

Mitsubishi Corporation (Americas)

(A Wholly-Owned Subsidiary of
Mitsubishi Corporation)

Financial Statements as of and for the
Years Ended March 31, 2025 and 2024, and
Independent Auditor's Report

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mitsubishi Corporation (Americas)
New York, New York

Opinion

We have audited the financial statements of Mitsubishi Corporation (Americas) (the "Company") (a wholly-owned subsidiary of Mitsubishi Corporation), which comprise the statements of financial position as of March 31, 2025 and 2024, and the related statements of profit and loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 17 to the financial statements, because of significant transactions with related parties, the financial statements may not be indicative of the financial position, results of operations or cash flows if the Company had operated without such affiliations. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

July 11, 2025

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2025 AND 2024
(In thousands US dollars, except for share data)

ASSETS	Notes	2025	2024
CURRENT ASSETS:			
Cash and cash equivalents	11	\$ 281,684	\$ 130,057
Loans receivable:	7, 17		
Group companies		3,162,759	3,299,543
Other		5,191	4,177
Miscellaneous receivables:	17		
Parent and group companies		48,090	75,565
Other		18,037	61,380
Lease receivable	17, 18	469	398
Income tax receivable	13, 17	74,921	50,777
Payment for others	13	146,530	46,239
Other financial assets	11	679	686
Other current assets	17	6,379	2,949
		<u>3,744,739</u>	<u>3,671,771</u>
Total current assets			
NON-CURRENT ASSETS:			
Investments in affiliated companies		3,463,914	3,434,250
Other investments	11	348,810	403,039
Noncurrent loans receivable from group companies	7, 17	1,225,810	1,279,501
Noncurrent lease receivable	17, 18	10,686	11,006
Property and equipment	5	20,446	22,763
Right-of-use assets	18	87,707	94,647
Intangible assets	6	1,466	1,846
Other noncurrent financial assets	7, 11, 17	2,188	2,507
Other noncurrent assets		975	1,253
		<u>5,162,002</u>	<u>5,250,812</u>
Total noncurrent assets			
TOTAL ASSETS		<u><u>\$ 8,906,741</u></u>	<u><u>\$ 8,922,583</u></u>

(Continued)

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2025 AND 2024
(In thousands US dollars, except for share data)

	Notes	2025	2024
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current borrowings:	8, 12, 17		
Parent and group companies		\$ 3,191,075	\$ 2,680,937
Other		2,580,376	2,675,593
Current maturities of noncurrent borrowings	8, 12	-	50,000
Miscellaneous payables and accrued expenses:	17		
Parent and group companies		5,612	3,769
Other		17,401	12,768
Lease liabilities	8, 12, 17, 18	5,652	5,377
Income tax payables	13, 17	86,727	7,332
Other financial liabilities	11	12,138	56,894
Other current liabilities		1,589	1,594
		<u>5,900,570</u>	<u>5,494,264</u>
NON-CURRENT LIABILITIES:			
Noncurrent borrowings	8, 12	454,017	454,400
Noncurrent lease liabilities	8, 12, 17, 18	108,542	114,751
Deferred tax liabilities	13	58,861	67,988
Other noncurrent financial liabilities	7, 11	1,236	76
Other noncurrent liabilities		39	82
		<u>622,695</u>	<u>637,297</u>
Total noncurrent liabilities		<u>622,695</u>	<u>637,297</u>
Total liabilities		<u>6,523,265</u>	<u>6,131,561</u>
EQUITY:			
Stockholder's equity:			
Common stock without par value (authorized—200 shares; issued and outstanding—17 shares)		1,968,115	1,968,115
Retained earnings		168,917	555,329
Accumulated other comprehensive income:			
Other investments designated as FVOCI	11, 16	246,444	267,578
Total accumulated other comprehensive income		<u>246,444</u>	<u>267,578</u>
Total stockholder's equity		<u>2,383,476</u>	<u>2,791,022</u>
TOTAL LIABILITIES AND EQUITY		<u><u>\$ 8,906,741</u></u>	<u><u>\$ 8,922,583</u></u>

See notes to the financial statements.

(Concluded)

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED MARCH 31, 2025 AND 2024
(In thousands US dollars)

	Notes	2025	2024
REVENUES	9, 17	<u>\$ 21,402</u>	<u>\$ 20,952</u>
GROSS PROFIT		<u>21,402</u>	<u>20,952</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	10, 14, 18	(105,059)	(94,544)
FINANCE INCOME (EXCLUDING DIVIDEND INCOME)	17, 18	253,605	258,427
DIVIDEND INCOME	11, 17	438,879	652,727
FINANCE COSTS	17, 18	(227,854)	(296,211)
(LOSS) GAIN ON INVESTMENTS	11	(27,163)	1,993
SUNDRY LOSS (NET OF INCOME OF \$259,681 IN 2025 AND \$72,893 IN 2024)	11, 15	<u>(95,106)</u>	<u>(22,075)</u>
INCOME BEFORE INCOME TAX BENEFIT		258,704	521,269
INCOME TAX BENEFIT	13	<u>24,246</u>	<u>7,767</u>
NET INCOME		<u>\$ 282,950</u>	<u>\$ 529,036</u>

See notes to the financial statements.

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2025 AND 2024
(In thousands US dollars)

	Note	2025	2024
NET INCOME		\$ 282,950	\$ 529,036
OTHER COMPREHENSIVE (LOSS) INCOME—Net of tax	16		
Items that will not be reclassified to net income:			
(Losses) gains on other investments designated as FVOCI		<u>(21,134)</u>	<u>153,053</u>
Total other comprehensive (loss) income—net of tax		<u>(21,134)</u>	<u>153,053</u>
COMPREHENSIVE INCOME		<u>\$ 261,816</u>	<u>\$ 682,089</u>

See notes to the financial statements.

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2025 AND 2024
(In thousands US dollars)

	Notes	2025	2024
COMMON STOCK:			
Balances—beginning of year		\$ 1,968,115	\$ 1,941,562
Issuance of common stock		<u>-</u>	<u>26,553</u>
Balances—end of year		<u>1,968,115</u>	<u>1,968,115</u>
RETAINED EARNINGS:			
Balances—beginning of year		555,329	307,713
Net income		282,950	529,036
Dividend		<u>(669,362)</u>	<u>(281,420)</u>
Balances—end of year		<u>168,917</u>	<u>555,329</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balances—beginning of year	16	267,578	114,525
(Losses) gains on other investments designated as FVOCI—net of tax		<u>(21,134)</u>	<u>153,053</u>
Balances—end of year		<u>246,444</u>	<u>267,578</u>
TOTAL STOCKHOLDER’S EQUITY		<u><u>\$ 2,383,476</u></u>	<u><u>\$ 2,791,022</u></u>

See notes to the financial statements.

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2025 AND 2024
(In thousands US dollars)

	2025	2024
OPERATING ACTIVITIES:		
Net income	\$ 282,950	\$ 529,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,448	10,579
Loss (gain) on investments	27,163	(1,993)
Unrealized (gain) loss and foreign exchange (gain) loss on derivatives	(28,711)	(4,822)
Income taxes	(24,246)	(7,767)
Finance income (excluding dividend income)	(253,605)	(258,427)
Dividend income	(438,879)	(652,727)
Finance costs	227,854	296,211
Changes in operating assets and liabilities:		
Miscellaneous receivables	5,635	(14,906)
Other financial and non-financial assets	6	5,429
Other noncurrent financial and non-financial assets	164	(1,096)
Miscellaneous payables and accrued expenses	5,738	1,779
Other financial and non-financial liabilities	(168)	323
Other noncurrent financial and non-financial liabilities	568	(51)
	<u>(185,083)</u>	<u>(98,432)</u>
Cash generated from operating activities:		
Net interest received (paid)	31,763	(33,803)
Income tax received	32,463	152,153
Income tax paid	(56,421)	(27,686)
Dividends received	<u>501,386</u>	<u>644,972</u>
Net cash provided by operating activities	<u>324,108</u>	<u>637,204</u>

(Continued)

MITSUBISHI CORPORATION (AMERICAS)
(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2025 AND 2024
(In thousands US dollars)

	2025	2024
INVESTING ACTIVITIES:		
Proceeds from capital reduction of affiliated companies	\$ 40,000	\$ 30,000
Proceeds from sales of affiliated companies	12,029	-
Purchases of investments in affiliated companies	(82,018)	(249,500)
Proceeds from sales of other investments	285	1,470
Purchases of other investments	(3,000)	(17,560)
Proceeds from sales of property and equipment	-	1,169
Purchases of property and equipment	(893)	(2,699)
Purchases of intangible assets	(439)	(2,204)
Collection of loans receivable from group companies	789,615	323,600
Increase in loans receivable to group companies	(599,704)	(1,543,657)
Collection of loans receivable from other	500	2,700
Increase in loans receivable to other	(1,500)	(2,500)
Net cash provided by (used in) investing activities	<u>154,875</u>	<u>(1,459,181)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of current borrowings	5,129,571	6,220,990
Repayment of current borrowings	(4,728,076)	(4,942,887)
Proceeds from issuance of noncurrent borrowings	-	20,000
Repayment of noncurrent borrowings	(50,000)	(300,000)
Repayment of lease liabilities	(9,489)	(9,053)
Payment of dividends	(669,362)	(281,420)
Net cash (used in) provided by financing activities	<u>(327,356)</u>	<u>707,630</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	151,627	(114,347)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>130,057</u>	<u>244,404</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 281,684</u>	<u>\$ 130,057</u>
NON-CASH ITEMS IN INVESTING ACTIVITIES:		
Acquisition of an affiliated company by means of an equity issue to the Parent	<u>\$ -</u>	<u>\$ 26,553</u>

See notes to the financial statements.

(Concluded)

MITSUBISHI CORPORATION (AMERICAS)

(A Wholly-Owned Subsidiary of Mitsubishi Corporation)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MARCH 31, 2025 AND 2024

(In thousand US dollars, except as noted)

1. GENERAL INFORMATION

Mitsubishi Corporation (Americas) (the “Company” or MCA) is incorporated in the United States. It is a wholly-owned subsidiary of Mitsubishi Corporation (MC), Tokyo, Japan (the “Parent”). The Parent is the ultimate controlling party. The address of its registered office and principal place of business is 151 West 42nd Street, New York.

MC has had a presence in the United States since 1954, when Mitsubishi International Corporation (MIC) was incorporated as a wholly-owned subsidiary of MC. In 2012, MCA was established as the US holding company for MIC and other MC Group companies in North America. MCA is a global integrated business enterprise with 8 business groups that operate across virtually every industry. These include environmental energy, materials solution, mineral resources, urban development and infrastructure, mobility, food industry, smart life creation, and power solution. Through its various business groups and subsidiaries, MCA engages in strategic investment and global trading of industrial and consumer products. MCA manages investments, provides funds to MC group companies in North America in need of cash by funding via borrowings from third-party financial institutions, and provides services to MC group companies in North America.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to the Parent through dividends. The Company’s overall strategy remains unchanged over the reported years. The capital structure of the Company consists of net debt (borrowings as detailed in Note 8 offset by cash and cash equivalents) and equity of the Company (comprising issued capital and retained earnings).

2. BASIS OF PREPARATION

2.1 Compliance with IFRS Accounting Standards (IFRS)—These financial statements have been prepared on an accrual basis in accordance with IFRS as issued by the International Accounting Standards Board (IASB). In May 2024, the IASB issued IFRS 19, *Subsidiaries without Public Accountability: Disclosures* (the “Standard”). The Standard, which is a voluntary standard that specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS standards, becomes effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Standard has been retrospectively applied by the Company to April 1, 2023. In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* (“IFRS 18”), which supersedes IAS 1, *Presentation of Financial Statements* and is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company has not yet adopted IFRS 18 and is utilizing the IFRS 19 guidance specified for entities that apply the Standard prior to the application of IFRS 18.

2.2 Basis of Measurement—The financial statements have been prepared on the historical cost basis except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3, “Material accounting policies.”

2.3 Material Accounting Judgments, Estimates, and Assumptions—In preparing the 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 and next financial year results may differ materially from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods that are affected.

Material judgment and estimates are required in the determination of the deferred tax assets (Note 13) and fair value measurement of financial instruments (Note 11).

2.4 Functional Currency and Presentation Currency—Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in thousands of US dollars unless otherwise stated, which is the Company’s presentational currency.

2.5 Standalone Financial Statements—Based on IFRS 10, *Consolidated Financial Statements*, MCA does not prepare consolidated financial statements and prepares standalone financial statements in accordance with IAS 27, *Separate Financial Statements* since the Parent prepares consolidated financial statements in accordance with IFRS.

3. MATERIAL ACCOUNTING POLICIES

3.1 Subsidiaries and Affiliated Companies—In accordance with IAS 27, the Company accounts for investments in subsidiaries, joint ventures and associates at cost. An affiliated company is an entity which is not controlled 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% but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over the entity. However, some of the entities in which the Company holds less than 20% has been classified as affiliated companies due to significant influence achieved by combined interests held by MC or other affiliates.

3.2 Foreign Currency Translations and Transactions—Items in the financial statements denominated in foreign currencies are recorded at the exchange rate in effect at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables during the period, are recognized in “Sundry loss—net” in the statements of profit and loss in such period. The difference arising from the retranslation of monetary items is recognized in “Sundry loss—net” in the statements of profit and loss.

3.3 Financial Instruments—The Company applies IFRS 9 (revised in July 2014), *Financial Instruments*, to the accounting treatment of financial instruments.

i) *Nonderivative Financial Assets*—The Company recognizes all financial assets at the transaction date on which the Company became a party to the contract concerning such financial instruments.

The Company recognizes financial assets at its fair value. Financial assets not recorded at fair value through profit or loss, also includes transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

Nonderivative financial assets are classified and measured as follows:

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.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial Assets Measured at Fair Value through Other Comprehensive Income (“FVOCI”)—A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) 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.

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at FVOCI.

Other Financial Assets Measured at Fair Value—Financial assets other than those measured at amortized cost or at fair value through other comprehensive income are measured at fair value, and changes in their fair value are recognized as profit or loss (“FVPL”). However, the Company elects to designate some equity instruments as changes in their fair value are recognized as other comprehensive income if the investments are not held for trading. A financial asset is classified as held for trading if:

- (a) It has been acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- (c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of equity instruments measured at FVOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in net profit or loss. Dividend income from equity instruments measured at FVOCI is recognized in “Dividend Income” in the statements of profit and loss at the time when the right to receive payment of the dividend is established.

- ii) Derecognition of Financial Assets**—The Company derecognizes financial assets 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.
- iii) Cash and Cash Equivalents**—Cash and cash equivalents are short-term (original maturities of three months or less), highly liquid investments, including certificate of deposit that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- iv) Nonderivative Financial Liabilities**—The Company initially recognizes debt securities issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

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 effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or a shorter period (where appropriate) to the net carrying amount on initial recognition.

- v) Equity—Comprehensive Income**—In accordance with IASB International Accounting Standards (IAS) 1, *Presentation of Financial Statements*, the Company has included amounts for comprehensive income (which consists of net profit or loss and other comprehensive income) in the statements of changes in equity and the statements of comprehensive income. Other comprehensive income consists of all changes to stockholder’s equity other than those resulting from net profit or loss and shareholder transactions. For the Company, other comprehensive income consist of income on other investments designated as FVOCI, on a net of tax basis, where applicable. Accumulated other comprehensive income, which is primarily the cumulative amount of other comprehensive income, is a separate component of total stockholder’s equity.
- vi) Derivative Instruments**—The Company recognizes all derivative instruments as assets or liabilities at fair value as at the date on which they become party to the relevant agreements. Subsequent to initial recognition, derivative instruments are measured at fair value.

The Company uses derivative instruments to manage exposures to foreign currency.

In addition, the Company has foreign exchange forward contracts that have been entered into principally to manage exposure to transaction and translation risk associated with certain assets, obligations and commitments denominated in foreign currencies. Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in “Sundry loss—net” in the statements of profit and loss.

vii) Offsetting of Financial Assets and Liabilities—If the Company currently has a legally enforceable right to offset the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the statements of financial position.

viii) Impairment—The Company has applied IFRS 9 (revised in July 2014), *Financial Instruments*. The Company recognizes loss allowances for Expected Credit Losses (ECL) on the financial instruments that are measured at amortized cost and debt instruments that are measured at FVOCI.

ECL is a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s effective interest rate (EIR).

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL is measured at an amount equal to the 12-month ECL, except for trade receivables. The Company measures ECL for all trade receivables at lifetime ECL.

The Company measures ECL for financial instruments using a provision matrix, except when a financial instrument is in default. When a financial instrument is in default, the Company measures ECL using present value of the difference between the cash flows due to the Company under the contract and the expected (probability-weighted) cash flows due to the Company.

When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk ratings;
- remaining term to maturity

Credit-impaired Financial Assets—A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether financial assets are credit-impaired at each reporting date.

A financial instrument is considered credit impaired if the counterparty has not yet legally bankrupted but has negative equity and there is no possibility of recovery.

Definition of Default—The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is measured based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECL and the identification of a significant increase in credit risk.

The Company considers an event of default to be the same with credit-impaired financial assets as it is consistent with the Company’s credit risk management policy. IFRS 9 includes a rebuttable presumption that a financial asset has defaulted when contractual payments are more than 90 days past due.

Significant Increase in Credit Risk—The Company monitors all financial instruments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including

historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and the Company expert's credit assessment.

The Company maintains an internal credit rating system using "G", "N" and "W" to present increasing level of credit risks with "G" representing lowest credit risk and "W" representing highest credit risk. Various factors are evaluated when assessing the internal credit rating of a counterparty including past due status of the related financial assets. IFRS 9 included a presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

An entity may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. To determine whether a financial instrument has low credit risk, the Company uses internal credit rating. Better internal credit rating lowers the credit risk.

The Company's accounting policy is to use the practical expedient and measures lifetime ECL for all trade receivables without significant financing component using a provision matrix. As a result, there is no distinction between Stage 1 and Stage 2 of the impairment model for trade receivables. Most, if not all, of the loans are granted to Group companies and they are covered by letter of guarantee from MC, as such, they are subject to limited risk of default.

Incorporation of Forward-looking Information—The Company uses forward-looking information that is available without undue cost or effort in determining whether credit risk of a financial instrument has increased significantly since initial recognition. The Company incorporates external and internal forward looking information including economic data and forecasts published by governmental bodies and monetary authorities to its internal credit ratings.

Measurement of ECL—The key inputs used for measuring ECL are:

- probability of default (PD)
- loss given default (LGD)

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default occurring over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is calculated based on market data as well as past experience of the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from any collateral or other credit enhancement.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

Write-off—If the Company believes that there is no reasonable expectations of recovering a financial asset, the gross carrying amount of the financial asset shall be directly written-off (i.e. derecognition) at an amount equal to credit loss, and reverse the loss allowance at an amount of the credit loss or the balance of the loss allowance before reversal, whichever is smaller, and offset the loss from write-off with reversal gains. Furthermore, loss allowance shall be recalculated based on the expected credit loss on the gross carrying amount of the financial asset after the write-off.

Modification of Financial Assets—A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing receivable would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached). If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognized, the Company assesses at the reporting date whether there has been a significant increase in the credit risk of the financial asset.

Loans receivable and miscellaneous receivables in the statements of financial position are reported net of loss allowances.

3.4 Property and Equipment

Recognition and Measurement—Property and equipment are recorded at cost, net of accumulated depreciation.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located. If the useful life of property and equipment varies from component to component, each component is recognized as a separate item of property and equipment.

Depreciation—Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation is determined principally on a straight-line basis over the estimated useful lives of the property. Leasehold improvements are amortized on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter.

The useful lives used in computing depreciation are based on the Company's estimate of the service life of the classes of property are as follows:

	Years
Buildings and structures	1–30
Machinery and equipment	5–10
Furniture and fixtures	2–10

The above depreciation method was adopted as it most closely reflects the pattern in which the asset's future economic benefits are expected to be consumed. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance and repair costs are expensed as incurred.

Derecognition—The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in "Sundry loss—net" in the statements of profit and loss when the item is derecognized.

- 3.5 Intangible Assets**—The Company capitalizes purchased software as intangible assets. Intangible assets are amortized on the straight-line basis over the estimated useful life. The useful life used in computing amortization is based on the Company's estimate of the service life of the classes of intangible assets as follows:

	Years
Capitalized software costs	3–5

- 3.6 Leases**—IFRS 16, *Leases*, has requirements on the recognition and measurement of all leases for lessees and provided exemptions for short-term leases and leases for which the underlying asset is of low value. The Company has elected, a practical expedient under IFRS 16, not to reassess whether existing contracts contain leases at the date of initial application and apply this standard to existing contracts that were identified as containing a lease applying IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease*. In addition, the Company elected not to apply recognition and measurement requirements to leases for which the lease term ends within 12 months of the date of initial application. Under the new requirements as a lessee, the Company has recognized right-of-use assets and lease liabilities for all leases except when the Company elected to apply practical expedient for short-term leases (defined as leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value.

Company as a Lessor—The Company acts as a sub-lessor in certain leasing transactions with related parties, which are classified as finance leases. Amounts due from lessees under finance leases are recognized as "Lease receivable" and "Noncurrent lease receivable" in the statements of financial position at the amount of net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which it is attributed.

Company as a Lessee—The Company recognizes “Right-of-use assets”, “Lease liabilities” and “Noncurrent lease liabilities” in the statements of financial position for all leases as a lessee except short-term leases and leases for which the underlying asset is of low value.

- 3.7 Impairment of Nonfinancial Assets**—If there are any events or changes in circumstances indicating that the carrying amount of the Company’s nonfinancial assets and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment.

Assessment for impairment is performed with respect to each asset, cash-generating unit, or group of cash-generating units at the end of each reporting period. 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 net profit or loss.

The recoverable amount of the asset, cash-generating unit, or group of cash-generating units is the higher of the value in use or the fair value, less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pretax discount rate reflecting the risks specific to the asset or the cash-generating unit. In cases where cash flows are generated by multiple assets, the smallest unit that generates cash flows more or less independently from cash flows of other assets or group of assets is referred to as a cash-generating unit.

An 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. Reversal of impairment loss is recognized up to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

- 3.8 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 a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

- 3.9 Revenue**—The Company has applied IFRS 15, *Revenue from Contracts with Customers*, which has a 5-step approach to revenue recognition.

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.

The Company generates revenue from providing services to related parties and third parties. The services include collecting information, and consultation services. MCA receives fees for those services based on a time and material basis.

Refer to note 9 for a breakdown of Revenues.

3.10 Income Taxes—Income tax expenses consist of current and deferred taxes. They are recognized in net profit or loss, excluding items recognized directly in other comprehensive income.

Deferred taxes are recognized for temporary differences between the financial statement and income tax bases of assets and liabilities.

From a federal tax return perspective, the Company is the parent of the federal consolidated tax filings. Refer to note 13 for further details.

For taxable temporary differences concerning investments to subsidiaries and affiliated companies 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 investments to subsidiaries and affiliated companies 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.

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 to reduce future taxable income. The recoverability of deferred tax assets is reviewed at the end of each period and the Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

3.11 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 in which transactions take place with sufficient frequency and volume on an ongoing basis for identical assets or liabilities that the Company can access at the measurement date.
- (ii) Level 2**—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- (iii) Level 3**—Unobservable inputs for the assets or liabilities which reflect the assumptions that market participants would use when pricing the assets or liabilities. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The Company is currently assessing the possible impact on the Company's financial statements of the application of the following new standards that have been recently issued, but are not yet effective:

IFRS 18, *Presentation and Disclosure in Financial Statements*

The Company is in the process of assessing the potential impact its application will have on the Company's financial statements. Refer to note 2.1 for details of the Standard and its effective date.

IFRS S1 and IFRS S2, Sustainability Disclosure Standards

In June 2023, International Sustainability Standards Board ("ISSB") issued IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information* ("IFRS S1"), and IFRS S2, *Climate-related Disclosures* ("IFRS S2"). IFRS S1 provides the basic requirements for sustainability disclosures, which should be used with IFRS S2 as well as the future Standards the ISSB releases. IFRS S2 has been developed specifically to capture climate-related risks and opportunities disclosure requirements. These standards for annual periods are effective beginning on or after January 1, 2024. However, as the Company's Parent is headquartered in Japan and the adoption of these standards is not yet mandated in the jurisdiction, the Company has not adopted IFRS S1 and S2 at this time.

5. PROPERTY AND EQUIPMENT

The following is a breakdown of the changes in gross carrying amount and accumulated depreciation of property and equipment for the year ended March 31, 2025.

Cost	Land	Building and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Balances—April 1, 2024	\$ 1,749	\$ 18,728	\$ 500	\$ 10,407	\$ 31,384
Additions	-	96	11	686	793
Retirement	-	(24)	-	(147)	(171)
Transfer	-	(42)	-	(110)	(152)
Balances—March 31, 2025	<u>\$ 1,749</u>	<u>\$ 18,758</u>	<u>\$ 511</u>	<u>\$ 10,836</u>	<u>\$ 31,854</u>
Accumulated Depreciation	Land	Building and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Balances—April 1, 2024	\$ -	\$ (3,299)	\$ (466)	\$ (4,856)	\$ (8,621)
Depreciation expense	-	(904)	(14)	(2,020)	(2,938)
Retirement	-	4	-	124	128
Transfer	-	3	-	20	23
Balances—March 31, 2025	<u>\$ -</u>	<u>\$ (4,196)</u>	<u>\$ (480)</u>	<u>\$ (6,732)</u>	<u>\$ (11,408)</u>
Net book value: As of March 31, 2025	<u>\$ 1,749</u>	<u>\$ 14,562</u>	<u>\$ 31</u>	<u>\$ 4,104</u>	<u>\$ 20,446</u>

6. INTANGIBLE ASSETS

The following is a breakdown of the changes in gross carrying amount and accumulated amortization of intangible assets for the year ended March 31, 2025.

Cost

Balance—April 1, 2024	\$ 3,618
Additions	439
Retirement	<u>(3)</u>
Balance—March 31, 2025	<u>\$ 4,054</u>

Accumulated Amortization

Balance—April 1, 2024	\$ (1,772)
Amortization expense	(817)
Retirement	<u>1</u>
Balance—March 31, 2025	<u>\$ (2,588)</u>
Net book value—March 31, 2025	<u>\$ 1,466</u>

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company is exposed to market risk from changes in interest rates. To manage the exposure to those risks, the Company generally identifies its net exposure and utilizes transactions which can mitigate market risks. Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks. The types of derivatives used by the Company are primarily interest rate swaps.

For all derivatives designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. Whenever practical, the Company designates specific exposures to qualify for hedge accounting. In these circumstances, in order to assess whether the changes in fair values of hedging instruments are highly effective in offsetting changes in fair values of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and hedged items match or are closely aligned or quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. Management believes the effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company enters into hedges which are highly effective, management believes the amount of hedge ineffectiveness is immaterial.

Impact of Fair Value Hedges on the Statements of Financial Position—The following are the fair values (on a gross basis) and nominal amounts of derivative instruments designated as fair value hedge as of March 31, 2025 and 2024 as well as the changes in fair values for the years ended March 31, 2025 and 2024.

Derivative Designated as Fair Value Hedge	Account in the Statements of Financial Position	March 31,	
		2025	2024
Interest rate swap (Interest rate risks)	Other noncurrent financial assets	\$ 96	\$ 529
	Other noncurrent financial liabilities	625	76
Other Information			
	Change in fair value	\$ (982)	\$ 293
	Nominal amounts	81,100	64,600

The following are the carrying amounts and the accumulated amount of fair value hedge adjustments included in the carrying amount of hedged items designated as fair value hedge as of March 31, 2025 and 2024 as well as the changes in values for the years ended March 31, 2025 and 2024.

Hedged Item	Account in the Statements of Financial Position	March 31,	
		2025	2024
Loans receivable (interest rate risks)	Loans receivable— Group companies	\$ 25,600	\$ 14,600
	Noncurrent loans receivable from group companies	56,029	49,547
Other Information			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ 529	\$ (453)
	Change in value	982	(293)

8. BORROWINGS

Borrowings (current liabilities) as of March 31, 2025 and 2024 consisted of the following:

	2025	2024
Loans from Parent and group companies	\$ 3,191,075	\$ 2,680,937
Loans from financial institutions and other	176,014	153,194
Commercial paper	<u>2,404,362</u>	<u>2,522,399</u>
Total short-term borrowings	<u>\$ 5,771,451</u>	<u>\$ 5,356,530</u>

The following interest rates on current borrowings represent weighted-average rates on outstanding balances as of March 31, 2025 and 2024.

	Interest Rate	
	2025	2024
Loans from Parent and group companies	2.3 %	1.6 %
Loans from financial institutions and other	4.7	5.8
Commercial paper	4.4	5.4

During the year ended March 31, 2024, a portion of the loans from the Parent were changed from US Dollar-based loans to Japanese Yen-based loans due to our diversification of funding operations. In connection with these Japanese Yen-based loans, the Company incurred the costs for Japanese Yen forward, which are included in “Sundry loss—net” in the statements of profit and loss.

As of March 31, 2025 and 2024, borrowings bore interest at floating rates. Borrowings (noncurrent liabilities) as of March 31, 2025 and 2024 are composed of the following:

	2025	2024
Financial institutions—maturing through 2031—at floating rates, principally 4.88% to 5.12% as of March 31, 2025 and principally 5.89% to 6.13% as of March 31, 2024	<u>\$ 454,017</u>	<u>\$ 504,400</u>
Total noncurrent liabilities	454,017	504,400
Less current maturities	<u>-</u>	<u>(50,000)</u>
Total noncurrent borrowings	<u>\$ 454,017</u>	<u>\$ 454,400</u>

Certain of the Company’s loan agreements are subject to covenants and the Company is not aware of any instances of non-compliance with such covenants as of March 31, 2025.

The Company is a party to the joint revolving credit agreement (the “Global Facility Agreement”) whose termination date is September 30, 2025, together with the Parent to have a back-up facility of its funding in the amount of 1 Billion US Dollars, of which 200 Million US Dollars shall be dedicated and specifically available to the Company on a same day basis. There was no amount outstanding as of March 31, 2025 and 2024.

The Company and the Parent entered into a Private Placement Memorandum dated December 15, 2021, which is governed by the laws of the State of New York. The Parent (the “Guarantor”) guarantees payment in full, as and when the same becomes due and payable, of the principal of and interest, if any, on the short-term unsecured notes of U.S. commercial paper (the “Notes”) issued by the Company. In the event of a default in payment of principal of or interest on any Notes, the holders of such Notes, may institute legal proceedings directly against the Guarantor to enforce this guarantee without first proceeding against the Company.

Changes in Liabilities Arising from Financing Activities

	April 1, 2024	Cash Flows	Non-Cash Changes	March 31, 2025
Current borrowings:				
Parent and group companies	\$ 2,680,937	\$ 493,772	\$ 16,366	\$ 3,191,075
Financial institutions and other	153,194	24,861	(2,041)	176,014
Commercial paper	2,522,399	(117,138)	(899)	2,404,362
Lease liabilities	5,377	(9,489)	9,764	5,652
Current maturities of				
noncurrent borrowings	50,000	(50,000)	-	-
Noncurrent borrowings	454,400	-	(383)	454,017
Noncurrent lease liabilities	114,751	-	(6,209)	108,542

Current borrowings from financial institutions of \$150,000 as of March 31, 2025 were rolled over from April 1, 2024 and there was no cash activity during the fiscal year ended March 31, 2025. In addition, the Company refinanced the noncurrent borrowings from a financial institution of \$150,000 during the fiscal year ended March 31, 2025. The commitment deadline was extended to March 2031.

	April 1, 2023	Cash Flows	Non-Cash Changes	March 31, 2024
Current borrowings:				
Parent and group companies	\$ 2,342,298	\$ 408,454	\$ (69,815)	\$ 2,680,937
Financial institutions and other	150,000	3,194	-	153,194
Commercial paper	1,645,000	866,455	10,944	2,522,399
Lease liabilities	5,048	(9,053)	9,382	5,377
Current maturities of				
noncurrent borrowings	-	-	50,000	50,000
Noncurrent borrowings:	784,172	(280,000)	(49,772)	454,400
Noncurrent lease liabilities	113,254	-	1,497	114,751

Current borrowings from financial institutions of \$150,000 as of March 31, 2024 were rolled over from April 1, 2023 and there was no cash activity during the fiscal year ended March 31, 2024.

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers for the years ended March 31, 2025 and 2024 are as follows.

Type of Contracts	Providing Services	2025	2024
Contracts with Customers within the scope of IFRS 15	Providing services	\$ 21,402	\$ 20,952

10. EMPLOYEE BENEFITS

Defined Contribution Plan—The Company has a defined contribution plan. The expense related to the defined contribution plan was \$1,451 and \$1,385 for the years ended March 31, 2025 and 2024, respectively, and recognized in “Selling, general, and administrative expense” in the statements of profit and loss.

11. FAIR VALUE MEASUREMENTS

The following table presents the Company's fair value hierarchy for assets measured at fair value on a recurring basis as of March 31, 2025 and 2024.

March 31, 2025	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVPL	\$ -	\$ -	\$ 30,086	\$ -	\$ 30,086
Financial assets measured at FVOCI	-	-	318,724	-	318,724
Currency and interest rate swap	-	746	-	-	746
Other noncurrent financial assets	-	-	200	-	200
Total	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ 349,010</u>	<u>\$ -</u>	<u>\$ 349,756</u>
Liabilities:					
Currency and interest rate swap	<u>\$ -</u>	<u>\$ 12,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,536</u>
Total	<u>\$ -</u>	<u>\$ 12,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,536</u>
March 31, 2024	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVPL	\$ -	\$ -	\$ 57,563	\$ -	\$ 57,563
Financial assets measured at FVOCI	-	-	345,476	-	345,476
Currency and interest rate swap	-	1,193	-	-	1,193
Other noncurrent financial assets	-	-	200	-	200
Total	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 403,239</u>	<u>\$ -</u>	<u>\$ 404,432</u>
Liabilities:					
Currency and interest rate swap	<u>\$ -</u>	<u>\$ 56,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,583</u>
Total	<u>\$ -</u>	<u>\$ 56,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,583</u>

Assets are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement.

Currency forward and interest rate swap are recognized in "Other financial assets", "Other noncurrent financial assets", "Other financial liabilities", or "Other noncurrent financial liabilities" in the statements of financial position.

Gain (loss) on derivatives not designated as hedging instruments for the years ended March 31, 2025 and 2024 are as follows. Please refer to Note 7 for gains and losses on hedges.

Derivatives not Designated as Hedging Instruments	Statements of Profit and Loss Location	2025	2024
Foreign exchange forward	Sundry loss — net	<u>\$ 44,582</u>	<u>\$ (64,714)</u>

Realized and unrealized (losses) gains included in earnings for Level 3 financial assets measured at FVPL for the years ended March 31, 2025 and 2024 are \$(30,192) and \$1,993, respectively. Realized and unrealized (losses) gains included in OCI for Level 3 financial assets measured at FVOCI for the years ended March 31, 2025 and 2024 are \$(26,752) and \$193,738, respectively.

(Losses) gains on other investments included in net income is recognized in “(Loss) gain on investments” in the statements of profit and loss. The net gains or net losses on items at fair value through profit or loss include dividend income. The amount recognized as other comprehensive income for other investments measured at FVOCI is included in “(Losses) gains on other investments designated as FVOCI” in the statements of comprehensive income.

The following table represents the amounts recorded for the years ended March 31, 2025 and 2024:

	2025	2024
(Losses) gains on investments:		
Financial assets measured at FVPL	\$ (30,192)	\$ 1,993
Gains from sales of investments	<u>3,029</u>	<u>-</u>
Total (losses) gains on investments	<u>\$ (27,163)</u>	<u>\$ 1,993</u>

Financial Assets Measured at FVPL or FVOCI—Financial assets classified in Level 3 are non-marketable equity securities primarily valued by net asset value per share of investees or discounted cash flow. The fair values of other investments classified in Level 3 are processed by personnel in the accounting department of the Company, with information on the net asset value per share of the investees, information on the future cash flows of the investees, or independent third party appraisals, depending on the accessibility to the information.

For the year ended March 31, 2025 and 2024, the significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Significant increases (decreases) in this input result in significant decreases (increases) in fair value. Even if there is no change in the discount rate for individual non-marketable equity securities, it is possible that changes in fair value of individual equity securities result in change of the discount rate.

The carrying amount of cash and cash equivalents approximates fair value.

Other Investments—The following is a breakdown of the carrying amounts of other investments as of March 31, 2025 and 2024.

	2025	2024
FVPL	\$ 30,086	\$ 57,563
FVOCI	<u>318,724</u>	<u>345,476</u>
Total	<u>\$ 348,810</u>	<u>\$ 403,039</u>

The following is a breakdown of the fair values of other investments measured at FVOCI as of March 31, 2025 and 2024.

	2025	2024
Nonmarketable	<u>\$ 318,724</u>	<u>\$ 345,476</u>
Total	<u>\$ 318,724</u>	<u>\$ 345,476</u>

The amount of dividend income from other investments measured at FVOCI held at March 31, 2025 and 2024 that are recognized for the years ended March 31, 2025 and 2024 are \$86,385 and 106,213, respectively.

12. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

Interest Rate Risk Management—The Company’s financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used to convert fixed-rate assets to floating-rate assets.

The Company had gross interest-bearing liabilities of \$6,339,662 and \$5,981,058 as of March 31, 2025 and 2024, respectively. Because a large portion of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to loan receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investments generate income streams, such as dividends, that are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company’s operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

Assuming that the interest rate increased/decreased by 1% as of March 31, 2025 and 2024, their impacts on net income and total equity would not be material.

Foreign Currency Rate Risk Management—The Company is exposed to foreign currency risks related to financing in currencies other than the local currencies in which the Company operates. The Company’s strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets and liabilities by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedge currencies primarily include Japanese Yen and Canadian Dollar.

Credit Risk Management—The Company has exposure to credit risk arising from extending credit terms to its counterparties in various transactions with them. In case of deterioration in the credit of or bankruptcy of counterparties, the risk exposure causes the Company credit losses. To manage the credit risk, the Company has maintained credit and transaction limits for each counterparty with an internal rating system. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the counterparty. The Company has not considered whether the counterparties' financial position could offer the relevant and sufficient information on the assessment of the Company's credit risk because the Company has estimated its credit risk has been relatively insignificant, compared to its market risk.

The majority of the Company's receivables are loans to MC group companies. As the Company receives guarantee from MC for such loans, credit risks are mitigated.

Liquidity Risk Management—The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, according to market conditions at the time. The Company has a strong reputation in capital markets and with regard to indirect financing, the Company maintains a good relationship with a broad range of financial institutions. This diversity allows the Company to procure funds on terms that are cost competitive.

The breakdown of financial liabilities by due date as of March 31, 2025 and 2024 are as follows:

		Due After		
	Due In 1 Year	1 Year Through	Due After	
March 31, 2025	or Less	5 Years	5 Years	Total
Borrowings	\$ 5,771,451	\$ 304,778	\$ 149,239	\$ 6,225,468
Derivatives	11,911	354	271	12,536
Lease liabilities	5,652	25,264	83,278	114,194

		Due After		
	Due In 1 Year	1 Year Through	Due After	
March 31, 2024	or Less	5 Years	5 Years	Total
Borrowings	\$ 5,406,530	\$ 454,400	\$ -	\$ 5,860,930
Derivatives	56,507	65	11	56,583
Lease liabilities	5,377	24,390	90,361	120,128

The Company is a party to the joint revolving credit agreement together with the Parent as of March 31, 2025 and 2024, as detailed in Note 8.

13. INCOME TAXES

The benefit for income taxes for the years ended March 31, 2025 and 2024 relating to continuing operations, consists of the following:

	2025	2024
Current:		
In respect of the current year	\$ (18,110)	\$ (4,746)
In respect of prior years	<u>(2,627)</u>	<u>81</u>
Total current	<u>(20,737)</u>	<u>(4,665)</u>
Deferred:		
In respect of the current year	(5,688)	(3,214)
In respect of prior years	<u>2,179</u>	<u>112</u>
Total deferred	<u>(3,509)</u>	<u>(3,102)</u>
Total tax benefit	<u><u>\$ (24,246)</u></u>	<u><u>\$ (7,767)</u></u>

The difference between the actual income tax expense and income tax expense computed by applying the US federal statutory rate to pretax income for the years ended March 31, 2025 and 2024, is explained as follows:

	2025	2024
US federal statutory rate	21.00 %	21.00 %
State taxes (net of Federal tax benefit)	0.05	0.03
Expenses not deductible for income tax purposes	0.21	0.08
Federal tax true-up	(0.21)	0.01
BEAT tax liability	-	0.96
Dividend received deduction	<u>(30.42)</u>	<u>(23.57)</u>
Effective tax rate	<u>(9.37)%</u>	<u>(1.49)%</u>

Deferred tax assets and liabilities as of March 31, 2025 and 2024 are as follows:

	2025	2024
Deferred tax assets	\$ 18,763	\$ 21,045
Deferred tax liabilities	<u>(77,624)</u>	<u>(89,033)</u>
Total net deferred tax liabilities	<u><u>\$ (58,861)</u></u>	<u><u>\$ (67,988)</u></u>

The following table presents the changes in deferred tax for the years ended March 31, 2025 and 2024.

Year Ended March 31, 2025	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Accrued expenses	\$ 2,454	\$ 685	\$ -	\$ 3,139
Depreciation and amortization	(103)	(80)	-	(183)
Investments	(77,259)	6,212	5,618	(65,429)
Right-of-use assets	(19,876)	1,458	-	(18,418)
Lease receivable	(2,395)	52	-	(2,343)
Lease liabilities	25,068	(1,246)	-	23,822
Other	4,123	(3,572)	-	551
Total	<u>\$ (67,988)</u>	<u>\$ 3,509</u>	<u>\$ 5,618</u>	<u>\$ (58,861)</u>
Year Ended March 31, 2024	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Deferred tax in relation to:				
Accrued expenses	\$ 2,522	\$ (68)	\$ -	\$ 2,454
Depreciation and amortization	967	(1,070)	-	(103)
Investments	(36,397)	(177)	(40,685)	(77,259)
Right-of-use assets	(20,235)	359	-	(19,876)
Lease receivable	(2,020)	(375)	-	(2,395)
Lease liabilities	24,730	338	-	25,068
Other	28	4,095	-	4,123
Total	<u>\$ (30,405)</u>	<u>\$ 3,102</u>	<u>\$ (40,685)</u>	<u>\$ (67,988)</u>

As required by IAS 12, *Income Taxes*, the Company periodically evaluates the likelihood of the realization of deferred tax assets and reduces the carrying amount of these deferred tax assets to the extent that the Company believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience, expectations of future income, the carryforward periods available for tax reporting periods, and other relevant factors.

In assessing the realizability of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax asset to be recovered. The underlying assumptions used in forecasting future taxable income require significant judgment and take into account the Company's recent performance.

The Company does not have US state NOL carryforwards as of March 31, 2025 and 2024.

The Company's statements of financial position as of March 31, 2025 and 2024 did not include any unrealized tax benefits.

From a federal tax return perspective, the Company is the parent of the federal consolidated tax filings. The initial group filing was for the fiscal year ended March 31, 2013. MCA pays federal income tax to the Internal Revenue Service (IRS) on behalf of the consolidated group. Per the federal tax allocation agreement, each subsidiary reimburses to, or receives a refund for a loss from, MCA for its allocated portion of the federal income tax liability, calculated on a pro forma basis that is adjusted by applicable tax credits with some exceptions. The difference between the amount MCA pays to the IRS and the amount MCA receives from subsidiaries is absorbed by MCA. The amount expected to be collected from the IRS on behalf of the consolidated group based on their deductible temporary differences, tax losses and tax credits is recognized as Payment for others in the statements of financial position.

The Company is subject to US federal income tax examinations, as the parent of the MCA consolidated tax filing, by tax authorities for the year ended March 31, 2022 and subsequent years.

14. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are recorded according to their functions due to different economic activities and businesses of the Company. The nature of Selling, general and administrative expenses for the years ended March 31, 2025 and 2024, are as follows:

	2025	2024
Personnel expenses	\$ (49,398)	\$ (47,136)
Facilities expenses	(11,846)	(11,815)
Information and communication expenses	(11,495)	(12,320)
Transportation and entertainment expenses	(9,638)	(8,457)
Miscellaneous expenses	<u>(22,682)</u>	<u>(14,816)</u>
Total	<u>\$ (105,059)</u>	<u>\$ (94,544)</u>

The amount of depreciation and amortization expenses included in Facilities expenses and Information and communication expenses for the years ended March 31, 2025 and 2024, was \$(10,448) and \$(10,579), respectively.

15. SUNDRY LOSS—NET

Sundry loss—net for the years ended March 31, 2025 and 2024, consisted of the following:

	2025	2024
Foreign exchange gain	\$ 214,125	\$ 71,324
Foreign exchange loss	(354,121)	(28,451)
Unrealized gain (loss) from financial derivative	44,582	(64,714)
Other—net	<u>308</u>	<u>(234)</u>
Total	<u>\$ (95,106)</u>	<u>\$ (22,075)</u>

Foreign exchange gain, Foreign exchange loss, and Unrealized gain (loss) from financial derivative primarily resulted from switching to Japanese Yen-based loans and entering into foreign exchange forward contracts not designated in hedging relationships to mitigate the fluctuation in foreign currency exchange rates related to Japanese Yen-based loans. For details, please refer to Note 8 and Note 11.

To conform to the current year presentation, Foreign exchange gain (loss)—net of \$42,873 for the year ended March 31, 2024 has been presented as Foreign exchange gain of \$71,324 and Foreign exchange loss of \$(28,451).

16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income for the years ended March 31, 2025 and 2024, are as follows:

	Before Tax	Tax	After Tax
2025			
Other investments designated as FVOCI:			
Balances—beginning of year	\$ 338,707	\$(71,129)	\$ 267,578
Other comprehensive loss	<u>(26,752)</u>	<u>5,618</u>	<u>(21,134)</u>
Net current period other comprehensive loss	<u>(26,752)</u>	<u>5,618</u>	<u>(21,134)</u>
Balances—end of year	<u>\$ 311,955</u>	<u>\$(65,511)</u>	<u>\$ 246,444</u>
2024			
Other investments designated as FVOCI:			
Balances—beginning of year	\$ 144,969	\$(30,444)	\$ 114,525
Other comprehensive income	<u>193,738</u>	<u>(40,685)</u>	<u>153,053</u>
Net current period other comprehensive income	<u>193,738</u>	<u>(40,685)</u>	<u>153,053</u>
Balances—end of year	<u>\$ 338,707</u>	<u>\$(71,129)</u>	<u>\$ 267,578</u>

17. TRANSACTIONS WITH RELATED PARTIES

Revenues from the Parent and group companies for the years ended March 31, 2025 and 2024 were \$20,572 and \$20,313, respectively.

The Company received finance income from the group companies. For the years ended March 31, 2025 and 2024, finance income (excluding dividend income) from the group companies was \$219,287 and \$212,065, dividend income from the group companies was \$350,247 and \$544,446, respectively.

The Company paid finance costs to the Parent and group companies. For the years ended March 31, 2025 and 2024, finance costs to the Parent and group companies were \$35,669 and \$99,965, respectively.

Assets and liabilities of the Company arising from transactions with the Parent and group companies are as follows:

	March 31,	
	2025	2024
Assets:		
Loans receivables	\$ 4,388,569	\$ 4,579,044
Miscellaneous receivables	48,090	75,565
Lease receivable	1,167	1,053
Income tax receivable	58,042	50,769
Other current assets	244	249
Other noncurrent financial assets	1,661	1,588
Liabilities:		
Borrowings	3,191,075	2,680,937
Miscellaneous payables	5,612	3,769
Lease liabilities	2,974	3,948
Income tax payables	86,727	2,507

Under the Company's by-laws, from time to time, dividends will be declared with the sole discretion of the Company's Board of Directors, and will pay up to the Company's prior year net income. Such decision will depend upon earnings, market prospects, and future investment opportunities. During the years ended March 31, 2025 and 2024, the Company declared cash dividends of \$669,362 and \$281,420, respectively.

18. LEASES

As a lessee, the Company has leases for office space, company house, and vehicles under noncancelable lease terms expiring through 2043 with renewal options provided under various conditions. The lease term is calculated from the commencement date, the date that a lessor makes an underlying asset available for use. The Company may modify certain lease and sublease agreements during the term of the contracts. Refer to Note 12 for the maturity analysis of lease liabilities.

The following table presents the information about leases as a lessee.

	2025	2024
Depreciation of right-of-use assets:		
Buildings and structures	\$ 6,673	\$ 6,664
Vehicles	<u>20</u>	<u>7</u>
Total	<u>\$ 6,693</u>	<u>\$ 6,671</u>
Finance cost on lease liabilities	<u>\$ 3,811</u>	<u>\$ 3,795</u>
Total cash outflow for leases	<u>\$ 9,489</u>	<u>\$ 9,053</u>
Additions to right-of-use assets	<u>\$ 364</u>	<u>\$ 5,984</u>
Carrying amount of right-of-use assets—end of year		
Buildings and structures	\$ 87,674	\$ 94,647
Vehicles	<u>33</u>	<u>-</u>
Total	<u>\$ 87,707</u>	<u>\$ 94,647</u>

Maturity analysis of lease receivable is as follows:

	2025	2024
Up to 1 year	\$ 817	\$ 734
More than 1 year and up to 5 years	3,332	3,264
Remaining years	<u>10,317</u>	<u>11,054</u>
Gross lease receivable	14,466	15,052
Unearned finance income	<u>(3,311)</u>	<u>(3,648)</u>
Total lease receivable	<u>\$ 11,155</u>	<u>\$ 11,404</u>

19. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Legal Matters—The Company is a party to litigation and other unasserted claims arising in the ordinary course of business. Although some of the matters are still in preliminary stages and definitive conclusions cannot be made as to those matters, the Company is of the opinion that, based on information presently available, none of the litigation or claims will have a material adverse effect on the financial statements of the Company.

20. PRIOR YEAR PRESENTATION

In connection with the retrospective application of the Standard as detailed in Note 2.1, an adjustment has been made to the statements of cash flows for the year ended March 31, 2024 to net the previously reported interest received of \$248,615 and interest paid of \$282,418 that were reported in the cash generated from operating activities section of the statements of cash flows. The net amount of \$33,803 is presented as Net interest paid for the comparative year in the current year's statement of cash flows as the Standard does not require the separate disclosure of interest received and interest paid.

21. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after March 31, 2025, up through July 11, 2025 the date that the financial statements were available to be issued.

The transfer of shares regarding TH FOODS, Inc. (Food Industry business)

On May 30, 2025, the Company entered into a contract to sell all of its held common shares of TH FOODS, Inc., an affiliate of the Company, to a third-party entity. Prior to this transfer, the Company classified the affiliated company as other current assets as of March 31, 2025. Upon the sales of these shares, the Company expects to record a "Gain on investments" of \$24,562 in the statements of profit and loss for the year ending March 31, 2026.

It has been determined that there were no other subsequent events requiring adjustment to or disclosure in the financial statements.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's president and authorized for issue on July 11, 2025.

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