

Mitsubishi International Corporation

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

Financial Statements as of and
for the Years Ended March 31, 2024 and 2023,
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 statements of financial position as of March 31, 2024, and 2023 and the related statements of profit and loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and 2023, 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 1, 2024

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

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2024 AND 2023
(In thousands US dollars, except for share data)

	Notes	2024	2023
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	12	\$ 1,894	\$ 3,296
Notes and loans receivable:	8, 10, 12, 18		
Parent and group companies		24,955	24,788
Customers		5,072	129
Trade and other receivables:	10, 12, 18		
Customers (after allowance for uncollectible accounts of \$2,387 in 2024 and \$1,784 in 2023)		1,596,167	1,229,184
Parent and group companies		115,526	110,437
Other		24,025	31,888
Lease receivable	18, 19	520	1,487
Income tax receivable	14, 18	63,645	38,792
Merchandise inventories	5, 8, 12, 20	2,009,145	1,628,748
Leased inventories	5, 8, 12	2,740,622	2,301,196
Advance payments to suppliers		8,128	9,896
Other financial assets	8, 12, 18	369,594	342,173
Other current assets	18	<u>4,318</u>	<u>4,716</u>
Total current assets		<u>6,963,611</u>	<u>5,726,730</u>
NON-CURRENT ASSETS:			
Noncurrent loans receivable from parent and group companies	8, 10, 12, 18	15,350	39,059
Other noncurrent financial assets	8, 12	22,553	33,723
Investments accounted for using the equity method		2,107	2,512
Other investments	12	12,542	3,943
Noncurrent lease receivable	19	4,550	5,090
Property and equipment	6, 20	7,182	6,596
Right-of-use assets	19	13,438	9,957
Intangible assets	7	930	2,350
Deferred tax assets	14	6,977	11,055
Other noncurrent assets		<u>326</u>	<u>599</u>
Total noncurrent assets		<u>85,955</u>	<u>114,884</u>
TOTAL ASSETS		<u><u>\$ 7,049,566</u></u>	<u><u>\$ 5,841,614</u></u>

(Continued)

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

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2024 AND 2023
(In thousands US dollars, except for share data)

	Notes	2024	2023
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current borrowings—	9, 12, 13, 18		
Parent and group companies		\$ 2,372,024	\$ 1,779,368
Trade and other payables and accrued expenses:	12, 18		
Parent and group companies	20	179,296	187,239
Trade creditors		273,875	179,683
Lease liabilities	13, 18, 19	5,611	6,342
Income tax payables	14, 18	25,160	24,007
Advances from customers		58	120
Commodity financing arrangement		772,740	513,562
Other financial liabilities	8, 12, 13, 18	236,877	217,870
Other current liabilities	11	8,584	13,136
Metal lease liabilities	12, 13, 18	<u>1,825,929</u>	<u>1,586,417</u>
Total current liabilities		<u>5,700,154</u>	<u>4,507,744</u>
NON-CURRENT LIABILITIES:			
Other noncurrent financial liabilities	8, 12, 13, 18	27,350	25,777
Noncurrent lease liabilities	13, 19	13,484	11,638
Other noncurrent liabilities	11	<u>8,291</u>	<u>10,060</u>
Total noncurrent liabilities		<u>49,125</u>	<u>47,475</u>
Total liabilities		<u>5,749,279</u>	<u>4,555,219</u>
EQUITY:			
Stockholder's Equity:			
Common stock without par value (authorized—750,000 shares issued and outstanding—710,719 shares)	20	<u>919,141</u>	<u>919,141</u>
Retained earnings		<u>380,723</u>	<u>369,491</u>
Accumulated other comprehensive income (loss):			
Other investments designated as FVOCI	12	3,806	3,806
Change in hedging activities	8	1,389	(1,253)
Exchange differences on translating foreign affiliates	17	<u>(4,772)</u>	<u>(4,790)</u>
Total accumulated other comprehensive income (loss)		<u>423</u>	<u>(2,237)</u>
Total stockholder's equity		<u>1,300,287</u>	<u>1,286,395</u>
TOTAL LIABILITIES AND EQUITY		<u><u>\$ 7,049,566</u></u>	<u><u>\$ 5,841,614</u></u>

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, 2024 AND 2023
(In thousands US dollars)

	Notes	2024	2023
REVENUES	10, 12, 18	\$ 8,037,918	\$ 8,007,533
COST OF REVENUE FROM OPERATING ACTIVITIES	5, 12, 18	<u>(7,728,804)</u>	<u>(7,784,701)</u>
GROSS PROFIT		<u>309,114</u>	<u>222,832</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	11, 15	(56,625)	(49,198)
FINANCE INCOME	18, 19	17,576	15,843
FINANCE COSTS	9, 13, 18, 19	(132,844)	(61,898)
(LOSS) GAIN ON INVESTMENTS	12	(597)	316
SUNDRY (LOSS) INCOME (NET OF INCOME OF \$1,706 IN 2024 AND LOSS OF \$7,077 IN 2023)	16	(1,339)	465
INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		<u>314</u>	<u>510</u>
INCOME BEFORE INCOME TAX PROVISION		135,599	128,870
INCOME TAX PROVISION	14	<u>(28,244)</u>	<u>(32,234)</u>
NET INCOME		<u>\$ 107,355</u>	<u>\$ 96,636</u>

See notes to the financial statements.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(In thousands US dollars)

	Note	2024	2023
NET INCOME		<u>\$ 107,355</u>	<u>\$ 96,636</u>
OTHER COMPREHENSIVE INCOME—Net of tax:	17		
Items that will not be reclassified to net income— remeasurement of defined benefit pension plans		<u>513</u>	<u>2,234</u>
Total		<u>513</u>	<u>2,234</u>
Items that may be reclassified to net income:			
Exchange differences on translating foreign affiliated company		18	(122)
Change in hedging activities	8	<u>2,642</u>	<u>324</u>
Total		<u>2,660</u>	<u>202</u>
Total other comprehensive income—net of tax		<u>3,173</u>	<u>2,436</u>
COMPREHENSIVE INCOME		<u>\$ 110,528</u>	<u>\$ 99,072</u>

See notes to the financial statements.

MITSUBISHI INTERNATIONAL CORPORATION
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(In thousands US dollars)

	Note	2024	2023
COMMON STOCK:			
Balances—beginning of year		\$ 919,141	\$ 931,940
Equity transactions between entities under common control	20	<u>-</u>	<u>(12,799)</u>
Balances—end of year		<u>919,141</u>	<u>919,141</u>
RETAINED EARNINGS:			
Balances—beginning of year		369,491	352,170
Net income		107,355	96,636
Dividend		(96,636)	(81,549)
Transfer from other components of equity		513	2,234
Other changes		<u>-</u>	<u>-</u>
Balances—end of year		<u>380,723</u>	<u>369,491</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balances—beginning of year	17	(2,237)	(2,439)
Change in hedging activities		2,642	324
Exchange differences on translating foreign affiliates		18	(122)
Remeasurement of defined benefit pension plans—net of tax		513	2,234
Transfer to retained earnings		<u>(513)</u>	<u>(2,234)</u>
Balances—end of year		<u>423</u>	<u>(2,237)</u>
TOTAL STOCKHOLDER'S EQUITY		<u>\$ 1,300,287</u>	<u>\$ 1,286,395</u>

See notes to the financial statements.

MITSUBISHI INTERNATIONAL CORPORATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(In thousands US dollars)

	2024	2023
OPERATING ACTIVITIES:		
Net income	\$ 107,355	\$ 96,636
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,634	8,228
Loss (gain) on investments	597	(316)
Inventory write-down	-	59
Gain on lease modification	(1,207)	(3,410)
Provision for doubtful accounts and other losses	(185)	234
Provision for accrued pension liabilities	449	(5,238)
Income taxes	28,244	32,234
Finance income	(17,576)	(15,843)
Finance cost	132,844	61,898
Equity in earnings of affiliates	(314)	(510)
Unrealized loss and foreign exchange loss on derivatives and inventories	10,104	15,689
Changes in operating assets and liabilities:		
Notes receivable	(4,943)	(52)
Trade and other receivables	(365,054)	(46,876)
Merchandise inventories and precious metal inventory	(566,747)	274,601
Advance payments to suppliers	1,768	53,893
Other financial and non-financial assets	(34,711)	194,106
Other noncurrent financial and non-financial assets	4,254	12,147
Commodity financing arrangement	259,178	(185,291)
Trade and other payables and accrued expenses	101,896	(67,207)
Advances from customers	(62)	(1,145)
Other financial and current liabilities	13,514	(8,744)
Other noncurrent financial and non-financial liabilities	(3,376)	(6,208)
	(327,338)	408,885
CASH GENERATED FROM OPERATING ACTIVITIES:		
Interest received	17,690	16,159
Interest paid	(120,572)	(47,812)
Income tax received	14,892	8,278
Income tax paid	(63,774)	(49,992)
Dividends received	736	535
	(478,366)	336,053
Net cash (used in) provided by operating activities	(478,366)	336,053

(Continued)

MITSUBISHI INTERNATIONAL CORPORATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(In thousands US dollars)

	2024	2023
INVESTING ACTIVITIES:		
Purchase of assets in business combination transaction	\$ (14,460)	\$ -
Proceeds from sales of other investments	585	179
Purchases of other investments	(9,781)	-
Proceeds from sales of intangible assets	1,338	109
Purchases of intangible assets	(324)	(624)
Proceeds from sales of property and equipment	432	246
Purchases of property and equipment	(1,749)	(1,043)
Proceeds from cash distribution of affiliate companies	1	-
Collection of loans receivable from Parent and group companies	25,032	490,569
Increase in loans receivable to Parent and group companies	-	(34,500)
	<u>1,074</u>	<u>454,936</u>
Net cash provided by investing activities		
	<u>1,074</u>	<u>454,936</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of current borrowings	592,656	1,779,368
Payment to parent and group companies related to business combination under common control	(12,799)	-
Repayment of current borrowings	-	(2,596,241)
Repayment of lease liabilities	(7,331)	(10,519)
Dividends payment to the Parent	(96,636)	(81,549)
	<u>475,890</u>	<u>(908,941)</u>
Net cash provided by (used in) financing activities		
	<u>475,890</u>	<u>(908,941)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(1,402)	(117,952)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>3,296</u>	<u>121,248</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,894</u>	<u>\$ 3,296</u>
NON-CASH ITEMS IN INVESTING AND FINANCING ACTIVITIES:		
Fair value of consideration for business acquisition	<u>\$ -</u>	<u>\$ 27,259</u>
Novation of loans receivable and borrowings from group companies	<u>\$ -</u>	<u>\$ 940,434</u>
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, 2024 AND 2023

(In thousand US dollars, except as noted)

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, chemicals, industrial infrastructure, urban development, next-generation energy, 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.

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, “Material accounting policies.”

2.3 Material Accounting Judgments, Estimates, and Assumptions—In preparing the financial statements, management is required to make judgments, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual and next financial year results may differ materially from these estimates.

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

Material judgment and estimates are required in the determination of the 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. MATERIAL 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. 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 intercompany profits and losses 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) income—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) income—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 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) income—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 in the statements of changes in equity and the statements of comprehensive income. 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 consists of exchange differences on translating foreign affiliated company, remeasurement of defined benefit pension plans, 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, which is primarily the cumulative amount of other comprehensive income, 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) income—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:

	Years
Leasehold improvements	2–13
Building, structures, and railcar	25–35
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) income—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 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, 2024 and 2023 are as follows:

	March 31,	
	2024	2023
Current assets comprised of:		
Trade and other receivables—other	\$ 5	\$ 2,393
Leased inventories	1,523	56,654
Current liabilities comprised of:		
Metal lease liabilities	508	41,651

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.

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 has assessed the possible impacts of the application of the new and revised major IFRSs that have been recently issued, but are not yet effective and has determined that none of the updates will have a material impact on the financial statements.

5. INVENTORIES

The breakdown of Merchandise inventories as of March 31, 2024 and 2023 was as follows:

	2024	2023
Measured at fair value, less cost to sell	\$ 1,926,141	\$ 1,501,545
Measured at lower of cost or net realizable value	<u>83,004</u>	<u>127,203</u>
Total	<u>\$ 2,009,145</u>	<u>\$ 1,628,748</u>

The amount of inventories recognized as "Cost of revenues from operating activities" for the years ended March 31, 2024 and 2023, was \$7,747,069 and \$7,905,432, respectively.

The amount of write-down of inventories recognized as expenses for the years ended March 31, 2024 and 2023, was \$0 and \$59, respectively.

The breakdown of Leased inventories as of March 31, 2024 and 2023 was as follows:

	2024	2023
Measured at fair value, less cost to sell	\$ 2,652,570	\$ 2,198,489
Measured at lower of cost or net realizable value	<u>88,052</u>	<u>102,707</u>
Total	<u><u>2,740,622</u></u>	<u><u>2,301,196</u></u>

Assets arising from commodity financing arrangements recorded in “Merchandise inventories” are \$858,360 and \$588,661 as of March 31, 2024 and 2023, 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, 2024 and 2023.

Cost	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Total
Balances—April 1, 2022	\$ 16,637	\$ 5,484	\$ 2,025	\$ 6,575	\$ 30,721
Additions	70	-	-	1,105	1,175
Retirement	<u>(868)</u>	<u>-</u>	<u>(664)</u>	<u>(2,779)</u>	<u>(4,311)</u>
Balances—March 31, 2023	15,839	5,484	1,361	4,901	27,585
Additions	1	1,551	-	197	1,749
Retirement	<u>(11,182)</u>	<u>-</u>	<u>(1,339)</u>	<u>(800)</u>	<u>(13,321)</u>
Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,096)</u>	<u>(1,096)</u>
Balances—March 31, 2024	<u>\$ 4,658</u>	<u>\$ 7,035</u>	<u>\$ 22</u>	<u>\$ 3,202</u>	<u>\$ 14,917</u>
Accumulated Depreciation	Leasehold Improvements	Building Structures and Railcar	Machinery and Equipment	Furniture Fixtures and Vehicles	Total
Balances—April 1, 2022	\$ (14,145)	\$ (2,113)	\$ (1,998)	\$ (5,302)	\$ (23,558)
Depreciation expense	(481)	(128)	(10)	(650)	(1,269)
Retirement	<u>583</u>	<u>-</u>	<u>648</u>	<u>2,607</u>	<u>3,838</u>
Balances—March 31, 2023	(14,043)	(2,241)	(1,360)	(3,345)	(20,989)
Depreciation expense	(188)	(133)	-	(401)	(722)
Retirement	11,182	-	1,339	791	13,312
Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>664</u>	<u>664</u>
Balances—March 31, 2024	<u>\$ (3,049)</u>	<u>\$ (2,374)</u>	<u>\$ (21)</u>	<u>\$ (2,291)</u>	<u>\$ (7,735)</u>
Net book value:					
As of March 31, 2023	<u>\$ 1,796</u>	<u>\$ 3,243</u>	<u>\$ 1</u>	<u>\$ 1,556</u>	<u>\$ 6,596</u>
As of March 31, 2024	<u>\$ 1,609</u>	<u>\$ 4,661</u>	<u>\$ 1</u>	<u>\$ 911</u>	<u>\$ 7,182</u>

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, 2024 and 2023.

Cost	2024	2023
Balances—beginning of year	\$ 12,912	\$ 13,815
Additions	324	624
Retirement	(2,180)	(1,527)
Transfer	<u>(4,128)</u>	<u>-</u>
Balances—end of year	<u>\$ 6,928</u>	<u>\$ 12,912</u>
Accumulated Amortization	2024	2023
Balances—beginning of year	\$ (10,562)	\$ (10,774)
Amortization expense	(406)	(968)
Retirement	2,180	1,180
Transfer	<u>2,790</u>	<u>-</u>
Balances—end of year	<u>\$ (5,998)</u>	<u>\$ (10,562)</u>
Net book value:	<u>\$ 930</u>	<u>\$ 2,350</u>

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 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. 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 Secured Overnight Financing Rate interest rates, and the changes in the fair value of these swaps are included in "Sundry (loss) income—net" in the statements of profit and loss.

For all derivatives designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. Whenever practical, the Company designates specific exposures to qualify for hedge accounting. In these circumstances, in order to assess whether the changes in fair values of hedging instruments are highly effective in offsetting changes in fair values of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and hedged items match or are closely aligned or quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. Management believes the effect of credit risk on the hedging relationship is immaterial (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, 2024 and 2023 as well as the changes in fair values for the years ended March 31, 2024 and 2023.

Derivative Designated as Fair Value Hedge	Account in the Statements of Financial Position	March 31,	
		2024	2023
Interest rate swap (Interest rate risks)	Other financial assets	\$ 123	\$ 245
	Other noncurrent financial assets	1,493	2,863
Other Information			
	Change in fair value	\$ (1,492)	\$ 988
	Nominal amounts	41,922	66,955
Derivative Designated as Fair Value Hedge	Account in the Statements of Financial Position	March 31,	
		2024	2023
Futures contract (Commodity price risk)	Other financial assets	\$17,893	\$ 6,367
	Other financial liabilities	56,730	84,631
Other Information			
	Change in fair value	\$ (3,047)	\$24,621
	Nominal amounts	24,076,350 TOZ	24,076,350 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, 2024 and 2023 as well as the changes in values for the years ended March 31, 2024 and 2023.

Hedged Item	Account in the Statements of Financial Position	March 31,	
		2024	2023
Loans receivable (Interest rate risks)	Notes and loans receivable—Parent and group companies	\$ 7,877	\$ 11,755
	Noncurrent loans receivable from Parent and group companies	32,429	52,092
Other Information			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ (1,616)	\$ (3,108)
	Change in value	1,492	(988)
Hedged Item	Account in the Statements of Financial Position	March 31,	
		2024	2023
Inventories (Commodity price risk)	Leased inventories	\$757,632	\$754,588
Other Information			
	Accumulated amount of fair value hedge adjustments included in carrying amount	\$ 14,031	\$ 10,984
	Change in value	3,047	(24,621)

9. BORROWINGS

Borrowings (current liabilities) as of March 31, 2024 and 2023 consisted of the following:

	2024	2023
Loans from Parent and group companies	<u>\$ 2,372,024</u>	<u>\$ 1,779,368</u>
Total short-term borrowings	<u>\$ 2,372,024</u>	<u>\$ 1,779,368</u>

The following interest rates on current borrowings represent weighted-average rates on outstanding balances as of March 31, 2024 and 2023.

	Interest Rate	
	2024	2023
Loans from Parent and group companies	5.7 %	5.1 %

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:

- 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 to fulfill obligations under the Keepwell agreement, but the Company has decided to terminate the Keepwell agreement effective from June 30, 2024. For details, please refer to "SUBSEQUENT EVENTS" under Note 22.

Changes in liabilities arising from financing activities

	April 1, 2023	Cash Flows	Non-Cash changes	March 31, 2024
Current borrowings:				
Parent and group companies	\$ 1,779,368	\$ 592,656	\$ -	\$ 2,372,024
Lease liabilities	6,342	(7,331)	6,600	5,611
Noncurrent lease liabilities	11,638	-	1,846	13,484

	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.

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, 2024 and 2023 are as follows.

Type of Contracts	Sales of Goods/ Providing services	2024	2023
Contracts with customers within the scope of IFRS 15	Sales of Goods	\$ 1,166,614	\$ 1,200,545
	Providing services	20,531	13,859
Other	-	<u>6,850,773</u>	<u>6,793,129</u>
Total		<u>\$ 8,037,918</u>	<u>\$ 8,007,533</u>

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, 2024 and 2023 are as follows.

	2024	2023
Notes and loans receivable:		
Customers	\$ 4,929	\$ -
Trade and other receivables:		
Customers	1,596,167	1,229,184
Parent and group companies	115,526	110,437
Other	24,025	31,888
Advances from customers	58	120

Revenue recognized in the reporting period that was included in the Advances from customers at the beginning of the period are \$120 and \$1,265 for the years ended March 31, 2024 and 2023.

10.3 Impairment gain (loss) from contracts with customers—Impairment gains (losses) recognized on receivables arising from contracts with customers are \$215 and \$(93) for the years ended March 31, 2024 and 2023.

11. EMPLOYEE BENEFITS

The Company sponsored a defined benefit pension plan that covered substantially all of their employees. The benefit for this plan was based upon years of service, compensation at the time of severance and other factors. The plan was non-contributory and was designed to comply with the requirement of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plan was 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 plan has effectively terminated as of March 31, 2024 and all remaining obligations for benefits under the Plan were distributed through a combination of lump sum payments to eligible plan participants who elected such payments and through the purchase of a group annuity contract from the Pacific Life & Annuity Company. The Company provides certain nonqualified supplemental executive defined benefit pension plans to provide supplemental retirement benefit primarily to certain high-level employees. Additionally, the Company provides postretirement medical benefits for eligible retired employees. The Company uses 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, 2024:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation—beginning of year	\$ 68,907	\$ 7,336
Service cost	-	-
Interest cost	3,427	360
Experience loss/(gain)	(3,025)	(355)
Actuarial gain arising from change in financial assumptions	(8)	(36)
Contributions by plan participants	-	114
Benefits paid	(4,688)	(631)
Lump Sum Settlement paid	(11,050)	-
Annuity Purchase Settlement paid	(52,844)	-
	<u>719</u>	<u>6,788</u>
Projected benefit obligation—end of year		
Change in plan assets:		
Fair value of plan assets—beginning of year	67,137	-
Interest income	3,337	-
Net return on plan assets in excess of interest income	(2,740)	-
Employer reversion	(418)	-
Contributions by plan participants	-	114
Contributions by employer	1,266	517
Benefits paid	(4,688)	(631)
Lump Sum Settlement paid	(11,050)	-
Annuity Purchase Settlement paid	(52,844)	-
	<u>-</u>	<u>-</u>
Fair value of plan assets—end of year		
Reconciliation of funded status—end of year—funded status	<u>\$ (719)</u>	<u>\$ (6,788)</u>

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

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
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	<u>-</u>	<u>(6,362)</u>
Projected benefit obligation—end of year	<u>68,907</u>	<u>7,336</u>
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	<u>-</u>	<u>-</u>
Fair value of plan assets—end of year	<u>67,137</u>	<u>-</u>
Reconciliation of funded status—end of year—funded status	<u>\$ (1,770)</u>	<u>\$ (7,336)</u>

The amount of employee benefits (income) expense included in the statements of profit and loss was \$449 and \$(5,683) for the years ended March 31, 2024 and 2023, respectively.

Amounts recognized in the statements of financial position as of March 31, 2024 and 2023 consist of the following:

	2024		2023	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Other current liabilities	\$ (69)	\$ (551)	\$ (69)	\$ (573)
Other noncurrent liabilities	<u>(650)</u>	<u>(6,237)</u>	<u>(1,701)</u>	<u>(6,763)</u>
Total accrued pension liability	<u>\$ (719)</u>	<u>\$ (6,788)</u>	<u>\$ (1,770)</u>	<u>\$ (7,336)</u>

The following outlines the Investment Policy of the defined benefit pension plan for the comparative year.

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 were selected primarily from stocks that listed on the securities exchanges. Prior to investing, the Company 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:

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

The Company was able to direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above in order 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, 2024 and 2023 are as follows:

	2024	2023
Plan assets that have a quoted market price in an active market:		
Mutual fund:		
Shares for particular country or region	\$ -	\$ 14,077
Total	-	14,077
Plan assets that do not have a quoted market price in an active market:		
Equity instruments:		
US stocks	-	21,072
International stocks	-	7,886
Debt instruments—US bonds	-	14,530
Life insurance company general accounts	-	9,572
Total	-	53,060
Total plan assets	\$ -	\$ 67,137

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 were invested through mutual fund and pooled separate accounts, respectively. The mutual fund was valued at daily closing price as reported by the fund based on the net asset value. The pooled separate accounts were valued at unit value reported by investment manager based on accumulated values of underlying investments. Life insurance company general accounts were 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, 2024 and 2023:

	2024		2023	
	Defined Benefit Pension Plans	Other Postretirement Benefits Plans	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	5.2 %	5.3 %	5.05%-5.15%	5.1 %
Initial health care cost trend rate		6.3%–6.45%		6.3%–6.45%
Ultimate health care cost trend rate		4.8 %		4.8 %
Year in which ultimate rate is reached		2029–2031		2028–2030

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. Supplemental Executive Defined Benefit Pension plan will remain in effect during the year ended March 31, 2025 but is omitted from the comparative year table below as it was immaterial. A one-percentage-point change in the discount rate would have the following effects:

	2023	
	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on defined benefit obligation	\$6,000 decrease	\$7,000 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:

	2024		2023	
	One-Percentage Point Increase	One-Percentage Point Decrease	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on other postretirement benefit obligation	\$518 increase	\$449 decrease	\$540 increase	\$467 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 Supplemental Executive Defined Benefit Pension Plan during the year ending March 31, 2025.

Estimated Future Benefit Payments—Benefit payments for the Supplemental Executive Defined Benefit Pension plan and other postretirement benefits plans for the next 10 years are expected to be as follows:

	Supplemental Defined Benefit Pension Plan	Other Postretirement Benefits Plans
2025	\$ 69	\$ 551
2026	68	565
2027	67	581
2028	66	572
2029	65	557
2030-2034	296	2,525

The weighted average duration of the benefit obligation for Supplemental Executive Defined Benefit Pension plan and Other Postretirement Benefits Plans as of March 31, 2024 are 7.59 years and 8.90 years, respectively. 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.

Defined Contribution Plan—The Company has a defined contribution plan. The expense related to the defined contribution plan was \$1,148 and \$1,077 for the years ended March 31, 2024 and 2023, 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, 2024 and 2023.

March 31, 2024	Level 1	Level 2	Level 3	Netting	Total
Assets:					
Financial assets measured at FVPL	\$ -	\$ -	\$12,278	\$ -	\$ 12,278
Financial assets measured at FVOCI	-	-	264	-	264
Merchandise inventories	-	1,926,141	-	-	1,926,141
Leased inventories	-	2,652,570	-	-	2,652,570
Commodity derivatives receivable	281,206	120,665	-	(273,065)	128,806
Currency and interest rate swap	-	1,618	-	-	1,618
Other noncurrent financial assets	-	75	369	-	444
Total	<u>\$281,206</u>	<u>\$4,701,069</u>	<u>\$12,911</u>	<u>\$(273,065)</u>	<u>\$4,722,121</u>
Liabilities:					
Metal lease liabilities—Embedded					
Derivative	\$ -	\$ 97,992	\$ -	\$ -	\$ 97,992
Commodity derivatives payable	370,717	101,801	-	(273,065)	199,453
Currency and interest rate swap	-	-	-	-	-
Total	<u>\$370,717</u>	<u>\$ 199,793</u>	<u>\$ -</u>	<u>\$(273,065)</u>	<u>\$ 297,445</u>
March 31, 2023	Level 1	Level 2	Level 3	Netting	Total
Assets:					
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
Total	<u>\$368,029</u>	<u>\$3,828,650</u>	<u>\$ 4,312</u>	<u>\$(348,102)</u>	<u>\$3,852,889</u>
Liabilities:					
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)	-
Total	<u>\$425,638</u>	<u>\$ 203,830</u>	<u>\$ -</u>	<u>\$(348,102)</u>	<u>\$ 281,366</u>

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, 2024 and 2023 are as follows. Please refer to Note 8 for gains and losses on hedges.

Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2024	2023
Commodity—Nonferrous metal	Revenues and Cost of revenue from operating activities	\$67,966	\$ 199,860
Commodity—Precious metal	Revenues and Cost of revenue from operating activities	66,495	(105,803)
Commodity—Petroleum	Revenues and Cost of revenue from operating activities	26,163	15,095
Derivatives not Designated as Hedging Instruments	Statement of Profit and Loss Location	2024	2023
Foreign exchange forward	Sundry (loss) income—net	\$ 2	\$ (2,569)

Gain (loss) on derivatives not designated as hedging instruments in nonferrous metal and precious metal for the years ended March 31, 2024 and 2023 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, 2024 and 2023.

	Balance— Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance— End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2024							
Financial assets measured at FVPL	\$3,679	\$(597)	\$ -	\$9,781	\$(585)	\$12,278	\$(597)
Financial assets measured at FVOCI	264	-	-	-	-	264	-
Other noncurrent financial assets —measured at FVPL	<u>369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>
Total	<u>\$4,312</u>	<u>\$(597)</u>	<u>\$ -</u>	<u>\$9,781</u>	<u>\$(585)</u>	<u>\$12,911</u>	<u>\$(597)</u>
	Balance— Beginning of Year	Realized and Unrealized Included in Earnings	Realized and Unrealized Included in OCI	Increase Due to Purchases and Other	Decrease Due to Sales and Other	Balance— End of Year	Net Change in Unrealized Gains (Losses) Still Held at End of Year
Year Ended March 31, 2023							
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	<u>381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>369</u>	<u>-</u>
Total	<u>\$4,187</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(191)</u>	<u>\$ 4,312</u>	<u>\$ 316</u>

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

The following table represents the amounts recorded for the years ended March 31, 2024 and 2023:

	2024	2023
(Losses) gains on investments:		
Financial assets measured at FVPL	<u>\$ (597)</u>	<u>\$ 316</u>
Total (losses) gains on investments	<u>\$ (597)</u>	<u>\$ 316</u>

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 \$8,634 and \$10,582 as

of March 31, 2024 and 2023, which approximates fair value. Other financial assets are primarily guarantee deposits, payments for others and derivatives. The carrying amounts of guarantee deposits are \$244,317 and \$203,721 as of March 31, 2024 and 2023, respectively. The carrying amount of payments for others are \$8,328 and \$11,428 as of March 31, 2024 and 2023.

Other Investments—The following is a breakdown of the carrying amounts of other investments as of March 31, 2024 and 2023.

	2024	2023
FVPL	\$ 12,278	\$ 3,679
FVOCI	<u>264</u>	<u>264</u>
Total	<u>\$ 12,542</u>	<u>\$ 3,943</u>

The following is a breakdown of the fair values of other investments measured at FVOCI as of March 31, 2024 and 2023.

	2024	2023
Nonmarketable	<u>\$ 264</u>	<u>\$ 264</u>
Total	<u>\$ 264</u>	<u>\$ 264</u>

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, 2024 and 2023 are as follows:

March 31, 2024

Financial Assets	Gross Amount of Assets (Before Offset)	Offset Amount Financial Instruments	Amount Presented in the Statements of Financial Position	Amount Not Offset in the Statements of Financial Position		
				Financial Instruments	Cash Collateral Payables	Net Amount
Derivatives	<u>\$403,489</u>	<u>\$(273,065)</u>	<u>\$130,424</u>	<u>\$(24,465)</u>	<u>\$(2,368)</u>	<u>\$103,591</u>
Total	<u>\$403,489</u>	<u>\$(273,065)</u>	<u>\$130,424</u>	<u>\$(24,465)</u>	<u>\$(2,368)</u>	<u>\$103,591</u>

The “Derivatives” above is comprised of \$116,949 of Other financial assets, and \$13,475 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	<u>\$472,518</u>	<u>\$(273,065)</u>	<u>\$199,453</u>	<u>\$(24,465)</u>	<u>\$(87,701)</u>	<u>\$87,287</u>
Total	<u>\$472,518</u>	<u>\$(273,065)</u>	<u>\$199,453</u>	<u>\$(24,465)</u>	<u>\$(87,701)</u>	<u>\$87,287</u>

The “Derivatives” above is comprised of \$182,936 of Other financial liabilities, and \$16,517 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, 2023

Financial Assets	Gross Amount of Assets (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 Payables	
Derivatives	<u>\$496,576</u>	<u>\$(348,102)</u>	<u>\$148,474</u>	<u>\$(25,848)</u>	<u>\$ -</u>	<u>\$122,626</u>
Total	<u>\$496,576</u>	<u>\$(348,102)</u>	<u>\$148,474</u>	<u>\$(25,848)</u>	<u>\$ -</u>	<u>\$122,626</u>

The “Derivatives” above is comprised 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	<u>\$545,312</u>	<u>\$(348,102)</u>	<u>\$197,210</u>	<u>\$(25,848)</u>	<u>\$(64,836)</u>	<u>\$106,526</u>
Total	<u>\$545,312</u>	<u>\$(348,102)</u>	<u>\$197,210</u>	<u>\$(25,848)</u>	<u>\$(64,836)</u>	<u>\$106,526</u>

The “Derivatives” above is comprised 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.

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 \$2,391,119 and \$1,797,348 as of March 31, 2024 and 2023, 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, leased inventories 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023.

Loss allowances—Lifetime ECL

	2024	2023
Balances—beginning of year	\$ 12,533	\$ 12,466
Changes in allowance due to change in credit risk and accounts receivable balance	<u>(186)</u>	<u>67</u>
Balances—end of year	<u>\$ 12,347</u>	<u>\$ 12,533</u>

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, 2024 and 2023.

Credit Rating	2024	2023
G	\$ 1,449,815	\$ 1,089,849
N	318,624	465,901
W	<u>291,796</u>	<u>126,267</u>
Total gross carrying amount	2,060,235	1,682,017
Loss allowance	<u>12,347</u>	<u>12,533</u>
Carrying amount	<u>\$ 2,047,888</u>	<u>\$ 1,669,484</u>

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, 2024 and 2023 are as follows:

	Due In 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years	Total
March 31, 2024				
Borrowings	\$2,372,024	\$ -	\$ -	\$2,372,024
Derivatives	182,936	16,517	-	199,453
Lease liabilities	5,611	7,779	5,705	19,095
Metal Lease liabilities	1,825,421	508	-	1,825,929

	Due In 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years	Total
March 31, 2023				
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

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, 2024 and 2023 relating to continuing operations, consists of the following:

	2024	2023
Current:		
In respect of the current year	\$ 29,235	\$ 30,465
In respect of prior years	<u>(4,017)</u>	<u>(865)</u>
Total current	<u>25,218</u>	<u>29,600</u>
Deferred:		
In respect of the current year	3,553	1,094
In respect of prior years	214	2,059
Write-downs (reversals of previous write-downs) of deferred tax assets	<u>(741)</u>	<u>(519)</u>
Total deferred	<u>3,026</u>	<u>2,634</u>
Total tax provision	<u><u>\$ 28,244</u></u>	<u><u>\$ 32,234</u></u>

The difference between the actual income tax expense and income tax expense computed by applying the US federal statutory rate to pretax income (which includes equity in earnings of affiliates) for the years ended March 31, 2024 and 2023, is explained as follows:

	2024	2023
US federal statutory rate	21.00 %	21.00 %
Change in the recoverability of deferred tax assets	(0.55)	(0.40)
State taxes (net of Federal tax benefit)	2.99	4.13
Expenses not deductible for income tax purposes	0.08	0.05
Federal tax true-up	(1.09)	0.67
Foreign derived intangible income deduction	(1.60)	(0.35)
Others	<u>0.00</u>	<u>(0.09)</u>
Effective tax rate	<u><u>20.83 %</u></u>	<u><u>25.01 %</u></u>

Deferred tax assets and liabilities as of March 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets	\$ 19,048	\$ 21,562
Deferred tax liabilities	<u>(12,071)</u>	<u>(10,507)</u>
Total net deferred tax assets	<u><u>\$ 6,977</u></u>	<u><u>\$ 11,055</u></u>

The following table presents the changes in deferred tax for the years ended March 31, 2024 and 2023.

	Balance— Beginning of Year	Recognized in Earnings	Recognized in OCI	Balance— End of Year
Year Ended March 31, 2024				
Deferred tax in relation to:				
Pension	\$ 4,006	\$ -	\$ (171)	\$ 3,835
Bad debt write-off	3,132	(46)	-	3,086
Uniform capitalization	2,155	187	-	2,342
Inventory evaluation	1,898	(1,668)	-	230
Net operating loss carryforward	1,627	(246)	-	1,381
Depreciation and amortization	(341)	(1,008)	-	(1,349)
Investments	(2,694)	149	-	(2,545)
Hedge Transaction	418	-	(881)	(463)
Undistributed retained earnings from affiliated companies	(34)	-	-	(34)
Foreign exchange gain/loss	610	81	-	691
Right-of-use asset	(2,489)	(871)	-	(3,360)
Lease receivable	(1,644)	377	-	(1,267)
Lease liability	3,734	281	-	4,015
Other	677	(262)	-	415
Total	<u>\$11,055</u>	<u>\$ (3,026)</u>	<u>\$ (1,052)</u>	<u>\$ 6,977</u>
Year Ended March 31, 2023				
Deferred tax in relation to:				
Pension	\$ 4,750	\$ -	\$ (744)	\$ 4,006
Bad debt write-off	3,115	17	-	3,132
Uniform capitalization	4,313	(2,158)	-	2,155
Inventory evaluation	698	1,200	-	1,898
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
Right-of-use asset	(3,380)	891	-	(2,489)
Lease receivable	(1,648)	4	-	(1,644)
Lease liability	4,416	(682)	-	3,734
Other	2,859	(2,182)	-	677
Total	<u>\$14,541</u>	<u>\$ (2,634)</u>	<u>\$ (852)</u>	<u>\$11,055</u>

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

In assessing the realizability of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax asset to be recovered. The underlying assumptions used in forecasting future taxable income require significant judgment and 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, 2024 and 2023, 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 \$31,697 expiring in the periods beginning in 2030 through 2038 as of March 31, 2024, and \$35,881 as of March 31, 2023, 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, 2024 and 2023, taxable (deductible) temporary differences in relation to investments in associates for which deferred tax liabilities (assets) have not been recognized are (\$4,772) and (\$4,790), respectively.

The Company did not have any unrecognized tax benefits in the accompanying statements of financial position as of March 31, 2024 and 2023.

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, 2021 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, 2024 and 2023, are as follows:

	2024	2023
Personnel expenses	\$ (28,618)	\$ (20,796)
Facilities expenses	(3,518)	(5,250)
Information and communication expenses	(6,227)	(5,425)
Transportation and entertainment expenses	(3,045)	(2,488)
Miscellaneous expenses	<u>(15,217)</u>	<u>(15,239)</u>
Total	<u>\$ (56,625)</u>	<u>\$ (49,198)</u>

The amount of depreciation and amortization expenses included in Facilities expenses and Information and communication expenses for the years ended March 31, 2024 and 2023, was \$(1,933) and \$(3,671), respectively.

16. SUNDRY (LOSS) INCOME—NET

Sundry (loss) income—net for the years ended March 31, 2024 and 2023, consisted of the following:

	2024	2023
Foreign exchange (loss) gain—net	\$ (281)	\$ 2,285
Gain (loss) from financial derivative	2	(2,569)
Other—net	<u>(1,060)</u>	<u>749</u>
Total	<u>\$ (1,339)</u>	<u>\$ 465</u>

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) for the years ended March 31, 2024 and 2023, are as follows:

	Before Tax	Tax	After Tax
2024			
Share of other comprehensive income of affiliated company:			
Balances—beginning of year	<u>\$ 3,806</u>	<u>\$ -</u>	<u>\$ 3,806</u>
Other comprehensive income	-	-	-
Transfer to retained earnings	<u>-</u>	<u>-</u>	<u>-</u>
Net current period other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Balances—end of year	<u><u>\$ 3,806</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,806</u></u>
Remeasurement of defined benefit pension plans:			
Balances—beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other comprehensive income	684	(171)	513
Transfer to retained earnings	<u>(684)</u>	<u>171</u>	<u>(513)</u>
Net current period other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Balances—end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Exchange differences on translating foreign affiliates:			
Balances—beginning of year	<u>\$(4,790)</u>	<u>\$ -</u>	<u>\$(4,790)</u>
Other comprehensive loss	<u>18</u>	<u>-</u>	<u>18</u>
Net current period other comprehensive loss	<u>18</u>	<u>-</u>	<u>18</u>
Balances—end of year	<u><u>\$(4,772)</u></u>	<u><u>\$ -</u></u>	<u><u>\$(4,772)</u></u>
Change in hedging activities:			
Balances—beginning of year	<u>\$(1,671)</u>	<u>\$ 418</u>	<u>\$(1,253)</u>
Other comprehensive income	<u>3,523</u>	<u>(881)</u>	<u>2,642</u>
Net current period other comprehensive income	<u><u>3,523</u></u>	<u><u>(881)</u></u>	<u><u>2,642</u></u>
Balances—end of year	<u><u>\$ 1,852</u></u>	<u><u>\$(463)</u></u>	<u><u>\$ 1,389</u></u>

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

18. TRANSACTIONS WITH RELATED PARTIES

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

	2024	2023
Revenues	\$ 818,822	\$ 542,682
Goods purchased/services received	2,774,724	2,876,880

The Company received a significant portion of finance income from the Parent and group companies. For the years ended March 31, 2024 and 2023, finance income from the Parent and group companies was \$3,513 and \$6,892, respectively.

The Company paid a significant portion of finance costs to the Parent and group companies. For the years ended March 31, 2024 and 2023, finance costs to the Parent and group companies were \$102,795 and \$48,936, respectively.

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

	March 31,	
	2024	2023
Assets:		
Trade and other receivables	\$ 115,526	\$ 110,437
Notes and loans receivables	40,305	63,847
Lease receivable	4,875	5,526
Income tax receivable	10,607	13,337
Other financial assets	17,032	19,522
Other current assets	208	52
Liabilities:		
Trade and other payables	179,296	187,239
Borrowings	2,372,024	1,779,368
Income tax payables	25,160	23,927
Other financial liabilities	7,862	8,157
Lease liabilities	1,053	67
Metal lease liabilities	1,809,006	1,517,885
Other noncurrent financial liabilities	1,588	1,476

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, 2024 and 2023, the Company declared cash dividends of \$96,636 and \$81,549, respectively.

19. LEASES

As a lessee, the Company has leases for office space and tanks under noncancelable lease terms expiring through 2035 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.

	2024	2023
Depreciation of right-of-use assets:		
Buildings and structures	\$ 5,504	\$ 5,991
Vehicles	<u>2</u>	<u>-</u>
Total	<u>\$ 5,506</u>	<u>\$ 5,991</u>
Finance cost on lease liabilities	<u>\$ 693</u>	<u>\$ 501</u>
Income from subleasing right-of-use assets	<u>\$ 136</u>	<u>\$ 189</u>
Expenses relating to short-term leases and leases of low-value assets	<u>\$ 2,935</u>	<u>\$ 2,842</u>
Total cash outflow for leases	<u>\$10,267</u>	<u>\$13,361</u>
Additions to right-of-use assets	<u>\$ 9,190</u>	<u>\$ 4,141</u>
Carrying amount of right-of-use assets—end of year:		
Buildings and structures	\$13,370	\$ 9,957
Vehicles	<u>68</u>	<u>-</u>
Total	<u>\$13,438</u>	<u>\$ 9,957</u>

Maturity analysis of lease receivable is as follows:

	2024	2023
Less than 1 year	\$ 640	\$1,624
1 year to 2 year	640	642
2 year to 3 year	640	642
3 year to 4 year	640	642
4 year to 5 year	640	642
Remaining years	<u>2,452</u>	<u>3,105</u>
Gross lease receivable	5,652	7,297
Unearned finance income	<u>(582)</u>	<u>(720)</u>
Total lease receivable	<u>\$5,070</u>	<u>\$6,577</u>

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	<u>\$ 27,259</u>
Recognized amount of identifiable assets acquired:	
Merchandise and inventories	\$ 14,458
Property and equipment	<u>2</u>
Total identifiable net assets	14,460
Common Stock	<u>12,799</u>
Total	<u>\$ 27,259</u>

“Fair value of considerations paid” was unpaid as of March 31, 2023 and subsequently paid in May 2023. There were no business combination transactions during the fiscal year ended March 31, 2024.

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, 2024 and 2023.

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, 2024, up through July 1, 2024 the date that the financial statements were available to be issued. The Company made a decision to terminate its Keepwell agreement, which was originally intended to provide credit enhancement from MC, dated January 27, 2003. As the transfer of the funding functions, mainly the

commercial paper program from MIC to MCA, was completed by March 31, 2023 and there are no funding transactions dependent on the Keepwell agreement, the termination of the Keepwell agreement will take effect on June 30, 2024. The financial impact of this termination has been assessed by management and is expected to have no impact on the financial statements. 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 1, 2024.

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