

# Mitsubishi International Corporation

(A Wholly-Owned Subsidiary of  
Mitsubishi Corporation (Americas))

Financial Statements as of and for the  
Years Ended March 31, 2023 and 2022, and  
Independent Auditor's Report

**MITSUBISHI INTERNATIONAL CORPORATION**  
**(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Mitsubishi International Corporation  
New York, New York

### **Opinion**

We have audited the financial statements of Mitsubishi International Corporation (the "Company") (a wholly-owned subsidiary of Mitsubishi Corporation (Americas)), which comprise the statement of financial position as of March 31, 2023 and 2022, and the related statements of profit and loss, comprehensive income (loss), 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, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 13, 2023

**MITSUBISHI INTERNATIONAL CORPORATION**  
**(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))**

**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2023 AND 2022**  
**(In thousands US dollars, except for share data)**

<b>ASSETS</b>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	12	\$ 3,296	\$ 121,248
Certificate of deposit	12		
Notes and loans receivable:	8, 10, 12, 18		
Parent and group companies		24,788	891,221
Customers		129	2,528
Trade and other receivables:	10, 12, 18		
Customers (after allowance for uncollectible accounts of \$1,784 in 2023 and \$2,638 in 2022)		1,229,184	1,134,820
Parent and group companies		110,437	166,335
Other		31,888	22,835
Lease receivable	18, 19	1,487	1,138
Income tax receivable	14, 18	38,792	31,003
Merchandise inventories	5, 8, 12, 20	1,628,748	2,354,073
Leased inventories	5, 8, 12	2,301,196	2,495,320
Advance payments to suppliers		9,896	63,789
Other financial assets	8, 12, 18	342,173	587,046
Other current assets	18	4,716	3,545
<b>Total current assets</b>		<b>5,726,730</b>	<b>7,874,901</b>
<b>NON-CURRENT ASSETS:</b>			
Noncurrent loans receivable from Parent and group companies	8, 10, 12, 18	39,059	567,664
Other noncurrent financial assets	8, 12	33,723	33,255
Investments accounted for using the equity method	3	2,512	2,658
Other investments	12	3,943	3,806
Noncurrent lease receivable	19	5,090	5,202
Property and equipment	6, 20	6,596	7,163
Right-of-use assets	19	9,957	13,522
Intangible assets	7	2,350	3,041
Deferred tax assets	14	11,055	14,541
Other noncurrent assets		599	309
<b>Total noncurrent assets</b>		<b>114,884</b>	<b>651,161</b>
<b>TOTAL ASSETS</b>		<b>\$ 5,841,614</b>	<b>\$ 8,526,062</b>

(Continued)

**MITSUBISHI INTERNATIONAL CORPORATION**  
**(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))**

**STATEMENTS OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2023 AND 2022**  
**(In thousands US dollars, except for share data)**

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>CURRENT LIABILITIES:</b>			
Current borrowings:	9, 12, 13, 18		
Parent and group companies		\$ 1,779,368	\$ 3,536,140
Other		-	3,110
Trade and other payables and accrued expenses:	12, 18		
Parent and group companies	20	187,239	140,302
Trade creditors		179,683	252,981
Lease liabilities	13, 18, 19	6,342	9,992
Income tax payables	14, 18	24,007	28,204
Advances from customers		120	1,265
Commodity financing arrangement		513,562	698,853
Other financial liabilities	8, 12, 13, 18	217,870	403,536
Other current liabilities	11	13,136	7,850
Metal lease liabilities	12, 13, 18	1,586,417	2,107,882
Total current liabilities		4,507,744	7,190,115
<b>NON-CURRENT LIABILITIES:</b>			
Other noncurrent financial liabilities	8, 12, 13, 18	25,777	20,943
Noncurrent lease liabilities	13, 19	11,638	13,498
Other noncurrent liabilities	11	10,060	19,835
Total noncurrent liabilities		47,475	54,276
Total liabilities		4,555,219	7,244,391
<b>EQUITY:</b>			
Stockholder's equity:			
Common stock without par value (authorized—750,000 shares issued and outstanding—710,719 shares)	20	919,141	931,940
Retained earnings		369,491	352,170
Accumulated other comprehensive income (loss):			
Other investments designated as FVOCI	12	3,806	3,806
Cash flow hedges	8	(1,253)	(1,577)
Exchange differences on translating foreign affiliates	17	(4,790)	(4,668)
Total accumulated other comprehensive loss		(2,237)	(2,439)
Total stockholder's equity		1,286,395	1,281,671
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 5,841,614</b>	<b>\$ 8,526,062</b>

See notes to the financial statements.

(Concluded)

**MITSUBISHI INTERNATIONAL CORPORATION**  
**(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))**

**STATEMENTS OF PROFIT AND LOSS**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**  
**(In thousands US dollars)**

	Notes	2023	2022
REVENUES	10, 18	\$ 8,007,533	\$ 8,262,116
COST OF REVENUE FROM OPERATING ACTIVITIES	5, 12, 18, 19	(7,784,701)	(8,099,125)
GROSS PROFIT		222,832	162,991
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	11, 15, 19	(49,198)	(56,531)
FINANCE INCOME	18, 19	15,843	22,838
FINANCE COSTS	9, 13, 18, 19	(61,898)	(17,133)
GAIN (LOSS) ON INVESTMENTS	12	316	(1,459)
SUNDRY INCOME (LOSS) (NET OF LOSS OF \$7,077 IN 2023 AND INCOME OF \$3,433 IN 2022)	16	465	(810)
INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		510	562
INCOME BEFORE INCOME TAX PROVISION		128,870	110,458
INCOME TAX PROVISION	14	(32,234)	(28,909)
NET INCOME		\$ 96,636	\$ 81,549

See notes to the financial statements.

**MITSUBISHI INTERNATIONAL CORPORATION**  
**(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))**

**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**  
**(In thousands US dollars)**

	Note	2023	2022
NET INCOME		\$ 96,636	\$ 81,549
OTHER COMPREHENSIVE INCOME (LOSS)—Net of tax items that will not be reclassified to net income:	17		
Losses on other investments designated as FVOCI		-	-
Share of other comprehensive loss of affiliated company		-	-
Remeasurement of defined benefit pension plans		2,234	6,002
Total		2,234	6,002
Items that may be reclassified to net income:			
Exchange differences on translating foreign affiliated company		(122)	3,980
Cash flow hedges	8	324	(2,142)
Total		202	1,838
Total other comprehensive income (loss)—net of tax		2,436	7,840
COMPREHENSIVE INCOME		\$ 99,072	\$ 89,389

See notes to the financial statements.



**MITSUBISHI INTERNATIONAL CORPORATION**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**  
**(In thousands US dollars)**

	Note	2023	2022
<b>COMMON STOCK:</b>			
Balances—beginning of year		\$ 931,940	\$ 931,940
Equity transactions between entities under common control	20	(12,799)	-
Balances—end of year		919,141	931,940
<b>RETAINED EARNINGS:</b>			
Balances—beginning of year		352,170	325,332
Net income		96,636	81,549
Dividend		(81,549)	(60,725)
Transfer from other components of equity		2,234	6,014
Balances—end of year		369,491	352,170
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>			
Balances—beginning of year		(2,439)	(4,265)
Cash flow hedges		324	(2,142)
Exchange differences on translating foreign affiliates		(122)	3,980
Remeasurement of defined benefit pension plans—net of tax		2,234	6,002
Transfer to Retained earnings		(2,234)	(6,014)
Balances—end of year		(2,237)	(2,439)
<b>TOTAL STOCKHOLDER'S EQUITY</b>		<b>\$ 1,286,395</b>	<b>\$ 1,281,671</b>

See notes to the financial statements.

**MITSUBISHI INTERNATIONAL CORPORATION**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**  
**(In thousands US dollars)**

	2023	2022
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 96,636	\$ 81,549
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,228	10,965
Loss (gain) on investments	(316)	1,459
Inventory write-down	59	2
Loss (gain) on lease modification	(3,410)	111
Provision for doubtful accounts and other losses	234	526
Provision for accrued pension liabilities	(5,238)	856
Income taxes	32,234	28,909
Finance income	(15,843)	(22,838)
Finance cost	61,898	17,133
Equity in earnings of affiliates	(510)	(562)
Unrealized loss and foreign exchange loss on derivatives and inventories	15,689	300,372
Changes in operating assets and liabilities:		
Notes receivable	(52)	7,064
Trade and other receivables	(46,876)	(449,909)
Merchandise inventories and precious metal inventory	274,601	(292,661)
Advance payments to suppliers	53,893	(62,621)
Other financial and non-financial assets	194,106	(169,487)
Other noncurrent financial and non-financial assets	12,147	6,399
Commodity financing arrangement	(185,291)	82,470
Trade and other payables and accrued expenses	(67,207)	(24,311)
Advances from customers	(1,145)	882
Other financial and current liabilities	(8,744)	3,122
Other noncurrent financial and non-financial liabilities	(6,208)	(2,203)
	408,885	(482,773)
<b>Cash generated from operating activities:</b>		
Interest received	16,159	20,051
Interest paid	(47,812)	(16,131)
Income tax paid	(41,714)	(20,643)
Dividends received	535	681
	336,053	(498,815)

(Continued)

**MITSUBISHI INTERNATIONAL CORPORATION**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**  
**(In thousands US dollars)**

	<b>2023</b>	<b>2022</b>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sales of other investments	\$ 179	\$ 94
Proceeds from sales of intangible assets	109	-
Purchases of intangible assets	(624)	(1,325)
Proceeds from sales of property and equipment	246	-
Purchases of property and equipment	(1,043)	(1,661)
Proceeds from cash distribution of affiliate companies	-	2,515
Collection of loans receivable from Parent and group companies	490,569	1,540,079
Increase in loans receivable to Parent and group companies	(34,500)	(519,709)
<b>Net cash provided by investing activities</b>	<b>454,936</b>	<b>1,019,993</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from issuance of current borrowings	1,779,368	5,124,910
Repayment of current borrowings	(2,596,241)	(5,625,332)
Proceeds from issuance of noncurrent borrowings	-	100,000
Repayment of noncurrent borrowings	-	(408,938)
Repayment of lease liabilities	(10,519)	(11,331)
Dividends payment to the Parent	(81,549)	(60,725)
<b>Net cash used in financing activities</b>	<b>(908,941)</b>	<b>(881,416)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(117,952)</b>	<b>(360,238)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b>121,248</b>	<b>481,486</b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b>\$ 3,296</b>	<b>\$ 121,248</b>
<b>NON-CASH ITEMS IN INVESTING AND FINANCING ACTIVITIES:</b>		
Settlement of loans receivable from group companies in exchange for new loan with group companies	\$ -	\$ 63,261
Transfer of borrowings to Parent	\$ -	\$ (450,000)
Fair value of consideration for business acquisition	\$ 27,259	\$ -
Novation of loans receivable and borrowings from group companies	\$ 940,434	\$ -

See notes to the financial statements

(Concluded)

# **MITSUBISHI INTERNATIONAL CORPORATION**

## **(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))**

### **NOTES TO FINANCIAL STATEMENTS**

#### **AS OF AND FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

**(In thousand US dollars, except as noted)**

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#### **1. GENERAL INFORMATION**

Mitsubishi International Corporation (the “Company” or MIC) is incorporated in the United States. It is a wholly-owned subsidiary of Mitsubishi Corporation (Americas) (MCA), which in turn is a wholly-owned subsidiary of Mitsubishi Corporation (MC), Tokyo, Japan (collectively, 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.

The Company is engaged in various business activities, such as trading activities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through its business networks. The Company’s operations are principally in the following areas: mineral resources, petroleum and chemicals, industrial infrastructure, urban development, power solution, and industrial material, each having a diverse customer base. The Company also has trading relationships such as sales and purchases of goods with the Parent and the subsidiaries of the Parent (collectively, the “Parent and group companies”).

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 9 offset by cash and cash equivalents) and equity of the Company (comprising issued capital and retained earnings).

On April 1, 2012, MC established MCA as a wholly-owned subsidiary, and transferred MIC’s stock held by MC to MCA. MCA has been established to strengthen regional coordination and to consolidate management of group companies in North America.

On May 5, 2023, the World Health Organization declared the end of the global emergency status for the novel coronavirus disease (“COVID-19”). As of the date of this report, most of the restrictions that had been enacted in the United States due to the COVID-19 pandemic have been lifted. That being said, the possibility of a rebound in COVID-19 cases and or newly contagious or more dangerous variants is highly uncertain and cannot be predicted. The Company will continue to monitor the developments of COVID-19.

#### **2. BASIS OF PREPARATION**

**2.1 Compliance with International Financial Reporting Standards**—These financial statements have been prepared on an accrual basis in accordance with the International Financial Reporting Standards, International Accounting Standards, and IFRIC Interpretations (collectively IFRS) as issued by the International Accounting Standards Board (IASB).

**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, “Significant accounting policies.”

**2.3 Significant 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.

Significant judgment and estimates are required in the determination of the allowances for credit losses (Note 3.4), deferred tax assets (Note 14), assumptions used in the calculation of pension and other long-term employee benefit accruals (Note 11), legal and other accruals for contingent liabilities (Note 21), the determination of the carrying value of property and equipment (Note 6) and intangible assets (Note 7), and fair value measurement of financial instruments and inventories (Note 12).

**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.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Affiliated Companies**—The equity method of accounting is used for investments in affiliated companies. 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, one of the entities in which the Company holds less than 20% has been accounted for on the equity method due to significant influence achieved by combined interests held by MC or other affiliates. The Company applies equity method of accounting for the investment in Mitsubishi do Brasil S.A. which the Company holds 12.57% interest.

Under the equity method, the investment in an affiliated company is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the net assets of an affiliated company after the date of acquisition. The Company’s share of the net income (loss) of an affiliated company is recognized in the Company’s net profit. The Company’s share of the other comprehensive income or loss of the affiliated company is recognized in the Company’s other comprehensive income (loss). When the Company’s share of losses of an affiliated company equals or exceeds its interest in the affiliated company, the Company discontinues recognizing its share of further losses. After the Company’s interest, including any long-term interests that, in substance, form part of the Company’s net investment in the affiliated company is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the affiliated company. All significant intercompany profits have been eliminated in proportion to interests in affiliated companies.

An affiliated company is accounted for using the equity method from the date they become an affiliated company. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of affiliated companies is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where equity method investments are disposed of and significant influence is lost, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9, *Financial Instruments*. The difference between the previous carrying amount and fair value of the remaining investments is recognized in “(Loss) Gain on Investments” in the statements of profit and loss. The amount previously recognized as other comprehensive income by affiliated companies is accounted for by determining whether or not they should be reclassified into net profit as if related assets or liabilities had been directly disposed of.

**3.2 Reporting Date**—The Company’s affiliated companies maintain their fiscal year end at March 31.

**3.3 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.

Net assets of foreign affiliated companies have been translated at current exchange rates at the statement of financial position date. Cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss) in the statements of changes in equity. In the event of partial disposal of foreign affiliated companies, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into net profit and loss.

**3.4 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 trade and other receivables on the date they arise. The Company recognizes all other 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 “Sundry loss—net” 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 (Loss)**—In accordance with IASB International Accounting Standards (IAS) 1, *Presentation of Financial Statements*, the Company has included amounts for comprehensive income (loss) (which consists of net profit or loss and other comprehensive income or loss) in the statements of changes in equity and the statements of comprehensive income (loss). Other comprehensive income (loss) 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 (loss) consists of exchange differences on translating foreign affiliated company, remeasurement of defined benefit pension plans, cash flow hedges, share of other comprehensive loss of affiliated company and loss on other investments designated as FVOCI, on a net of tax basis, where applicable. Accumulated other comprehensive income (loss), which is primarily the cumulative amount of other comprehensive income (loss), is a separate component of total stockholder's equity.
- vi) Derivatives 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, commodity price, commodity premium and interest rate risks. Interest rate swaps are utilized to hedge interest rate exposures. Commodity swaps and futures are utilized to hedge fluctuation of commodity price and commodity premium.

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.



In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on long-term commitments and inventory positions (principally aluminum, copper, crude oil, precious metals, each of which is traded on a terminal market). Other contracts that have not been designated as fair value hedges for accounting purposes are marked to market with changes in fair value recognized in “Revenues” and “Cost of revenues from operating activities” 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 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.

Notes and loans receivable and Trade and other receivables in the statements of financial position are reported net of loss allowances.

**3.5 Inventories**—In accordance with IAS 2.3, *Inventories*, the Company applies “broker-trader” principles for certain categories of its merchandise, such as precious metals, crude oil, copper and aluminum, and leased inventories, which are initially measured at fair value, less cost to sell and subsequently remeasured at fair value less cost to sell at the end of each reporting period with changes recognized in profit or loss. The rest of the inventories are recognized at the lower of cost on the moving average method or net realizable value. Net realizable value is presented in the amount of estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company enters into contract to borrow precious metal (“Lease-in transaction”) from counterparty and is required to return the same quality and quantity of the precious metal to the counterparty on the date mutually agreed by both parties. The Company also lends precious metal (“Lease-out transaction”) to counterparty and the counterparty is required to return the same quality and quantity of the precious metal to the Company on the date mutually agreed by both parties in exchange for a lease fee which reflects interest and credit risk. The precious metal in Lease-out transaction is not derecognized since the Company retains title to the precious metal, the risk and rewards of ownership. The Company presents in the statements of financial position assets and liabilities related to its leased precious metal positions. The balances are recorded in “Leased inventories”, and “Metal lease liabilities”.

Commodity financing arrangements are recognized in the statements of financial position as assets and liabilities. The balances are recorded in “Merchandise inventories” and “Commodity financing arrangement”.

### 3.6 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:

	<b>Years</b>
Leasehold improvements	2–17
Building, structures, and railcar	10–35
Machinery and equipment	5
Furniture, fixtures, and vehicles	3–7

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.

**3.7 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 Company utilizes an amortization period of five years for capitalized software costs based on the Company’s estimate of the service lives of such assets.

**3.8 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 and other third 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.

**3.9 Impairment of Nonfinancial Assets**—If there are any events or changes in circumstances indicating that the carrying amount of the Company’s nonfinancial 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.

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.

### **3.10 Postemployment Benefits**

**Defined Benefit Plans**—Obligations related to defined benefit plans are recognized in the amount of benefit obligations under such plans, net of the fair value of plan assets, in the statements of financial position. Benefit obligations are calculated 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 remeasures benefit obligations using information provided by qualified actuaries in each period.

Increase/decrease in benefit obligations for employees' past services due to the revision of the pension plan is recognized in "Selling, general, and administrative expense" in the statements of profit and loss.

The Company recognizes the increase/decrease in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income (loss) and is accumulated in "Other components of equity" and immediately reclassifies them to "Retained earnings."

**Defined Contribution Plans**—Defined contribution plans are postemployment benefit plans in which the employer makes a certain amount of contributions to fund postemployment benefits and does not bear more obligations than the amount contributed. The obligations to make contributions under defined contribution plans are recognized in "Selling, general, and administrative expense" in the statements of profit and loss in the period during which services are provided by employees.

**3.11 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.

**3.12 Current Assets and Liabilities Not Expected to be Realized or Settled within Twelve Months**—

Assets and liabilities are classified as current even when they are not expected to be realized or settled within twelve months after the reporting period, as long as they are expected to be realized or settled in the normal operating cycle of the Company's business.

Advance payments to suppliers and advances from customers primarily are attributable to long-term contracts in progress engaged by the Company's machinery business for which the related operating cycles are longer than one year. Refer to note 3.13 paragraph *Inventory, Advance payments and Advance receipts* for the accounting treatments of Advance payments and Advance receipts. The Company also engages in long-term precious metal lease contracts to generate profits from fluctuations in prices, earn margins from physical transactions, and / or earn lease fees from leasing opportunities.

The balances of the assets and liabilities expected to be realized or settled more than twelve months after March 31, 2023 and 2022 are as follows:

	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Current assets comprised of:		
Trade and other receivables—other	\$ 2,393	\$ 384
Leased inventories	56,654	38,064
Current liabilities comprised of:		
Metal lease liabilities	\$ 41,651	\$ 21,500

**3.13 Revenue**—The Company applies 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 trading transactions including sales of metals, oil and gas, chemicals and leasing of precious metals. Revenue from a trading transaction is recognized when the control of the goods/services is transferred to a customer, usually at the point of delivery based on Incoterms (International Commercial Terms) or at the completion of each contractual performance obligation. Due date for each invoice varies depending on the nature of each transaction, industrial practices and terms in the contract. Any difference in timing between satisfaction of performance obligation and payment under the contract will result in recognition of either a receivable or a contract liability.

As defined within IFRS 15, control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. When a performance obligation is not satisfied over time, it is satisfied at a point in time. The Company transfers control of goods/services to the customers at a point in time for all trading transactions.

The following are indicators of when the control is transferred to a customer.

- (a) The entity has a present right to payment for the asset
- (b) The customer has legal title to the asset
- (c) The entity has transferred physical possession of the asset
- (d) The customer has the significant risks and rewards of ownership of the asset
- (e) The customer has accepted the asset

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

*Variable consideration*- If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer.

*Financing component*- Some trading transactions contain a component of short term financing to a customer. The duration of such financing arrangement is less than one year. The Company has applied a practical expedient under IFRS 15 by not adjusting the promised amount of consideration for the effect of the financing component for those financing arrangements with duration of one year or less.



### *Streams of Revenue*

- (a) Sales of Commodities and Merchandise—The Company acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between the bids and ask prices for commodities.
- (b) Rendering of Services—The Company performs services related to trading activities. The service activities include financial and logistics services, information and communications, technical support as well as purchase or sale of commodities and other merchandise on customer's behalf for a commission.
- (c) Leasing of Precious Metals—The Company leases out precious metal inventory in exchange for consideration.

*Principal vs Agent considerations*—The Company engages in trading transactions taking the role of either a principal or an agent of a principal. IFRS 15 requires an entity to determine whether it is a principal or an agent in a transaction based on whether the entity controls the goods/services before transferring the goods/services to a customer. The Company presents revenue on a gross basis in the statements of profit and loss for trading transactions in which the Company is the principal. The Company presents revenue on a net basis for trading transactions in which the Company is an agent of the principal.

- *Transactions Performed as a Principal*—The Company enters into contracts to sell commodities and other merchandise to customers. The commodities and other merchandise may come from existing inventory on hand or they may come from purchase contracts that are executed at the same time as the sales contracts for purpose of limiting inventory risk. In either situation the Company acts as the primary obligor for the acceptance of the goods and has the discretion in pricing of the goods. Therefore, the Company considers itself to be the principal in these transactions.
- *Transactions Performed as an Agent*—The Company enters into contracts with customers to purchase or sell, on their behalf, commodities and other merchandise, and charges a commission for this service. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. The Company does not control the goods/services before they are transferred to customers. Hence, the Company is an agent in these transactions because it does not have the ability to direct the use of the goods/services or obtain benefits from the goods/services.

*Inventory, Advance payments and Advance receipts*—For certain trading transactions, the Company acts as a purchasing agent for the customers. The Company makes purchase and shipment arrangements for the customers and also makes payments to the supplier on behalf of the customer. The Company may hold legal title to the goods for a certain period, however the Company, as an agent, does not have the control of the goods before the goods are delivered to the customer. Therefore, the payments made by the Company to the supplier is considered to be a payment made on behalf of the customer and is included in "Other financial assets - current". The Company may also act as a sales agent in a trading transaction, the advance receipt from its contractual customer shall be recognized as a financial liability to the principal.

Refer to note 10 for a breakdown of Revenues.

**3.14 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 (loss).

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

For taxable temporary differences concerning 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 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.

**3.15 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 impacts of the application of the following new and revised major IFRSs that have been issued, but are not yet effective:

<b>Standards and Interpretations</b>	<b>Title</b>	<b>Date of Mandatory Application (Fiscal Year of Commencement Thereafter)</b>	<b>Reporting Periods of Application by the Company (The Reporting Period Ended)</b>
IFRS 17	<i>Insurance contracts</i>	January 1, 2023	March 31, 2024
IAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i>	January 1, 2023	March 31, 2024

##### **IFRS 17, *Insurance Contracts***

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure for insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for periods beginning on or after January 1, 2023. The Company has assessed the potential impacts and believes that there will be no material impact on the financial statements.

##### **IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* which provides targeted amendments to IAS 12, *Income Taxes*. Under IAS 12, deferred tax liabilities do not have to be recognized for taxable temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss). Also under IAS 12, deferred tax assets do not have to be recognized for deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit (tax loss). *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrows the recognition exemption so that it no longer applies to transactions that give rise to equal taxable and deductible temporary tax differences. The amendments are effective for periods beginning on or after January 1, 2023. The Company will change the notes to the financial statements from the fiscal year ending March 31, 2024 to comply with the amendments.

The impact of all other IFRSs not yet adopted is not expected to be material.

## 5. INVENTORIES

The breakdown of Merchandise inventories as of March 31, 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
Measured at fair value, less cost to sell	\$ 1,501,545	\$ 2,062,947
Measured at lower of cost or net realizable value	127,203	291,126
<b>Total</b>	<b>\$ 1,628,748</b>	<b>\$ 2,354,073</b>

The amount of inventories recognized as “Cost of revenues from operating activities” for the years ended March 31, 2023 and 2022, was \$7,905,432 and \$8,058,942, respectively.

The amount of write-down of inventories recognized as expenses for the years ended March 31, 2023 and 2022, was \$59 and \$2, respectively.

The breakdown of Leased inventories as of March 31, 2023 and 2022 was as follows:

	<b>2023</b>	<b>2022</b>
Measured at fair value, less cost to sell	\$ 2,198,489	\$ 2,347,606
Measured at lower of cost or net realizable value	102,707	147,714
<b>Total</b>	<b>\$ 2,301,196</b>	<b>\$ 2,495,320</b>

Assets arising from commodity financing arrangements recorded in “Merchandise inventories” are \$588,661 and \$748,758 as of March 31, 2023 and 2022, respectively.

## 6. PROPERTY AND EQUIPMENT

The following is a breakdown of the changes in gross carrying amount and accumulated depreciation of property and equipment for the years ended March 31, 2023 and 2022.

<b>Cost</b>	<b>Leasehold Improvements</b>	<b>Building Structures and Railcar</b>	<b>Machinery and Equipment</b>	<b>Furniture Fixtures and Vehicles</b>	<b>Total</b>
Balances—April 1, 2021	\$ 15,700	\$ 5,483	\$ 2,023	\$ 6,636	\$ 29,842
Additions	1,188	1	2	470	1,661
Retirement	(251)	-	-	(531)	(782)
Balances—March 31, 2022	16,637	5,484	2,025	6,575	30,721
Additions	70	-	-	1,105	1,175
Retirement	(868)	-	(664)	(2,779)	(4,311)
Balances—March 31, 2023	\$ 15,839	\$ 5,484	\$ 1,361	\$ 4,901	\$ 27,585
<b>Accumulated Depreciation</b>	<b>Leasehold Improvements</b>	<b>Building Structures and Railcar</b>	<b>Machinery and Equipment</b>	<b>Furniture Fixtures and Vehicles</b>	<b>Total</b>
Balances—April 1, 2021	\$(13,085)	\$(1,984)	\$(1,969)	\$(4,936)	\$(21,974)
Depreciation expense	(1,311)	(129)	(29)	(692)	(2,161)
Retirement	251	-	-	326	577
Balances—March 31, 2022	(14,145)	(2,113)	(1,998)	(5,302)	(23,558)
Depreciation expense	(481)	(128)	(10)	(650)	(1,269)
Retirement	583	-	648	2,607	3,838
Balances—March 31, 2023	\$(14,043)	\$(2,241)	\$(1,360)	\$(3,345)	\$(20,989)
Net book value:					
As of March 31, 2022	\$ 2,492	\$ 3,371	\$ 27	\$ 1,273	\$ 7,163
As of March 31, 2023	\$ 1,796	\$ 3,243	\$ 1	\$ 1,556	\$ 6,596

## 7. INTANGIBLE ASSETS

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

<b>Cost</b>	<b>2023</b>	<b>2022</b>
Balances—beginning of year	\$ 13,815	\$ 12,555
Additions	624	1,395
Retirement	(1,527)	(135)
Balances—end of year	\$ 12,912	\$ 13,815
<b>Accumulated Amortization</b>	<b>2023</b>	<b>2022</b>
Balances—beginning of year	\$ (10,774)	\$ (9,696)
Amortization expense	(968)	(1,191)
Retirement	1,180	113
Balances—end of year	\$ (10,562)	\$ (10,774)
Net book value	\$ 2,350	\$ 3,041

## 8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company is exposed to market risk from changes in interest rates, foreign exchange rates, and commodity prices. 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, commodity forward and futures contracts.

**Commodity Forward and Futures**—The Company is exposed to price fluctuations of various commodities used in its trading activities. The Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities. The Company utilizes commodity futures contracts that qualify as cash flow hedges to hedge certain commodity premium fluctuation risk. The effective portion of changes in the fair values of the commodity futures contracts that are designated as cash flow hedges is deferred and recognized in other comprehensive income (loss) and accumulated in "Cash flow hedges" in equity. Ineffective portions of changes in the fair values of commodity futures contracts that are designated as cash flow hedge is recognized directly in statements of profit and loss.

The Company also utilizes commodity futures contracts that qualify as fair value hedges and designated such contracts to hedge the price fluctuation risk of precious metals, and the changes in the fair value of the futures contracts and inventories are included in "Cost of Revenue from Operating Activities" in the statements of profit and loss.

**Financial Swaps**—The Company’s financing, investing, and cash management activities are exposed to market risk from changes in interest rates and currency exchange rates. The Company designated interest rate swaps used to convert certain fixed-rate assets to floating-rate assets as fair value hedge to hedge changes in U.S. LIBOR and Secured Overnight Financing Rate interest rates, and the changes in the fair value of these swaps are included in “Sundry loss—net” in the statements of profit and loss.

For all derivatives designated as fair value hedges and cash flow 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 or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and 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 (see Note 13). 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 (see Note 13).

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting.

**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, 2023 and 2022 as well as the changes in fair values for the years ended March 31, 2023 and 2022.

Derivative Designated as Fair Value Hedge	Account in the Statements of Financial Position	March 31,	
		2023	2022
Interest rate swap (Interest rate risks)	Other financial assets	\$ 245	\$ 11
	Other noncurrent financial assets	2,863	2,212
	Other financial liabilities	-	37
	Other noncurrent financial liabilities	-	66
<b>Other Information</b>			
	Change in fair value	\$ 988	\$ 3,366
	Nominal amounts	66,955	91,945
<hr/>			
Derivative Designated as Fair Value Hedge	Account in the Statements of Financial Position	March 31,	
		2023	2022
Futures contract (Commodity price risk)	Other financial assets	\$ 6,367	\$ 7,838
	Other financial liabilities	84,631	26,150
<b>Other Information</b>			
	Change in fair value	\$24,621	\$ 5,313
	Nominal amounts	24,076,350 TOZ	25,086,350 TOZ



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, 2023 and 2022 as well as the changes in values for the years ended March 31, 2023 and 2022.

Hedged Item	Account in the Statements of Financial Position	March 31,	
		2023	2022
Loans receivable (Interest rate risks)	Notes and loans receivable—Parent and group companies	\$ 11,755	\$ 9,026
	Noncurrent loans receivable from Parent and group companies	52,092	80,799
<b>Other Information</b>			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ (3,108)	\$ (2,120)
	Change in value	(988)	(3,366)
Hedged Item	Account in the Statements of Financial Position	March 31,	
		2023	2022
Inventories (Commodity price risk)	Leased inventories	\$754,588	\$812,068
<b>Other Information</b>			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ 10,984	\$ 35,605
	Change in value	(24,621)	(5,313)

## 9. BORROWINGS

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

	2023	2022
Loans from Parent and group companies	\$ 1,779,368	\$ 3,536,140
Loans from financial institutions and others	-	3,110
Total short-term borrowings	\$ 1,779,368	\$ 3,539,250

The following interest rates on current borrowings represent weighted-average rates on outstanding balances as of March 31, 2023 and 2022.

	Interest Rate	
	2023	2022
Loans from Parent and group companies	5.1 %	0.6 %
Loans from financial institutions and others	-	0.4

The Company and MC entered into a keepwell agreement dated January 27, 2003, which is governed by the laws of the State of New York. The following is a summary of certain terms of the Company's keepwell agreement:

- a. MC has agreed to make cash payments to the Company in amounts sufficient, together with other revenues of the Company, to cause the tangible net worth of the Company to be positive at all times.
- b. MC will maintain direct or indirect ownership of all the voting capital stock of the Company and will not pledge or grant any security interest in, or encumber, any such capital stock.
- c. MC will cause the Company to maintain sufficient liquidity to punctually meet the debt obligations issued by the Company in order to facilitate the raising of funds.

MC has indicated that due to its superior creditworthiness, it is committed, and will continue, to fulfill obligations under the keepwell agreement until at least the fiscal year ending March 31, 2024.

#### Changes in liabilities arising from financing activities

	April 1, 2022	Cash Flows	Non-Cash Changes	March 31, 2023
Current borrowings:				
Parent and group companies	\$ 3,536,140	\$ (813,763)	\$ (943,009)	\$ 1,779,368
Financial institutions and others	3,110	(3,110)	-	-
Lease liabilities	9,992	(10,159)	6,509	6,342
Noncurrent lease liabilities	13,498	-	(1,860)	11,638

During the year ended March 31, 2023, the loans to group companies which were held by MIC were transferred to MCA based on the financing strategy of MCA and MIC. The majority of the transfer was done as a non-cash transaction, where MIC decreased the loans to group companies and decreased the loans from MCA.

	April 1, 2021	Cash Flows	Non-Cash Changes	March 31, 2022
Current borrowings:				
Parent and group companies	\$ 2,515,514	\$ 570,866	\$ 449,760	\$ 3,536,140
Financial institutions	152,102	(151,288)	2,296	3,110
Commercial paper	920,000	(920,000)	-	-
Lease liabilities	10,441	(11,331)	10,882	9,992
Current maturities of noncurrent borrowings	50,000	(50,000)	-	-
Noncurrent borrowings	708,716	(258,938)	(449,778)	-
Noncurrent lease liabilities	20,339	-	(6,841)	13,498

The majority of non-cash changes in "Current borrowings" and "Noncurrent borrowings" is related to assignment and transfer of borrowings with MCA. During the year ended March 31, 2022, the loans from financial institutions were transferred to MCA based on financing strategy of MCA and MIC. Portion of the transfer was done as a non-cash transaction, where MIC transferred the borrowings from a financial institution to MCA and instead recognized borrowings from MCA. MCA recognized a loan to MIC and borrowings from a financial institution. Other borrowings from financial institutions were paid back prior to maturity by MIC and MCA entered into new loan agreements with financial institutions.

## 10. REVENUE FROM CONTRACTS WITH CUSTOMERS

**10.1 Disaggregation of Revenue**—A breakdown of the revenue from contracts with customers as well as contracts that are outside the scope of IFRS 15 for the years ended March 31, 2023 and 2022 are as follows.

Type of Contracts	Sales of Goods/ Providing Services	2023	2022
Contracts with customers within the scope of IFRS 15	Sales of goods	\$ 1,200,545	\$ 1,343,735
	Providing services	13,859	12,066
Other		6,793,129	6,906,315
Total		\$ 8,007,533	\$ 8,262,116

On March 5, 2019, IFRS Interpretation Committee, the interpretative body of the IASB, concluded that IFRS 9 (revised in July 2014), *Financial Instruments* should be applied to the specific contracts to buy or sell non-financial item at fixed future price, as the consequence of discussion about physical settlement of contracts to buy or sell a non-financial item. Other revenue includes revenue from transactions in the scope of IFRS 9 (revised in July 2014), *Financial Instruments* (including the gross amount of revenue recognized from contracts to sell a non-financial item that can be settled net in cash or another financial instruments, or by exchanging financial instruments at the time of delivery).

Most performance obligations from contracts with customers have original expected duration of one year or less. The Company has applied a practical expedient under IFRS 15.121 and remaining performance obligation is not disclosed.

**10.2 Receivables and Contract Liabilities Related to Contracts with Customers**—A breakdown of receivables and contract liabilities related to contracts with customers included in the following accounts in the statements of financial position as of March 31, 2023 and 2022 are as follows.

	2023	2022
Notes and loans receivable:		
Customers	\$ -	\$ 2,450
Trade and other receivables:		
Customers	1,229,184	1,134,820
Parent and group companies	110,437	166,335
Other	31,888	22,835
Advances from customers	120	1,265

Revenue recognized in the reporting period that was included in the Advances from customers at the beginning of the period are \$1,265 and \$383 for the years ended March 31, 2023 and 2022.

**10.3 Impairment (Loss) Gain from Contracts with Customers**—Impairment losses recognized on receivables arising from contracts with customers are \$(93) and \$(484) for the years ended March 31, 2023 and 2022.

## 11. EMPLOYEE BENEFITS

The Company sponsors a defined benefit pension plan that covers substantially all of their employees. The benefit for this plan is based upon years of service, compensation at the time of severance and other factors. The plan is non-contributory and is designed to comply with the requirement of the Employee Retirement Income Security Act of 1974 (“ERISA”). The plan is administered by the Retirement Plan Committee, which is appointed by the Board of Directors of the Company and primarily responsible for making investment policy. Participation to the defined benefit pension plan has been frozen since April 1, 2014. The Company also provides postretirement medical benefits for eligible retired employees. Additionally, the Company provides certain nonqualified supplemental executive defined benefit pension plans to provide supplemental retirement benefit primarily to certain high-level employees. The Company used a March 31 year-end measurement date for the plans.

The following table provides key information pertaining to the Company’s defined benefit pension and other postretirement benefit plans as of March 31, 2023:

	<b>Defined Benefit Pension Plans</b>	<b>Other Postretirement Benefits Plans</b>
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 79,733	\$ 16,943
Service cost	-	10
Interest cost	3,018	632
Experience loss/(gain)	354	(756)
Actuarial gain arising from change in financial assumptions	(9,536)	(1,852)
Contributions by plan participants	-	181
Benefits paid	(4,662)	(1,460)
Other	-	(6,362)
<b>Projected benefit obligation—end of year</b>	<b>68,907</b>	<b>7,336</b>
Change in plan assets:		
Fair value of plan assets—beginning of year	77,602	-
Interest income	2,938	-
Net return on plan assets in excess of interest income	(8,811)	-
Contributions by plan participants	-	181
Contributions by employer	70	1,236
Benefits paid	(4,662)	(1,417)
Other	-	-
<b>Fair value of plan assets—end of year</b>	<b>67,137</b>	<b>-</b>
<b>Reconciliation of funded status—end of year—funded status</b>	<b>\$ (1,770)</b>	<b>\$ (7,336)</b>

The following table provides key information pertaining to the Company's defined benefit pension and other postretirement benefit plans as of March 31, 2022:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 87,443	\$ 19,395
Service cost	-	29
Interest cost	2,724	595
Experience loss/(gain)	544	(1,338)
Actuarial loss/(gain) arising from change in demographic assumptions	257	74
Actuarial loss/(gain) arising from change in financial assumptions	(6,684)	(1,374)
Contributions by plan participants	-	213
Benefits paid	(4,551)	(684)
Other	-	33
<b>Projected benefit obligation—end of year</b>	<b>79,733</b>	<b>16,943</b>
Change in plan assets:		
Fair value of plan assets—beginning of year	80,110	-
Interest income	2,492	-
Net return on plan assets in excess of interest income	(519)	-
Contributions by plan participants	-	213
Contributions by employer	70	438
Benefits paid	(4,551)	(684)
Other	-	33
<b>Fair value of plan assets—end of year</b>	<b>77,602</b>	<b>-</b>
<b>Reconciliation of funded status—end of year—funded status</b>	<b>\$ (2,131)</b>	<b>\$ (16,943)</b>

The amount of employee benefits (income) expense included in the statements of profit and loss was \$(5,683) and \$856 for the years ended March 31, 2023 and 2022, respectively.

Amounts recognized in the statements of financial position as of March 31, 2023 and 2022 consist of the following:

	2023		2022	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Other current liabilities	\$ (69)	\$ (573)	\$ (69)	\$ (1,060)
Other noncurrent liabilities	(1,701)	(6,763)	(2,062)	(15,883)
<b>Total accrued pension liability</b>	<b>\$ (1,770)</b>	<b>\$ (7,336)</b>	<b>\$ (2,131)</b>	<b>\$ (16,943)</b>

**Investment Policy—Plan Assets**—The Company’s investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio, including investments, such as equity instruments, debt securities, and alternative assets. Considering the funded status of the pension plans and surrounding economic environment for investments, the Company’s investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies for the purpose of risk control and thereby pursues efficient risk management.

The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Company has investigated the business condition of the investee companies and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, public debt instruments, and corporate bonds. Prior to investing, the Company has investigated the quality of the issue, including rating, interest rate, and repayment dates, and has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital. The Company’s policy is to allocate pension plan funds within a range of percentages for each major asset category as follows:

	<b>Percentage Range</b>
Equity securities	50–70%
Debt securities/fixed income	30–50%

The Company may direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above to accomplish the investment objectives for the pension plan assets.

**Fair Value of Plan Assets by Type**—A breakdown of the Company’s pension plan assets as of March 31, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Plan assets that have a quoted market price in an active market:		
Mutual fund:		
Shares for particular country or region	\$ 14,077	\$ 19,618
Total	14,077	19,618
Plan assets that do not have a quoted market price in an active market:		
Equity instruments:		
US stocks	21,072	24,610
International stocks	7,886	8,170
Debt instruments—US bonds	14,530	15,430
Life insurance company general accounts	9,572	9,774
Total	53,060	57,984
Total plan assets	\$ 67,137	\$ 77,602

The life insurance company general accounts consist of investments such as privately placed debt securities, mortgage loans and real estate.

The debt and equity instruments are invested through mutual fund and pooled separate accounts, respectively. The mutual fund is valued at daily closing price as reported by the fund based on the net asset value. The pooled separate accounts are valued at unit value reported by investment manager based on accumulated values of underlying investments. Life insurance company general accounts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

**Significant Actuarial Assumptions**—The following weighted-average assumptions were used to determine benefit obligations for the defined benefit pension plans and the other postretirement benefit plans at March 31, 2023 and 2022:

	2023		2022	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	5.05%–5.15%	5.10 %	3.75%–3.90%	3.85 %
Initial health care cost trend rate		6.3%–6.45%		4.75%–7.55%
Ultimate health care cost trend rate		4.75 %		4.75 %
Year in which ultimate rate is reached		2028–2030		2021–2027

**Analysis of Sensitivity to Significant Actuarial Assumptions**—The discount rate was determined by projecting the plan’s expected future benefit payments as defined for the defined benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date, and solving for the single equivalent discount rate that resulted in the same defined benefit obligation. A one-percentage-point change in the discount rate would have the following effects:

	2023		2022	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on defined benefit obligation	\$6,000 decrease	\$7,000 increase	\$8,000 decrease	\$9,000 increase

This analysis assumes that all other variables remain fixed, however, in fact, the discount rate does not always change independently.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2023		2022	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on other postretirement benefit obligation	\$540 increase	\$467 decrease	\$1,825 increase	\$1,546 decrease

This analysis assumes that all other variables remain fixed, however, in fact, the health care cost trend rate does not always change independently.

**Contributions**—The Company’s funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. The Company expects to contribute approximately \$70 to its defined benefit pension plans during the year ending March 31, 2024.

**Estimated Future Benefit Payments**—Benefit payments for the defined benefit pension plans and other postretirement benefits plans for the next 10 years are expected to be as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
2024	\$ 4,762	\$ 573
2025	4,848	572
2026	4,957	586
2027	4,974	601
2028	4,994	591
2029–2033	24,862	2,708

The weighted average duration of the benefit obligation for Defined Benefit Pension Plans and Other Postretirement Benefits Plans as of March 31, 2023 are 10.42 years and 9.30 years, respectively. The weighted average duration of the benefit obligation for Defined Benefit Pension Plans and Other Postretirement Benefits Plans as of March 31, 2022 are 11.64 years and 10.80 years, respectively.

**Defined Contribution Plan**—The Company has a defined contribution plan. The expense related to the defined contribution plan was \$1,077 and \$1,252 for the years ended March 31, 2023 and 2022, respectively, and recognized in “Selling, general, and administrative expense” in the statements of profit and loss.



## 12. FAIR VALUE MEASUREMENTS

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and 2022.

<b>March 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Netting</b>	<b>Total</b>
<b>Assets:</b>					
Financial assets measured at FVPL	\$ -	\$ -	\$3,679	\$ -	\$ 3,679
Financial assets measured at FVOCI	-	-	264	-	264
Merchandise inventories	-	1,501,545	-	-	1,501,545
Leased inventories	-	2,198,489	-	-	2,198,489
Commodity derivatives receivable	367,960	125,507	-	(348,101)	145,366
Currency and interest rate swap	-	3,109	-	(1)	3,108
Other noncurrent financial assets	69	-	369	-	438
<b>Total</b>	<b>\$368,029</b>	<b>\$3,828,650</b>	<b>\$4,312</b>	<b>\$(348,102)</b>	<b>\$3,852,889</b>
<b>Liabilities:</b>					
Metal lease liabilities—Embedded Derivative	\$ -	\$ 84,156	\$ -	\$ -	\$ 84,156
Commodity derivatives payable	425,638	119,673	-	(348,101)	197,210
Currency and interest rate swap	-	1	-	(1)	-
<b>Total</b>	<b>\$425,638</b>	<b>\$ 203,830</b>	<b>\$ -</b>	<b>\$(348,102)</b>	<b>\$ 281,366</b>
<b>March 31, 2022</b>					
<b>Assets:</b>					
Financial assets measured at FVPL	\$ -	\$ -	\$3,542	\$ -	\$ 3,542
Financial assets measured at FVOCI	-	-	264	-	264
Merchandise inventories	-	2,062,947	-	-	2,062,947
Leased inventories	-	2,347,606	-	-	2,347,606
Commodity derivatives receivable	306,548	129,494	-	(251,146)	184,896
Currency and interest rate swap	-	4,792	-	(56)	4,736
Other noncurrent financial assets	64	-	381	-	445
<b>Total</b>	<b>\$306,612</b>	<b>\$4,544,839</b>	<b>\$4,187</b>	<b>\$(251,202)</b>	<b>\$4,604,436</b>
<b>Liabilities:</b>					
Metal lease liabilities—Embedded Derivative	\$ -	\$ (25,083)	\$ -	\$ -	\$ (25,083)
Commodity derivatives payable	464,114	144,457	-	(251,146)	357,425
Currency and interest rate swap	-	103	-	(56)	47
<b>Total</b>	<b>\$464,114</b>	<b>\$ 119,477</b>	<b>\$ -</b>	<b>\$(251,202)</b>	<b>\$ 332,389</b>

Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. There were no transfers between different levels during the years presented.

“Metal lease liabilities—Embedded Derivative” is recognized in “Metal lease liabilities” in the statements of financial position.

Commodity derivative receivable and payable as well as Currency 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, 2023 and 2022 are as follows. Please refer to Note 8 for gains and losses on hedges.

<b>Derivatives not Designated as Hedging Instruments</b>	<b>Statement of Profit and Loss Location</b>	<b>2023</b>	<b>2022</b>
Commodity—nonferrous metal	Revenues and cost of revenue from operating activities	\$ 199,860	\$ (38,708)
Commodity—precious metal	Revenues and cost of revenue from operating activities	(105,803)	291,234
Commodity—petroleum	Revenues and cost of revenue from operating activities	15,095	4,371
<hr/>			
<b>Derivatives not Designated as Hedging Instruments</b>	<b>Statement of Profit and Loss Location</b>	<b>2023</b>	<b>2022</b>
Foreign exchange forward	Sundry (loss) income	\$ (2,569)	\$ 1,975

Gain (loss) on derivatives not designated as hedging instruments in nonferrous metal and precious metal for the years ended March 31, 2023 and 2022 had a significant variance from the prior year. However, there were evaluation gain (loss) from inventories that offset such variances and hence there is no significant impact on net income.

The following table presents the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis for the years ended March 31, 2023 and 2022.

<b>Year Ended March 31, 2023</b>	<b>Balance— Beginning of Year</b>	<b>Realized and Unrealized Included in Earnings</b>	<b>Realized and Unrealized Included in OCI</b>	<b>Increase Due to Purchases and Other</b>	<b>Decrease Due to Sales and Other</b>	<b>Balance— End of Year</b>	<b>Net Change in Unrealized Gains (Losses) Still Held at End of Year</b>
Financial assets measured at FVPL	\$3,542	\$ 316	\$ -	\$ -	\$(179)	\$3,679	\$ 316
Financial assets measured at FVOCI	264	-	-	-	-	264	-
Other noncurrent financial assets—measured at FVPL	381	-	-	-	(12)	369	-
<b>Total</b>	<b>\$4,187</b>	<b>\$ 316</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$(191)</b>	<b>\$4,312</b>	<b>\$ 316</b>

<b>Year Ended March 31, 2022</b>	<b>Balance— Beginning of Year</b>	<b>Realized and Unrealized Included in Earnings</b>	<b>Realized and Unrealized Included in OCI</b>	<b>Increase Due to Purchases and Other</b>	<b>Decrease Due to Sales and Other</b>	<b>Balance— End of Year</b>	<b>Net Change in Unrealized Gains (Losses) Still Held at End of Year</b>
Financial assets measured at FVPL	\$1,715	\$1,921	\$ -	\$ -	\$( 94)	\$3,542	\$1,921
Financial assets measured at FVOCI	264	-	-	-	-	264	-
Other noncurrent financial assets—measured at FVPL	381	-	-	-	-	381	-
<b>Total</b>	<b>\$2,360</b>	<b>\$1,921</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$( 94)</b>	<b>\$4,187</b>	<b>\$1,921</b>

Gain (loss) on other investments included in net income is recognized in “Gain (loss) 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 following table represents the amounts recorded for the years ended March 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Gains (losses) on investments:		
Financial assets measured at FVPL	\$ 316	\$ 1,921
Other	-	(3,380)
<b>Total losses on investments</b>	<b>\$ 316</b>	<b>\$ (1,459)</b>

**Financial Assets Measured at FVPL or FVOCI**—Financial assets classified in Level 1 are marketable equity securities valued at the quoted market price in an active market and Level 3 are non-marketable equity securities primarily valued by net asset value per share of investees. 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.

**Merchandise Inventories**—Merchandise inventories are precious metals, nonferrous metals and crude oil held for trading purposes, and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

**Leased Inventories and Metal Lease Liabilities**—Leased inventories and Metal lease liabilities are related to precious metals lease and are classified in Level 2 as they are valued by pricing models using observable inputs such as commodity prices. The metal lease liabilities contain embedded derivative portion of metal lease contracts.

**Commodity Derivative (Payable and Receivable) and Currency and Interest Rate Swap**—Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted prices. Derivatives classified in Level 2 are comprised principally of financial swaps and commodity derivative contracts traded in over-the-counter markets, which are valued by pricing models using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

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

The estimated fair values of the Company's financial instruments measured at amortized cost are summarized as follows:

The carrying amounts of time deposits, current notes and loans receivable, trade and other receivables, lease receivable, other financial assets (excluding derivatives), noncurrent loans receivable from Parent and group companies, other noncurrent financial assets (excluding derivatives), noncurrent lease receivable, current borrowings (including commercial paper and current maturities of noncurrent borrowings), Trade and other payables (including short-term notes), Commodity financing arrangement, other financial liabilities (excluding derivatives), and other noncurrent financial liabilities (excluding derivatives) approximate fair value. Other noncurrent financial liabilities are primarily deposit liabilities and derivatives. The carrying amount of deposit liabilities are \$10,582 and \$16,758 as of March 31, 2023 and 2022, which approximates fair value. Other financial assets are primarily guarantee deposits, payments for others and derivatives. The carrying amounts of guarantee deposits are \$203,721 and \$399,216 as of March 31, 2023 and 2022, respectively. The carrying amount of payments for others are \$11,428 and \$5,778 as of March 31, 2023 and 2022.

The carrying value of long-term debt approximates fair value due to the variable rates of these liabilities. The carrying value of long-term receivables approximates fair value as the interest rates of these assets are based on current rates.

**Other Investments**—The following is a breakdown of the carrying amounts of other investments as of March 31, 2023 and 2022.

	2023	2022
FVPL	\$ 3,679	\$ 3,542
FVOCI	264	264
<b>Total</b>	<b>\$ 3,943</b>	<b>\$ 3,806</b>

The following is a breakdown of the fair values of other investments measured at FVOCI as of March 31, 2023 and 2022.

	2023	2022
Nonmarketable	\$ 264	\$ 264
<b>Total</b>	<b>\$ 264</b>	<b>\$ 264</b>

**Offsetting Financial Assets and Financial Liabilities**—The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties. In general, the terms of the agreements provide that in the event of an early termination the counter parties have the right to offset amounts owed or owing under that and any other agreement with the same counter party.

The amount of financial assets and financial liabilities for which the Company has offset and presented in the statements of financial position as well as amount not offset in the statements of financial position that are subject to an enforceable master netting agreement or similar agreement as of March 31, 2023 and 2022 are as follows:

**March 31, 2023**

Financial Assets	Gross Amount of Assets (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Statements of Financial Position	Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Payables	
Derivatives	\$496,576	\$(348,102)	\$148,474	\$(25,848)	\$ -	\$122,626
<b>Total</b>	<b>\$496,576</b>	<b>\$(348,102)</b>	<b>\$148,474</b>	<b>\$(25,848)</b>	<b>\$ -</b>	<b>\$122,626</b>

The “Derivatives” above comprises of \$127,024 of Other financial assets, and \$21,450 of Other noncurrent financial assets in the statements of financial position. The “Cash Collateral Payables” above is futures margin or cash collateral associated with derivative transactions.

Financial Liabilities	Gross Amount of Liabilities (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Statements of Financial Position	Amount not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Receivables	
Derivatives	\$545,312	\$(348,102)	\$197,210	\$(25,848)	\$(64,836)	\$106,526
Total	\$545,312	\$(348,102)	\$197,210	\$(25,848)	\$(64,836)	\$106,526

The “Derivatives” above comprises of \$184,109 of Other financial liabilities, and \$13,101 of Other noncurrent financial liabilities in the statements of financial position. The “Cash Collateral Receivables” above is futures margin or cash collateral associated with derivative transactions.

March 31, 2022

Financial Assets	Gross Amount of Assets (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Statements of Financial Position	Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Payables	
Derivatives	\$440,834	\$(251,202)	\$189,632	\$(60,365)	\$(4,723)	\$124,544
Total	\$440,834	\$(251,202)	\$189,632	\$(60,365)	\$(4,723)	\$124,544

The “Derivatives” above comprises of \$182,052 of Other financial assets, and \$7,580 of Other noncurrent financial assets in the statements of financial position. The “Cash Collateral Payables” above is futures margin or cash collateral associated with derivative transactions.

Financial Liabilities	Gross Amount of Liabilities (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Statements of Financial Position	Amount not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Receivables	
Derivatives	\$608,674	\$(251,202)	\$357,472	\$(60,365)	\$(182,383)	\$114,724
Total	\$608,674	\$(251,202)	\$357,472	\$(60,365)	\$(182,383)	\$114,724

The “Derivatives” above comprises of \$353,898 of Other financial liabilities, and \$3,574 of Other noncurrent financial liabilities in the statements of financial position. The “Cash Collateral Receivables” above is futures margin or cash collateral associated with derivative transactions.

### 13. 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 \$1,797,348 and \$3,562,740 as of March 31, 2023 and 2022, respectively. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, 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 investment securities, property and equipment generate trading income and other 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, 2023 and 2022, their impacts on net income and total equity would not be material.

**Commodity Price Risk Management**—The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management procedures. The Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

As of March 31, 2023 and 2022, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, management believes the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity were immaterial.

**Commodity Premium Risk Management**—The Company is exposed to fluctuations in commodity premium in its operation. To hedge commodity premium fluctuation risk of purchase/sale contracts, the Company enters into commodity future contracts. These contracts are designated as hedging instruments and the Company applies hedge accounting. Management believes that such contracts effectively hedge the impact of fluctuation in commodity premium and ineffective portion of the hedge would not be material.

**Credit Risk Management**—The Company has exposure to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company credit losses. To manage the credit risk, the Company has maintained credit and transaction limits for each customer 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 customers.

The Company has considered the customers' 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 insignificant relatively, compared to its market risk.

The Company has no exposure to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The following is a rollforward of loss allowances calculated based on ECL model under IFRS 9 for the years ended March 31, 2023 and 2022.

<b>Loss allowances—Lifetime ECL</b>	<b>2023</b>	<b>2022</b>
Balances—beginning of year	\$ 12,466	\$ 11,963
Changes in allowance due to change in credit risk and accounts receivable balance	67	503
Balances—end of year	\$ 12,533	\$ 12,466

The carrying amounts of Notes and loans receivable, Trade and other receivables, Lease receivable, Other financial assets (excluding derivatives), Noncurrent loans receivable from parent and group companies, Noncurrent lease receivable and Other noncurrent financial assets (excluding derivatives) in the statements of financial position approximate the maximum exposure to credit risk.

**Collateral Held as Security and Other Credit Enhancements**—The Company holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. These collaterals or credit enhancements reduce the amount of loss allowance that the Company has to recognize. The main types of credit enhancements are listed below.

Type of credit enhancements

- Letter of credit: A letter of credit is provided to the Company that would allow the Company to draw fund from a reputable bank if the customer fails to pay.
- Letter of guarantee: A customer who lacks resources or credit usually needs to provide letter of guarantee in order to transact with the Company. The letter of guarantee is usually issued from the parent company of the customer.



Below is a breakdown of gross carrying amounts of Notes and loans receivables, Trade and other receivables, Lease receivable, Other financial assets (excluding derivatives), Noncurrent loans receivable from parent and group companies, Noncurrent lease receivable and Other noncurrent financial assets (excluding derivatives) by credit ratings as of March 31, 2023 and 2022.

<b>Credit Rating</b>	<b>2023</b>	<b>2022</b>
G	\$ 1,089,849	\$ 2,583,226
N	465,901	391,940
W	126,267	259,712
Total gross carrying amount	1,682,017	3,234,878
Loss allowance	12,533	12,466
Carrying amount	\$ 1,669,484	\$ 3,222,412

**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 utilizes borrowing from the parent, MCA. MCA 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. MCA has a strong reputation in capital markets and with regard to indirect financing, MCA maintains a good relationship with a broad range of financial institutions. This diversity allows MCA to procure funds on terms that are cost competitive, which leads to cost competitive funding in the Company.

The breakdown of financial liabilities and metal lease liabilities by due date as of March 31, 2023 and 2022 are as follows:

<b>March 31, 2023</b>	<b>Due After</b>			<b>Total</b>
	<b>Due in 1 Year or Less</b>	<b>1 Year Through 5 Years</b>	<b>Due After 5 Years</b>	
Borrowings	\$ 1,779,368	\$ -	\$ -	\$ 1,779,368
Derivatives	184,109	13,101	-	197,210
Lease liabilities	6,342	5,377	6,261	17,980
Metal lease liabilities	1,544,766	41,651	-	1,586,417

  

<b>March 31, 2023</b>	<b>Due After</b>			<b>Total</b>
	<b>Due in 1 Year or Less</b>	<b>1 Year Through 5 Years</b>	<b>Due After 5 Years</b>	
Borrowings	\$ 3,539,250	\$ -	\$ -	\$ 3,539,250
Derivatives	353,898	3,574	-	357,472
Lease liabilities	9,992	6,090	7,408	23,490
Metal lease liabilities	2,086,382	21,500	-	2,107,882

For details on the nature of metal lease liabilities, refer to Note 3.5.

#### 14. INCOME TAXES

The provision for income taxes for the years ended March 31, 2023 and 2022 relating to continuing operations, consists of the following:

	2023	2022
Current:		
In respect of the current year	\$ 30,465	\$ 28,602
In respect of prior years	(865)	39
Total current	29,600	28,641
Deferred:		
In respect of the current year	1,094	(1,527)
In respect of prior years	2,059	1,098
Write-downs (reversals of previous write-downs) of deferred tax assets	(519)	697
Total deferred	2,634	268
Total tax provision	\$ 32,234	\$ 28,909

The difference between the actual income tax expense and income tax expense computed by applying the US federal statutory rate to pretax income (which includes equity in earnings of affiliates) for the years ended March 31, 2023 and 2022, is explained as follows:

	2023	2022
US federal statutory rate	21.00 %	21.00 %
Change in the recoverability of deferred tax assets	(0.40)	0.58
State taxes (net of federal tax benefit)	4.13	3.17
Expenses not deductible for income tax purposes	0.05	0.03
Federal tax true-up	0.67	2.01
Foreign derived intangible income deduction	(0.35)	(0.51)
Others	(0.09)	(0.11)
Average effective tax rate	25.01 %	26.17 %

Deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets	\$ 21,562	\$ 22,735
Deferred tax liabilities	(10,507)	(8,194)
Total net deferred tax assets	\$ 11,055	\$ 14,541

The following table presents the changes in deferred tax for the years ended March 31, 2023 and 2022.

<b>Year Ended March 31, 2023</b>	<b>Balance— Beginning of Year</b>	<b>Recognized in Earnings</b>	<b>Recognized in OCI</b>	<b>Balance— End of Year</b>
Deferred tax in relation to:				
Pension	\$ 4,750	\$ -	\$ (744)	\$ 4,006
Bad debt write-off	3,115	17	-	3,132
Net operating loss carryforward	1,392	235	-	1,627
Depreciation and amortization	(256)	(85)	-	(341)
Investments	(2,268)	(426)	-	(2,694)
Hedge transaction	526	-	(108)	418
Undistributed retained earnings from affiliated companies	(34)	-	-	(34)
Foreign exchange gain/loss	58	552	-	610
Other	7,258	(2,927)	-	4,331
<b>Total</b>	<b>\$ 14,541</b>	<b>\$ (2,634)</b>	<b>\$ (852)</b>	<b>\$ 11,055</b>
<hr/>				
<b>Year Ended March 31, 2022</b>	<b>Balance— Beginning of Year</b>	<b>Recognized in Earnings</b>	<b>Recognized in OCI</b>	<b>Balance— End of Year</b>
Deferred tax in relation to:				
Pension	\$ 6,751	\$ -	\$ (2,001)	\$ 4,750
Bad debt write-off	3,111	4	-	3,115
Net operating loss carryforward	1,849	(457)	-	1,392
Depreciation and amortization	(375)	119	-	(256)
Investments	(2,268)	-	-	(2,268)
Hedge transaction	(188)	-	714	526
Undistributed retained earnings from affiliated companies	(34)	-	-	(34)
Foreign exchange gain/loss	49	9	-	58
Other	7,201	57	-	7,258
<b>Total</b>	<b>\$ 16,096</b>	<b>\$ (268)</b>	<b>\$ (1,287)</b>	<b>\$ 14,541</b>

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 consider the Company's recent performance.

The amount of deductible temporary differences in domestic jurisdictions regarding unrealized capital loss of certain investments for which no deferred tax asset realized was \$3,237 and \$3,237 as of March 31, 2023 and 2022, respectively. The Company's capital losses are only deductible against capital gains and the Company does not anticipate having the ability to generate sufficient capital gains in the future to realize such capital losses. The deductible temporary differences have no expiration date.

Deferred tax assets have not been recognized for the Company's US state NOL carryforwards of \$35,881 expiring in the periods beginning in 2030 through 2038 as of March 31, 2023, and \$38,086 as of March 31, 2022, respectively, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

As of March 31, 2023 and 2022, taxable (deductible) temporary differences in relation to investments in associates for which deferred tax liabilities (assets) have not been recognized are (\$4,790) and (\$4,668), respectively.

The Company did not have any unrecognized tax benefits in the statements of financial position as of March 31, 2023 and 2022.

The Company files income tax returns in various states in the United States and in Canada. The Company believes it is filing in all jurisdictions deemed necessary and appropriate.

From a federal tax return perspective, the Company is a member of the consolidated tax returns filed through MCA from April 1, 2012. Under the tax allocation agreement with MCA, the Company is required to pay to MCA as its share of the federal income tax liability of the MCA Consolidated Group, an amount equal to the federal income tax liability that would have been payable by the Company for such year if it had filed a separate income tax return for such year. Such payment shall be reduced by foreign tax and general business credits generated by the Company within such tax year.

MCA and its US subsidiaries file income tax returns with US federal, states and foreign jurisdictions. The Company is subject to US federal income tax examinations, as a member of the MCA consolidated tax filing, by tax authorities for the year ended March 31, 2020 and subsequent years.

The Company does not expect any significant changes to the estimated amount of unrecognized tax benefits through the next 12 months.

## 15. 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, 2023 and 2022, are as follows:

	<b>2023</b>	<b>2022</b>
Personnel expenses	\$ (20,796)	\$ (30,771)
Facilities expenses	(5,250)	(5,813)
Information and communication expenses	(5,425)	(7,273)
Transportation and entertainment expenses	(2,488)	(1,310)
Miscellaneous expenses	(15,239)	(11,364)
Total	\$ (49,198)	\$ (56,531)

The amount of depreciation and amortization expenses included in Facilities expenses and Information and communication expenses for the years ended March 31, 2023 and 2022, was \$(3,671) and \$(6,248), respectively.

## 16. SUNDRY GAIN (LOSS)—NET

Sundry gain (loss)—net for the years ended March 31, 2023 and 2022, consisted of the following:

	<b>2023</b>	<b>2022</b>
Foreign exchange gain (loss)—net	\$ 2,285	\$ (2,252)
(Loss) gain from financial derivative	(2,569)	1,975
Other—net	749	(533)
Total	\$ 465	\$ (810)

## 17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) for the years ended March 31, 2023 and 2022, are as follows:

<b>2023</b>	<b>Before Tax</b>	<b>Tax</b>	<b>After Tax</b>
Share of other comprehensive income of affiliated company:			
Balances—beginning of year	\$ 3,806	\$ -	\$ 3,806
Other comprehensive income	-	-	-
Transfer to retained earnings	-	-	-
Net current period other comprehensive income	-	-	-
Balances—end of year	\$ 3,806	\$ -	\$ 3,806
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	\$ -	\$ -	\$ -
Other comprehensive income	2,978	(744)	2,234
Transfer to retained earnings	(2,978)	744	(2,234)
Net current period other comprehensive income	-	-	-
Balances—end of year	\$ -	\$ -	\$ -
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	\$ (4,668)	\$ -	\$ (4,668)
Other comprehensive loss	(122)	-	(122)
Net current period other comprehensive loss	(122)	-	(122)
Balances—end of year	\$ (4,790)	\$ -	\$ (4,790)
Cash flow hedges:			
Balances—beginning of year	\$ (2,103)	\$ 526	\$ (1,577)
Other comprehensive income	432	(108)	324
Net current period other comprehensive income	432	(108)	324
Balances—end of year	\$ (1,671)	\$ 418	\$ (1,253)

<b>2022</b>	<b>Before Tax</b>	<b>Tax</b>	<b>After Tax</b>
Share of other comprehensive loss of affiliated company:			
Balances—beginning of year	\$ 3,818	\$ -	\$ 3,818
Other comprehensive loss	-	-	-
Transfer to retained earnings	(12)	-	(12)
Net current period other comprehensive loss	(12)	-	(12)
Balances—end of year	\$ 3,806	\$ -	\$ 3,806
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	\$ -	\$ -	\$ -
Other comprehensive income	8,003	(2,001)	6,002
Transfer to retained earnings	(8,003)	2,001	(6,002)
Net current period other comprehensive income	-	-	-
Balances—end of year	\$ -	\$ -	\$ -
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	\$ (8,648)	\$ -	\$ (8,648)
Other comprehensive income	3,980	-	3,980
Net current period other comprehensive income	3,980	-	3,980
Balances—end of year	\$ (4,668)	\$ -	\$ (4,668)
Cash flow hedges:			
Balances—beginning of year	\$ 753	\$ (188)	\$ 565
Other comprehensive loss	(2,856)	714	(2,142)
Net current period other comprehensive loss	(2,856)	714	(2,142)
Balances—end of year	\$ (2,103)	\$ 526	\$ (1,577)

## 18. TRANSACTIONS WITH RELATED PARTIES

Revenues and goods purchased/services received from the Parent and group companies as well as affiliated companies are as follows:

	<b>2023</b>	<b>2022</b>
Revenues:		
Parent and group companies	\$ 542,682	\$ 556,739
Goods purchased/services received— Parent and group companies	2,876,880	3,191,619

The Company received a significant portion of finance income from the Parent and group companies. For the years ended March 31, 2023 and 2022, finance income from the Parent and group companies was \$6,892 and \$20,047, respectively.

The Company paid a significant portion of finance costs to the Parent and group companies. For the year ended March 31, 2023, finance costs to the Parent and group companies were \$48,936. For the year ended March 31, 2022, finance costs to the Parent and group companies were immaterial.

Assets and liabilities of the Company with the Parent and group companies as well as affiliated companies are as follows:

	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Assets:		
Trade and other receivables— Parent and group companies	\$ 110,437	\$ 166,335
Notes and loans receivables— Parent and group companies	63,847	1,458,885
Lease receivable	5,526	6,116
Income tax receivable	13,337	6,183
Other financial assets	19,522	107,842
Other current assets	52	39
Other noncurrent financial assets	-	5,109
Liabilities:		
Trade and other payables:		
Parent and group companies	187,239	140,302
Affiliated companies	-	-
Borrowings— Parent and group companies	1,779,368	3,536,140
Income tax payables	23,927	22,558
Other financial liabilities	8,157	84,495
Lease liabilities	67	115
Metal lease liabilities	1,517,885	2,082,474
Other noncurrent financial liabilities	1,476	42

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, 2023 and 2022, the Company declared cash dividends of \$81,549 and \$60,725, respectively.



## 19. LEASES

As a lessee, the Company has leases for office space and tanks under noncancelable lease terms expiring through 2033 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 13 for the maturity analysis of lease liabilities.

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

	2023	2022
Depreciation of right-of-use assets		
Buildings and structures	\$ 5,991	\$ 7,613
Total	\$ 5,991	\$ 7,613
Finance cost on lease liabilities	\$ 501	\$ 567
Income from subleasing right-of-use assets	\$ 189	\$ 203
Expenses relating to short-term leases and leases of low-value assets	\$ 2,842	\$ 2,193
Total cash outflow for leases	\$ 13,361	\$ 13,524
Additions to right-of-use assets	\$ 4,141	\$ 3,641
Carrying amount of right-of-use assets—end of year		
Buildings and structures	\$ 9,957	\$ 13,522
Total	\$ 9,957	\$ 13,522

Maturity analysis of lease receivable is as follows:

	2023	2022
Less than 1 year	\$ 1,624	\$ 1,269
1 year to 2 year	642	671
2 year to 3 year	642	675
3 year to 4 year	642	679
4 year to 5 year	642	594
Remaining years	3,105	3,203
Gross lease receivable	7,297	7,091
Unearned finance income	(720)	(751)
Total lease receivable	\$ 6,577	\$ 6,340

The total amount of finance income on the net investments in the leases is the same as the total amount of income from subleasing right-of-use assets.

## 20. BUSINESS COMBINATIONS

On March 31, 2023, the Company and Mitsubishi International Polymer Trade Corporation (MIP), a wholly-owned U.S. subsidiary by the Parent, entered a “Asset Purchase Agreement”. Through this Agreement, MIC acquired certain business from MIP. This was done as part of MIP’s business strategy, which was also in line with the Parent’s strategy.

The assets acquired are measured at the book value of MIP at the date of acquisition, since this transaction is a business combination under common control between wholly-owned subsidiaries of the Parent. Income and expenses of the business acquired will be recognized prospectively from the combination date. Transaction costs related to the combination were immaterial.

The following table summarizes the fair value of the consideration paid, the book value of assets acquired and changes in common stock as of the acquisition date.

Fair value of consideration paid	\$ 27,259
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Recognized amount of identifiable assets acquired:	
Merchandise and inventories	\$ 14,458
Property and equipment	2
<hr/>	
Total identifiable net assets	14,460
Common stock	12,799
<hr/>	
Total	\$ 27,259
<hr/>	

“Fair value of considerations paid” is unpaid as of March 31, 2023 and subsequently paid in May 2023.

## 21. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

**Guarantees**—Guarantees arise during the ordinary course of business from relationships with customers and equity affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract by the guaranteed party triggers the obligation of the Company. Such nonperformance usually relates to loans. The Company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates and other unaffiliated companies. The Company did not have outstanding guarantee obligations at March 31, 2023 and 2022.

**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.

## **22. SUBSEQUENT EVENTS**

The Company has evaluated all events or transactions that occurred after March 31, 2023, up through July 13, 2023 the date that the financial statements were available to be issued. On May 1, 2023, the Company terminated the defined benefit pension plan for all participants and beneficiaries in order to start the process of working with an insurance company to transfer the plan assets and projected benefit obligations to the insurance company. Participation in this plan has been frozen since April 1, 2014. As this is an on-going process, it is difficult to estimate the effects to the financial statements. The Company will still provide the post-retirement medical benefits for eligible retired employees as well as certain nonqualified supplemental executive defined benefit pension plans provided primarily to certain high-level employees.

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

## **23. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Company's president and authorized for issue on July 13, 2023.

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