“LNG”) projects. These performance guarantees include guarantees for the future funding commitment and payment of usage fees in accordance with the joint venture agreement for natural gas liquefaction facilities.

These guarantees amounted to 1,216,267 million yen as of March 31, 2023. The main projects included in the preceding are those in North America.

<b>4. Trade notes discounted</b>		58,248	million yen
<b>5. Due from/to affiliates:</b>			
	Short-term receivables	823,886	million yen
	Long-term receivables	430,361	million yen
	Short-term payables	350,441	million yen
	Long-term payables	14,596	million yen

## **Notes to Non-consolidated Statement of Income**

### **1. Transactions with affiliates**

Operating transactions		
Sales <sup>1</sup>	1,580,461	million yen
Purchases	1,404,016	million yen
Transactions other than operating transactions	1,346,310	million yen

Note 1: The amount of operating transactions is presented on a gross basis.

Note 2: Under “Revenues” on the non-consolidated statement of income, some transaction amounts are presented on a net basis.

### **2. Provision for doubtful receivables from affiliates**

Provision for doubtful receivables from affiliates includes provisions for affiliates’ loss allowance and provision for loss on guarantees of obligations (net of reversal of provision).

## **Notes to Non-consolidated Statement of Changes in Equity**

Number of shares of treasury stock as at March 31, 2023 <sup>1</sup>	Ordinary shares	29,487,152 shares
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Note1: The above figure for treasury stock includes 7,019,724 shares held in the trust account for the benefit share ESOP.

## Notes Concerning Income Tax Effects

### **1. Breakdown of the significant components of deferred tax assets and liabilities**

Deferred tax assets		
Provisions (allowance for doubtful receivables and provision for loss on guarantees)	12,251	million yen
Accrued expenses	18,288	million yen
Loss on write-down of investment securities	229,263	million yen
Deferred hedging gains and losses	28,594	million yen
Expenses related to accrued pension and severance liabilities	24,609	million yen
Tax loss carry forwards	12,299	million yen
Other	35,330	million yen
	360,635	million yen
Valuation allowance for tax loss carry forwards	(9,074)	million yen
Valuation allowance for the total amount of deductible temporary differences, etc.	(122,272)	million yen
	(131,346)	million yen
	229,289	million yen
Deferred tax liabilities		
Unrealized gain on other securities	(112,024)	million yen
Gain on write-up of investment securities	(12,350)	million yen
Other	(4,446)	million yen
	(128,820)	million yen
Net deferred tax assets (liabilities)	100,468	million yen

## Notes Concerning Transactions with Related Parties

CC	Name of Company	Ownership Interest of Voting Rights	Relationship with Related Party	Transactions	Transaction Amount (Million yen)	Financial Line Items	Year-End Balance (Million yen)
Subsidiary	Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Directly held 100%	Advance of funds	Advance of funds (Notes 1 and 2) Interest received (Note 1)	289,521 363	Short-term loans Long-term loans Others (current assets)	167,001 32,376 46
Associate	ANGLO AMERICAN QUELLAVECO S.A.	Indirectly held 40%	Advance of funds	Advance of funds (Notes 1 and 2) Interest received (Note 1)	287,918 17,188	Long-term loans	317,470
Subsidiary	Mitsubishi Corporation (Americas)	Directly held 100%	Advance of funds	Advance of funds (Notes 1 and 2) Interest received (Note 1)	148,708 3,872	Short-term loans Others (current assets)	173,589 212
Subsidiary	MC FINANCE & CONSULTING ASIA PTE. LTD.	Directly held 100%	Advance of funds	Advance of funds (Notes 1 and 2) Interest received (Note 1)	131,509 4,243	Short-term loans Long-term loans Others (current assets)	178,154 4,808 105
Subsidiary	MITSUBISHI DEVELOPMENT PTY LTD	Directly held 100%	Borrowing of funds	Advance of funds (Notes 1 and 2) Interest received (Note 1)	328,115 6,010	Short-term borrowings Others (current liabilities)	201,623 578

### Transaction terms and policies

(Notes)

1. The Parent determines conditions of advances and borrowings reasonably based on market interest rates.
2. Transaction amount of the advances and borrowings are determined based on their average balance during the period.
3. Refer to the notes to the Non-consolidated Balance Sheet under “3. Credit guarantee of indebtedness” for details about significant related party transactions regarding guarantees.



**Notes Concerning Per Share Information**

Net assets per share	2,644.90	yen
Basic net income per share	866.03	yen
Diluted net income per share	862.18	yen

**Notes Concerning Revenue Recognition**

Refer to the Notes Concerning Material Accounting Policies, 4 Material Accounting Policies (15) Revenues for details about performance obligations and the timing at which they are satisfied.

## **Notes Concerning Significant Subsequent Events**

### **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