OFFERING MEMORANDUM **CONFIDENTIAL**

Mitsubishi Corporation

$500,000,000

Mitsubishi Corporation

5.125% Senior Notes due 2034

Mitsubishi Corporation, a joint stock company incorporated with limited liability under the laws of Japan, proposes to issue an aggregate principal amount of $500,000,000 of senior notes due 2034. The notes will bear interest at the rate of 5.125% per year. Interest on the notes is payable on January 17 and July 17 of each year, beginning on January 17, 2025. The notes will mature on July 17, 2034. Prior to April 17, 2034 (three months prior to their maturity date) (the "Par Call Date"), we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price equal to the greater of (i)(a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of the Notes—Optional Redemption") plus 15 basis points less (b) interest accrued to the date of redemption; and (ii) 100% of the principal amount of the notes to be redeemed; plus, in either case, accrued and unpaid interest thereon to the redemption date. In addition, on or after the Par Call Date, we may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date. See "Description of the Notes—Optional Redemption."

The notes will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of and quotation for the notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the notes to the Official List of the SGX-ST and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of us, our subsidiaries, our associated companies or the notes.

The notes are expected to be assigned a rating of "A2" by Moody's Japan K.K. ("Moody's") and "A" by S&P Global Ratings Japan Inc. ("S&P"). A rating is not a recommendation to buy or sell or hold the notes and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P. A suspension, reduction or withdrawal of the rating assigned to the notes may adversely affect the market price of the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other place. Additionally, we do not believe we are an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), and have not been and will not be registered as an investment company under the Investment Company Act. The notes are subject to limitations on transfer and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes may be offered and sold only: (1) to a person who is reasonably believed to be both a qualified institutional buyer (a "Qualified Institutional Buyer") (as defined in Rule 144A under the Securities Act) and a qualified purchaser (a "Qualified Purchaser") (as defined in Section 2(a)(51) of the Investment Company Act and related rules), in each case purchasing for its own account or the account of a Qualified Institutional Buyer who is also a Qualified Purchaser as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) to a non-U.S. person (as defined in the Securities Act) in offshore transactions in reliance on Regulation S under the Securities Act, and in each case, in accordance with any other applicable law. Prospective purchasers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see "Transfer Restrictions."

Price for notes: 99.313% plus accrued interest, if any, from July 17, 2024.

The initial purchasers expect to deliver the notes to purchasers on or about July 17, 2024 only in book-entry form through the facilities of The Depository Trust Company ("DTC"), and its participants, including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Joint Lead Managers and Joint Bookrunners

J.P. Morgan **Citigroup** **Morgan Stanley**

Goldman Sachs & Co. LLC

Co-manager

BofA Securities

July 10, 2024

This offering memorandum is confidential. This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of our notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in this offering memorandum. You acknowledge and agree that the initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

We have prepared the information contained in this offering memorandum. Neither we nor any of the initial purchasers has authorized anyone to provide you with any other information and neither we nor any of the initial purchasers takes any responsibility for other information others may give you.

Each prospective investor who places an order for the notes consents to the disclosure by the initial purchasers to us of the prospective investor’s identity, the details of such order and the actual amount of notes subscribed, if any.

The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. We and the initial purchasers require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or sale would be unlawful.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We have not been and will not be registered as an investment company under the Investment Company Act. Each purchaser and transferee of the notes in making its purchase will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under “Plan of Distribution” and “Transfer Restrictions.” In addition, each purchaser and transferee of the notes will agree that, other than in compliance with the purchase and transfer restrictions described under such caption, it will not offer, sell, pledge or otherwise transfer the notes. Each purchaser and transferee of the notes may be required to bear the financial risks of investing in the notes for an indefinite period of time.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”) or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

There are restrictions on the offer and sale of the notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") with respect to anything done by any person in relation to the notes in, from, or otherwise involving, the United Kingdom must be complied with. See "Plan of Distribution—Selling Restrictions."

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

In the United Kingdom, this offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are high net worth entities or other persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

For a further description of restrictions on the offer and sale of the notes, see "Transfer Restrictions" and "Plan of Distribution."

NOTICE CONCERNING SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), we have determined and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore Notice SFA 04-N12: Notice on the Sale of Investment Products and Monetary Authority of Singapore Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE CONCERNING JAPAN

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended, the "Special Taxation Measures Act"). The notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes are not, as part of the initial distribution by the initial purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with us as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "Specially-Related Person"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended, the "Cabinet Order") relating to the Special Taxation Measures Act that will hold the notes for its own proprietary account, or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS (I) A BENEFICIAL OWNER THAT IS, FOR JAPANESE TAX PURPOSES, NEITHER (X) AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR (Y) AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON, (II) A JAPANESE FINANCIAL INSTITUTION, DESIGNATED IN ARTICLE 3-2-2, PARAGRAPH (29) OF THE CABINET ORDER THAT WILL HOLD THE NOTES FOR ITS OWN PROPRIETARY ACCOUNT, OR (III) ANY OTHER EXCLUDED CATEGORY OF PERSONS, CORPORATIONS OR OTHER ENTITIES UNDER THE SPECIAL TAXATION MEASURES ACT.

Interest payments on the notes will generally be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan nor a Japanese corporation, nor an individual non-resident of Japan nor a non-Japanese corporation that in either case is a Specially-Related Person, (ii) a designated Japanese financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act and which has received such payments through a Japanese payment handling agent as provided in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a "Japanese Payment Handling Agent").

Interest payments on the notes paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Person (except for the designated Japanese financial institution and the public corporation, the financial institution, the financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent of the amount of such interest.

AVAILABLE INFORMATION

We have agreed that so long as any of the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, we will, at any time we are neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), furnish, upon written request, to holders of the notes, any owner of any beneficial interest in the notes or any prospective purchaser designated by such a holder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

CERTAIN VOLCKER RULE CONSIDERATIONS

We do not believe that it is necessary for us to rely solely on either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act in connection with this offering or otherwise. Accordingly, we do not believe that we are or, after completion of the offering, will be a "covered fund" as defined in the final regulations issued December 10, 2013, implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, commonly known as the "Volcker Rule."

ENFORCEABILITY OF CIVIL LIABILITIES

We are a joint stock corporation organized under the laws of Japan. Almost all of our directors and officers and certain other persons named in this offering memorandum reside in Japan and all or a significant portion of the assets of the directors and officers and certain other persons named in this offering memorandum and substantially all of our assets are located outside of the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Japan, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

LISTING ON THE SGX-ST

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the notes to the Official List of the SGX-ST and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of us, our subsidiaries, our associated companies or the notes.

The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the Global Notes (as defined below) are exchanged for Definitive Notes (as defined below). In addition, in the event that the Global Notes are exchanged for Definitive Notes, an announcement of such exchange will be made by us through the SGX-ST and such announcement will include all material information with respect to the delivery of Definitive Notes, including details of the paying agent in Singapore.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering memorandum, "we," "us," "our," "Mitsubishi" and the "Company" refer to Mitsubishi Corporation and its consolidated subsidiaries or Mitsubishi Corporation on a non-consolidated basis, as the context requires.

In this offering memorandum, references to "U.S. dollars," "dollars," "US$" and "$" refer to the lawful currency of the United States; references to "Japanese yen," "yen" and "¥" refer to the lawful currency of Japan.

In this offering memorandum, including our audited consolidated financial statements, where information is presented in thousands, millions, billions or trillions of yen or dollars, as the case may be, amounts of less than one thousand, one million, one billion or one trillion, as the case may be, have been rounded unless otherwise specified. In this offering memorandum, where information is presented as percentages or ratios, amounts less than one-tenth, one-tenth of one percent, one-hundredth or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering memorandum may not total due to such rounding, as applicable. Unless otherwise specified, the financial information set forth herein is presented on a consolidated basis.

Our fiscal year end is March 31. Our audited consolidated financial statements included herein have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IASB).

As of April 1, 2024, our structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group has been reorganized, resulting in a new structure of eight business groups. The restructuring of our business groups does not affect our financial results for the year ended March 31, 2024 or previous years. For more information see "Business—Business Operations".

Unless otherwise indicated, all financial information included in this offering memorandum is presented using IFRS Accounting Standards and presented on a consolidated basis.

Retrospective Adjustments to Segment Information

In the fiscal year ended March 31, 2024, we established the Next-Generation Energy Business Group to further promote growth strategies under Midterm Corporate Strategy 2024. The next-generation fuel and petroleum businesses from the Petroleum & Chemicals Solution Group were transferred to this new business group, resulting in the Petroleum & Chemicals Solution Group being renamed the Chemicals Solution Group. In this Offering Memorandum, except as noted below, segment information for the fiscal years ended March 31, 2022 and 2023 relating to the businesses transferred to the Next-Generation Energy Business Group have been reclassified and included in "Other." Additionally, the tire business from the Consumer Industry Group was transferred to the Automotive & Mobility Group. Except as noted below, segment information for the fiscal years ended March 31, 2022 and 2023 related to this business has also been reclassified in this Offering Memorandum.

In the audited consolidated financial statements included elsewhere in this Offering Memorandum, such retrospective adjustments have been applied to the corresponding figures for the fiscal year ended March 31, 2023, presented as comparative information in the audited consolidated financial statements for the fiscal year ended March 31, 2024, but are not reflected in the audited consolidated financial statements for the fiscal year ended March 31, 2023. Accordingly, the segment information presented in the audited consolidated financial statements for the fiscal year ended March 31, 2023 is based on the segments in existence as of March 31, 2023.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering memorandum and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would," and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, or the estimates and assumptions associated with them, after the date of this offering memorandum, except to the extent required by law. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this offering memorandum that might cause the forward-looking statements not to be realized. These factors may not be exhaustive as we operate in a continually changing business environment with new risks emerging from time to time that we are unable to predict or that we currently do not expect to have a material adverse effect on our business. You should carefully read this offering memorandum in its entirety as it contains important information about our business and the risks we face.

SUMMARY

This summary highlights selected information contained elsewhere in this offering memorandum. You should carefully read the entire offering memorandum, including "Risk Factors" and our consolidated financial statements and related notes, before making an investment decision. The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto included elsewhere in this offering memorandum.

Overview

We are a globally integrated business enterprise that develops and operates businesses together with our offices and subsidiaries in approximately 90 countries and regions worldwide. As of March 31, 2024, we had a global network of around 1,800 group companies and approximately 80,000 employees.

For the year ended March 31, 2024, we recorded revenues, profit for the year and profit for the year attributable to owners of the parent of ¥19,567.6 billion, ¥1,024.9 billion and ¥964.0 billion, respectively.

We have eight business groups that operate across a wide variety of industries. Through these eight business groups and working in collaboration with our trusted partners around the globe, our activities cover trading, project development, production and manufacturing operations. For detailed descriptions of the business operations of each business group, see "Business—Business Operations."

Strengths

We have a solid business platform with a highly diversified business portfolio across numerous industries.

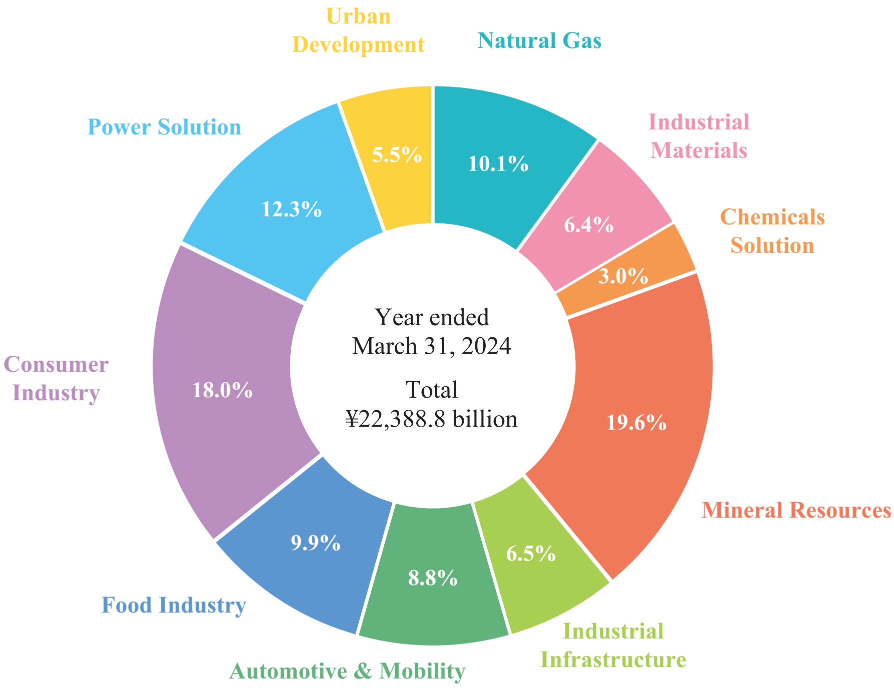
We were established in our current form in 1954. Over our 70-year history, we have pursued value creation by flexibly transforming our business models in accordance with changes in the external business environment. Over our history of business and collaboration with trusted partners worldwide, we have developed a global integrated business operating across a wide array of industries.

Through our eight business groups, we operate in a broad range of industries worldwide, leveraging our relationships and global network in approximately 90 countries and regions worldwide. Our diversified business portfolio includes businesses engaged in: natural gas exploration, production and development; product sales, business development and investing related to a wide range of materials; trading, business development and investment in petroleum and chemical products, mineral resources and metals; operations in the fields of plant engineering, industrial machinery, maritime- and aerospace-related businesses; the production, sales, distribution, financing and after-sales services of passenger and commercial vehicles; the delivery of food and related products; the supply of consumer products and services; power generation, transmission business, water supply, renewable energy, renewable fuels, and battery services; and urban development and real estate, corporate investing, leasing and infrastructure. With the addition of our Industry Digital Transformation Group and Next-Generation Energy Business Group, our activities expanded beyond our traditional trading operations into development and deployment of digital transformation (DX) solutions within our diverse business operations, and working with our businesses and partners to help society decarbonize and improve industry competitiveness through energy transformation and decarbonization (EX) solutions. In order to further integrate DX and EX into our businesses and execute our strategies more effectively than before, as of April 1, 2024, the Next-Generation Energy Group was integrated with the Natural Gas Group and related businesses to form the Environmental Energy Group, and the Industry Digital Transformation Group, Consumer Industry Group and our biotech and financial businesses were integrated to form the Smart-Life Creation Group. Through these reorganizations, in the Environmental Energy Group, we aim to create EX businesses of scale by establishing a clearer path toward commercialization and revenue growth, as we expect multiple EX projects to generate synergies with natural gas; and in the Smart-Life Creation Group, we aim to build a platform for value creation, primarily in midstream and downstream segments, with the goal of driving smart-life creation in the form of improved lifestyles.

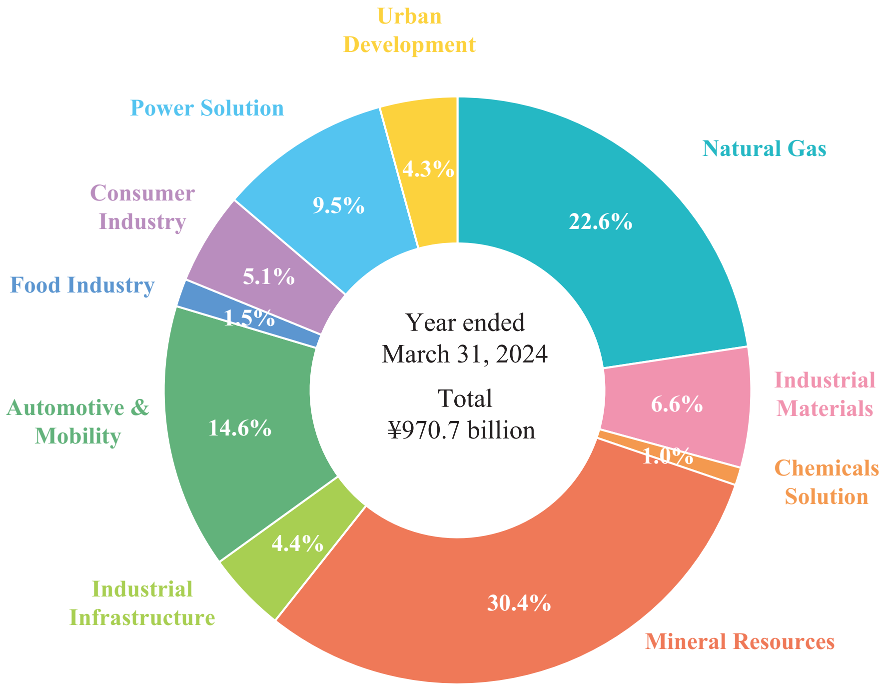
We have a stable and well-balanced earnings base.

We have a well-balanced business portfolio with strengths in all business segments. Our total assets are well diversified across our business groups. The figures below show our total assets by segment as of March 31, 2024 and a segment-by-segment breakdown of profit for the year attributable to owners of the parent for the year ended March 31, 2024 (in each case excluding "Others", which represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies as well as the Next-Generation Energy Business Group).

Total Assets by Segment(1)(2)(3)



Profit (Loss) Attributable to Owners of the Parent by Segment(1)(2)(3)



Notes:

(1) As of April 1, 2024, we restructured our business groups, from a structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group, to a structure of eight business groups. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Restructuring of our Business Groups".

(2) Excluding "Others", which represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies as well as the Next-Generation Energy Business Group.

(3) Before adjustments and eliminations.

As shown in the following table, we have historically generated considerable cash flows in terms of both net cash provided by operating activities and the broader concept of free cash flow, which is a non-IFRS financial measure. We define free cash flow as the sum of net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.

Even during the spread of COVID-19, we were able to maintain a stable and sufficient amount of operating cash flow. During the year ended March 31, 2023, we generated net cash provided by operating activities and free cash flow that exceeded the results of the previous fiscal year, and also surpassed 1 trillion in profit for the year attributable to owners of the parent for the first time.

	Year ended March 31,						
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
	(in millions of yen)						
Profit for the year attributable to owners of the parent	¥ 560,173	¥ 590,737	¥ 535,353	¥ 172,550	¥ 937,529	¥1,180,694	¥ 964,034
Net cash provided by operating activities	742,482	652,681	849,728	1,017,550	1,055,844	1,930,138	1,347,380
Net cash used in investing activities	(317,583)	(273,687)	(500,727)	(357,297)	(167,550)	(177,466)	(205,761)
Free cash flow[(1)]	424,899	378,994	349,001	660,253	888,294	1,752,672	1,141,619

Note:

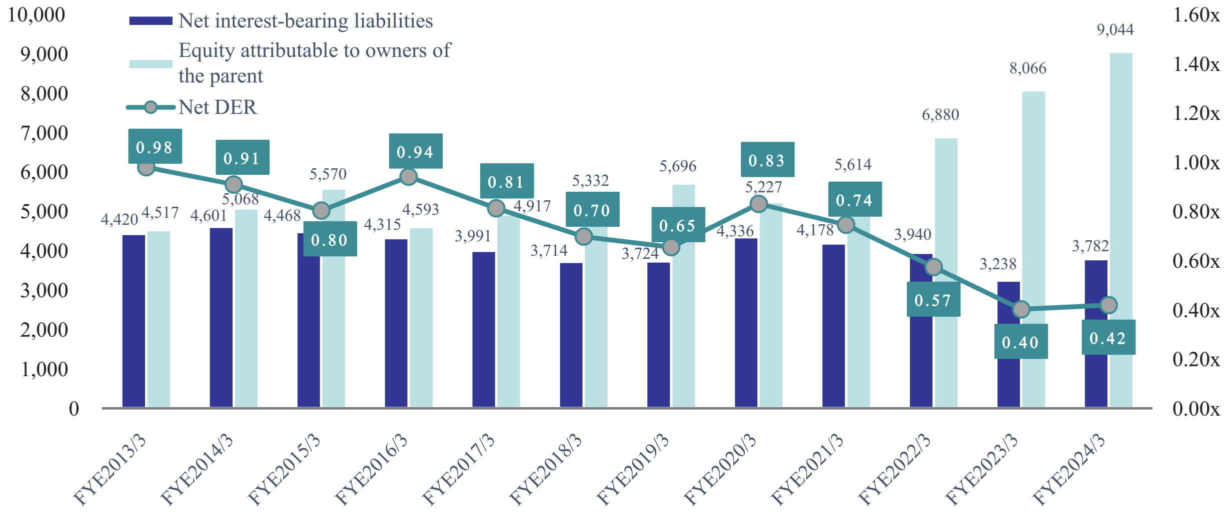
(1) We define free cash flow, which is a non-IFRS financial measure as the sum of net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.

Our disciplined financial policy and diversified funding strategy supports the execution of our business plan.

In order to support the execution of our business plan, we maintain a disciplined financial policy.

We closely monitor our financial leverage, including the metrics monitored by major rating agencies: funds from operations to debt, debt to book capitalization, net debt to EBITDA, capital adequacy ratio, adjusted net debt to equity, and return on risk-weighted assets. While monitoring these key metrics, we have also maintained a net debt-to-equity ratio ("net DER"), calculated based on the ratio of net interest-bearing liabilities, which we define as gross interest-bearing liabilities (excluding lease liabilities) minus cash and cash equivalents and time deposits, to equity attributable to owners of the parent, of 1.0x or below over the past twelve fiscal years, as shown in the figure below.

(in billions of yen)



Notes:

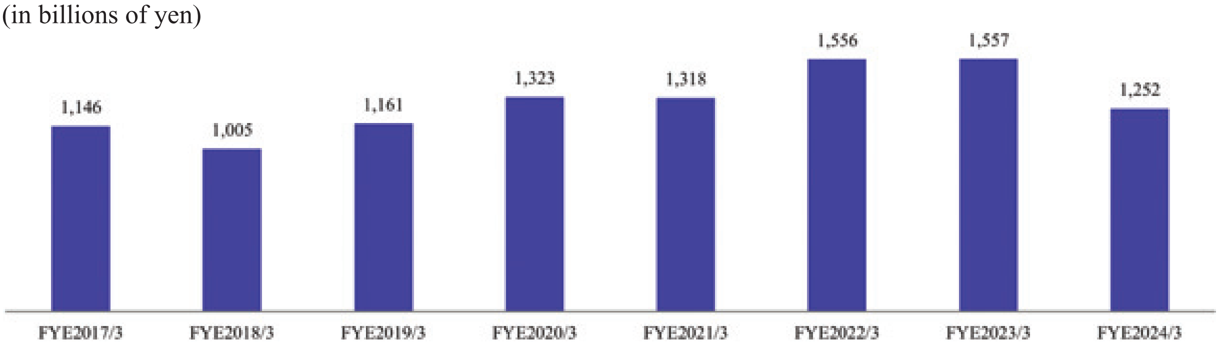
(1) We define net interest-bearing liabilities, which is a non-IFRS financial measure as gross interest-bearing liabilities (excluding lease liabilities) minus cash and cash equivalents and time deposits.

(2) We define net DER, which is a non-IFRS financial measure as the ratio of net interest-bearing liabilities to equity attributable to owners of the parent.

We have also maintained a robust level of cash and cash equivalents, which were ¥1,251.6 billion as of March 31, 2024, and maintain what we believe are adequate credit facilities. As of March 31, 2024, our diverse funding sources included yen-denominated commitment lines for an aggregate of ¥510.0 billion, foreign hard currency commitment lines for an aggregate amount equal to $1.0 billion and foreign soft currency commitment lines for an aggregate amount equivalent to $150 million.

The following chart shows our cash and cash equivalents as of March 31, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and 2024.

(in billions of yen)



We have also maintained a well-balanced maturity profile, in which our bonds and borrowings have a diversified term to maturity. The average remaining period of our interest-bearing liabilities at the parent company level is approximately five years; as of March 31, 2024, approximately 70% of our bonds and borrowings had maturities greater than one year. Additionally, we are experienced in both direct and indirect financing. As of March 31, 2024, 71.1% of our gross interest-bearing liabilities (excluding lease liabilities) were in the form of bank and other loans and 28.9% of our gross interest-bearing liabilities (excluding lease liabilities) were bonds and commercial paper. We maintain a good market reputation and relationships with a broad range of financial institutions and the Company has issued U.S. dollar denominated bonds ten times since 2010. The outstanding balance of the Company's U.S. dollar-denominated bonds is US$2.0 billion as of March 31, 2024.

As a result of our disciplined financial policy, we have maintained A-grade credit ratings from both Moody's and S&P for more than a decade.

While maintaining our disciplined financial policy, we intend to strategically allocate cash flow into investments and shareholder returns in order to increase enterprise value, and to lower our cost of capital by enhancing investor confidence in our business operations through expanded disclosure and dialogue with our investors. Supported by steady cash generation from our underlying operating cash flow and cash flow from divestments, we aim to make investments, including in energy transformation (EX) and digital transformation (DX) initiatives that will maintain and expand our earnings base.

In addition, we will aim for stable dividend growth and shareholder returns allocated in accordance with cash flow fluctuations and market expectations on shareholder returns. We intend to target a total payout ratio, which we define as total shareholder returns for a fiscal year (calculated as the sum of the total amount of dividends declared and paid out for a fiscal year and share repurchases that we deem to be funded from profits for a fiscal year, not including shareholder returns for the Employee Stock Ownership Plan (ESOP Trust)) divided by profit for the year attributable to owners of the parent, of around 40% for the year ending March 31, 2024 and onward.

Strategies

Strategies

In May 2022, we announced our latest management plan, entitled "Midterm Corporate Strategy 2024: Creating Mitsubishi Corporation (MC) Shared Value", for the three years beginning with the year ended March 31, 2023. In recent years, escalating geopolitical risk has created greater uncertainty throughout our operating environment, a challenge that is being compounded by the restructuring of global supply chains as well as the progress of digitalization and decarbonization. The increasingly diverse and complex societal and industry needs call for keen foresight. Midterm Corporate Strategy 2024 will organically connect intelligence that takes advantage of our far-reaching industry expertise and global network, thereby strengthening our unique and collective capabilities.

Midterm Corporate Strategy 2024 comprises our strategy in five areas: Growth Strategies, Business Management, Management Mechanisms, HR Policies and Sustainability Policies, which we discuss in turn.

Growth Strategies

Our growth strategies are anchored by three major initiatives unified by the theme of "Leading Transformations and Connecting to Growth".

We see energy transformation (EX), the societal transition to carbon-neutral energy, and digital transformation (DX), the application of digital technologies to industrial, business and social challenges, as the key drivers of economic growth in the coming years. In our EX strategy, we aim to promote low and zero carbon initiatives across the energy sector by connecting "seeds" (i.e., solutions) with needs related to EX resources, materials and products, while providing EX solutions as a service, working closely with industry participants, consumers, and local communities. Our DX strategy includes broadly deploying our existing DX capabilities across business operations to promote value enhancement through DX initiatives targeting diverse real-world businesses, and to address societal challenges by linking digital technologies with the real world, contributing to the development of industry and society. As a leader in these fields, we also aim to "Create a New Future" by utilizing integrated EX/DX initiatives to promote regional revitalization as a specific measure for achieving growth. We will work with our partners, local municipalities, to address challenges facing society on the themes of utilizing renewable energy and other local resources, creating new carbon-neutral industries and developing vibrant communities by helping to resolve regional issues.

EX Strategy. We will work with our partners to help society decarbonize and improve industry competitiveness while maintaining a holistic view of the EX value chain.

Under Midterm Corporate Strategy 2024, we anticipate making investments across three fields:

- renewable energy, including wind power, which we are already working on in Europe and Japan, for example by winning the bids for all three of the Choshi (403 MW, planned completion September 2028), Noshiro-Mitane-Oga (494 MW, planned completion December 2028) and Yurihonjo (845 MW, planned completion December 2030) offshore wind power generation projects in development in Japan, representing an expected total of 1.74 GW of renewable power generation capacity;

- copper, lithium, and other base and rare metals that support accelerating electrification; and

- next-generation energy sources such as natural gas, hydrogen, ammonia and other transitional energy sources.

Natural gas, which we position as a transitional energy source, will continue to be a priority from the perspective of our social responsibility to provide stable energy supplies. We will continue our efforts in this area while paying attention to the overall balance of Japan's energy security.

Considerable time is required for business development in energy and resources, the representative sectors for EX. We are therefore focusing on and accelerating our investment in EX fields as a first priority. Utilizing our expertise and network of connections built through our broad business portfolio, we are committed to contributing to a balance between providing stable energy supplies and transitioning to a decarbonized society together with our trusted partners.

DX Strategy. We will broadly deploy our DX capabilities across our diverse business operations, thereby connecting industries, enterprises and communities. In this manner, we intend to help raise productivity and create sustainable value throughout society.

Our efforts will focus on three areas:

- the development and provision of cross-industry DX capabilities that leverage business knowledge;
- enhancing the value of entire industries by offering our DX capabilities as a service; and
- contributing to the creation of vibrant regional communities by providing new businesses and services.

Areas we are exploring include algorithm-based production planning, inventory management, supply-demand matching and supply chain optimization for electrical power, industrial production and food distribution, road traffic optimization services linked to location data, auto maintenance data services, and the formulation and enhancement of digital data platforms in cities. Our DX efforts include the establishment of Industry One, Inc., a DX service company responsible for developing AI and algorithms, with the NTT Group and MC Digital, Inc. We also established Chubu Electric Power Miraiz Connect with the Chubu Electric Power Group, an initiative for advancing power and retail DX for developing customer services. Internally, we have studied DX-related needs within our business groups, and are now exploring around 80 DX projects through a companywide task force. To facilitate these efforts, we have established a new internal organization called the “Industry Digital Transformation Group,” which will focus on progressing DX strategies.

Creating a New Future. We will work with our partners and local municipalities to help create a new future under the theme of increasing Japan’s energy self-sufficiency through active development of renewable energy and other local energy resources. We will also focus on establishing new carbon neutral industries and developing vibrant communities by helping to resolve regional issues, such as labor shortages due to Japan’s declining population. By developing renewable energy projects in rural areas, we intend to produce green electricity and green hydrogen produced using renewable power. In addition to using this energy as electricity, we aim to build manufacturing businesses using hydrogen as a raw material, thereby establishing hydrogen supply as a local industry. We intend for our renewable energy projects to create jobs directly by training personnel involved in the projects, and by attracting related industries to the relevant localities. We hope these efforts will contribute to improving the quality of life for local communities. At the same time, through DX, we aim to link local data to develop new lifestyle-related services and businesses to enhance convenience for customers.

Business Management

Under Midterm Corporate Strategy 2024, we developed systems that encourage our business groups to be both disciplined and proactive about strengthening their management practices. Furthermore, by expediting work to refine a value-added cyclical growth model that is capable of constantly adapting to changes in our operating environment we remain committed to maintaining and improving our capital efficiency and ensuring our financial soundness. Under our value-added cyclical growth model, we pursue asset replacement based on a careful review of low efficiency assets and businesses where growth is not expected even with our continued involvement. In addition, responding to changes in the business environment, we are aggressively replacing even businesses that contribute to earnings within our portfolio to promote the re-investment of managerial resources to pursue further growth. We are also steadily divesting of substantial assets. Our approach to asset replacement, which is a key component of this process, is to list candidates for replacement based on the return on invested capital (ROIC) and growth potential of the businesses concerned, and to encourage autonomous asset replacement by allocating targets to each business group.

As part of our value-added cyclical growth model, we intend to transform our business portfolio to optimize for the changing business environment through strategic transactions. Among other things, we intend to expand the ratio of EX-related businesses in our overall business portfolio from approximately 30% as of the fiscal year ended March 2022 to approximately 40% by the end of the fiscal year ending March 31, 2025. To that end, we completed the sales of the Blackwater and Daunia coal mines in Queensland, Australia. Through this project we intend to generate sale proceeds that can be applied strategically towards expanding our supply capabilities in electrification-critical materials and investing in secondary resources to develop the circular economy and amplify support for societal energy transformation initiatives. In addition, we have also made a new investment through our renewable energy subsidiary Eneco by successfully submitting a tender for the Hollandse Kust West Site VI offshore wind farm project, a 760 MW capacity wind farm that is expected to start commercial operation in the 2026 calendar year. We intend to contribute to the stable supply of renewable energy and decarbonization through this project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Sale of Blackwater and Daunia Coal Mines".

Management Mechanisms

We have newly established the "Global Intelligence (GI) Committee," which will focus on making us even more adaptable to our constantly evolving external operating environment. The GI Committee's analyses is reflected in matters tabled by the "MC Shared Value (MCSV) Forum" the function of which is to discuss and plan companywide strategies that can be adopted across different industries. This work helps to strengthen our business groups' development capabilities and cross-industry connections.

HR Policies

Our HR policy under Midterm Corporate Strategy 2024 will focus on creating a corporate culture that embraces diversity. Through the strategic allocation of our human resources, we will strive to invigorate and unlock the full potential of our organization, with the goal of creating a flexible and powerful organization capable of adapting to changing business environments. Our efforts include an initiative to raise the percentage of women in management-level positions to above 15% on a non-consolidated basis by the year ending March 31, 2026. As of April 1, 2023, on a non-consolidated basis, 12.0% of our management-level positions were held by women, as compared to 5.4% as of April 1, 2012.

Sustainability Policies

Our unique definition of "materiality" covers a set of crucial societal issues to be addressed through our business activities. In addition to classifying our businesses based on climate transition risks and opportunities, we will monitor their progress and work to decarbonize them through various measures in order to achieve our reduction targets for greenhouse gas (GHG) emissions in our "Roadmap to a Carbon-Neutral Society" formulated in October 2021. For further details of our sustainability policies and initiatives see "Business—ESG Initiatives".

Summary Risk Factors

Prior to making an investment decision, you should carefully consider the risks involved in investing in the notes, along with the other information in this offering memorandum, including our consolidated financial statements and related notes and other financial information, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our business, financial condition and operating results could be materially adversely affected by various factors. You should refer to the section entitled "Risk Factors" for an explanation of certain risks relating to our business and involved in investing in the notes. Potential risks include, without limitation:

- Changes in global macroeconomic conditions could negatively affect our results of operations;
- We face intense competition in connection with various businesses globally;
- We face various risks relating to fluctuations in commodity prices;
- We are exposed to country risk in connection with our overseas operations;
- Our business model exposes us to various risks in connection with our acquisition of, investment in and participation in the management of various companies;
- We face risks relating to our metallurgical coal business;
- Our copper business involves various risks;
- Our natural gas business entails risks;
- We must manage risks in connection with our integrated energy business;

- We face risks in connection with the convenience store business due to our stake in Lawson, Inc.;
- We may have to recognize impairment losses with respect to our assets;
- We are exposed to various risks related to climate change;
- We are subject to diverse counterparty credit risks, which our management policy for credit exposure cannot eliminate entirely;
- We are exposed to foreign currency risk due to the global nature of our operations;
- We hold a large amount of marketable securities that are subject to share price risk;
- We face interest rate risk due to our gross interest-bearing liabilities;
- Compliance risks are inherent to our business;
- Misconduct or other unauthorized activities by our employees could subject us to losses, damage our reputation or otherwise adversely affect our business;
- Our business may be negatively affected by natural and other types of disasters and crises;
- Restrictions under environmental laws and regulations and any accidents relating to our use of hazardous materials could negatively affect our business, results of operations and financial condition;
- Our indebtedness could materially and adversely affect our business, financial condition or results of operations;
- Our internal controls over financial reporting may be insufficient; and
- Other risks factors that are included in this offering memorandum.

Company Information

Our registered head office is located at Mitsubishi Shoji Building, Marunouchi 2-3-1, Chiyoda-ku, Tokyo 100-8086, Japan. Our corporate website is *www.mitsubishicorp.com*. The information on our website does not constitute a part of this offering memorandum.

The Offering

The summary below describes the principal terms of the notes. The terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the notes, including the definitions of certain terms used in this summary, see "Description of the Notes."

Securities Offered	$500,000,000 aggregate principal amount of its 5.125% senior notes due 2034.
Offering Price	99.313% of the principal amount of the notes, plus accrued interest, if any, from July 17, 2024.
Maturity Date	The notes will mature on July 17, 2034.
Status of the Notes/Ranking	The notes will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.
Minimum Denomination	The notes will be issued only in fully registered form without interest coupons in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Payments of Principal	The initial aggregate principal amount of the notes is $500,000,000. Principal will be repaid at maturity at a price of 100% of the principal amount of the notes. The notes will not be redeemable prior to maturity, except as set forth below under "Description of the Notes—Optional Redemption" and "Description of the Notes—Optional Tax Redemption," and will not be subject to any sinking fund.
Interest	Interest on the notes will accrue at the rate of 5.125% per annum semi-annually in arrears on January 17 and July 17 of each year (each, an "Interest Payment Date"), beginning on January 17, 2025. We will pay interest to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day that is 15 calendar days immediately preceding such Interest Payment Date, whether or not such day is a Business Day (as defined elsewhere in this offering memorandum). See "Description of the Notes—Interest."
Repurchases of the Notes	We, or any of our subsidiaries, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any of our subsidiaries shall have any obligation to offer to repurchase any notes held by any holder as a result of our or any of our subsidiary's repurchase or offer to repurchase notes held by any other holder in the open market or otherwise. Any notes so repurchased shall be cancelled.
Optional Redemption	Prior to April 17, 2034 (three months prior to their maturity date) (the "Par Call Date"), we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of (i)(a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of the Notes—Optional Redemption") plus 15 basis points less (b) interest accrued to the date of redemption; and (ii) 100% of the principal amount of the notes to be redeemed; plus, in either case, accrued and unpaid interest thereon to the redemption date.

In addition, on or after the Par Call Date, we may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depositary's procedures) at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed.

See "Description of the Notes—Optional Redemption."

Optional Tax Redemption .... The notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, and upon giving not less than 30 nor more than 60 days' prior notice of redemption to the holders (which notice shall be irrevocable) and the trustee, at a redemption price equal to 100% of the principal amount of the notes then outstanding together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts (as defined below) thereon, if we have or will become obliged to pay any Additional Amounts with respect to the notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes and such obligation cannot be avoided through the taking of reasonable measures available to us. See "Description of the Notes—Optional Tax Redemption."

Additional Amounts .... All payments of principal and interest in respect of the notes by us shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments, levies or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax ("Japanese Taxes"), unless such withholding or deduction is required by law. In such event, we shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as "Additional Amounts") as may be necessary so that the net amounts received by such holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction. See "Description of the Notes—Taxation and Additional Amounts."

Covenants .... We will issue the notes under an indenture (the "Indenture") that will limit, among other things, the Company's ability to:

- merge or consolidate with other entities; and
- create or permit to subsist certain liens.

Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of the Notes—Merger, Consolidation, Sale or Disposition" and "Description of the Notes—Negative Pledge."

Use of Proceeds . . . . We expect that the aggregate net proceeds from the offering of the notes, after deducting the initial purchasers' discounts and estimated expenses related to the offering, will be approximately $493 million. We intend to use the net proceeds of the sale of the notes for general corporate purposes.

Global Notes . . . . The notes sold in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (the "Regulation S Global Notes"), and the notes sold to persons reasonably believed to be Qualified Institutional Buyers who are also Qualified Purchasers in reliance on Rule 144A will initially be in the form of one or more fully-registered global notes (the "Rule 144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the notes. The Global Notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

Persons that acquire beneficial ownership interests in the Global Notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until notes in definitive form ("Definitive Notes") are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants. Beneficial interest in the Global Notes may not be exchanged for Definitive Notes except in the limited circumstances described under "Description of the Notes—Exchange of Global Notes for Definitive Notes."

Listing and Trading . . . . Approval in-principle has been received from the SGX-ST for the listing of and quotation for the notes on the Official List of the SGX-ST. For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the Global Notes are exchanged for Definitive Notes. In addition, in the event that the Global Notes are exchanged for Definitive Notes, an announcement of such exchange will be made by us through the SGX-ST and such announcement will include all material information with respect to the delivery of Definitive Notes, including details of the paying agent in Singapore.

The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Securities Numbers	The security numbers for the notes are: *For the notes sold in reliance on Regulation S:* CUSIP No: J43830FJ2 ISIN: USJ43830FJ22 *For the notes sold in reliance on Rule 144A:* CUSIP No: 606769AK3 ISIN: US606769AK35
Governing Law	The Indenture is and the notes will be governed by, and construed in accordance with, the laws of the State of New York.
Rating	It expected that the notes will be assigned a rating of "A2" by Moody's and "A" by S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also Qualified Purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than "U.S. persons" (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S. See "Transfer Restrictions." We have the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in "Transfer Restrictions" to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to us who is able to and who does make all of the representations and agreements set forth in "Transfer Restrictions."
Trustee, Paying Agent, Transfer Agent and Registrar	The Bank of New York Mellon.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering memorandum, including our consolidated financial statements and related notes and other financial information, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our business, financial condition and operating results could be materially adversely affected by various factors, including those discussed below. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements."

Risks Relating to Our Business

Changes in global macroeconomic conditions could negatively affect our results of operations.

Because we conduct business on a global scale our operating results are affected by economic trends in various countries and regions overseas as well as in Japan.

An economic downturn may cause a reduction in the flow of goods and materials, a decline in consumer spending and capital investment and a decline in demand from our customers for our products and services, in some or all of our business groups, which may have an adverse impact on our business, results of operations and financial condition.

Further, the state of geopolitics and trade relations globally has had and could continue to have a significant effect on the demand for and prices of our products and services. Certain recent changes in the external environment have adversely affected, or may adversely affect, our businesses. In particular, there is a high level of uncertainty surrounding the potential impact of recent geopolitical and macroeconomic developments, including the military conflict between Russia and Ukraine, conflicts in Gaza and elsewhere in the Middle East, trade tensions between the United States and its major trading partners including China, the reduction of monetary easing in the United States, Japan and other major economies, the possibility of further shifts in monetary policy in the United States and Europe, including the start of interest rate cuts, inflationary pressures globally, including in many of our key operating markets, concerns about the outlook of the Chinese economy, and ongoing and potential disruptions to global supply chains and distribution channels. In addition, adverse developments including recent instability in the banking sector including instances of reduced or limited liquidity, defaults, non-performance, disruptions in access to bank deposits or lending commitments due to bank failures, or concerns or rumors about any event of this kind, have in the past and may in the future cause disruption in the financial industry in the U.S. and other of our major operating markets. Any of the foregoing factors could reduce demand for our products and services, directly affect our business operations or disrupt our access to financial services or capital. Depending on the future course of these geopolitical, macroeconomic, and other developments, economic activity could be negatively affected relative to prior periods. To the extent that economic or financial conditions weaken in any of our major operating markets, including in particular, Japan, North America, Europe, Asia and Australia, our businesses could be negatively affected.

We face intense competition in connection with various businesses globally.

At the group level, our primary competitors are other Japanese general trading companies, including Itochu Corporation, Marubeni Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation, which similarly engage in business activities in various fields. Other Japanese general trading companies may have:

- stronger business associations and relationships with our customers, suppliers and business partners in both domestic and global markets; or
- stronger global network and regional expertise, diversified global customer bases, greater financial engineering skills and market insights.

We also face intense competition in each of our Environmental Energy, Materials Solution, Mineral Resources, Urban Development & Infrastructure, Mobility, Food Industry, Smart-Life Creation and Power Solution businesses, from a variety of competitors in these industries worldwide. For example, in our Mineral Resources business, we compete with other natural resources companies engaged in mining, development and exploration activities relating to metallurgical coal and copper as well as other minerals, including in connection with the acquisition of feasibility study-stage properties or properties capable of production. In our Food Industry business, we face competition from publicly and privately held competitors in the food industry for, among other things, the acquisition of inputs such as raw materials, transportation services, labor and other materials and supplies. In our Environmental Energy and Materials Solution businesses, we face competition from a wide range of publicly and privately held energy companies, conglomerates and state-owned enterprises that engage in both upstream activities such as exploration and production, as well as trading companies that market transport and store energy, and downstream companies that refine oil and gas into finished products. We also face competition from a broad range of competitors active in each of our businesses.

If we fail to meet the needs of our customers, or are unable to provide our products and services on competitive terms, we may lose our market share or relationships with certain existing customers. Our failure to successfully compete may have an adverse effect on our results of operations and financial condition.

We face various risks relating to fluctuations in commodity prices.

In the course of our business activities, we are exposed to various risks relating to fluctuations in commodity prices both as a trader, including as an owner of rights to natural and energy resources, and as a producer and seller of industrial products. Commodity prices fluctuate regularly, especially due to incidental factors including geopolitical trends such as the military conflict between Russia and Ukraine as well as the de-coupling of China and Western economies.

Fluctuations of commodity prices significantly influence the valuation of our investments. In the case of long-term projects in particular, we formulate forecasts taking into account fundamentals such as future supply and demand as well as pricing outlooks provided by external financial institutions and other organizations. These medium- to long-term price forecasts have a more significant impact on the valuation of our investments than short-term price fluctuations. If a long-term downturn is forecasted in commodities markets, recognition of impairment losses on our property, plant and equipment and investments accounted for using the equity method could negatively affect our operating results.

The following product categories may have a large impact on our operating results:

Energy Resources. We engage in natural gas and oil production, business development and the liquefied natural gas (LNG) business, in North America, Southeast Asia, Australia and other regions. Accordingly, fluctuations in natural gas and oil prices could have a significant impact on our operating results.

The price of crude oil has historically been and may remain volatile, depending on market conditions. Crude oil prices are influenced by global production as well as aggregate demand from transportation, energy and industrial use.

The price of Brent crude oil rose from the upper half of the US$70/BBL range at the end of December 2023 to the upper half of the US$80/BBL range at the end of March 2024 against the backdrop of OPEC-plus's extension of its policy of coordinated production cuts until the end of 2024, the continued decline in U.S. petroleum product inventories and heightened geopolitical risks in the Middle East. We believe that prices will continue to be volatile and fluctuate depending on factors such as heightened geopolitical risks, economic conditions in various countries and OPEC/non-OPEC production trends.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. Concerns about decreases in the supply of Russian gas due to the military conflict between Russia and Ukraine led to a spike in natural gas prices in Europe, causing spot prices to rise to a record high of US$84 per million British thermal unit (Btu) in early March 2022. Since then, prices remained volatile and high throughout 2022 in Europe, reaching a new high in August of 2022 due to continued supply disruptions, but declining into 2023. LNG spot prices in Asia started at around US$11 per million Btu in early January 2024. However, the price hovered around US$8 per barrel in mid-February 2024, affected by sluggish demand due to a warm winter and a strong LNG inventory buildup. The price temporarily rose to the upper half of the US$9 per million Btu range due to lower temperatures, but fell to the upper half of the US$8 per million Btu range by the end of March 2024 due to tapering off of demand.

In many cases, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have an approximately ¥1.5 billion effect on profit for the year ended March 31, 2024, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag between such fluctuations and their impact on our operations.

Mineral Resources. We engage in investment and trading activities with respect to mineral resources, including metallurgical coal, which is used for steel manufacturing, and copper.

Prices for mineral resources are subject to wide fluctuations and are affected by numerous factors, including international economic, political and geopolitical conditions, balance of supply and demand, availability and costs of substitutes, inventory levels maintained by users, trades in the commodities markets and currency exchange rates. As a result, short-term prices for mineral resources have fluctuated rapidly.

Through a wholly-owned subsidiary, Mitsubishi Development Pty Ltd. (“MDP”), headquartered in Brisbane, Australia, we manage a joint venture company which produces and sells metallurgical coal together with BHP Group Limited (“BHP”). Historically, prices for metallurgical coal have been subject to wide fluctuations. Prices for metallurgical coal are affected by international economic and political conditions, production trends, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates, as well as factors generally affecting steel production levels. In addition, the market prices for metallurgical coal have on occasion been subject to rapid short-term changes. Fluctuations in the price of metallurgical coal may affect our consolidated operating results through MDP’s earnings. MDP’s operating results cannot be determined by the coal price alone since MDP’s results are also significantly affected by fluctuations in exchange rates among the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes.

In addition, as we engage in the copper business, we are exposed to the risk of price fluctuations in copper, which historically has been subject to wide fluctuations. Copper prices are affected by international economic and political conditions, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. We estimate that a US$100 fluctuation in the price per metric ton of copper would have a ¥3.2 billion effect on our profit for the year ended March 31, 2024 (a U.S. ten cent price fluctuation per pound of copper would have a ¥7.0 billion effect on our profit for the year ended March 31, 2024). Variables beside price fluctuations may also have an impact, such as the grade of mined ore, the status of production operations and reinvestment plans (capital expenditures). Therefore, the impact on earnings from our copper business may not be determined by copper prices alone.

We are exposed to country risk in connection with our overseas operations.

Due to uncertainties associated with the political and economic conditions of the countries in which we operate, we are exposed to country risks, such as delays or disruptions in the course of business, in relation to our global operations and transactions with overseas companies generally. For example, we have exposure to varying degrees with respect to operations, investments, loans and guarantees, as well as trade receivables in various countries and regions. For example, we have operations in, but not limited to, Mexico, Chile, Brazil and Peru in Latin America, Asia, including India, Indonesia, Thailand, China, the Philippines, Vietnam and Malaysia, and, with respect to other parts of the world, Russia, Saudi Arabia and Spain. The global nature of our operations exposes us to a number of risks, including:

- war, acts of terrorism, epidemics and other sources of social disruption, including the military conflict between Russia and Ukraine;
- delays or the inability to collect payments;
- difficulties in monitoring and coordinating operations across a large number and wide range of jurisdictions;
- risks related to compliance with laws and regulations in the jurisdictions we operate in;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries;
- changes in export or import restrictions, or foreign exchange controls with respect to the repatriation of investments and dividends;
- trade restrictions and changes in tariffs;
- changes in political and socioeconomic conditions, including the political or economic relationship among Japan and the other countries and regions we operate in;

- expropriation and confiscation by governments; and
- difficulties associated with managing local personnel and preventing misconduct, including by our local third-party alliance and joint venture partners.

Furthermore, many of our projects in developing countries are subject to less-developed legal systems. As a result, our costs may increase due to factors such as the lack of a comprehensive set of laws and regulations, an unpredictable judicial system based on inconsistent application and interpretation of laws and regulations, and changing practices of regulatory and administrative bodies. For example, we are subject to sudden and unpredictable changes to tariffs for products and services that we provide, environmental regulations, income tax and duty rates and foreign exchange controls with respect to the repatriation of investments and dividends. In such jurisdictions, our contracts may not be honored or extended when they expire. Moreover, regulatory bodies in such jurisdictions may unilaterally interfere and alter the contractual terms of our agreements. We may also face higher compliance risks and costs in developing countries where anti-bribery and compliance initiatives are less developed. In addition, as we have business operations in certain countries that are subject to financial and economic sanctions, embargoes, export control restrictions or other similar regulations, or in countries where individuals or entities subject to such regulations are located, we are subject to the risk of potential violations of such regulations and must maintain adequate internal policies reasonably designed to prevent any such violations. Failure to maintain appropriate internal policies to ensure compliance with such laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, financial condition and results of operations. See "—Compliance risks are inherent in our business."

We engage in various measures to mitigate various country-related risks, such as obtaining insurance, depending on the nature of the project. Furthermore, we have established a country risk countermeasure system and Asset Liability Management Committee. Our country risk countermeasure system classifies countries where we conduct business into categories based on several risk factors. We seek to manage country risk by establishing risk limits for each category. The Asset Liability Management Committee's responsibilities include assessing the risk situation in various countries, establishing and managing a country risk countermeasure system and evaluating individual projects. However, these risk hedging measures may be insufficient.

The realization of any such risks with respect to the various countries and regions where our customers, portfolio companies and ongoing projects are located may have a significant negative impact on our businesses and operating results.

In the context of the military conflict between Russia and Ukraine, we attempt to manage risks related to Russia through our country risk countermeasure system and Asset Liability Management Committee. Our main direct exposure is through our operations in Russia. We operate a sales finance business in our Mobility Group, through our subsidiary JSC MC Bank Rus, and have invested in LNG-related businesses in Russia in our Environmental Energy Group, through the Sakhalin II project, in which we held a 10% stake as of March 31, 2024. Our total assets relating to our operations in Russia amounted to ¥235,642 million (including ¥56,459 million of cash and cash equivalents subject to restrictions on international remittance) as of March 31, 2024. Our operations in Russia are subject to various risks, and our attempts to hedge such risks may be inadequate. For example, among other risks:

- Additional sanctions and export controls imposed by countries around the world could have a material impact on our operations in Russia by, for example, increasing costs of operations or reducing our revenues and profits. For example, although the LNG produced by the Sakhalin II project is sold on a long-term contract basis, the delivery of such LNG could be adversely affected by additional sanctions, resulting in increased operational costs or reducing our revenues and profits.
- Demand for the services provided by the Russian sales finance business in our Mobility Group, which primarily provides loans for consumer automobiles, is influenced by factors including the domestic supply and demand of new consumer automobiles in Russia, which have been and could be further negatively affected by the military conflict between Russia and Ukraine due to factors including the impact of sanctions.
- Although we have adopted all measures we believe are necessary to ensure our activities comply with the sanctions regimes currently in force against Russia, we may fail to adopt and enforce appropriate internal policies to ensure compliance with applicable laws and regulations, which may result in severe

criminal or civil sanctions. We may also be held liable for the actions taken by our local, strategic or joint venture partners.

- The military conflict between Russia and Ukraine is disrupting energy production and trade patterns, which may directly impact our operations in Russia and more generally affect various of our businesses in unpredictable ways due to increased volatility in the price and supply of various commodities.
- Our continued involvement in operations in Russia could damage our reputation or harm our relationships with customers or other counterparties. To the extent we wish to exit our operations in Russia, we may be unable to do so in a timely manner or at all, and may incur impairment or other losses.
- The Russian government may expropriate or confiscate our assets in Russia.

Our business model exposes us to various risks in connection with our acquisition of, investment in and participation in the management of various companies.

An integral aspect of our business model is our acquisition of, investment in and participation in the management of various companies through acquiring equity and other types of interests. We pursue this business model with the aim of increasing our commercial rights and deriving capital gains and, as a general matter, seek opportunities that are strategic or complimentary to our existing businesses. However, we are exposed to various risks related to our subsidiaries, affiliates and joint ventures, such as the possible inability to recover our economic interests, losses upon exiting investments, inability to find a buyer, even if we desire to exit, or being unable to earn profit to the extent we expect or at all. To properly manage business risk, in the case of new projects, we set the meaning and purpose of the project, quantitatively estimate the downside risk and evaluate whether our expected returns, based on the characteristics of the business, are sufficient to justify the investment. After investing, we formulate annual business plans for each project and take steps to manage the associated risks in order to achieve our investment goals. We also set retention policies, including the sale of our equity interest or the liquidation of the investee, in order to efficiently replace assets in our portfolio, in the event where the projects are generating lower earnings than indicated in the plan. Notwithstanding these initiatives, although we follow strict standards for the selection and management of our various businesses, our various subsidiaries and joint ventures may not deliver the expected profits. Moreover, the process of integrating acquired companies into our operations also exposes us to a variety of risks. We may not be able to successfully assimilate or integrate companies that we acquire, including their personnel, financial systems, distribution, operations and general operating procedures, or achieve any anticipated business synergies. Our failure to assimilate or integrate acquired companies successfully could materially affect our business, reputation and results of operations. Likewise, our failure to integrate and manage acquired companies successfully may lead to future impairment of any associated goodwill and intangible assets.

We also invest in companies where we share control with a third party or parties. The outcome of such joint ventures and strategic investments is unpredictable because operational success may be critically dependent on factors that are beyond our control, such as that our relationship with third-party partners may deteriorate, or the financial condition and performance of our partners or strategic investees declines. We may fail to exercise adequate control over the management, operations and assets of the companies in which we have invested or may fail to make major decisions without the consent of other shareholders or participants due to lack of common business goals and strategic objectives with our partners.

As a result of our business model, we are required to manage and monitor a large number of subsidiaries, affiliates and investments across a broad range of geographies. As of March 31, 2024, we held 915 subsidiaries and had 403 non-subsidiary affiliates. Our diverse and broad-ranging operations subject us to various risks and challenges in exercising appropriate management and oversight of our group companies and investments.

In addition, while we have a track record of engaging in acquisitions, joint ventures and other strategic investments to expand our business, there is no assurance that we will be able to identify any attractive opportunities or other strategic alliances in the future, or that we will be able to pursue any opportunities we do identify due to the unavailability of adequate financing, our inability to obtain regulatory approvals or other reasons.

We face risks relating to our metallurgical coal business.

We engage in the metallurgical coal business. Metallurgical coal is used for steel manufacturing. As part of our metallurgical coal business, in Australia, we manage BHP Mitsubishi Alliance ("BMA") through MDP with our partner, BHP. BMA is one of the world's largest metallurgical coal businesses. As of March 31, 2024, the book value of MDP's fixed assets on our statement of financial position was approximately ¥962.7 billion. On April 2, 2024 we completed the sale of the Blackwater and Daunia coal mines in Queensland, Australia to Whitehaven Coal Ltd. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Sale of Blackwater and Daunia Coal Mines".

A decline in the price of metallurgical coal could have a material impact on our earnings. In addition to prices, our earnings from our metallurgical coal business are significantly affected by factors such as fluctuations in exchange rates as well as adverse weather and labor disputes. Furthermore, metallurgical coal mining involves many inherent hazards and operating risks that could disrupt operations, decrease production and increase the cost of mining for varying lengths of time, including personal injury, loss of life, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards, weather and other natural phenomena, such as seismic activity, wall failures and rock slides, and lower than expected quality or recovery rates. The realization of any of these risks could have a material adverse impact on revenues attributable to our metallurgical coal business.

Our copper business involves various risks.

We engage in the copper business, primarily through equity interests in mining projects in Chile and Peru. We apply the equity method to our investments in these projects and, accordingly, conduct impairment tests. As these projects' respective production and development plans are long-term, medium- to long-term price forecasts have a significant impact on the valuation of the investment in addition to short-term price fluctuations. Accordingly, we evaluate risk from a medium- to long-term perspective, including revisions in copper price forecasts, and formulate price forecasts taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations.

Taking into overall consideration the sluggish copper market and delays in the development of prospective mining projects compared with initial assumptions, on March 31, 2016, we recorded an impairment loss of ¥271.2 billion with respect to our stake in Anglo American Sur S.A. ("AAS"), which holds Chilean copper resource interests, with Anglo American Plc, which is headquartered in London, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd. On May 2, 2022, AAS received notice that the Environmental Assessment Service of Chile had issued a formal decision to reject an environmental permit application with respect to the Los Bronces Copper mine owned by AAS for a project to expand the current open pit within Los Bronces' operating site and conduct future development of the underground section of the mine. We and other shareholders in AAS, including Anglo American Plc, formally requested a reconsideration of the decision from the Environmental Assessment Service. After the environmental permit was rejected, we performed a detailed, comprehensive examination of the project. As a result, we recorded impairment losses of ¥37.1 billion as "share of profit of investments accounted for using the equity method" for the year ended March 31, 2023. Although subsequently, in April 2023, the permit for the Los Bronces copper mine expansion project was approved by the Chilean government, our investment in AAS continues to involve various risks. The book value of the investment in AAS was ¥155.5 billion as of March 31, 2024.

Also, in another joint venture with Anglo American Plc, we hold a 40% interest (as of March 31, 2024) in Anglo American Quellaveco S.A., headquartered in Lima, Peru, which holds the resource interests to the Quellaveco copper mine project in Peru. The total of our investment book value and loan to Anglo American Quellaveco S.A. was ¥547.6 billion as of March 31, 2024.

In addition to the risk of price fluctuations in copper, the status of production and reinvestment plans (capital expenditures) all have significant impacts on our copper business. The exploration of copper and other metal reserves, mining costs, the maintenance of machinery and equipment and compliance with laws and regulations require significant capital investments in order to maintain or increase the amount of copper reserves and the amount of copper and other metals produced. In addition, the business of mining copper and other metals is subject to inherent hazards and operating risks that could disrupt operations, decrease production and increase the cost of mining for varying lengths of time, including personal injury, loss of life, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards, weather and other natural phenomena, such as seismic activity, wall failures and rock slides, and lower than expected quality or recovery rates. The realization of any of these risks could have a material adverse impact on revenues attributable to our copper business.

Our natural gas business entails risks.

We are engaged in the development, export and sale of LNG through various businesses in North America, Southeast Asia, Australia and other regions.

In North America, we are devoting resources to building our natural gas business in Canada, including both upstream resource development to LNG production, export and sales. In terms of upstream businesses, we operate a shale gas development business through our partnership with Ovintiv Inc. (formerly, Encana Corporation). We have a 40% partnership interest in such business and the book value of our partnership interest was ¥250.1 billion as of March 31, 2024. In addition, we have invested in LNG Canada, through our subsidiary Diamond LNG Canada Partnership, in a joint venture together with Shell, Petronas, PetroChina and Korea Gas of which Diamond LNG Canada Partnership has a 15% stake (as of March 31, 2024), in order to export and sell natural gas as LNG. This project involves the construction of liquefaction facilities with annual production capacity of 14.0 million tons, in order to export LNG mainly to customers in Japan and other East Asian countries, of which our share is 15%, representing 2.1 million tons. Production is expected to commence by mid-2025. The book value of Diamond LNG Canada Partnership's fixed assets was ¥341.9 billion as of March 31, 2024. In Australia we have interests in two existing LNG projects, the North West Shelf project and the Wheatstone project, which, as of March 31, 2024, respectively represent 16.9 and 8.9 million tons of production capacity, and of which our share represented 1.41 and 0.28 million tons, respectively.

In addition to risks in the commodity market, long-term demand for natural gas may also be affected by the transition to a decarbonized society, and the imposition of carbon taxes could negatively affect the profitability of these businesses. The LNG business is also exposed to long-term risks associated with the exhaustion of natural gas. Furthermore, the business of producing, transporting and exporting LNG is subject to inherent risks and hazards that require significant and continuous oversight. Our failure to manage these risks effectively could result in unexpected incidents, including releases, explosions or mechanical failures resulting in personal injury, loss of life, environmental hazards, loss of revenues, legal liability and disruption to operations. The realization of any such risks with respect to our natural gas business could have an adverse impact on our consolidated results of operations.

Our investments in LNG-related businesses in Russia in our Environmental Energy Group, through the Sakhalin II project, also involve certain risks. See "—We are exposed to country risk in connection with our overseas operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Russia-Ukraine Conflict."

We must manage risks in connection with our integrated energy business.

Through our Power Solution Group, we engage in a broad range of power businesses, including the supply side centered on generation and transmission, as well as the demand side, including a power trading business and a retail power sales. Through our subsidiaries and joint ventures, we operate a total of 7.94 gigawatt ("GW") of generation capacity as measured by our equity stake, with a further 1.05 GW of generation capacity under construction, in each case as of March 31, 2024.

The businesses of our Power Solution Group comprise operations in the United States, Asia, Europe and Japan. In March 2020, Diamond Chubu Europe B.V., established jointly by Mitsubishi Corporation and Chubu Electric Power Co., Inc., acquired 100% of the shares of Eneco Groep N.V. ("Eneco"), a company that operates an integrated energy business in Europe, for approximately ¥500.0 billion. A decline in electricity demand or macroeconomic conditions in Europe may affect our operating results via Eneco's operating results or impairment loss on the goodwill recognized when we acquired Eneco. The book value of such goodwill, before calculation to reflect the portion attributable to us, was approximately ¥145.9 billion as of March 31, 2024.

The market for electricity is volatile. Electricity prices may fluctuate substantially due to other factors outside of our control, including changes in generation capacity in the electricity markets, electric supply disruptions, changes in the demand for power or in patterns of power usage, development of new fuels and new technologies for the production or storage of power, development of new technologies for the production of power generation fuel, the availability of competitively priced renewable fuel sources and mineral resources, general economic conditions which affect energy consumption as well as regulation and legislation.

A decline in the demand for electricity affecting our integrated energy business in Europe, including due to a decline in general economic conditions in Europe, could affect our operating results or cause us to recognize impairment losses.

We face risks in connection with the convenience store business due to our stake in Lawson, Inc.

Our consolidated subsidiary, Lawson, Inc. ("Lawson"), operates a franchise system and directly manages domestic and overseas Lawson convenience stores and other peripheral businesses. On February 6, 2024, we, KDDI Corporation ("KDDI") and Lawson announced that the three companies had signed a capital business partnership agreement and we and KDDI entered into a Master Agreement to implement a public tender offer by KDDI for shares of Lawson. On March 28, 2024, KDDI commenced a tender offer for shares of Lawson. The tender offer was completed and concluded on April 25, 2024. Following the completion of the tender offer, KDDI announced that it held roughly 41% of Lawson's voting rights. The subsequent squeeze-out procedures are expected to be completed in September 2024.

Upon completion of all of the above transactions, we will no longer have sole control over Lawson, which will be classified as a joint venture. For more details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Capital Business Partnership with KDDI."

Lawson's business entails various risks, including risks related to general economic conditions, business-related risks, such as the fact that convenience store sales are vulnerable to fluctuations in consumer sentiments, the highly competitive nature of the industry and risk related to food safety, compliance risks, risks inherent to Lawson's franchise operations, such as the potential for reputational damage resulting from the actions of a third-party franchisee, risks related to Lawson's banking business, a highly regulated industry, and risks related to natural and other types of disasters and crises.

We may have to recognize impairment losses with respect to our assets.

If there are any events or changes indicating that the carrying amount of our non-financial assets, excluding inventories and deferred tax assets, may not be recoverable, we estimate the recoverable amount of such assets by assuming that there are indications of impairment. Such assets include property, plant and equipment, investments accounted for using the equity method, intangible assets and goodwill arising from acquisition of subsidiaries. We perform impairment tests to determine whether the carrying amount of such assets exceeds their recoverable amount. The recoverable amount of an asset is the higher of the value in use or the fair value less costs to sale. Value in use is calculated by discounting the future cash flows to the present value using the pre-tax discount rate reflecting the risks specific to the asset. If the carrying amount of an asset exceeds its recoverable amount, we recognize an impairment loss. Recognizing impairment losses adversely affects our results of operation and financial condition.

For example:

- For the year ended March 31, 2024, we recorded impairment losses of ¥29.6 billion. These losses were included in consolidated net income (loss) for the Food Industry Group.
- For the year ended March 31, 2023, we recorded impairment losses of ¥37.1 billion on our investment in AAS, which were included in the consolidated net income of the Mineral Resources segment, following delay of the development schedule for AAS's Los Bronces mine site due to initial rejection of the environmental permit required for the project on May 2, 2022 (although the permit was eventually obtained in April 2023). These losses were included in "Share of profit (loss) of investments accounted for using the equity method" in our consolidated statement of income for the year ended March 31, 2023.
- For the year ended March 31, 2022, we recorded impairment losses of ¥64.5 billion. These included impairment losses of ¥27.0 billion in connection with intangible assets we have recognized in the course of making Chiyoda Corporation a consolidated subsidiary. These losses were included in consolidated net income (loss) for the Industrial Infrastructure Group, and the corresponding effect on profit for the year attributable to owners of the parent was a ¥6.3 billion loss.
- For the year ended March 31, 2021, we recorded impairment losses of ¥204.0 billion. These included impairment losses on the intangible assets and goodwill recognized when Lawson became a subsidiary, due to the revisions made to the business forecast of Lawson as a result of the weakening of financial results and the uncertain business outlook caused by the impact of the COVID-19 pandemic in Japan. Specifically, these impairment losses comprised ¥145.3 billion in impairment losses on goodwill and ¥30.9 billion in impairment losses on related intangible assets, and both amounts were recorded as impairment losses on property, plant and equipment and others in our consolidated statement of income

for the year ended March 31, 2021. These losses were included in the consolidated net income (loss) for our Consumer Industry Group for such year, and the corresponding effect on profit for the year attributable to owners of the parent was a ¥83.6 billion loss.

- For the year ended March 31, 2020, we recorded impairment losses of ¥25.9 billion on our investment in Mitsubishi Motors Corporation as "share of profit (loss) of investments accounted for using the equity method." This was due to revisions to our initial investment plan for Mitsubishi Motors Corporation based on an assessment of the latest demand trends in the automobile market.

We are exposed to various risks related to climate change.

The impact of climate change includes the effects of more frequent extreme weather on water resources, the effects on human populations and biodiversity as well as effects on production and availability of food resources and other natural resources. These effects are of great consequence for the global environment and mankind, as well as for corporate activities, and may negatively impact our business and operating results.

Risks related to climate change are broadly categorized as transition risks, which are risks related to government policy and regulations, technology, markets, and physical risks. Transition risks include risks of increased operational or facility-related costs due to carbon pricing, such as carbon taxes, expanded regulations and the obsolescence of products and services that rely on existing technologies. For example, our power generation and automobile businesses, and adjacent businesses, may be adversely affected by such transition risks due to their reliance on fossil fuels. Physical risks include the impact on operations of more extreme weather conditions, such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, as well as rising sea levels and increased volatility in seasonal temperatures. Although we are working to address the various risks related to climate change, the measures we take may not be sufficient to counter the negative effects of climate change, whether directly on our businesses or more generally in Japan and the various countries and regions overseas in which we operate.

In addition, some of our operations directly emit greenhouse gases ("GHG"), such as carbon dioxide and methane, and some of the products that we produce result in GHG release into the atmosphere. Accordingly, demand for some of our products, including mineral and natural resources, may be affected by international efforts to reduce GHG emissions. Furthermore, regulations aimed at reducing GHG emissions may have adverse effects on the market for metallurgical coal, natural gas and other fossil fuel products, as well as the automotive industry generally. Existing laws and regulations or other current and future efforts to stabilize or reduce GHG emissions could adversely impact the demand for, price of and value of some of such products. As our operations also emit GHG directly, current or future laws or regulations limiting GHG emissions could increase our own costs. Although the potential impacts of additional climate change regulation on us are difficult to reliably quantify, they could be material.

In addition to regulatory risks, it is widely recognized that companies need to play an active role to accelerate the transition to a decarbonized society in order to attempt to mitigate the impacts of climate change. Given the fact that we have resource-intensive businesses in our portfolio, we are expected by investors, non-governmental organizations ("NGOs") and other key stakeholders to contribute toward this transition. For example, there is also a trend of environmental activists filing more shareholder proposals relating to ESG matters, particularly with regard to climate change. In April 2023, two shareholders involved in climate change activism jointly announced that they would submit a shareholder proposal at our 2023 ordinary general meeting of shareholders to demand the amendment of our Articles of Incorporation to make us commit to certain climate change initiatives. We had received the same proposal from shareholders in connection with our 2022 ordinary general meeting of shareholders. In both 2022 and 2023, the Board of Directors formally resolved to oppose these proposals, and neither proposal was subsequently adopted at the general meeting of shareholders.

Failure to meet the expectations of investors, NGOs and other key stakeholders may result in reputational risk and could negatively affect funding from such investors. The number and quality of viable financing alternatives available to us may be significantly affected by lending and investment policies by financial institutions associated with concerns about environmental impacts of carbon-based fuels. Already, certain financial institutions, including banks and insurance companies, have taken actions to limit available financing, insurance and other services to entities that produce or use fossil fuels. In addition, there are fewer insurance companies willing to provide line of business coverages related to such concerns which can result in higher company premiums and retained losses.

Further, the actions of such financial institutions and insurance companies are increasingly based upon non-standardized “sustainability” scores, ratings and benchmarking studies provided by various organizations that assess corporate governance related to environmental and social matters. The importance of sustainability evaluations is becoming more broadly accepted by investors, and there have been efforts in recent years by members of the general financial and investment communities to divest themselves and to promote the divestment of securities issued by companies involved in carbon-based fuels or that have low ratings or scores in studies and assessments of the type noted above. These entities also have been pressuring lenders to limit financing available to such companies. Negative views with respect to environmental and related considerations could result in a low “sustainability” score, harm the perception of our company by certain investors or result in the exclusion of our securities from consideration by those investors.

We are subject to diverse counterparty credit risks, which our management policy for credit exposure cannot eliminate entirely.

We extend credit to customers in the form of trade credit, including accounts receivable and advance payments, finance, guarantees and investments as part of our various operating transactions. We are therefore exposed to credit risks in the form of losses arising from deterioration in the credit of, or bankruptcy of, customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging various risks arising from our businesses. In these cases we are exposed to the credit risk of the counterparties regarding such derivative contracts.

To manage this risk, we have established credit and transaction limits for each customer as well as introduced an internal rating system. Based on internal rules determined by internal ratings and the amount of credit, we also require collateral or a guarantee depending on the credit profile of the counterparty. However, there is no guarantee that we will be able to completely avoid credit risk with these strategies. We reduce transactions and take measures to protect our receivables when there is deterioration in the credit condition of customers. We also have a policy for dealing with bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit could affect our operating results.

We are exposed to foreign currency risk due to the global nature of our operations.

With respect to our overseas investments, there is a risk that foreign currency exchange fluctuations could cause a decrease in the yen conversion value of dividends received from these investments and equity in earnings of overseas subsidiaries and affiliates that are denominated in foreign currencies. The dividends we receive from overseas businesses and our equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit. Accordingly, appreciation in the yen relative to foreign currencies has a negative impact on our profit for the year. In terms of sensitivity, we estimate that a ¥1 change to the Japanese yen to U.S. dollar exchange rate would have caused an approximately ¥5.0 billion effect on profit for the year ended March 31, 2024.

In addition, we are also exposed to transactional risk, in connection with various transactions where our funding and other costs are incurred in a different currency or currencies than our revenues for the same transactions.

While we use forward contracts and other hedging strategies, we may not be able to completely avoid foreign currency risk and, as a consequence, fluctuations in foreign currency exchange rates, including particularly among the Australian dollar, Euro, U.S. dollar and yen, in such situations have had, and may continue to have, a significant impact on our businesses and consolidated operating results.

We hold a large amount of marketable securities that are subject to share price risk.

As of March 31, 2024, we owned approximately ¥1,371.1 billion, in terms of market value, of marketable securities, consisting mostly of equity issued by our customers, suppliers and affiliates. These holdings expose us to the risk of fluctuations in share prices. The valuation above includes net unrealized gains of approximately ¥330.8 billion based on market prices, a figure that could change depending on future trends in stock prices. Most of the marketable securities we hold are classified as financial assets measured at fair value through other comprehensive income (“FVTOCI”) and a decline in the equity securities market could negatively affect the value of our investment portfolio. In addition, if we choose to dispose of such securities, we may not be able to sell such securities at the price we expect or the timing we desire, depending on market conditions or the financial situation and operational performance of the company.

Furthermore, some of the pension assets managed by our corporate pension fund are marketable stocks. Accordingly, a decline in the price of such securities may reduce our pension assets.

We face interest rate risk due to our gross interest-bearing liabilities.

As of March 31, 2024, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,128.0 billion. Since almost all of such liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loan receivables and other operating assets that are affected by changes in interest rates. Although this interest rate risk is offset in part because a rise in interest rates produces an increase in income from these assets, albeit subject to a timing difference, some of such assets have interest rate mismatches with respect to the corresponding liabilities. In addition, although we believe that higher interest expenses would partially be offset by an increase in income from the corresponding assets, such as investment securities, property and equipment that relate to the same projects, our operating results may be negatively affected if such income streams decouple from economic cycles, or if a rapid rise in interest rates results in the increased income from interest-bearing assets failing to immediately offset the effects of a preceding increase in interest expenses. Accordingly, an increase in interest expenses caused by a rise in interest rates could negatively affect our businesses and consolidated operating results.

Compliance risks are inherent to our business.

We are engaged in businesses in various industries through many offices all around the world and, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate as well as in Japan. Our operations are subject to laws and regulations governing, among other things, commodities, consumer protection, business and investment approvals, environmental protection, currency exchange control and taxation. We are also subject to foreign trade laws and are required to pay export duties or customs duties on materials and products that we export and import. The nature of our operations exposes us to the risk of liabilities or claims with respect to such laws, regulations, ordinances and duties, and we may have to incur material costs in connection with such liabilities or claims. We could become subject to additional laws, regulations, ordinances and permit requirements.

We are also subject to anti-bribery laws and regulations in the countries in which we operate, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, which prohibit companies and their intermediaries from making or receiving improper payments. Furthermore, many of the jurisdictions in which we do business, including the United States, the United Kingdom, and member states of the European Union, issue sanctions, export controls and other regulations that require us to limit or refrain from doing business, or allowing our clients to do such business through us, in certain countries or with certain organizations or individuals subject to the relevant sanctions, export controls and other regulations implemented by such governments. Failure to adopt and enforce appropriate internal policies to ensure compliance with applicable laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We may also be held liable for the actions taken by our local, strategic or joint venture partners. Such a violation, even if prohibited by our policies, could have a material adverse effect on our reputation, business, financial condition and results of operations.

In addition, we are subject to competition regulation across jurisdictions including laws relating to antitrust, antimonopoly, cartels and other unfair competition practices. Depending on the size and market share of our businesses, we may be subject to competition laws in some of the markets in which we operate and may in the future become subject to regulatory scrutiny and legal proceedings in these jurisdictions.

By way of illustration of the foregoing, in Japan we must comply with the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), tax laws, the FIEA, anti-monopoly laws, anti-bribery laws such as Article 18 of the Unfair Competition Prevention Act of Japan (Act No. 47 of 1993, as amended), international trade-related laws, environmental laws and various business laws.

If we are found to have violated laws and regulations, we could become subject to regulatory sanctions, including monetary penalties, criminal sanctions or civil lawsuits for damages, as well as suffer reputational harm. In addition, compliance with existing and additional or more stringent laws, regulations, ordinances or permit requirements, as well as more vigorous enforcement policies of regulatory agencies or stricter or different interpretations, may require us to make additional expenditures or investments, which may be material, and could also otherwise affect our business in a way that could have a material adverse effect on our reputation and market perception, in addition to our business, financial condition and results of operations. Further if, due to the implementation of such stricter laws and regulations, we cannot comply with certain laws and regulations, or determine that it would not be economical to do so, we may need to limit or curtail our business activities. Furthermore, the steps that we have taken to manage compliance risks, such as our establishment of a Compliance Committee, may be insufficient.

Misconduct or other unauthorized activities by our employees could subject us to losses, damage our reputation or otherwise adversely affect our business.

Due to our size, as well as the operational and geographic breadth of our activities, our day-to-day operations are necessarily de-centralized, and we cannot fully ensure that our employees comply with all applicable laws and regulations as well as our internal policies. For example, employees of our subsidiaries have in the past and may in the future engage in unauthorized trading activities, extensions of an unauthorized amount of credit to a client or other willful or intentional misconduct, which may result in unknown losses or unmanageable risks to us, despite out efforts to prevent such improper activities. Moreover, our employees could engage in various unauthorized activities prohibited under the laws of Japan or other jurisdictions to which we are subject, including export regulations, anticorruption laws, antitrust laws and tax regulations. The efforts we undertake to ensure employees' compliance with applicable laws and regulations as well as our internal policies may not succeed in preventing misconduct by our employees. In the event that our reputation is damaged for the above reasons or any other, our business, financial condition and results of operations could be materially and adversely affected. While we have established internal control systems and procedures, such systems or procedures may be found to be ineffective or inadequate.

Our business may be negatively affected by natural and other types of disasters and crises.

A crisis occurring inside or outside Japan, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, infectious diseases such as a new strain of influenza, a large-scale accident, acts of terrorism or riots, or incidents arising from geopolitical causes in East Asia, Europe and Middle East, or elsewhere, could affect our employees and damage our offices, facilities or systems or could hinder our sales and production activities. Furthermore, even if we are not directly affected, the occurrence of a natural or other disaster or crisis may have a material adverse effect on our customers or, more generally, the demand for our products and services. For example, Japan, where we have a large portion of our operations, is particularly susceptible to natural disasters, such as earthquakes, tsunamis, typhoons, floods, torrential rains and volcanic eruptions, and has experienced numerous serious earthquakes that have caused extensive property damage and disruption to commerce. In addition, massive natural disasters, such as the Great East Japan Earthquake and the subsequent tsunami and nuclear accident in Fukushima, Japan in March 2011, and other large-scale crises and unexpected events could have secondary adverse effects, such as mass or long-term devastation to people or infrastructure, including through the disruption of electric supply and deterioration in economic conditions.

We have put in place a variety of countermeasures, including: the Emergency Crisis Management Headquarters; response protocols, such as those for checking the safety and wellbeing of persons associated with us when a crisis occurs; business continuity plans (BCPs) for important operations; earthquake-proofing measures for buildings, facilities and systems (including backup of data); regular drills; and emergency stocks of necessary supplies. Furthermore, we implement business continuity management (BCM) to prepare for crises. These comprehensive management activities include formulating first response protocols and BCPs based on risk and impact analyses of all kinds of events and the continuous operation of the PDCA (plan, do, check, act) cycle. However, no amount of preparation can completely avoid the risk of damage or other impact, and a natural or other disaster or crisis could affect our operating results.

Restrictions under environmental laws and regulations and any accidents relating to our use of hazardous materials could negatively affect our business, results of operations and financial condition.

We are involved in various projects and business transactions worldwide that are subject to extensive environmental laws and regulations. For example, we engage in activities related to the extraction and transportation of energy and mineral resources as well as the development of industrial infrastructure, which may particularly be adversely affected by present or future environmental regulations or enforcement in connection with our business activities. These laws and regulations may:

- require us to perform site clean-ups;
- require us to curtail or cease certain operations;
- impose fines and payments for significant environmental damage;
- require us to install costly pollution control equipment; and
- require us to modify our operations.

Changes to environmental laws and regulations, or protests by environmental groups, may materially affect the progress of these projects.

Our indebtedness could materially and adversely affect our business, financial condition or results of operations.

We have significant outstanding indebtedness and debt service obligations. As of March 31, 2024, we had ¥1,733,684 million in short-term and ¥3,394,268 million in long-term bonds and borrowings, and we anticipate that we will continue to rely on borrowings as part of our financing strategy going forward. Our substantial indebtedness could have adverse consequences, including, but not limited to:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements;
- increasing our vulnerability to a downturn in our businesses or economic and market conditions;
- requiring the dedication of a portion of our cash flow from operations to the payment of interest on our indebtedness, thereby reducing the cash flow available to fund our operations, capital expenditures or for other corporate purposes;
- requiring the repayment of maturing indebtedness from our cash flow from operations or the incurring of new indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the competitive environment;
- placing us at a competitive disadvantage compared to our competitors that are not similarly leveraged; and
- subjecting us to restrictive financial and other covenants, which may require us to repay some or all of our outstanding debt if we breach any such covenants.

Changes in economic or financial market conditions, significant changes in the lending or investment policies of our creditors or investors, or any adverse changes to our actual or perceived creditworthiness or credit ratings could result in an increase in our borrowing costs (including interest expense), adversely affect our ability to access the debt markets and have an adverse effect on our financial position and liquidity. If we are unable to raise sufficient additional funds or refinance existing obligations on acceptable terms or comply with financial covenants applicable to our borrowings, our business, financial condition and results of operations could be adversely affected.

Our internal controls over financial reporting may be insufficient.

In accordance with the FIEA, as a public company in Japan, we are required to evaluate the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and have our evaluation audited by our independent auditor. If our internal controls over financial reporting are found to have material weaknesses as a result of our evaluation or the audits conducted by our independent auditor, our ability to produce reliable financial reports on a timely basis could be adversely affected, resulting in a loss of confidence in our financial reporting by investors, which could materially and adversely affect the price of our equity and debt securities. Control systems, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and thus are subject to inherent limitations.

Work stoppages, labor shortages and other labor relations matters may harm our business.

If we fail to maintain satisfactory labor relations, disputes with the unionized portion of our workforce could affect us adversely. Union-represented labor creates an increased risk of work stoppages and higher labor costs. Future work stoppages, labor union issues or labor disruptions at our operations could impede our ability to produce and deliver our products and services, to receive critical equipment and supplies or to collect payment. This may increase our costs or impede our ability to operate one or more of our operations.

Our inability to attract and retain qualified management personnel and employees could hurt our business.

The loss of key management personnel or our inability to attract and retain qualified management personnel and employees could hurt our business and inhibit our ability to operate our business successfully. We depend on the leadership of our key management personnel as well as our ability to attract, employ and retain skilled management personnel and employees. Furthermore, we must be able to successfully recruit, train and develop new employees. We face intense competition in hiring management personnel and employees from a broad range of competitors in the businesses in which we operate, and therefore, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing management personnel and employees, we may be unable to manage our business effectively, which could adversely affect our business, results of operations and financial condition. Even if we were to offer higher compensation and other benefits, people with suitable skills may choose not to join us or not to continue to work for us. Accordingly, our failure to execute a successful human resources strategy could harm our ability to compete effectively.

We depend on key information systems and services, and any cyberattacks, systems failures or other disruptions affecting these systems and services could have an adverse effect on our business.

We depend on key information systems and services to accurately and efficiently transact business, interface with customers, provide information to management and prepare financial reports, among other activities. In addition, we handle databases of confidential and personally identifiable information that is collected through our operation of various businesses. We have put in place security systems, back-up procedures and disaster recovery measures, and established information security rules and guidelines to securely store customer information as well as proprietary information and raise awareness of security procedures. Despite these efforts, our systems may be disrupted by events such as earthquakes and other natural disasters, terrorist attacks, software, equipment or telecommunications failure, processing errors, computer viruses, cyberattacks, hackers, other security issues, supplier defaults or other events unforeseen by us.

Our systems and those of our third-party service providers are vulnerable to computer viruses, break-ins, phishing attacks and other cyberattacks that could lead to unauthorized disclosure of confidential or personally identifiable or other sensitive information. Advances in computer capabilities, new technological discoveries or other developments may result in cyberattacks becoming more sophisticated and more difficult to detect. We and our third-party service providers may not have the resources or technical sophistication to anticipate or prevent all such cyberattacks or implement adequate preventative measures. Moreover, techniques used to obtain unauthorized access to systems change frequently and may not be known until launched against us or our third-party service providers. Security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or employees of our third-party service providers or any third-party business partners that may have access to our systems or data. We may also experience security breaches that may remain undetected for an extended period. Further, as we rely on third party service providers across our businesses, we depend in part on third-party security measures to protect against unauthorized access, cyberattacks and the mishandling of confidential or personally identifiable information. If we experience any of the foregoing security breaches or other incidents involving personal information, the result may be business disruption, remediation costs or claims for compensation, the leaking of customer or confidential information and/or violation of applicable laws and regulations, any of which could adversely affect our business, results of operations and reputation.

The laws and regulations concerning data privacy and data security are continually evolving, and our actual or perceived failure to comply with these laws and regulations could harm our business.

Globally, regulatory scrutiny of privacy controls and the protection and exploitation of user data is increasing. In some countries certain of our businesses collect or store personal data, and as a result we are subject to various laws and regulations, such as the Act on the Protection of Personal Information of Japan (Act No. 57 of 2003, as amended), regarding data privacy and data and information security, as well as the General Data Protection Regulation in the European Union. We believe we are in compliance with such laws and regulations in the jurisdictions in which we operate. However, such laws and regulations are constantly evolving and remain subject to significant change. Any new restrictions imposed on us through new laws and regulations, or more stringent interpretations of existing laws and regulations, could result in increased compliance costs, require us to change our business practices or otherwise adversely affect our business and results of operations. In addition, the application and interpretation of such laws and regulations are often uncertain. Any failure or perceived failure to comply with applicable privacy, data protection or information security laws and regulations could lead to claims or investigations, and as a result thereof we could suffer severe reputational damage.

Damage to our reputation could adversely affect our business.

Maintaining our reputation is important to the success of our business. We risk damage to our reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, supply chain management, climate change, workplace conduct, human rights and philanthropy. Our reputation may be damaged by various factors, including violations of laws and regulations, accidents resulting in personal or environmental harm, incidents of actual or perceived violations of human rights, the destruction or leakage of confidential information or personal information or issues with our products, whether caused by us or by third parties. Additionally, negative publicity about these or other issues, whether or not true, could harm our reputation or cause us to incur marketing and other expenses to defend and repair our reputation.

We may fail to protect our intellectual property rights or face claims of intellectual property infringement by third parties.

We may fail to obtain sufficient patent or other protection with respect to our intellectual property. In addition, intellectual property protections may be unavailable or limited in some of the countries we operate in. Furthermore, policing the unauthorized use of our intellectual property is difficult and expensive. Although we have taken steps to prevent the misappropriation of our intellectual property, such protective measures may not be adequate to prevent their unauthorized use. In addition, litigation may be necessary to protect and enforce our intellectual property rights or defend against claims by third parties of intellectual property infringement. Such litigation could be costly, time-consuming and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect brands under which our businesses operate and adversely affect our business.

Legal proceedings could adversely affect our business.

In the course of our business, from time to time, we are party to legal proceedings, both in Japan and overseas, regarding both breaches of applicable laws and regulations as well as other proceedings, such as those involving claims or disputes. Depending on the outcome of such proceedings, we may incur significant costs and reputational harm.

We may be adversely affected by the actions of third parties, such as suppliers, vendors and service providers.

Our various businesses depend, to various degrees, on third parties, such as suppliers, vendors and service providers. Reliance on third parties could potentially expose us to problems occurring outside of our control, including delays, quality control issues and third-party insolvencies. These problems may affect our ability to meet our obligations to our own customers, which could adversely affect our business and reputation.

Risks Relating to the notes

The market for the notes offered by this offering memorandum may have limited liquidity.

Although approval in-principle has been received for the listing of and quotation for the notes on the Official List of the SGX-ST, there can be no assurance that any liquid market for the notes will ever develop or be maintained. The initial purchasers have advised us that they currently intend to make a market in the notes following the offering. However, the initial purchasers have no obligation to make a market in the notes, and they may stop at any time. In addition, recent amendments to Rule 15c2-11 under the Exchange Act and regulatory interpretations thereof may restrict the ability of brokers and dealers to publish quotations on the notes on any interdealer quotation system or other quotation medium after January 4, 2025. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the notes or the prices at which you will be able to sell your notes, if at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the notes and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the notes on the SGX-ST become unduly burdensome, we may be entitled to, and may decide to, delist the notes from the SGX-ST and seek an alternate listing for the notes on another securities exchange.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The notes contain only very limited restrictions on our ability to pledge our assets, may effectively be subordinated and provide holders with limited protection in the event of a change in control.

The Indenture and the notes do not contain any financial covenants and contain only very limited restrictions on our ability to pledge assets to secure other indebtedness. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, substantially all of our operations are conducted at the subsidiary level. Claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of the holders of the notes.

Accordingly, the notes will be effectively subordinated to the creditors of our subsidiaries. In addition, the Indenture and the notes do not contain any covenants or other provisions that afford more than limited protection to holders of the notes in the event of a change in control.

The ratings of the notes could be lowered.

It is expected that the notes will be assigned with ratings of "A2" by Moody's and "A" by S&P. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

We may redeem the notes prior to maturity.

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See "Description of the Notes—Optional Redemption." In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

The notes are subject to transfer restrictions.

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to persons reasonably believed to be Qualified Institutional Buyers who are also Qualified Purchasers, in reliance on the exemption provided by Rule 144A, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. Additionally, we do not believe that we are an investment company under the Investment Company Act, and have not been and will not be registered as an investment company under the Investment Company Act. Furthermore, subject to the conditions set forth herein and in the Indenture, the notes may be transferred only if the principal amount of the notes transferred is at least $200,000.

It is the obligation of holders of the notes to ensure that their offers and sales of the notes comply with applicable securities laws and the applicable transfer restrictions. To enforce the restrictions on transfers of the notes and interests therein, we may demand that any holder of notes or interests therein who is not a Qualified Institutional Buyer that is also a Qualified Purchaser or a non-U.S. person sell to a holder that meets such criteria. If a holder of notes or interests therein is forced to sell its note or interest therein, the price such noteholder may receive for the sale could be lower than the price such holder paid for the note. For further discussion of the transfer restrictions applicable to the notes, see "Transfer Restrictions."

USE OF PROCEEDS

We expect that the aggregate net proceeds from the offering of the notes, after deducting the initial purchasers' discounts and estimated expenses related to the offering, will be approximately $493 million.

We intend to use the net proceeds of the sale of the notes for general corporate purposes.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2024 on an actual basis and on an adjusted basis to give effect to the issuance and sale of the notes and our issuance of $500,000,000 aggregate principal amount of senior notes due 2029 on July 2, 2024, but not the use of proceeds therefrom.

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2024	
	Actual	**As adjusted**
	(in millions of yen)	
Long-Term Debt:		
Bonds and borrowings (non-current portion)	¥ 3,394,268	¥ 3,394,268
Senior notes issued July 2, 2024[(1)(2)]	-	75,500
Senior notes offered hereby[(2)]	-	75,500
Total long-term debt	3,394,268	3,545,268
Equity:[(3)]		
Common stock	¥ 204,447	¥ 204,447
Additional paid-in capital	226,781	226,781
Treasury stock	(187,011)	(187,011)
Other components of equity	2,347,595	2,347,595
Retained earnings	6,452,055	6,452,055
Equity attributable to owners of the parent	9,043,867	9,043,867
Non-controlling interests	1,050,962	1,050,962
Total equity	10,094,829	10,094,829
Total capitalization[(4)]	¥13,489,097	¥13,640,097

Notes:

(1) We issued an aggregate principal amount of $500,000,000 of 5.000% senior notes due 2029 on July 2, 2024.

(2) Translation of the dollar amount of the notes into yen has been made at the rate of US$1=¥151, the approximate rate of exchange as of March 31, 2024.

(3) The Board of Directors resolved at a meeting held on February 6, 2024 to repurchase up to ¥500 billion in shares of our common stock during the period from February 7, 2024 to September 30, 2024 and to cancel an equivalent amount of treasury stock effective October 31, 2024. The total number of shares to be repurchased will be up to 417 million shares of our common stock. As of June 1, 2024, we had purchased 75,270,000 shares under this resolution for a total of approximately ¥250 billion. This table does not reflect such share repurchases or cancelations of treasury stock.

(4) Total capitalization equals total long-term debt plus total equity.

Except as set forth above, there has been no material change in our consolidated capitalization since March 31, 2024.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

The following table sets forth selected historical consolidated financial data as of and for each of the years ended March 31, 2020, 2021, 2022, 2023 and 2024.

The following selected consolidated financial data as of and for the years ended March 31, 2022, 2023 and 2024 has been derived from our audited consolidated financial statements included elsewhere in this offering memorandum consisting of our consolidated statements of financial position as of March 31, 2023 and 2024 (including the corresponding figures presented as comparative information as of March 31, 2022), our consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended March 31, 2023 and 2024 (including the corresponding figures presented as comparative information for the years ended March 31, 2022) and a summary of significant accounting policies and other explanatory information. The following selected consolidated financial data as of and for the years ended March 31, 2020 and 2021 is derived from our consolidated financial statements as of and for the same periods, which are not included in this offering memorandum. Our financial statements are prepared in accordance with IFRS Accounting Standards, which differs in certain significant respects from accounting principles generally accepted in certain other jurisdictions, including U.S. GAAP and Japanese GAAP.

The information below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes included elsewhere in this offering memorandum. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	As of or for the year ended March 31,				
	2020	2021	2022	2023	2024
	(in millions of yen)				
Statement of Income Data:					
Revenues	¥ 14,779,734	¥ 12,884,521	¥ 17,264,828	¥ 21,571,973	¥ 19,567,601
Cost of revenues	(12,990,603)	(11,279,415)	(15,114,064)	(19,012,011)	(17,207,892)
Gross profit	1,789,131	1,605,106	2,150,764	2,559,962	2,359,709
Selling, general and administrative expenses	(1,431,232)	(1,397,707)	(1,432,039)	(1,607,518)	(1,692,282)
Gains on investments	66,929	62,082	75,254	197,005	233,007
Gains (losses) on disposal and sale of property, plant and equipment and others	(62)	1,530	6,712	(272)	37,215
Impairment losses on property, plant and equipment, intangible assets, goodwill and others	(32,862)	(204,047)	(64,517)	(31,638)	(29,556)
Other income (expense)-net	(25,605)	17,951	23,289	(25,353)	(104,117)
Finance income	173,278	117,826	186,532	203,642	305,374
Finance costs	(70,038)	(46,300)	(46,682)	(115,377)	(191,141)
Share of profit of investments accounted for using the equity method	179,325	97,086	393,803	500,180	444,385
Profit before tax	648,864	253,527	1,293,116	1,680,631	1,362,594
Income taxes	(56,713)	(121,286)	(288,657)	(409,132)	(337,736)
Profit for the year	592,151	132,241	1,004,459	1,271,499	1,024,858
Profit for the year attributable to:					
Owners of the parent	535,353	172,550	937,529	1,180,694	964,034
Non-controlling interests	56,798	(40,309)	66,930	90,805	60,824
Statement of Financial Position Data:					
Current assets:					
Cash and cash equivalents	¥ 1, 322,812	¥ 1,317,824	¥ 1,555,570	¥ 1,556,999	¥ 1,251,550
Time deposits	101,016	148,081	147,878	95,291	94,113
Short-term investments	49,331	15,201	7,000	42,127	5,388
Trade and other receivables	3,168,074	3,269,390	4,283,171	4,127,275	4,242,973
Other financial assets	308,468	209,402	774,833	392,644	269,269
Inventories	1,294,479	1,348,861	1,776,616	1,771,382	1,724,221
Biological assets	58,871	74,182	98,268	109,953	122,558
Advance payments to suppliers	45,776	58,027	99,671	139,140	151,437
Assets classified as held for sale	46,595	41,020	202,157	243,663	3,072,964
Other current assets	541,968	620,905	585,881	630,829	742,026
Total current assets	6,937,390	7,102,893	9,531,045	9,109,303	11,676,499

	As of or for the year ended March 31,				
	2020	2021	2022	2023	2024
	(in millions of yen)				
Non-current assets:					
Investments accounted for using the equity method	¥ 3,246,335	¥ 3,290,508	¥ 3,502,881	¥ 3,921,494	¥ 4,500,877
Other investments	1,708,071	1,816,029	1,957,880	1,816,851	1,814,773
Trade and other receivables	655,267	763,124	829,686	1,013,428	1,096,313
Other financial assets	134,220	93,102	218,701	160,892	121,894
Property, plant and equipment	2,232,941	2,510,238	2,784,039	2,992,042	2,692,368
Investment property	96,709	95,419	94,399	81,986	28,754
Intangible assets and goodwill	1,395,053	1,248,462	1,221,568	1,207,402	742,893
Right-of-use assets	1,429,288	1,469,700	1,520,536	1,590,283	456,406
Deferred tax assets	36,146	42,233	53,548	39,082	43,345
Other non-current assets	162,004	203,263	197,729	214,738	285,450
Total non-current assets	11,096,034	11,532,078	12,380,967	13,038,198	11,783,073
Total assets	18,033,424	18,634,971	21,912,012	22,147,501	23,459,572
Current liabilities:					
Bonds and borrowings	¥ 1,472,769	¥ 1,262,522	¥ 1,603,420	¥ 1,395,890	¥ 1,733,684
Trade and other payables	2,547,012	2,665,060	3,382,112	3,369,018	2,848,897
Lease liabilities	205,780	235,498	253,519	264,083	111,821
Other financial liabilities	213,181	256,657	884,112	354,066	254,441
Advances from customers	178,689	133,474	238,656	296,463	321,400
Income tax payables	40,000	53,178	169,827	185,432	64,942
Provisions	87,564	89,268	92,154	84,618	177,840
Liabilities directly associated with assets classified as held for sale	1,167	12,762	9,585	25,812	1,916,404
Other current liabilities	600,109	661,766	684,448	719,297	702,652
Total current liabilities	5,346,271	5,370,185	7,317,833	6,694,679	8,132,081
Non-current liabilities:					
Bonds and borrowings	¥ 4,287,354	¥ 4,381,793	¥ 4,039,749	¥ 3,493,991	¥ 3,394,268
Trade and other payables	56,692	54,893	47,814	59,235	31,872
Lease liabilities	1,297,530	1,304,703	1,338,788	1,403,606	446,818
Other financial liabilities	40,286	55,817	218,053	177,380	108,482
Retirement benefit obligation	123,690	129,126	127,394	118,470	110,356
Provisions	162,622	195,997	280,633	342,808	287,572
Deferred tax liabilities	469,314	569,641	643,862	679,144	789,857
Other non-current liabilities	32,771	34,426	40,714	59,152	63,437
Total non-current liabilities	6,470,259	6,726,396	6,737,007	6,333,786	5,232,662
Total liabilities	11,816,530	12,096,581	14,054,840	13,028,465	13,364,743
Equity:					
Common stock	¥ 204,447	¥ 204,447	¥ 204,447	¥ 204,447	¥ 204,447
Additional paid-in capital	228,153	228,552	226,483	225,858	226,781
Treasury stock	(294,580)	(26,750)	(25,544)	(124,083)	(187,011)
Other components of equity:					
Other investments designated as FVTOCI	359,974	457,123	511,059	405,431	471,147
Cash flow hedges	(27,422)	(52,355)	(121,321)	53,044	87,004
Exchange differences on translating foreign operations	82,634	379,917	880,674	1,257,065	1,789,444
Total other components of equity	415,186	784,685	1,270,412	1,715,540	2,347,595
Retained earnings	4,674,153	4,422,713	5,204,434	6,043,878	6,452,055
Equity attributable to owners of the parent	5,227,359	5,613,647	6,880,232	8,065,640	9,043,867
Non-controlling interests	989,535	924,743	976,940	1,053,396	1,050,962
Total equity	6,216,894	6,538,390	7,857,172	9,119,036	10,094,829
Selected Statement of Cash Flows Data:					
Net cash provided by operating activities	¥ 849,728	¥ 1,017,550	¥ 1,055,844	¥ 1,930,138	¥ 1,347,380
Net cash used in investing activities	(500,727)	(357,297)	(167,550)	(177,466)	(205,761)
Net cash used in financing activities	(156,629)	(691,184)	(693,396)	(1,766,638)	(1,086,233)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this offering memorandum. Our financial statements are prepared in accordance with IFRS Accounting Standards, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including U.S. GAAP and Japanese GAAP. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and is subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering memorandum.

Overview

We are a globally integrated business enterprise that develops and operates businesses together with our offices and subsidiaries in approximately 90 countries and regions worldwide. As of March 31, 2024, we had a global network of around 1,800 group companies and approximately 80,000 employees.

For the year ended March 31, 2024, we recorded revenues, profit for the year and profit for the year attributable to owners of the parent of ¥19,567.6 billion, ¥1,024.9 billion and ¥964.0 billion, respectively.

We operate across a wide variety of industries. Working in collaboration with our trusted partners around the globe, our activities cover trading, project development, production and manufacturing operations.

As of April 1, 2024, we restructured our business groups, from a structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group, to a structure of eight business groups. The restructuring of our business groups does not affect our financial results for the year ended March 31, 2024 or previous years. For detailed descriptions of the business operations of each business group, see "Business—Business Operations."

Operating Environment

As we conduct businesses on a global scale, our operating results are also affected by global economic conditions. During the year ended March 31, 2024, despite persistent inflation, the global economy continued to grow steadily. The global economy is expected to continue to maintain moderate growth in the context of recent or expected shifts in monetary policies in the U.S. and Europe, including the start of interest rate cuts. However, tensions between the U.S. and China, the Russia-Ukraine situation, the situation in the Middle East and other geopolitical risks, as well as concerns about the outlook of the Chinese economy, present uncertainties in our future operating environment. We will continue to monitor these situations carefully.

Factors Affecting Our Results of Operations

Our operating results and financial condition are influenced by various factors, including the following.

Macroeconomic Conditions

We conduct business on a global scale. Accordingly, our operating results are affected by economic trends in various countries and regions overseas as well as in Japan.

Economic conditions influence the flow of goods and materials, consumer spending and capital investment, as well as demand from our customers for our products and services, which all have an impact on our business, results of operations and financial condition.

Macroeconomic conditions affect the prices of energy resources, such as natural gas, and mineral resources, such as metallurgical coal and copper, which impact our resource-related import trading and earnings from business investments, as well as our entire export-related business, including plants, construction machinery parts, motor vehicles, steel products, ferrous raw materials, chemical products and other products.

More generally, the state of geopolitics and trade relations globally has and could continue to have a significant effect on the demand for and prices of our products and services.

See “Risk Factors—Risks Relating to Our Business—Changes in global macroeconomic conditions could negatively affect our results of operations.”

Russia-Ukraine Conflict

Regarding the impact of the military conflict between Russia and Ukraine, as shown in the economic forecasts issued by public institutions, global economic growth is expected to be under downward pressure due to inflation. Specifically, while the situation escalates, financial and economic sanctions imposed by major countries against Russia are likely to remain in place and target an even broader range of items, resulting in restrictions on the supply of goods as well as inflation induced by energy price surges and other factors. Under these circumstances, the direct and indirect impact of this situation will vary across our business groups and across the various regions in which we operate. The assumptions we have made are based on a projection that the impact will remain in place for some time in the year ending March 31, 2025. We assume that it will take time to resolve this unforeseen supply situation and normalize trade and supply chains. Our main business in Russia consist of a sales finance business in our Mobility Group, through our subsidiary JSC MC Bank Rus, and our investments in LNG-related businesses in Russia in our Environmental Energy Group, through the Sakhalin II project, in which we held a 10% stake as of March 31, 2024. As of March 31, 2024, the carrying amount of total assets related to our operations in Russia amounted to ¥235,642 million (including ¥56,459 million of cash and cash equivalents subject to restrictions on international remittance). We reflected the assumptions discussed above in the valuation of these assets.

Our 10% ownership interest in the Sakhalin II project as of March 31, 2024 was previously held through Sakhalin Energy Investment Company Ltd. (“SEIC”), which had been engaged in LNG-related business in Russia, and we accounted for this investment as other investments (financial asset measured at fair value through other comprehensive income (“FVTOCI”)). Pursuant to the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416) and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC (“SELLC”) was established to succeed to the operation of the Sakhalin II project from SEIC, and the rights and obligations of SEIC were transferred to SELLC. We submitted notice to continue ownership in the Sakhalin II project to the Russian government and received approval on August 31, 2022. As a result, we continue to hold our ownership interest in the Sakhalin II project through SELLC. Since there has been no significant change in the economic substance of our investment in the Sakhalin II project, we continue to account for the investment in SELLC as other investments (financial asset measured at FVTOCI), with no gains or losses recognized in profit (loss).

The details related to the operation of SELLC, including the SELLC Corporate Charter as well as the terms of the LLC Members Agreement, will need to be discussed once the transfer of the ownership interest to the new LLC members is complete and the composition of LLC members of SELLC is determined. As such, there remains uncertainty surrounding our investment. Under these circumstances, we continue to measure the fair value of our investment with the income approach using the probability-weighted average expected present value technique. The discount rate used for the measurement is determined considering the applicable country risk premium for Russia. Although we anticipate receiving dividends from the investment in SELLC over the project life, taking into account other scenarios, we measured the fair value for this investment at ¥79,599 million as of March 31, 2024.

After the end of the year ended March 31, 2023, a Russian Governmental Resolution dated April 11, 2023 (No. 890) approved a new LLC member of SELLC. We have determined that this event should not have any effect on the fair value of our investment in SELLC, but it may be necessary to reassess the scenarios used in our measurement of fair value using the probability-weighted average expected present value technique depending on how the situation develops and whether uncertainties we previously considered in alternative scenarios are resolved. As a result, the fair value of our investment in SELLC may increase or decrease.

See “Risk Factors—Risks Relating to Our Business—We are exposed to country risk in connection with our overseas operations.”

Commodity Prices

Fluctuations in commodity prices affect our business both as a trader, including as an owner of rights to natural and energy resources, and as a producer and seller of industrial products. Commodity prices fluctuate regularly, and this fluctuation may be amplified due to incidental factors including geopolitical affairs such as the military conflict between Russia and Ukraine, which has affected the prices of various commodities, including energy and mineral resources. The following product categories may have a large impact on our operating results:

Energy Resources. We engage in natural gas and oil production, business development and the LNG business, in North America, Southeast Asia, Australia, Russia and other regions. Accordingly, fluctuations in natural gas and oil prices could have a significant impact on our operating results.

Crude oil prices are influenced by global production as well as aggregate demand from transportation, energy and industrial use. The price of crude oil has historically been and may remain volatile depending on market conditions. With respect to LNG, while most of our LNG sales are based on long-term contracts, some are on the spot market and, in many cases, LNG prices are linked to crude oil prices.

Fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag between such fluctuations and their impact on our operations.

Mineral Resources. We engage in investment and trading activities with respect to mineral resources, including metallurgical coal, which is used for steel manufacturing, and copper.

Prices for mineral resources are subject to wide fluctuations and are affected by numerous factors, including international economic, political and geopolitical conditions, balance of supply and demand, availability and costs of substitutes, inventory levels maintained by users, trades in the commodities markets and currency exchange rates. As a result, short-term prices for mineral resources have fluctuated rapidly.

Furthermore, because our production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investments than short-term price fluctuations. If a long-term downturn is forecasted in commodities markets, recognition of impairment losses on our property, plant and equipment and investments accounted for using the equity method could negatively affect our operating results and financial condition. In addition, the fair value of financial assets measured at FVTOCI may also be impacted by changes in forecasts relating to the commodities market. For further information, see "Note 2. Basis of Preparation—(5) Significant accounting judgments, estimates and assumptions" to our audited consolidated financial statements for the year ended March 31, 2024 included elsewhere in this offering memorandum.

See "Risk Factors—Risks Relating to Our Business—We face various risks relating to fluctuations in commodity prices."

Competition

At the group level, our primary competitors are other Japanese general trading companies, including Itochu Corporation, Marubeni Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation, which similarly engage in business activities in various fields.

We also face competition in each of our Environmental Energy, Materials Solution, Mineral Resources, Urban Development & Infrastructure, Mobility, Food Industry, Smart-Life Creation and Power Solution businesses, from a variety of competitors in these industries worldwide.

Other Japanese general trading companies may have stronger business associations and relationships with our customers, suppliers and business partners in both domestic and global markets or stronger global network and regional expertise, diversified global customer bases, greater financial engineering skills and market insights. Our ability to compete has a significant impact on our businesses and consolidated operating results.

See "Risk Factors—Risks Relating to Our Business—We face intense competition in connection with various businesses globally."

Foreign Currency Exchange Rates

Due to the global nature of our operations, our business is affected by changes in foreign currency exchange rates. Although we use forward contracts and other hedging strategies, fluctuations in foreign currency exchange rates, including particularly among the Australian dollar, Euro, U.S. dollar and yen, in such situations have had, and may continue to have, a significant impact on our businesses and consolidated operating results.

Specifically, with respect to our overseas investments, there is a risk that foreign currency exchange fluctuations could cause an increase or a decrease in the yen conversion value of dividends received from these investments and equity in earnings of overseas subsidiaries and affiliates that are denominated in foreign currencies. Accordingly, appreciation or depreciation in the yen relative to foreign currencies has an impact on our profit for the year. In terms of sensitivity, we estimate that a ¥1 change to the Japanese yen to U.S. dollar exchange rate would have caused an approximately ¥5.0 billion effect on profit for the year ended March 31, 2024.

In addition, we also enter into various transactions where our funding and other costs are incurred in a different currency or currencies than our revenues for the same transactions.

See "Risk Factors—Risks Relating to Our Business—We are exposed to foreign currency risk due to the global nature of our operations."

Share Prices

As of March 31, 2024, we owned approximately ¥1,371.1 billion, in terms of market value, of marketable securities, consisting mostly of equity issued by our customers, suppliers and affiliates. These holdings expose us to the risk of fluctuations in share prices. The valuation above includes net unrealized gains of approximately ¥330.8 billion based on market prices, a figure that could change depending on future trends in stock prices. Most of the marketable securities we hold are classified as financial assets measured at FVTOCI and movements in the equity securities market could affect the value of our investment portfolio.

See "Risk Factors—Risks Relating to Our Business—We hold a large amount of marketable securities that are subject to share price risk."

Interest Rates

As of March 31, 2024, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,128.0 billion. Almost all of such liabilities bear floating interest rates, which can impact our interest expenses if there are fluctuations in interest rates. A substantial majority of these interest-bearing liabilities correspond to related trade receivables, loan receivables and other operating assets that are inversely affected by changes in interest rates. Since a rise in interest rates produces an increase in income from these assets, although there is a time lag, interest rate risk is mitigated to a certain extent.

See "Risk Factors—Risks Relating to Our Business—We face interest rate risk due to our gross interest-bearing liabilities."

Significant Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with IFRS Accounting Standards, which requires our management to make judgments, estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Our management bases its estimates on historical experience and on various other factors which it believes reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our management believes that valuations of the items which require accounting estimates are reasonable. However, these valuations include uncertainties that may be beyond the control of management. Therefore, actual results may differ from these estimates under different assumptions or conditions. For further information, see "Note 2. Basis of Preparation—(5) Significant accounting judgments, estimates and assumptions" to our audited consolidated financial statements for the year ended March 31, 2024 included elsewhere in this offering memorandum.

Significant Changes in Accounting Estimates

Other than with respect to the military conflict between Russia and Ukraine (see "—Factors Affecting Our Results of Operations—Russia-Ukraine Conflict"), significant changes in judgments, estimates, and assumptions for the year ended March 31, 2024 as compared to the prior fiscal year include the following. For further information, see "Note 6. Segment Information", "Note 20. Provisions" and "Note 38. Interests in Joint Arrangements and Associates" to our audited consolidated financial statements included elsewhere in this offering memorandum.

The impact of climate change and a transition toward decarbonized society is considered in our consolidated financial statements through estimating for impairment of non-financial assets, fair value of financial instruments, useful lives of property, plant and equipment; along with the estimation of asset retirement obligations (ARO) and other items. "The Roadmap to a Carbon Neutral Society", established by us in October 2021, was designed to ensure that we contribute to the realization of the international targets set forth in the Paris Agreement and other initiatives. The decarbonization scenarios developed by external institutions in line with the Paris Agreement are considered important references in these accounting estimates. However, as the decarbonization scenarios generally assume market-wide trends in terms of supply and demand, the trends may not directly provide the degree of the impact on our business due to the superiority or subordination of our assets or the peculiarities of our sales contracts. In addition, while the scenario analysis based on the decarbonization scenario analyzes the super-long-term impact on a decades-long basis, a medium- to long-term time horizon of several years to 10 years, which more strongly reflects the current business environment, has a significant impact on the measurement of assets and liabilities in the consolidated financial statements. Therefore, even if the decarbonization scenario analysis implies indications of loss in the value of assets or an increase in liabilities related to our business, it does not immediately mean that the implication also has an impact on the measurement of assets and liabilities in the consolidated financial statements. In considering the accounting estimates, in addition to the decarbonization scenarios, our policies, policy in each country, the results of analyses by external institutions, and other factors that affect each project are comprehensively taken into account to reflect the impact of climate change. Also, accounting estimates may be affected significantly by future changes in our strategies or a shift in global trend toward decarbonization.

We conduct scenario analyses by referring to a scenario that limits the temperature increase to 1.5°C above pre-industrial levels ("1.5°C scenario") as part of a discussion on the effect of significant climate-related risks and opportunities on our business and resilience of our strategy. LNG-related business in the Natural Gas segment and Australian metallurgical coal business in the Mineral Resources segment, which have a high transition risk of climate change and have relatively a large scale of assets, are selected from a risk perspective in the scenario analyses.

With respect to our LNG-related business, although there is uncertainty in natural gas and LNG demand in the market-wide trends under the 1.5°C scenario, a certain level of demand is still expected in the long-term in Asia, which is a strategic region for our LNG business. For the purpose of fair value measurement and impairment testing, including judgements about presence of indications of impairment or reversal of impairment, future cash flow is estimated based on the long-term contracts which accounts for a majority of production in our existing LNG projects, and the forecast of the spot market, where we sell the remaining production volume.

In our Australian metallurgical coal business, demand is likely to remain steady over the long-term even under the 1.5°C scenario since emerging economies such as India and many Southeast Asian countries are expected to sustain the trade volumes. While the demand for steel, which plays a vital role as an essential basic material in the development of infrastructure for achieving decarbonization, is expected to remain robust, it would take many years for any low-carbon steelmaking method to be adopted worldwide. Therefore, during the transitional period lasting several decades, blast furnace steelmaking using metallurgical coal is expected to remain as the primary method and the need for high-quality metallurgical coal, which is our Australian metallurgical coal business's main product, will likely increase since it contributes to the reduction of emissions in blast furnace steel making process. For the scale of assets, which is the criteria of the implementation of the scenario analyses, the book value of the property, plant and equipment of MDP is ¥962.7 billion as of March 31, 2024. Though there are uncertainties in the realization of the 1.5°C scenario, a certain level of demand is expected to continue even under the environment the scenario assumes. Therefore, we determined that there is no indication of impairment as of March 31, 2024. The ARO, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities are estimated based on the remaining operating life mine that can be commercially mined, taking into account the supply and demand, and medium- to long-term price assumption for metallurgical coal. The book value of the ARO is ¥143.1 million as of March 31, 2024.

Recent Developments

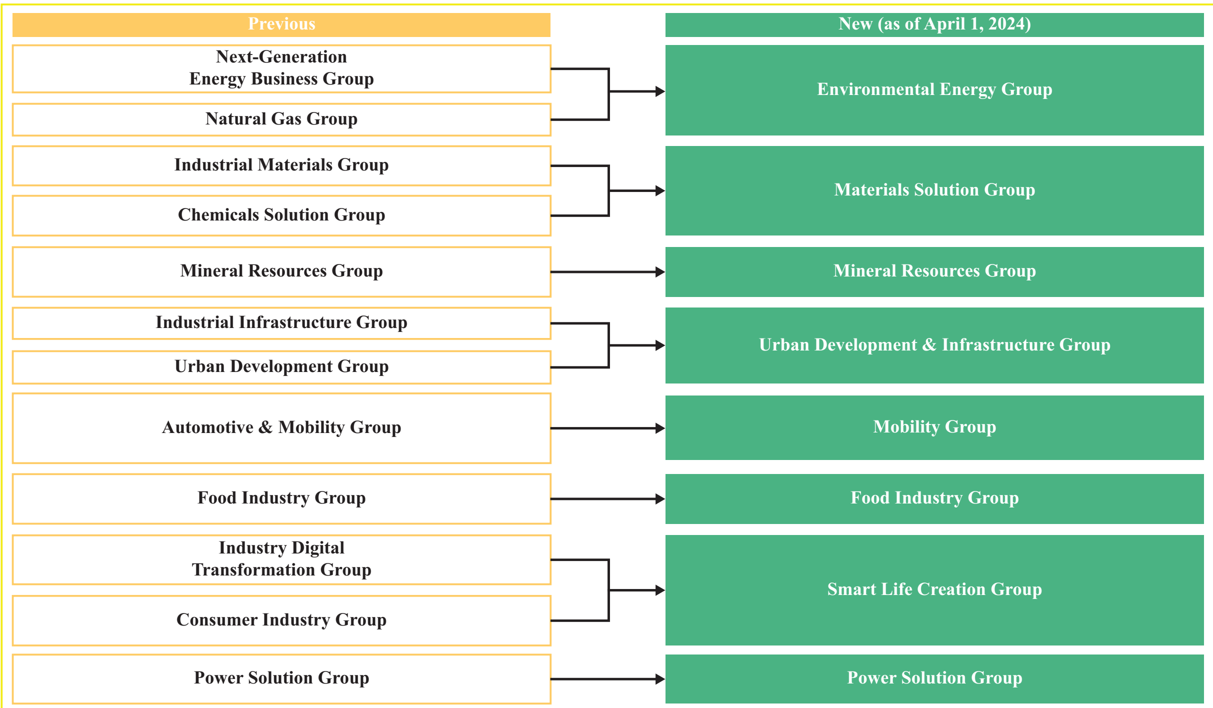
Creation of the Next-Generation Energy Business Group

On April 1, 2023, we established a new organization, the Next-Generation Energy Business Group. The next-generation fuels and petroleum business of the Petroleum & Chemicals Solution Group was transferred to the new Next-Generation Energy Business Group, and the Petroleum & Chemicals Solution Group was renamed the Chemicals Solution Group. As a result, in this Offering Memorandum, except as noted below, segment information as of and for the year ended March 31, 2024 is reported for our ten business groups as of March 31, 2024, and comparable segment information as of and for the years ended March 31, 2023 and March 31, 2022 regarding the business transferred to the Next-Generation Energy Business Group has been reclassified from the Petroleum & Chemical Solutions Group and included in Other.

In the audited consolidated financial statements included elsewhere in this Offering Memorandum, such retrospective adjustments have been applied to the corresponding figures for the fiscal year ended March 31, 2023, presented as comparative information in the audited consolidated financial statements for the fiscal year ended March 31, 2024, but are not reflected in the audited consolidated financial statements for the fiscal year ended March 31, 2023. Accordingly, the segment information presented in the audited consolidated financial statements for the fiscal year ended March 31, 2023 is based on the segments in existence as of March 31, 2023. See "Presentation of Financial and Other Information—Retrospective Adjustments to Segment Information."

Restructuring of our Business Groups

Subsequently, as of April 1, 2024, our structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group has been reorganized, resulting in a new structure of eight business groups. The Next-Generation Energy Group, the Natural Gas Group and related businesses were combined to form the Environmental Energy Group, the Industrial Materials Group and Chemical Solutions Group were combined to form the Materials Solution Group, the Industrial Infrastructure Group, the Urban Development Group's businesses for developing and managing real estate and urban development projects, and our water businesses were combined to form the Urban Development & Infrastructure Group, the Automotive & Mobility Group was renamed the Mobility Group and the Consumer Industry Group was combined with the Industry Digital Transformation Group and our biotech and financial businesses to create the Smart-Life Creation Group. The restructuring of our business groups does not affect our financial results for the year ended March 31, 2024 or previous years. The chart below summarizes the changes in our business groups. For descriptions of the business operations of each business group, see "Business—Business Operations."



Repurchase and Cancellation of Shares

We resolved at a meeting of the Board of Directors held on February 6, 2024 to repurchase up to 417 million shares of common stock during the period from February 7, 2024 to September 30, 2024. The total value of the repurchase will be up to ¥500 billion. Any shares repurchased will be canceled as of October 31, 2024.

LNG Business in Russia

See "—Factors Affecting Our Results of Operations—Russia-Ukraine Conflict."

Sale of Blackwater and Daunia Coal Mines

On April 2, 2024 we completed the sale of the Blackwater and Daunia coal mines in Queensland, Australia to Whitehaven Coal Ltd. Prior to the sale, MC held a 50% stake in each of these mining assets through our wholly owned subsidiary, Mitsubishi Development Pty Ltd., which shared equal ownership of BHP Mitsubishi Alliance (BMA) with BHP, a major resource company. Our divestment from these two mines completes the consolidation of our holdings of high-grade metallurgical coal assets. We intend to apply the net proceeds of this sale strategically towards expanding our supply capabilities in other critical minerals essential for electrification, including copper, aluminum/bauxite, lithium and nickel. Additionally we intend to use proceeds of the sale to make investments to develop the circular economy, amplifying support for societal energy transformation initiatives.

With respect to the consideration and deal structure, in October 2023, Mitsubishi Development Pty Ltd. and BHP signed an asset sale agreement to divest the Blackwater and Daunia coal mines to Whitehaven Coal Ltd. for cash consideration of up to US$4.1 billion. The purchase price was US$3.2 billion (US$2.1 billion to be received upon completion and the remaining US$1.1 billion to be received over the three years following completion), with price-linked contingent consideration of an aggregate of up to US$900 million payable over three years.

Capital Business Partnership with KDDI

On February 6, 2024, we, KDDI Corporation ("KDDI") and our subsidiary Lawson, Inc. ("Lawson"), an operator of approximately 14,600 convenience stores in Japan, announced that the three companies had signed a capital business partnership agreement. Under the capital business partner agreement, KDDI planned to conduct a public tender offer for shares of Lawson, and upon successful completion of the tender offer, we and KDDI planned to conduct a series of squeeze-out procedures to make MC and KDDI the only major shareholders of Lawson. After these transactions are completed, Lawson is expected to be delisted from the Tokyo Stock Exchange. Upon completion, we and KDDI are each expected to own 50% of Lawson shares, and the parties to the transaction intend to work to enhance the corporate value of Lawson as business partners.

On March 28, 2024, KDDI commenced a tender offer for shares of Lawson. On April 26, 2024 Lawson announced that the tender offer was completed and concluded on April 25, 2024. Following the completion of the tender offer, KDDI announced that it held roughly 41% of Lawson's voting rights. The subsequent squeeze-out procedures are expected to be completed in September 2024. As announced by Lawson on April 26, 2024, the business relationship will be governed by the capital business partnership agreement executed among us, KDDI and Lawson.

Upon completion of all of the above transactions, we will no longer have sole control over Lawson, which will be classified as a joint venture. We expect to recognize a gain of ¥183.2 billion and a related income tax expense of ¥60.0 billion in "Gains (losses) on investments" and "Income taxes," respectively, for the fiscal year ending March 31, 2025; however, the estimated and actual amounts of such gains and losses may differ due to changes in book value and other factors until the completion of all of the above transactions.

Sale of Japan KFC Holdings Co., Ltd.

On May 20, 2024, we entered into an agreement with a fund owned by The Carlyle Group Inc. regarding the sale of our entire 35.12% stake in Japan KFC Holdings Co., Ltd. ("Japan KFC"). Following a public tender offer for shares of Japan KFC by such fund, we plan to transfer the shares of Japan KFC that we own to such fund. As a result of this series of transactions, Japan KFC is expected to become a wholly owned subsidiary of such fund.

Aut horization of Cash Dividend

We were authorized at the general shareholders' meeting held on June 21, 2024 to pay a cash dividend of ¥35 per share, or a total of ¥144,146 million, to shareholders of record as of March 31, 2024.

Issuance of Senior Notes due 2029

On July 2, we issued an aggregate principal amount of $500,000,000 of 5.000% senior notes due 2029. The proceeds of this issuance are expected to be used for general corporate purposes.

Results of Operations

The following table sets forth information regarding our consolidated statement of income for the years ended March 31, 2022, 2023 and 2024.

	Year ended March 31,		
	2022	**2023**	**2024**
		(in millions of yen)	
Revenues	¥ 17,264,828	¥ 21,571,973	¥ 19,567,601
Cost of revenues	(15,114,064)	(19,012,011)	(17,207,892)
Gross profit	2,150,764	2,559,962	2,359,709
Selling, general and administrative expenses	(1,432,039)	(1,607,518)	(1,692,282)
Gains on investments	75,254	197,005	233,007
Gains (losses) on disposal and sale of property, plant and equipment and others	6,712	(272)	37,215
Impairment losses on property, plant and equipment, intangible assets, goodwill and others	(64,517)	(31,638)	(29,556)
Other income (expenses)-net	23,289	(25,353)	(104,117)
Finance income	186,532	203,642	305,374
Finance costs	(46,682)	(115,377)	(191,141)
Share of profit of investments accounted for using the equity method	393,803	500,180	444,385
Profit before tax	1,293,116	1,680,631	1,362,594
Income taxes	(288,657)	(409,132)	(337,736)
Profit for the year	¥ 1,004,459	¥ 1,271,499	¥ 1,024,858
Profit for the year attributable to:			
Owners of the parent	¥ 937,529	¥ 1,180,694	¥ 964,034
Non-controlling interests	66,930	90,805	60,824
	¥ 1,004,459	¥ 1,271,499	¥ 1,024,858

The following tables set forth selected segment information for the years ended March 31, 2022, 2023 and 2024.

Upon the establishment of the Next-Generation Energy Business Group, on April 1, 2023, the next-generation fuels and petroleum business of the Petroleum & Chemicals Solution Group was transferred to the new Next-Generation Energy Business Group, and the Petroleum & Chemicals Solution Group was renamed the Chemicals Solution Group. As a result, in this Offering Memorandum, except as noted below, segment information as of and for the year ended March 31, 2024 is reported for our ten business groups as of March 31, 2024, and comparable segment information as of and for the years ended March 31, 2023 and March 31, 2022 as below regarding the business transferred to the Next-Generation Energy Business Group (formerly classified under the Petroleum & Chemical Solutions Group) has been reclassified and included in Other. Additionally, the tire business from the Consumer Industry Group was transferred to the Automotive & Mobility Group.

In the audited consolidated financial statements included elsewhere in this Offering Memorandum, such retrospective adjustments have been applied to the corresponding figures for the fiscal year ended March 31, 2023, presented as comparative information in the audited consolidated financial statements for the fiscal year ended March 31, 2024, but are not reflected in the audited consolidated financial statements for the fiscal year ended March 31, 2023. Accordingly, the segment information presented in the audited consolidated financial statements for the fiscal year ended March 31, 2023 is based on the segments in existence as of March 31, 2023. See "Presentation of Financial and Other Information—Retrospective Adjustments to Segment Information". Our business segments were further restructured from April 1, 2024. For more information see "Business—Business Operations"

Year ended March 31, 2024:

	Natural Gas Group	**Industrial Materials Group**	**Chemicals Solution Group**	**Mineral Resources Group**	**Industrial Infrastructure Group**	**Automotive & Mobility Group**	**Food Industry Group**
				(in millions of yen)			
Revenues	¥1,109,077	¥2,487,545	¥1,744,293	¥ 3,246,290	¥ 888,256	¥ 923,100	¥ 2,404,269
Gross profit	78,301	162,702	69,819	397,918	137,631	182,085	303,145
Share of profit (loss) of investments accounted for using the equity method	133,178	44,177	(8,726)	70,322	18,140	94,406	17,976
Profit (loss) for the year attributable to owners of the parent	219,464	64,356	9,521	295,524	42,749	141,434	14,853

	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other(1)	Adjustments and Eliminations(2)	Consolidated
	(in millions of yen)						
Revenues	¥3,505,590	¥1,419,447	¥ 49,737	¥17,777,604	¥1,789,997	—	¥19,567,601
Gross profit	796,322	155,079	35,227	2,318,229	41,112	¥ 368	2,359,709
Share of profit (loss) of investments accounted for using the equity method	13,726	19,879	32,483	435,561	8,796	28	444,385
Profit (loss) for the year attributable to owners of the parent	49,320	92,025	41,457	970,703	2,934	(9,603)	964,034

Year ended March 31, 2023:

	Natural Gas Group	Industrial Materials Group	Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
	(in millions of yen)						
Revenues	¥2,004,520	¥2,602,676	¥2,114,275	¥ 3,684,973	¥ 739,984	¥1,088,786	¥ 2,417,187
Gross profit	140	175,200	82,262	656,828	125,293	231,795	314,192
Share of profit (loss) of investments accounted for using the equity method	233,173	43,993	9,816	19,164	21,407	69,098	32,318
Profit (loss) for the year attributable to owners of the parent	170,601	61,983	29,479	439,331	31,870	131,575	63,388

	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other(1)	Adjustments and Eliminations(2)	Consolidated
	(in millions of yen)						
Revenues	¥3,368,810	¥1,674,503	¥ 62,666	¥19,758,380	¥1,813,593	—	¥21,571,973
Gross profit	733,277	170,084	29,967	2,519,038	42,128	¥ (1,204)	2,559,962
Share of profit (loss) of investments accounted for using the equity method	10,009	3,514	47,891	490,383	9,790	7	500,180
Profit (loss) for the year attributable to owners of the parent	18,861	61,885	123,256	1,132,229	24,105	24,360	1,180,694

Year ended March 31, 2022:

	Natural Gas Group	Industrial Materials Group	Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
	(in millions of yen)						
Revenues	¥1,163,684	¥2,172,692	¥1,785,741	¥ 2,857,643	¥ 573,681	¥954,387	¥ 1,910,496
Gross profit	28,527	143,642	82,857	482,490	110,955	184,835	268,780
Share of profit (loss) of investments accounted for using the equity method	92,106	35,154	3,397	86,994	2,131	54,800	29,731
Profit (loss) for the year attributable to owners of the parent	105,132	36,785	31,941	420,689	17,281	111,633	79,349

	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other(1)	Adjustments and Eliminations(2)	Consolidated
	(in millions of yen)						
Revenues	¥3,211,970	¥ 912,658	¥ 65,322	¥15,608,274	¥1,656,554	—	¥17,264,828
Gross profit	676,042	115,556	29,267	2,122,951	29,339	¥ (1,526)	2,150,764
Share of profit (loss) of investments accounted for using the equity method	7,181	15,009	54,424	380,927	12,876	—	393,803
Profit (loss) for the year attributable to owners of the parent	16,174	50,504	40,047	909,536	7,780	20,213	937,529

Notes:
(1) "Other" represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resources services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
(2) "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.

Comparison of the Year ended March 31, 2024 with the Year ended March 31, 2023

Revenues. Revenues decreased by ¥2,004.4 billion, or 9%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥19,567.6 billion. This decrease was mainly due to decreased market prices.

Changes in revenues by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Revenues of the Natural Gas Group decreased by ¥895.4 billion, or 45%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥1,109.1 billion.

- *Industrial Materials Group*. Revenues of the Industrial Materials Group decreased by ¥115.1 billion, or 4%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥2,487.5 billion.

- *Chemicals Solution Group*. Revenues of the Chemicals Solution Group decreased by ¥370.0 billion, or 17%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥1,744.3 billion.

- *Mineral Resources Group*. Revenues of the Mineral Resources Group decreased by ¥438.7 billion, or 12%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥3,246.3 billion.

- *Industrial Infrastructure Group*. Revenues of the Industrial Infrastructure Group increased by ¥148.3 billion, or 20%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥888.3 billion.

- *Automotive & Mobility Group*. Revenues of the Automotive & Mobility Group decreased by ¥165.7 billion, or 15%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥923.1 billion.

- *Food Industry Group*. Revenues of the Food Industry Group decreased by ¥12.9 billion, or 1%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥2,404.3 billion.

- *Consumer Industry Group*. Revenues of the Consumer Industry Group increased by ¥136.8 billion, or 4%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥3,505.6 billion.

- *Power Solution Group*. Revenues of the Power Solution Group decreased by ¥255.1 billion, or 15%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥1,419.4 billion.

- *Urban Development Group*. Revenues of the Urban Development Group decreased by ¥12.9 billion, or 21%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥49.7 billion.

Gross Profit. Gross profit decreased by ¥200.3 billion, or 8%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥2,359.7 billion. This decrease was mainly due to decreased market prices in the Australian metallurgical coal business.

Changes in gross profit by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Gross profit of the Natural Gas Group increased by ¥78.2 billion, or 55,829%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥78.3 billion.

- *Industrial Materials Group*. Gross profit of the Industrial Materials Group decreased by ¥12.5 billion, or 7%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥162.7 billion.

- *Chemicals Solution Group*. Gross profit of the Chemicals Solution Group decreased by ¥12.4 billion, or 15%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥69.8 billion.

- *Mineral Resources Group*. Gross profit of the Mineral Resources Group decreased by ¥258.9 billion, or 39%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥397.9 billion.

- *Industrial Infrastructure Group*. Gross profit of the Industrial Infrastructure Group increased by ¥12.3 billion, or 10%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥137.6 billion.

- *Automotive & Mobility Group*. Gross profit of the Automotive & Mobility Group decreased by ¥49.7 billion, or 21%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥182.1 billion.

- *Food Industry Group*. Gross profit of the Food Industry Group decreased by ¥11.0 billion, or 4%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥303.1 billion.

- *Consumer Industry Group*. Gross profit of the Consumer Industry Group increased by ¥63.0 billion, or 9%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥796.3 billion.

- *Power Solution Group*. Gross profit of the Power Solution Group decreased by ¥15.0 billion, or 9%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥155.1 billion.

- *Urban Development Group*. Gross profit of the Urban Development Group increased by ¥5.3 billion, or 18%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥35.2 billion.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥84.8 billion, or 5%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥1,692.3 billion. This increase was mainly due to the depreciation of the Japanese yen in relation to foreign currency translation and increased personnel costs.

Gains on Investments. Gains on investments increased by ¥36.0 billion, or 18%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥233.0 billion. This increase was mainly due to gains on sale and unrealized gains in the overseas power generating business.

Gains (Losses) on Disposal and Sale of Property, Plant and Equipment and Others. The Company incurred a gain on disposal and sale of property, plant and equipment and others of ¥37.2 billion in the year ended March 31, 2024, compared to a loss of ¥272 million in the prior fiscal year, reflecting gains on sale of investment property and property, plant and equipment in the year ended March 31, 2024.

Impairment Losses on Property, Plant and Equipment, Intangible Assets, Goodwill and Others. Impairment losses on property, plant and equipment, intangible assets, goodwill and others were ¥29.6 billion in the year ended March 31, 2024, an improvement of ¥2.1 billion, or 7%, compared to the prior fiscal year, reflecting impairment losses on assets in the overseas food business.

Other Income (Expense)-Net. Other expenses-net increased by ¥78.8 billion in the year ended March 31, 2024 compared to the prior fiscal year, to ¥104.1 billion. This increase was mainly due to losses related to the salmon farming business.

Finance Income. Finance income increased by ¥101.7 billion, or 50%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥305.4 billion. This increase was mainly due to increased dividend income and interest income due to increased U.S. dollar interest rates.

Finance Costs. Finance costs increased by ¥75.8 billion, or 66%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥191.1 billion. This increase was mainly due to increased U.S. dollar interest rates.

Share of Profit of Investments Accounted for Using the Equity Method. Share of profit of investments accounted for using the equity method decreased by ¥55.8 billion, or 11%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥444.4 billion. This decrease was mainly due to decreased natural gas and crude oil prices.

Profit Before Tax. As a result of the foregoing, profit before tax decreased by ¥318.0 billion, or 19%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥1,362.6 billion.

Income Taxes. Income taxes decreased by ¥71.4 billion, or 17%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥337.7 billion.

Profit (Loss) for the Year Attributable to Non-Controlling Interests. Profit for the year attributable to non-controlling interests decreased by ¥30.0 billion, or 33%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥60.8 billion.

Profit (Loss) for the Year Attributable to Owners of the Parent. Changes in profit (loss) for the year attributable to owners of the parent by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Profit attributable to the Natural Gas Group increased by ¥48.9 billion, or 29%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥219.5 billion. This increase was mainly due to trading losses recorded in the previous year, increased trading earnings in the LNG sales business and increased dividend income from LNG-related business, despite decreased earnings in the LNG-related business.

- *Industrial Materials Group*. Profit attributable to the Industrial Materials Group increased by ¥2.4 billion, or 4%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥64.4 billion.

- *Chemicals Solution Group*. Profit attributable to the Chemicals Solution Group decreased by ¥20.0 billion, or 68%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥9.5 billion. This decrease was mainly due to impairment losses and deduction of deferred tax liabilities recorded in the previous year in the chemical manufacturing business.

- *Mineral Resources Group*. Profit attributable to the Mineral Resources Group decreased by ¥143.8 billion, or 33%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥295.5 billion. This decrease was mainly due to decreased earnings due to lower Australian metallurgical coal prices.

- *Industrial Infrastructure Group*. Profit attributable to the Industrial Infrastructure Group increased by ¥10.8 billion, or 34%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥42.7 billion. This increase was mainly due to gains on sale of overseas business investment and increased earnings in the commercial vessel business.

- *Automotive & Mobility Group*. Profit attributable to the Automotive & Mobility Group increased by ¥9.8 billion, or 7%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥141.4 billion. This increase was mainly due to losses due to a sales slump in Chinese business in the previous year and gains related to the sale of overseas business, despite decreased earnings in the ASEAN automotive business.

- *Food Industry Group*. Profit attributable to the Food Industry Group decreased by ¥48.5 billion, or 76%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥14.9 billion. This decrease was mainly due to decreased earnings in the salmon farming business and impairment losses related to the overseas food business, despite gains on sale of an affiliated company.

- *Consumer Industry Group*. Profit attributable to the Consumer Industry Group increased by ¥30.5 billion, or 161%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥49.3 billion. This increase was mainly due to increased earnings in the convenience store business and reversal of impairment losses on intangible assets related to the investment in Lawson.

- *Power Solution Group*. Profit attributable to the Power Solution Group increased by ¥30.1 billion, or 49%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥92.0 billion. This increase was mainly due to increased gains on sales of assets in the overseas power generating business.

- *Urban Development Group*. Profit attributable to the Urban Development Group decreased by ¥81.8 billion, or 66%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥41.5 billion. This decrease was mainly due to gains on sale of a real estate management company in the previous year.

As a result of the foregoing, profit for the year attributable to owners of the parent decreased by ¥216.7 billion, or 18%, in the year ended March 31, 2024 compared to the prior fiscal year, to ¥964.0 billion.

Comparison of the Year ended March 31, 2023 with the Year ended March 31, 2022

Revenues. Revenues increased by ¥4,307.2 billion, or 25%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥21,572.0 billion. This increase was mainly due to increased market prices and transaction volumes.

Changes in revenues by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Revenues of the Natural Gas Group increased by ¥840.8 billion, or 72%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥2,004.5 billion.

- *Industrial Materials Group*. Revenues of the Industrial Materials Group increased by ¥430.0 billion, or 20%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥2,602.7 billion.

- *Chemicals Solution Group*. Revenues of the Chemicals Solution Group increased by ¥328.5 billion, or 18%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥2,144.3 billion.

- *Mineral Resources Group*. Revenues of the Mineral Resources Group increased by ¥827.3 billion, or 29%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥3,685.0 billion.

- *Industrial Infrastructure Group*. Revenues of the Industrial Infrastructure Group increased by ¥166.3 billion, or 29%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥740.0 billion.

- *Automotive & Mobility Group*. Revenues of the Automotive & Mobility Group increased by ¥134.4 billion, or 14%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥1,088.8 billion.

- *Food Industry Group*. Revenues of the Food Industry Group increased by ¥506.7 billion, or 27%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥2,417.2 billion.

- *Consumer Industry Group*. Revenues of the Consumer Industry Group increased by ¥156.8 billion, or 5%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥3,368.8 billion.

- *Power Solution Group*. Revenues of the Power Solution Group increased by ¥761.8 billion, or 83%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥1,674.5 billion.

- *Urban Development Group*. Revenues of the Urban Development Group decreased by ¥2.7 billion, or 4%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥62.7 billion.

Gross Profit. Gross profit increased by ¥409.2 billion, or 19%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥2,560.0 billion. This increase was mainly due to increased market prices in our Australian metallurgical coal business, as well as our flexible response to market conditions in our integrated energy business in Europe.

Changes in gross profit by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Gross profit of the Natural Gas Group decreased by ¥28.4 billion, or 100%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥140 million.

- *Industrial Materials Group*. Gross profit of the Industrial Materials Group increased by ¥31.6 billion, or 22%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥175.2 billion.

- *Chemicals Solution Group*. Gross profit of the Chemicals Solution Group decreased by ¥0.6 billion, or 1%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥82.3 billion.

- *Mineral Resources Group*. Gross profit of the Mineral Resources Group increased by ¥174.3 billion, or 36%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥656.8 billion.

- *Industrial Infrastructure Group*. Gross profit of the Industrial Infrastructure Group increased by ¥14.3 billion, or 13%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥125.3 billion.

- *Automotive & Mobility Group*. Gross profit of the Automotive & Mobility Group increased by ¥47.0 billion, or 25%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥231.8 billion.

- *Food Industry Group*. Gross profit of the Food Industry Group increased by ¥45.4 billion, or 17%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥314.2 billion.

- *Consumer Industry Group*. Gross profit of the Consumer Industry Group increased by ¥57.2 billion, or 8%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥733.3 billion.

- *Power Solution Group*. Gross profit of the Power Solution Group increased by ¥54.5 billion, or 47%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥170.1 billion.

- *Urban Development Group*. Gross profit of the Urban Development Group increased by ¥0.7 billion, or 2%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥30 billion.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥175.5 billion, or 12%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥1,607.5 billion. This increase was mainly due to the depreciation of the Japanese yen in relation to foreign currencies.

Gains on Investments. Gains on investments increased by ¥121.7 billion, or 162%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥197.0 billion. This increase was mainly due to a gain on the sale of an investment in Mitsubishi Corp.-UBS Realty Inc., a real estate management company.

Gains (Losses) on Disposal and Sale of Property, Plant and Equipment and Others. The Company incurred a loss on disposal and sale of property, plant and equipment and others of ¥0.3 billion in the year ended March 31, 2023, compared to a gain of ¥6.7 billion in the prior fiscal year.

Impairment Losses on Property, Plant and Equipment, Intangible Assets, Goodwill and Others. Impairment losses on property, plant and equipment, intangible assets, goodwill and others were ¥31.6 billion in the year ended March 31, 2023, an improvement of ¥32.9 billion, or 51%, compared to the prior fiscal year, reflecting the absence of impairment losses on property, plant and equipment, intangible assets, goodwill and others mainly consisting of impairment losses on intangible assets related to the investment in Chiyoda Corporation in the previous year.

Other Income (Expense)-Net. Other income-net decreased by ¥48.7 billion in the year ended March 31, 2023 compared to the prior fiscal year, resulting in a loss of ¥25.4 billion. This decrease was mainly due to fluctuations in evaluation profit (loss) on biological assets, which consist primarily of inventories of live fish held in our salmon farming business in Norway, Chile and Canada.

Finance Income. Finance income increased by ¥17.1 billion, or 9%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥203.6 billion. This increase was mainly due to an increase in interest income resulting from higher U.S. dollar interest rates, which was partially offset by decreased dividend income from resource-related investments.

Finance Costs. Finance costs increased by ¥68.7 billion, or 147%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥115.4 billion. This increase was mainly due to higher U.S. dollar interest rates.

Share of Profit of Investments Accounted for Using the Equity Method. Share of profit of investments accounted for using the equity method increased by ¥106.4 billion, or 27%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥500.2 billion. This increase was mainly due to increased equity earnings resulting from higher natural gas and crude oil prices.

Profit Before Tax. As a result of the foregoing, profit before tax increased by ¥387.5 billion, or 30%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥1,680.6 billion.

Income Taxes. Income taxes increased by ¥120.4 billion, or 42%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥409.1 billion.

Profit (Loss) for the Year Attributable to Non-Controlling Interests. Profit for the year attributable to non-controlling interests increased by ¥23.9 billion, or 36%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥90.8 billion.

Profit (Loss) for the Year Attributable to Owners of the Parent. Changes in profit (loss) for the year attributable to owners of the parent by segment, before adjustments and eliminations, were as follows:

- *Natural Gas Group*. Profit attributable to the Natural Gas Group increased by ¥65.5 billion, or 62%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥170.6 billion. This increase was mainly due to an increase in equity earnings in the LNG-related business and the North American shale gas business, despite trading losses in the LNG sales business.

- *Industrial Materials Group*. Profit attributable to the Industrial Materials Group increased by ¥25.2 billion, or 68%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥62.0 billion. This increase was mainly due to an increase in equity earnings in the North American plastic building materials business and the steel business.

- *Chemicals Solution Group*. Profit attributable to the Chemicals Solution Group decreased by ¥2.6 billion, or 8%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥29.5 billion.

- *Mineral Resources Group*. Profit attributable to the Mineral Resources Group increased by ¥18.6 billion, or 4%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥439.3 billion.

- *Industrial Infrastructure Group*. Profit attributable to the Industrial Infrastructure Group increased by ¥14.6 billion, or 84%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥31.9 billion. This increase was mainly due to losses related to Chiyoda Corporation recognized in the previous year.

- *Automotive & Mobility Group*. Profit attributable to the Automotive & Mobility Group increased by ¥19.9 billion, or 18%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥131.6 billion.

- *Food Industry Group*. Profit attributable to the Food Industry Group decreased by ¥15.9 billion, or 20%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥63.4 billion.

- *Consumer Industry Group*. Profit attributable to the Consumer Industry Group increased by ¥2.7 billion, or 17%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥18.9 billion. This increase was mainly due to increase in equity earnings in the convenience store business.

- *Power Solution Group*. Profit attributable to the Power Solution Group increased by ¥11.4 billion, or 23%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥61.9 billion. This increase was mainly due to gains on sale of power generating assets and an increase in equity earnings in the overseas power business, which was partially offset by losses due to facility defects and a decrease in equity earnings in the domestic power generating business.

- *Urban Development Group*. Profit attributable to the Urban Development Group increased by ¥83.2 billion, or 208%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥123.3 billion. This increase was mainly due to gains on sale of Mitsubishi Corporation—UBS Realty Inc., a real estate management company.

As a result of the foregoing, profit for the year attributable to owners of the parent increased by ¥243.2 billion, or 26%, in the year ended March 31, 2023 compared to the prior fiscal year, to ¥1,180.7 billion.

Geographic Information

The following table shows revenues and non-current assets as of or for the years ended March 31, 2022, 2023 and 2024, respectively, on a geographic basis:

	Year ended March 31,		
	2022[1]	2023[1]	2024[1]
	(in millions of yen)		
Revenues[2]			
Japan	¥ 8,948,983	¥ 9,901,987	¥ 9,497,940
U.S.A.	2,680,092	3,682,578	2,907,301
Singapore	1,213,203	1,747,194	1,452,786
Australia	1,061,888	1,439,304	1,257,433
Netherlands	538,666	1,045,224	860,303
Other	2,821,996	3,755,686	3,591,838
Total	¥ 17,264,828	¥ 21,571,973	¥ 19,567,601
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Australia	¥ 1,042,453	¥ 1,034,395	¥ 1,005,662
Japan	2,715,104	2,707,740	869,825
Netherlands	606,926	678,306	785,519
Canada	—[3]	338,142	416,934
Other	1,354,068[3]	1,217,352	959,934
Total	¥ 5,718,551	¥ 5,975,935	¥ 4,037,874

Notes:

(1) Neither we nor any of our segments depended on any single customer, small group of customers, or government for more than 10% of our consolidated or segment revenues, as applicable, for the years ended March 31, 2022, 2023 and 2024.

(2) Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

(3) Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets) attributable to Canada were accounted for in "Other" for the year ended March 31, 2022.

Liquidity and Capital Resources

Fund Procurement and Liquidity Management

Our 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, we select and utilize, as needed, both direct financing, such as commercial paper and bonds, and indirect financing, including bank loans. We seek to use the most advantageous means, according to market conditions at the time. We have a strong reputation in the capital markets. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.

Along with continuous funding based mainly on long-term financing, we will continue to pursue a policy of securing sufficient financial liquidity.

As of March 31, 2024, gross interest-bearing liabilities (excluding lease liabilities) stood at ¥5,128.0 billion, ¥238.1 billion higher than at March 31, 2023. Of these gross interest-bearing liabilities, 75% represented long-term financing. Hybrid finance accounted for ¥486 billion of interest-bearing liabilities. Moody's and S&P treat 50% of the principal amount of hybrid finance, or ¥243 billion, as equity for ratings purposes.

For the year ending March 31, 2025, we plan to continue procuring funds from stable sources over the medium and long terms mainly through efforts to diversify funding sources. We will also continue taking steps to raise funding efficiency on a consolidated basis.

Financial markets remain unpredictable due to factors such as geopolitical risks and changes in the monetary policies of major countries. Accordingly, we will remain vigilant and aim to secure sufficient cash and deposits, and bank commitment lines, to maintain our liquidity.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the parent, as well as domestic and overseas finance companies and particular overseas regional subsidiaries (finance offices), and distributed to other subsidiaries to promote the efficient use of funds and acquisition of liquidity by centralization of funding. As of March 31, 2024, 87% of consolidated gross interest-bearing liabilities were procured by the parent, domestic and overseas finance subsidiaries, and overseas regional subsidiaries.

Our basic policy on shareholder returns is to maintain a progressive dividend scheme, whereby we increase our dividend in response to sustainable earnings growth. Our policy is designed to balance financial soundness, stable dividend growth and market expectations on shareholder returns.

With respect to cash flows and capital allocation, our policy is to strategically allocate cash flow to investments and shareholder returns while maintaining our financial discipline. We also work to lower our cost of capital by enhancing stakeholder confidence in our operations through dialogue and expanded disclosure.

Shareholder returns in the form of dividends and share repurchases for the years ended March 31, 2021, 2022, 2023 and 2024 were ¥197.8 billion, ¥291.5 billion, ¥629.3 billion and ¥389.7 billion respectively, and our total payout ratio (which we define as profit attributable to the owners of the parent divided by total shareholders returns) for these years was 115%, 31% 36% and 40%, respectively (in each case, not including shareholder returns for the Employee Stock Ownership Plan (ESOP Trust) and the share repurchases planned from February 7, 2024 to September 30, 2024 described below). For the year ended March 31, 2024, dividends per share were ¥70. For the years ended March 31, 2020 and 2021, shareholder returns consisted solely of dividends. For the years ended March 31, 2022, 2023 and 2024, ¥70.0 billion, ¥170.0 billion and ¥100.0 billion respectively, of shareholder returns consisted of share repurchases and ¥221.5 billion, ¥259.3 billion and ¥289.7 billion, respectively, consisted of dividends. Our profit for the year ended March 31, 2021 was negatively affected by the COVID-19 pandemic, which resulted in a higher total payout ratio for that year as we maintained a similar level of dividends relative to the prior year.

We occasionally conduct share repurchases. Most recently, the Board of Directors resolved at a meeting held on February 6, 2024 to conduct up to ¥500 billion in additional returns to our shareholders through share repurchases from February 7, 2024 to September 30, 2024 and to cancel an equivalent amount of treasury stock effective October 31, 2024. The total amount of the repurchase will be up to 417 million shares of our common stock. As of June 1, 2024, we had purchased 75,270,000 shares under this resolution for a total of approximately ¥250 billion. Assuming we execute the full amount of such planned share repurchases, our total shareholder returns for the year ended March 31, 2024 would be ¥889.7 billion (the total of the ¥389.7 billion in shareholder returns for the year ended March 31, 2023 and the ¥500.0 billion in additional returns to our shareholders through share repurchases from February 7, 2024 to September 30, 2024) and our total payout ratio for the year ended March 31, 2024 would be 91% (not including shareholder returns for the Employee Stock Ownership Plan (ESOP Trust)).

Credit Facility Programs

In order to maintain a sufficient level of liquidity to meet our obligations, we enter into commitment lines of credit and other credit facilities from time to time with various financial institutions. As of March 31, 2024, we have the following commitment lines available:

- yen-denominated commitment lines with major Japanese banks for an aggregate of ¥510 billion;
- foreign hard currency commitment lines with major international banks, mainly U.S. and European banks, for an aggregate amount equal to $1 billion; and
- foreign soft currency commitment lines with major international banks, mainly U.S. and European banks, for an aggregate amount equivalent to $150 million.

Credit Ratings

To procure funds in global financial markets and in an effort to ensure smooth business operations, we obtain ratings from three agencies. Our credit ratings, which reflect each agency's opinion of our financial strength, operating performance and ability to meet our obligations, are as follows.

	Category	Rating
S&P	Long-term	A (Outlook: Stable)
Moody's Investors Service	Long-term	A2 (Outlook: Stable)
Rating and Investment Information, Inc.	Long-term	AA (Outlook: Stable)

Investment Leverage Ratio (Non-IFRS Financial Measure)

We use a supplemental non-IFRS financial measure that we call our "investment leverage ratio" for capital allocation and to evaluate our financial condition. We believe this measure is useful to investors as an indication of the level of our investments relative to our capital base and our capacity to allocate capital to non-investment sources such as shareholder returns. In addition to our reported financial results prepared under IFRS Accounting Standards, we also use non-IFRS measures as supplementary information to evaluate our financial soundness and capital allocation. Non-IFRS measures, including investment leverage ratio, have a number of important limitations and should not be viewed as a substitute for financial information prepared in accordance with IFRS Accounting Standards. It is important to note that non-IFRS measures have no standardized meanings prescribed by IFRS Accounting Standards and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing our financial soundness and capital allocation.

We calculate our investment leverage ratio as the ratio of (i)(x) our "investment assets"—which includes: "Investments accounted for using the equity method", "Other investments", "Property, plant and equipment", "Investment property", "Intangible assets and goodwill" and "Right of use assets", subject to certain other adjustments, as described below—*minus* (y) the sum of our "Total equity" *plus* 50% of the total amount of our "hybrid finance" (as defined below) to (ii) the sum of our "Total equity" *plus* 50% of the total amount of our "hybrid finance". We define "investment assets" broadly to include a variety of operating and other assets that we view as having investment characteristics. This term is accordingly more expansive than "investment securities" as defined under the Investment Company Act or typical concepts of financial investments.

In determining our "investment assets" for the purposes of calculating our investment leverage ratio, we *add* loans receivable (within current and non-current "Trade and other receivables"), because we believe these assets have the characteristics of investments, and *deduct* certain other non-current financial assets (within "Other investments"), including long-term guarantee deposits, time deposits (with a term of over one year), restricted cash (with a term of over one year) and certain other assets. The purpose of deducting such other non-current financial assets (within "Other investments") is to exclude from "investment assets" certain illiquid assets.

"Hybrid finance" includes financing transactions that we believe have features of both debt and equity and are classified as "Bonds and borrowings" under IFRS Accounting Standards. We classify financing transactions as "hybrid finance" where the financing has a longer maturity than our senior bonds and loans, provides us with the option to defer interest payments and would be deemed to be subordinated debt in bankruptcy proceedings. Due to the terms and conditions of our hybrid finance, certain rating agencies treat 50% of the total balance as equity for ratings purposes. Consistent with the approach of such ratings agencies, we add 50% of the total amount of our hybrid finance to our total equity when calculating our investment leverage ratio.

We have currently deemed 40 to 50% as the benchmark for the appropriate range for our investment leverage ratio. To determine such benchmark, we analyze the capital structures of businesses in major countries with a focus on the capital adequacy assessment methodologies employed by major ratings agencies in determining credit ratings in order to implement capital structures appropriate for businesses receiving the equivalent of an "A" or "A2" rating by such major ratings agencies.

On March 28, 2024, KDDI commenced a tender offer for shares of Lawson, our consolidated subsidiary, which was completed and concluded on April 25, 2024. Following the completion of the tender offer, KDDI announced that it held roughly 41% of Lawson's voting rights. The subsequent squeeze-out procedures are expected to be completed in September 2024. Upon completion of the transaction, we will no longer have sole control over Lawson, which will be classified as a joint venture. For more details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Capital Business Partnership with KDDI."

The following table shows information related to our calculation of investment leverage ratio as of March 31, 2022, 2023, and 2024. Our investment leverage ratio as of March 31, 2024 is set forth on an adjusted basis to give effect to KDDI's pending acquisition of shares of Lawson and to treat Lawson as if it were an equity method affiliate, rather than a consolidated subsidiary.

	As of March 31,		
	2022	**2023**	**2024[1] (as adjusted)**
		(in millions of yen)	
Investment assets:			
Add: Investments accounted for using the equity method	¥ 3,502,881	¥ 3,921,494	¥ 5,019,377[2][3]
Add: Other investments	1,957,880	1,816,851	1,814,773
Add: Property, plant and equipment	2,784,039	2,992,042	2,692,368
Add: Investment property	94,399	81,986	28,754
Add: Intangible assets and goodwill	1,221,568	1,207,402	742,893
Add: Right of use assets	1,520,536	1,590,283	456,406
Add: Loans receivable (within non-current Trade and other receivables)	313,244	425,778	508,895
Add: Loans receivable (within current Trade and other receivables)	28,097	74,139	166,858
Deduct: Other non-current financial assets (within Other investments)	(163,784)	(160,085)	(60,359)
Total (A)	¥ 11,258,860	¥ 11,955,271	¥ 11,369,956[4]
Equity and hybrid finance:			
Add: Total equity	¥ 7,857,172	¥ 9,119,036	¥ 9,774,614[5]
Add: 50% of the total amount of hybrid finance	300,000	270,000	243,000
Total (B)	¥ 8,157,172	¥ 9,389,036	¥ 10,017,614
Investment leverage ratio ((A) - (B))/(B)	38.0%	27.3%	13.5%[6]

Notes:

(1) On an adjusted basis to give effect to KDDI's pending acquisition of shares of Lawson and to treat Lawson as if it were an equity method affiliate as of March 31, 2024.

(2) In order to give effect to the adjustment described in note (1) above, this figure includes approximately ¥518,500 million with respect to Lawson, representing the product of the number of shares we held as of March 31, 2024 (equivalent to 50.1% of the voting rights of Lawson) multiplied by the tender offer price. Upon completion of KDDI's pending acquisition of shares of Lawson, the actual value of the shares of Lawson held by us may differ from this amount.

(3) On an actual basis (treating Lawson as a consolidated subsidiary and reflecting the reclassification of assets and liabilities owned by Lawson as held for sale, but not treating Lawson as though it were an equity method affiliate), as of March 31, 2024, investments accounted for using the equity method were ¥4,500,877 million.

(4) On an actual basis (under the same assumptions described in note (3) above), as of March 31, 2024, total investment assets were ¥10,851,465 million.

(5) On an actual basis (under the same assumptions described in note (3) above), as of March 31, 2024, Total equity was ¥10,094,829 million.

(6) On an actual basis (under the same assumptions described in note (3) above), as of March 31, 2024, our investment leverage ratio was 5.0%.

As of March 31, 2024, our investment leverage ratio on an as adjusted basis was significantly below our benchmark for the appropriate range due to our accumulation of capital from strong earnings. On an actual basis, our investment leverage ratio was also significantly below our benchmark for the appropriate range due to, in addition to our accumulation of capital from strong earnings, an increase in assets classified as held for sale due to the transfer of approximately ¥1,982,071 million in non-current assets owned by Lawson, which previously would have been included as "investment assets" in the calculation of investment leverage ratio. While we continue to monitor our investment leverage ratio as we optimize our capital structure, our investment leverage ratio may fluctuate outside such benchmark for the appropriate range due to a variety of factors. Accordingly, our benchmark for the appropriate range for our investment leverage ratio should not be viewed as a guarantee that our actual investment leverage ratio will fall within this range in future periods.

Cash Flows

The following table sets forth information regarding our consolidated statement of cash flows for the years ended March 31, 2022, 2023 and 2024.

	Year ended March 31,		
	2022	2023	2024
		(in millions of yen)	
Net cash provided by (used in) operating activities	¥ 1,055,844	¥ 1,930,138	¥ 1,347,380
Net cash provided by (used in) investing activities	(167,550)	(177,466)	(205,761)
Net cash provided by (used in) financing activities	(693,396)	(1,766,638)	(1,086,233)
Effect of exchange rate changes on cash and cash equivalents	42,848	15,395	47,921
Net increase (decrease) in cash and cash equivalents	237,746	1,429	(305,449)
Cash and cash equivalents at the beginning of the year	1,317,824	1,555,570	1,556,999
Cash and cash equivalents at the end of the year	1,555,570	1,556,999	1,251,550

Comparison of the Year ended March 31, 2024 with the Year ended March 31, 2023

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased by ¥582.7 billion in the year ended March 31, 2024, compared to the prior fiscal year, to ¥1,347.4 billion. This decrease was mainly due to decrease in cash flows from operating transactions and increase in requirements for working capital, etc.

Net Cash Used in Investing Activities. Net cash used in investing activities was ¥205.8 billion in the year ended March 31, 2024, an increase of ¥28.3 billion compared to the prior fiscal year. Our main uses of cash in the year ended March 31, 2024 were payments for property, plant and equipment and investments in affiliated companies, despite cash flows from sale of investments in affiliated companies and collection of loans.

Net Cash Used in Financing Activities. Net cash used in financing activities decreased by ¥680.4 billion in the year ended March 31, 2024, compared to the prior fiscal year, to ¥1,086.2 billion, mainly due to cash flows from short-term debt financing due to increased demand for working capital, etc., despite an increase in acquisition of treasury stock. Our main uses of cash in the year ended March 31, 2024 were acquisition of treasury stock, repayments of lease liabilities and payments of dividends.

Comparison of the Year ended March 31, 2023 with the Year ended March 31, 2022

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased by ¥874.3 billion in the year ended March 31, 2023, compared to the prior fiscal year, to ¥1,930.1 billion. This increase was mainly due to cash flows from operating transactions and dividend income, as well as decreases in working capital requirements, which was partially offset by the increase in income taxes paid.

Net Cash Used in Investing Activities. Net cash used in investing activities was ¥177.5 billion in the year ended March 31, 2023, an increase of ¥9.9 billion compared to the prior fiscal year. Our main uses of cash in the year ended March 31, 2023 were payments for the purchase of property, plant and equipment and investments and loans to affiliated companies, which exceeded inflows from the sales of an investment in Mitsubishi Corporation—UBS Realty Inc. and the sales of investments in affiliated companies.

Net Cash Used in Financing Activities. Net cash used in financing activities increased by ¥1,073.2 billion in the year ended March 31, 2023, compared to the prior fiscal year, to ¥1,766.6 billion, mainly due to repayment of short-term debts with cash flows from operating activity and less issuance of long-term debt, in accordance with less working capital. Our main uses of cash in the year ended March 31, 2023 were repayments of debts and lease liabilities, payments of dividends and share repurchases.

Quantitative and Qualitative Disclosures about Market Risk

In addition to managing risk on an individual project basis, we also assess risks for our group as a whole. In particular, we have identified the following areas of risk with respect to our business: commodity market risk, foreign currency risk, stock price risk, and interest rate risk. Unless otherwise stated, calculations of effects on future profit for the year are estimated based on profit for the year ended March 31, 2024.

Commodity Market Risk

In the course of our business activities, we are exposed to various risks relating to fluctuations of commodity prices as a trader, an owner of rights to natural and energy resources, and a producer and seller of the industrial products of our investees. Product categories that may have a large impact on our operating results are as follows:

Energy Resources

We engage in natural gas and oil production, business development, and the LNG business, in North America, Southeast Asia, Australia, Russia and other regions. Accordingly, fluctuations in natural gas and oil prices could have a significant impact on our operating results.

The price of crude oil has historically been and may remain volatile, depending on market conditions. Crude oil prices are influenced by global production as well as aggregate demand from transportation, energy and industrial use.

The price of Brent crude oil rose from the upper half of the US$70/BBL range at the end of December 2023 to the upper half of the US$80/BBL range at the end of March 2024 against the backdrop of OPEC-plus's extension of its policy of coordinated production cuts until the end of 2024, the continued decline in U.S. petroleum product inventories, and heightened geopolitical risks in the Middle East. We believe that prices will continue to be volatile and fluctuate depending on factors such as heightened geopolitical risks, economic conditions in various countries and OPEC/non-OPEC production trends.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. Concerns about decreases in the supply of Russian gas due to the military conflict between Russia and Ukraine led to a spike in natural gas prices in Europe, causing spot prices to rise to a record high of US $84 per million British thermal unit (Btu) in early March 2022. Since then, prices remained volatile and high throughout 2022 in Europe, reaching a new high in August of 2022 due to continued supply disruptions, but declining into 2023. LNG spot prices in Asia started at around US$11 per million Btu in early January 2024. However, the price hovered around US$8 per barrel in mid-February 2024, affected by sluggish demand due to a warm winter and a strong LNG inventory buildup. The price temporarily rose to the upper half of the US$9 per million Btu range due to lower temperatures, but fell to the upper half of the US$8 per million Btu range by the end of March 2024 due to tapering off of demand.

In many cases, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have an approximately ¥1.5 billion effect on profit for the year ended March 31, 2024, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag between such fluctuations and their impact on our operations.

Mineral Resources

We engage in investment and trading activities with respect to mineral resources, including metallurgical coal, which is used for steel manufacturing, and copper. Prices for mineral resources are subject to wide fluctuations and are affected by numerous factors, including international economic, political and geopolitical conditions, balance of supply and demand, availability and costs of substitutes, inventory levels maintained by users, trades in the commodities markets and currency exchange rates. As a result, short-term prices for mineral resources have fluctuated rapidly.

Through a wholly-owned subsidiary, MDP, headquartered in Brisbane, Australia, we manage a joint venture company which produces and sells metallurgical coal together with our partner BHP. Historically, prices for metallurgical coal have been subject to wide fluctuations. Prices for metallurgical coal are affected by international economic and political conditions, production trends, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates, as well as factors generally affecting steel production levels. In addition, the market prices for metallurgical coal have on occasion been subject to rapid short-term changes. Fluctuations in the price of metallurgical coal may affect our consolidated operating results through MDP's earnings. MDP's operating results cannot be determined by the coal price alone since MDP's results are also significantly affected by fluctuations in exchange rates among the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes.

In addition, as we engage in the copper business, we are exposed to the risk of price fluctuations in copper, which historically has been subject to wide fluctuations. Copper prices are affected by international economic and political conditions, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. We estimate that a US$100 fluctuation in the price per metric ton of copper would have a ¥3.2 billion effect on our profit for the year ended March 31, 2024 (a U.S. ten cent price fluctuation per pound of copper would have a ¥7.0 billion effect on our profit for the year ended March 31, 2024). Variables beside price fluctuations may also have an impact, such as the grade of mined ore, the status of production operations and reinvestment plans (capital expenditures). Therefore, the impact on earnings from our copper business may not be determined by copper prices alone.

Furthermore, because our production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investments than short-term price fluctuations. If a long-term downturn is forecasted in commodities markets, recognition of impairment losses on our property, plant and equipment and investments accounted for using the equity method could negatively affect our operating results and financial condition.

Foreign Currency Risk

With respect to our overseas investments, there is a risk that foreign currency exchange fluctuations could cause an increase or a decrease in the yen conversion value of dividends received from these investments and equity in earnings of overseas subsidiaries and affiliates that are denominated in foreign currencies. Accordingly, appreciation in the yen relative to foreign currencies has a negative impact on our profit for the year. In terms of sensitivity, we estimate that a ¥1 change to the Japanese yen to U.S. dollar exchange rate would have caused an approximately ¥5.0 billion effect on profit for the year ended March 31, 2024.

In addition, we are also exposed to transactional risk, in connection with various transactions where our funding and other costs are incurred in a different currency or currencies than our revenues for the same transactions.

While we use forward contracts and other hedging strategies, we may not be able to completely avoid foreign currency risk and, as a consequence, fluctuations in foreign currency exchange rates, including particularly among the Australian dollar, Euro, U.S. dollar and yen, in such situations have had, and may continue to have, a significant impact on our businesses and consolidated operating results.

Share Price Risk

As of March 31, 2024, we owned approximately ¥1,371.1 billion, in terms of market value, of marketable securities, consisting mostly of equity issued by our customers, suppliers and affiliates. These holdings expose us to the risk of fluctuations in share prices. The valuation above includes net unrealized gains of approximately ¥330.8 billion based on market prices, a figure that could change depending on future trends in stock prices. Most of the marketable securities we hold are classified as financial assets measured at FVTOCI and a decline in the equity securities market could negatively affect the value of our investment portfolio. In addition, if we choose to dispose of such securities, we may not be able to sell such securities at the price we expect or the timing we desire, depending on market conditions or the financial situation and operational performance of the company.

Furthermore, some of the pension assets managed by our corporate pension fund are marketable stocks. Accordingly, a decline in the price of such securities may reduce our pension assets.

Interest Rate Risk

As of March 31, 2024, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,128.0 billion. Since almost all of such liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loan receivables and other operating assets that are affected by changes in interest rates. Although this interest rate risk is offset in part because a rise in interest rates produces an increase in income from these assets, albeit subject to a timing difference, some of such assets have interest rate mismatches with respect to the corresponding liabilities. In addition, although we believe that higher interest expenses would partially be offset by an increase in income from the corresponding assets, such as investment securities, property and equipment that relate to the same projects, our operating results may be negatively affected if such income streams decouple from economic cycles, or if a rapid rise in interest rates results in the increased income from interest-bearing assets failing to immediately offset the effects of a preceding increase in interest expenses. Accordingly, an increase in interest expenses caused by a rise in interest rates could negatively affect our businesses and consolidated operating results.

BUSINESS

Overview

We are a globally integrated business enterprise that develops and operates businesses together with our offices and subsidiaries in approximately 90 countries and regions worldwide. As of March 31, 2024, we had a global network of around 1,800 group companies and approximately 80,000 employees.

Our Three Corporate Principles, "Corporate Responsibility to Society, Integrity and Fairness, and Global Understanding through Business," have served as our corporate philosophy since inception and inspire us to continually improve the way we address our economic, environmental and social responsibilities.

Our principal offices are located at Mitsubishi Shoji Building, 3-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8086, Japan (telephone number: +81-3-3210-2121) and 23-34 Floor, Marunouchi Park Building, 6-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8086, Japan (telephone number: +81-3-3210-2121). We are incorporated for an indefinite period with registration number 0199-01-008771 and operate under the laws of Japan.

The following summarizes our eight business groups:

- The Environmental Energy Group (merging the former Next-Generation Energy Business Group and Natural Gas Group) works to advance energy transitions while ensuring a stable supply of energy.

- The Materials Solution Group (merging the former Industrial Materials Group and Chemicals Solution Group) works to enhance the material industry's competitiveness and promote decarbonization initiatives while taking a broad view of materials supply chains.

- The Mineral Resources Group engages in trading, business development and investment of mineral resources and metals, including ferrous raw materials and non-ferrous metals. With metallurgical coal and copper as its main pillars, the Mineral Resources Group aims to further enhance our competitive advantage and the quality of our world-class quality assets, and deliver long-term sustainability in ways that are good for the environment and supply chain.

- The Urban Development & Infrastructure Group (merging the former Industrial Infrastructure Group and the Urban Development Group) works to create a better future by leading progress in urban development and infrastructure.

- The Mobility Group develops a global value chain spanning the production, sales, distribution, financing and after-sales services of passenger and commercial vehicles, with a focus on the ASEAN region, in particular Thailand and Indonesia. The Mobility Group aims to contribute to realizing a decarbonized, sustainable, and energy-efficient society through promoting eco-friendly electric vehicles.

- The Food Industry Group delivers food and related products and actively engages in every link of the supply chain, from producing and sourcing raw materials to manufacturing finished products. The mission of the Food Industry Group is to deliver a stable supply of goods and services to meet the needs and enhance the life quality of consumers, and to help solve the societal challenges surrounding supply chains.

- The Smart-Life Creation Group (merging the former Consumer Industry Group and the Industry Digital Transformation Group) works to address issues and needs from the consumer's perspective by linking digital capabilities with the real world in order to drive smart (and better) life creation.

- The Power Solution Group meets diverse utility needs, with a focus on businesses related to power generation and energy services both in Japan and overseas. Specifically, the Power Solution Group engages in power generating and transmission businesses, power trading businesses, and power retail businesses. The Power Solution Group also engages in the lithium-ion development business and the development of next-generation energy sources, such as hydrogen. The Power Solution Group aims to contribute realizing a sustainable, decarbonized society while raising our corporate value.

For additional details of the profiles and objectives of our eight business groups, see "—Business Operations".

Through our eight business groups, our current activities have expanded beyond our traditional trading operations to also include project development, production and manufacturing operations, working in collaboration with our trusted partners around the globe.

Strengths and Strategies

Strengths

We have a solid business platform with a highly diversified business portfolio across numerous industries.

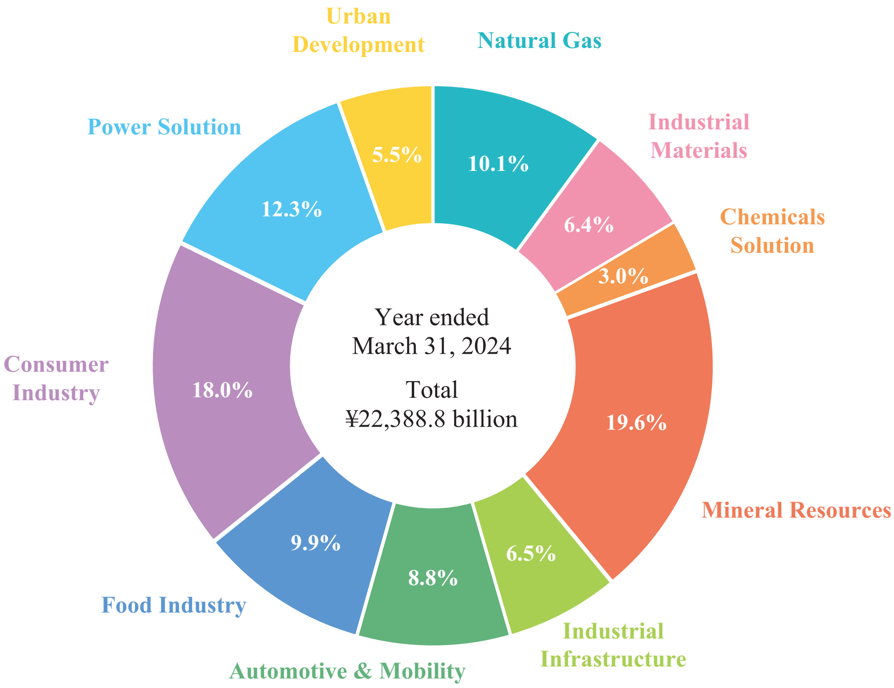
We were established in our current form in 1954. Over our 70-year history, we have pursued value creation by flexibly transforming our business models in accordance with changes in the external business environment. Over our history of business and collaboration with trusted partners worldwide, we have developed a global integrated business operating across a wide array of industries.

Through our eight business groups, we operate in a broad range of industries worldwide, leveraging our relationships and global network in approximately 90 countries and regions worldwide. Our diversified business portfolio includes businesses engaged in: natural gas exploration, production and development; product sales, business development and investing related to a wide range of materials; trading, business development and investment in petroleum and chemical products, mineral resources and metals; operations in the fields of plant engineering, industrial machinery, maritime- and aerospace-related businesses; the production, sales, distribution, financing and after-sales services of passenger and commercial vehicles; the delivery of food and related products; the supply of consumer products and services; power generation, transmission business, water supply, renewable energy, renewable fuels, and battery services; and urban development and real estate, corporate investing, leasing and infrastructure. With the addition of our Industry Digital Transformation Group and Next-Generation Energy Business Group, our activities expanded beyond our traditional trading operations into development and deployment of digital transformation (DX) solutions within our diverse business operations, and working with our businesses and partners to help society decarbonize and improve industry competitiveness through energy transformation and decarbonization (EX) solutions. In order to further integrate DX and EX into our businesses and execute our strategies more effectively than before, as of April 1, 2024, the Next-Generation Energy Group was integrated with the Natural Gas Group and related businesses to form the Environmental Energy Group, and the Industry Digital Transformation Group, Consumer Industry Group and our biotech and financial businesses were integrated to form the Smart-Life Creation Group. Through these reorganizations, in the Environmental Energy Group, we aim to create EX businesses of scale by establishing a clearer path toward commercialization and revenue growth, as we expect multiple EX projects to generate synergies with natural gas; and in the Smart-Life Creation Group, we aim to build a platform for value creation, primarily in midstream and downstream segments, with the goal of driving smart-life creation in the form of improved lifestyles.

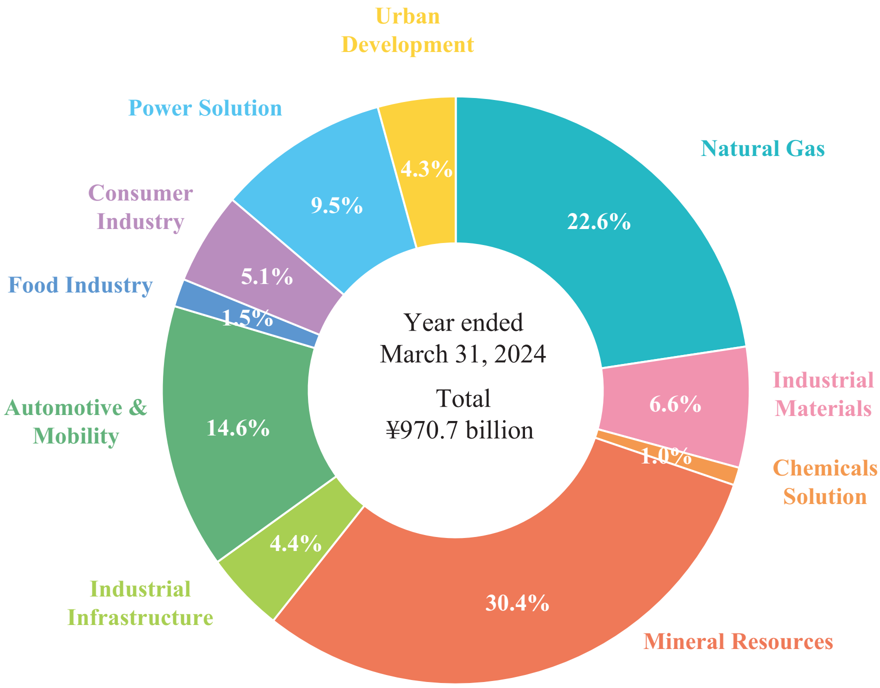
We have a stable and well-balanced earnings base.

We have a well-balanced business portfolio with strengths in all business segments. Our total assets are well diversified across our business groups. The figures below show our total assets by segment as of March 31, 2024 and a segment-by-segment breakdown of profit for the year attributable to owners of the parent for the year ended March 31, 2024 (in each case excluding “Others”, which represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies as well as the Next-Generation Energy Business Group).

Total Assets by Segment(1)(2)(3)



Profit (Loss) Attributable to Owners of the Parent by Segment(1)(2)(3)



Notes:

(1) As of April 1, 2024, we restructured our business groups, from a structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group, to a structure of eight business groups. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Restructuring of our Business Groups".

(2) Excluding "Others", which represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies as well as the Next-Generation Energy Business Group.

(3) Before adjustments and eliminations.

As shown in the following table, we have historically generated considerable cash flows in terms of both net cash provided by operating activities and the broader concept of free cash flow, which is a non-IFRS financial measure. We define free cash flow as the sum of net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.

Even during the spread of COVID-19, we were able to maintain a stable and sufficient amount of operating cash flow. During the year ended March 31, 2023, we generated net cash provided by operating activities and free cash flow that exceeded the results of the previous fiscal year, and also surpassed 1 trillion in profit for the year attributable to owners of the parent for the first time.

	Year ended March 31,						
	2018	2019	2020	2021	2022	2023	2024
	(in millions of yen)						
Profit for the year attributable to owners of the parent	¥ 560,173	¥ 590,737	¥ 535,353	¥ 172,550	¥ 937,529	¥1,180,694	¥ 964,034
Net cash provided by operating activities	742,482	652,681	849,728	1,017,550	1,055,844	1,930,138	1,347,380
Net cash used in investing activities	(317,583)	(273,687)	(500,727)	(357,297)	(167,550)	(177,466)	(205,761)
Free cash flow(1)	424,899	378,994	349,001	660,253	888,294	1,752,672	1,141,619

Note:

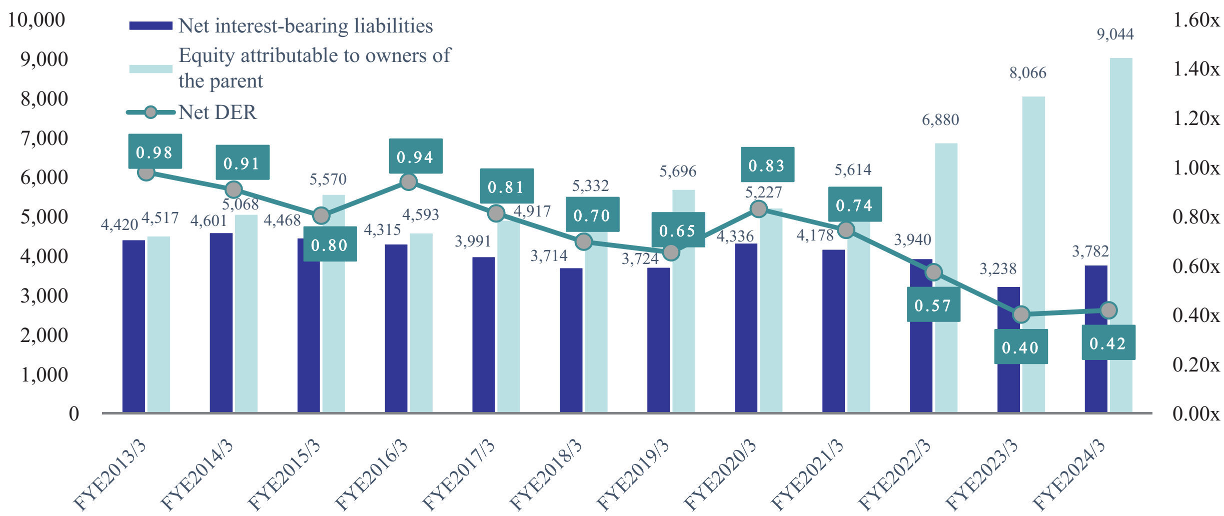
(1) We define free cash flow, which is a non-IFRS financial measure, as the sum of net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.

Our disciplined financial policy and diversified funding strategy supports the execution of our business plan.

In order to support the execution of our business plan, we maintain a disciplined financial policy.

We closely monitor our financial leverage, including the metrics monitored by major rating agencies: funds from operations to debt, debt to book capitalization, net debt to EBITDA, capital adequacy ratio, adjusted net debt to equity, and return on risk-weighted assets. While monitoring these key metrics, we have also maintained a net debt-to-equity ratio ("net DER"), calculated based on the ratio of net interest-bearing liabilities, which we define as gross interest-bearing liabilities (excluding lease liabilities) minus cash and cash equivalents and time deposits, to equity attributable to owners of the parent, of 1.0x or below over the past twelve fiscal years, as shown in the figure below.

(in billions of yen)



Notes:

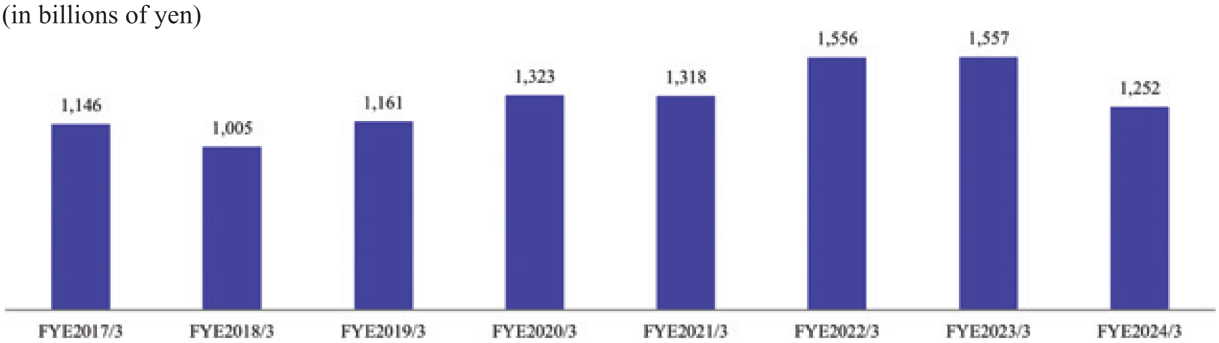
(1) We define net interest-bearing liabilities, which is a non-IFRS financial measure, as gross interest-bearing liabilities (excluding lease liabilities) minus cash and cash equivalents and time deposits.

(2) We define net DER, which is a non-IFRS financial measure, as the ratio of net interest-bearing liabilities to equity attributable to owners of the parent.

We have also maintained a robust level of cash and cash equivalents, which were ¥1,251.6 billion as of March 31, 2024, and maintain what we believe are adequate credit facilities. As of March 31, 2024, our diverse funding sources included yen-denominated commitment lines for an aggregate of ¥510.0 billion, foreign hard currency commitment lines for an aggregate amount equal to $1.0 billion and foreign soft currency commitment lines for an aggregate amount equivalent to $150 million.

The following chart shows our cash and cash equivalents as of March 31, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and 2024.

(in billions of yen)



We have also maintained a well-balanced maturity profile, in which our bonds and borrowings have a diversified term to maturity. The average remaining period of our interest-bearing liabilities at the parent company level is approximately five years; as of March 31, 2024, approximately 70% of our bonds and borrowings had maturities greater than one year. Additionally, we are experienced in both direct and indirect financing. As of March 31, 2024, 71.1% of our gross interest-bearing liabilities (excluding lease liabilities) were in the form of bank and other loans and 28.9% of our gross interest-bearing liabilities (excluding lease liabilities) were bonds and commercial paper. We maintain a good market reputation and relationships with a broad range of financial institutions and the Company has issued U.S. dollar denominated bonds ten times since 2010. The outstanding balance of the Company's U.S. dollar-denominated bonds is US$2.0 billion as of March 31, 2024.

As a result of our disciplined financial policy, we have maintained A-grade credit ratings from both Moody's and S&P for more than a decade.

While maintaining our disciplined financial policy, we intend to strategically allocate cash flow into investments and shareholder returns in order to increase enterprise value, and to lower our cost of capital by enhancing investor confidence in our business operations through expanded disclosure and dialogue with our investors. Supported by steady cash generation from our underlying operating cash flow and cash flow from divestments, we aim to make investments, including in energy transformation (EX) and digital transformation (DX) initiatives that will maintain and expand our earnings base.

In addition, we will aim for stable dividend growth and shareholder returns allocated in accordance with cash flow fluctuations and market expectations on shareholder returns. We intend to target a total payout ratio, which we define as total shareholder returns for a fiscal year (calculated as the sum of the total amount of dividends declared and paid out for a fiscal year and share repurchases that we deem to be funded from profits for a fiscal year, not including shareholder returns for the Employee Stock Ownership Plan (ESOP Trust)) divided by profit for the year attributable to owners of the parent, of around 40% for the year ending March 31, 2024 and onward.

Strategies

In May 2022, we announced our latest management plan, entitled "Midterm Corporate Strategy 2024: Creating Mitsubishi Corporation (MC) Shared Value", for the three years beginning with the year ended March 31, 2023. In recent years, escalating geopolitical risk has created greater uncertainty throughout our operating environment, a challenge that is being compounded by the restructuring of global supply chains as well as the progress of digitalization and decarbonization. The increasingly diverse and complex societal and industry needs call for keen foresight. Midterm Corporate Strategy 2024 will organically connect intelligence that takes advantage of our far-reaching industry expertise and global network, thereby strengthening our unique and collective capabilities.

Midterm Corporate Strategy 2024 comprises our strategy in five areas: Growth Strategies, Business Management, Management Mechanisms, HR Policies and Sustainability Policies, which we discuss in turn.

Growth Strategies

Our growth strategies are anchored by three major initiatives unified by the theme of "Leading Transformations and Connecting to Growth".

We see energy transformation (EX), the societal transition to carbon-neutral energy, and digital transformation (DX), the application of digital technologies to industrial, business and social challenges, as the key drivers of economic growth in the coming years. In our EX strategy, we aim to promote low and zero carbon initiatives across the energy sector by connecting "seeds" (i.e., solutions) with needs related to EX resources, materials and products, while providing EX solutions as a service, working closely with industry participants, consumers, and local communities. Our DX strategy includes broadly deploying our existing DX capabilities across business operations to promote value enhancement through DX initiatives targeting diverse real-world businesses, and to address societal challenges by linking digital technologies with the real world, contributing to the development of industry and society. As a leader in these fields, we also aim to "Create a New Future" by utilizing integrated EX/DX initiatives to promote regional revitalization as a specific measure for achieving growth. We will work with our partners, local municipalities, to address challenges facing society on the themes of utilizing renewable energy and other local resources, creating new carbon-neutral industries and developing vibrant communities by helping to resolve regional issues.

EX Strategy. We will work with our partners to help society decarbonize and improve industry competitiveness while maintaining a holistic view of the EX value chain.

Under Midterm Corporate Strategy 2024, we anticipate making investments across three fields:

- renewable energy, including wind power, which we are already working on in Europe and Japan, for example by winning the bids for all three of the Choshi (403 MW, planned completion September 2028), Noshiro-Mitane-Oga (494 MW, planned completion December 2028) and Yurihonjo (845 MW, planned completion December 2030) offshore wind power generation projects in development in Japan, representing an expected total of 1.74 GW of renewable power generation capacity;

- copper, lithium, and other base and rare metals that support accelerating electrification; and

- next-generation energy sources such as natural gas, hydrogen, ammonia and other transitional energy sources.

Natural gas, which we position as a transitional energy source, will continue to be a priority from the perspective of our social responsibility to provide stable energy supplies. We will continue our efforts in this area while paying attention to the overall balance of Japan's energy security.

Considerable time is required for business development in energy and resources, the representative sectors for EX. We are therefore focusing on and accelerating our investment in EX fields as a first priority. Utilizing our expertise and network of connections built through our broad business portfolio, we are committed to contributing to a balance between providing stable energy supplies and transitioning to a decarbonized society together with our trusted partners.

DX Strategy. We will broadly deploy our DX capabilities across our diverse business operations, thereby connecting industries, enterprises and communities. In this manner, we intend to help raise productivity and create sustainable value throughout society.

Our efforts will focus on three areas:

- the development and provision of cross-industry DX capabilities that leverage business knowledge;

- enhancing the value of entire industries by offering our DX capabilities as a service; and

- contributing to the creation of vibrant regional communities by providing new businesses and services.

Areas we are exploring include algorithm-based production planning, inventory management, supply-demand matching and supply chain optimization for electrical power, industrial production and food distribution, road traffic optimization services linked to location data, auto maintenance data services, and the formulation and enhancement of digital data platforms in cities. Our DX efforts include the establishment of Industry One, Inc., a DX service company responsible for developing AI and algorithms, with the NTT Group and MC Digital, Inc. We also established Chubu Electric Power Miraiz Connect with the Chubu Electric Power Group, an initiative for advancing power and retail DX for developing customer services. Internally, we have studied DX-related needs within our business groups, and are now exploring around 80 DX projects through a companywide task force. To facilitate these efforts, we have established a new internal organization called the "Industry Digital Transformation Group," which will focus on progressing DX strategies.

Creating a New Future. We will work with our partners and local municipalities to help create a new future under the theme of increasing Japan's energy self-sufficiency through active development of renewable energy and other local energy resources. We will also focus on establishing new carbon neutral industries and developing vibrant communities by helping to resolve regional issues, such as labor shortages due to Japan's declining population. By developing renewable energy projects in rural areas, we intend to produce green electricity and green hydrogen produced using renewable power. In addition to using this energy as electricity, we aim to build manufacturing businesses using hydrogen as a raw material, thereby establishing hydrogen supply as a local industry. We intend for our renewable energy projects to create jobs directly by training personnel involved in the projects, and by attracting related industries to the relevant localities. We hope these efforts will contribute to improving the quality of life for local communities. At the same time, through DX, we aim to link local data to develop new lifestyle-related services and businesses to enhance convenience for customers.

Business Management

Under Midterm Corporate Strategy 2024, we developed systems that encourage our business groups to be both disciplined and proactive about strengthening their management practices. Furthermore, by expediting work to refine a value-added cyclical growth model that is capable of constantly adapting to changes in our operating environment we remain committed to maintaining and improving our capital efficiency and ensuring our financial soundness. Under our value-added cyclical growth model, we pursue asset replacement based on a careful review of low efficiency assets and businesses where growth is not expected even with our continued involvement. In addition, responding to changes in the business environment, we aggressively replace even certain businesses that contribute to earnings within our portfolio to promote the re-investment of managerial resources to pursue further growth. We are also steadily divesting of substantial assets. Our approach to asset replacement, which is a key component of this process, is to list candidates for replacement based on the return on invested capital (ROIC) and growth potential of the businesses concerned, and to encourage autonomous asset replacement by allocating targets to each business group.

As part of our value-added cyclical growth model, we intend to transform our business portfolio to optimize for the changing business environment through strategic transactions. Among other things, we intend to expand the ratio of EX-related businesses in our overall business portfolio from approximately 30% as of the fiscal year ended March 2022 to approximately 40% by the end of the fiscal year ending March 31, 2025. To that end, we completed the sales of the Blackwater and Daunia coal mines in Queensland, Australia in April 2024. Through this transaction, we generated sale proceeds that can be applied strategically towards expanding our supply capabilities in electrification-critical materials and investing in secondary resources to develop the circular economy and amplify support for societal energy transformation initiatives. In addition, we have also made a new investment through our renewable energy subsidiary Eneco by successfully being awarded in the tender for the Hollandse Kust West Site VI offshore wind farm project, a 760 MW capacity wind farm that is expected to start commercial operation in the 2026 calendar year. We intend to contribute to the stable supply of renewable energy and decarbonization through this project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Sale of Blackwater and Daunia Coal Mines".

Management Mechanisms

We have newly established the "Global Intelligence (GI) Committee," which will focus on making us even more adaptable to our constantly evolving external operating environment. The GI Committee's analyses is reflected in matters tabled by the "MC Shared Value (MCSV) Forum" the function of which is to discuss and plan companywide strategies that can be adopted across different industries. This work helps to strengthen our business groups' development capabilities and cross-industry connections.

HR Policies

Our HR policy under Midterm Corporate Strategy 2024 will focus on creating a corporate culture that embraces diversity. Through the strategic allocation of our human resources, we will strive to invigorate and unlock the full potential of our organization, with the goal of creating a flexible and powerful organization capable of adapting to changing business environments. Our efforts include an initiative to raise the percentage of women in management-level positions to above 15% on a non-consolidated basis by the year ending March 31, 2026. As of April 1, 2023, on a non-consolidated basis, 12.0% of our management-level positions were held by women, as compared to 5.4% as of April 1, 2012.

Sustainability Policies

Our unique definition of "materiality" covers a set of crucial societal issues to be addressed through our business activities. In addition to classifying our businesses based on climate transition risks and opportunities, we will monitor their progress and work to decarbonize them through various measures in order to achieve our reduction targets for greenhouse gas (GHG) emissions in our "Roadmap to a Carbon-Neutral Society" formulated in October 2021. For further details of our sustainability policies and initiatives see "—ESG Initiatives".

History

In 1954, Mitsubishi Shoji was founded, and that same year was listed on both the Tokyo and Osaka stock exchanges. In 1967, we announced our first management plan. In 1968, we committed to a large project in Brunei to develop LNG. This was our first large-scale investment. Not content with mere trade-based activities, we began expanding our development and investment-based businesses on a global scale, as evidenced by iron-ore and metallurgical coal projects in Australia and Canada, and a salt field business in Mexico. In 1971, we made "Mitsubishi Corporation" our official English name.

In the 1980s, we needed to construct new systems in order to generate profits. We began streamlining our established businesses and developing more efficient operations. In 1986 we firmly entrenched a new policy, shifting our focus from operating transactions to profits. That same year a new management plan was drawn up. In 1989, we were listed on the London Stock Exchange.

With the 1990s came accelerated globalization and, in 1992, we announced a new management policy, namely to reinvent the Company as a "Sound, Global Enterprise." We began placing greater focus on our consolidated operations and increasing the value of our assets. More efforts were made to globalize the Company's operations and its people. In 1998, we established "MC2000" which introduced a "Select & Focus" approach to business, strengthened strategic fields, and emphasized customer-oriented policies. The new plan was instrumental in shoring up the Company's foundations and paving the way to a prosperous future.

In 2001, we introduced "MC2003," an aggressive new blueprint for growth, involving an expansion of the Company's value chains, a strengthening of its profitability, and focused strategies to create new businesses. In 2004, "INNOVATION 2007" was unveiled which sought to establish the Company as a "New Industry Innovator," with an aim to open up a new era and grow hand-in-hand with society. In 2007, we established the Business Innovation Group and Industrial Finance, Logistics & Development Group. Then, in 2008, we announced our management plan, "INNOVATION 2009." In 2009, we systematically reorganized the Business Innovation Group and established our Corporate Development Section.

In April 2010, we reorganized and enhanced this section through the establishment of two new Groups, the Global Environment Business Development Group and Business Service Group. In July 2010, we announced a new management plan, "Midterm Corporate Strategy 2012," which sought to strengthen our management platform based on the diversification of business models. A new corporate strategy, "New Strategic Direction—Charting a new path toward sustainable growth" was released in May 2013, and outlined an image of our corporate group circa 2020 in which we reinforce our portfolio by increasing earnings from non-resource businesses. We decided to cancel our listing on the London Stock Exchange in 2015. "Midterm Corporate Strategy 2018" was released in May 2016 with the objective to reform our management platform, including the specific goals of rebalancing of resources and non-resources, cash-flow-focused management, further evolution from investing to management, and lifecycle-based portfolio re-profiling. "Midterm Corporate Strategy 2021" was released in November 2018 to outline our strategies to promote portfolio-based decision making, enhance growth mechanisms, reform human resources system and set out our financial targets and capital policy.

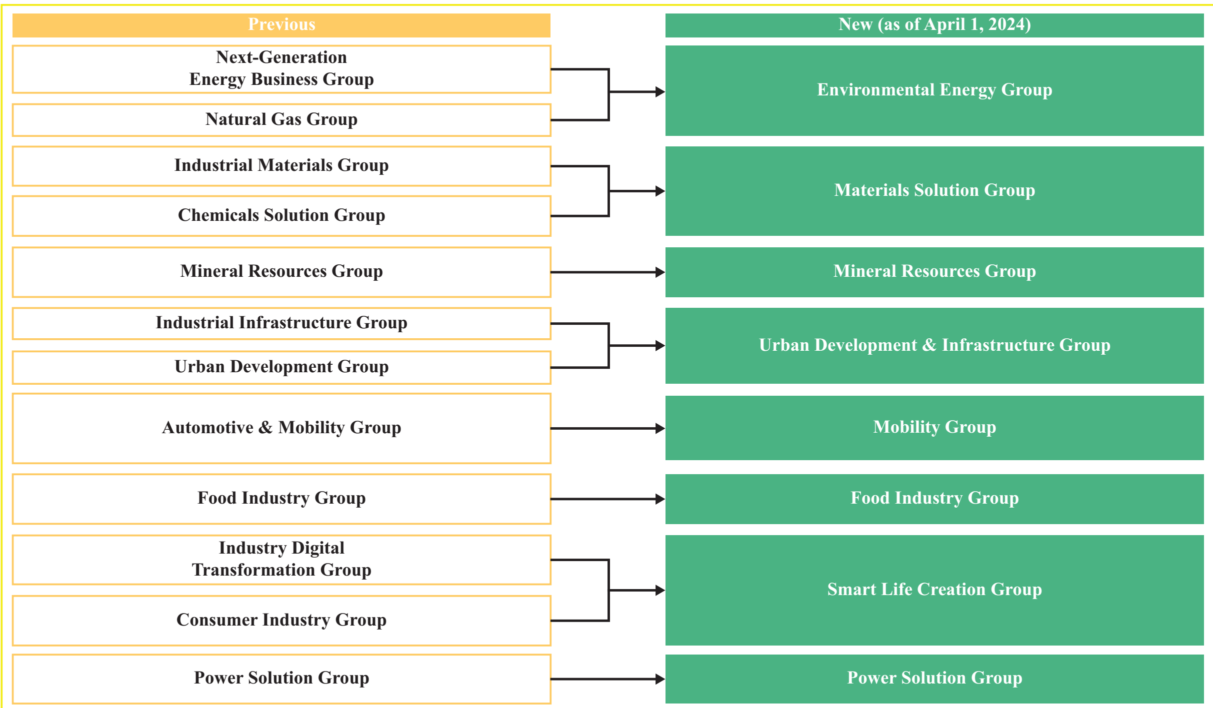
In May 2022, we released "Midterm Corporate Strategy 2024" with the objective to strive to continuously create significant shared value, which we refer to as "Mitsubishi Corporation Shared Value," by elevating our collective capability in order to address societal challenges.

Business Operations

As part of Midterm Corporate Strategy 2021, we restructured our operations into the following ten business groups effective from April 1, 2019: Natural Gas, Industrial Materials, Chemicals Solution, Mineral Resources, Industrial Infrastructure, Automotive & Mobility, Food Industry, Consumer Industry, Power Solution and Urban Development.

In connection with Midterm Corporate Strategy 2024, we further restructured our operations. The Chemicals Solution Group was renamed the Chemicals Solution Group and two new organizations were created: the Next-Generation Energy Business Group and the Industry Digital Transformation Group. The Next-Generation Energy Business Group was created in order to promote energy transformation (EX) initiatives and promote stable supplies of energy and resources while simultaneously supporting decarbonization efforts of society and businesses. The Industry Digital Transformation Group was created to contribute to the development of industry and a future society with vibrant communities by leveraging our group’s broad industry expertise and DX capabilities, interconnecting industry, business, and communities, and linking digital technologies with the real world to address societal challenges.

As of April 1, 2024, our structure of ten business groups plus the Industry Digital Transformation Group and Next-Generation Energy Business Group has been reorganized, resulting in a new structure of eight business groups. The purpose of this further restructuring of our operations was to accelerate businesses capitalizing on new connections between our business units and to execute our strategies more powerfully than before. As shown in the graphic below, The Next-Generation Energy Group, the Natural Gas Group and related businesses were combined to form the Environmental Energy Group, the Industrial Materials Group and Chemical Solution Group were combined to form the Materials Solution Group, the Industrial Infrastructure Group, the Urban Development Group’s businesses for developing and managing real estate and urban development projects and our water businesses were combined to form the Urban Development & Infrastructure Group, the Automotive & Mobility Group was renamed the Mobility Group and the Consumer Industry Group was combined with the Industry Digital Transformation Group and our biotech and financial businesses to create the Smart-Life Creation Group. A summary of the activities of each of our eight business groups as of April 1, 2024 is laid out below.



Environmental Energy Group

The Environmental Energy Group works to advance energy transitions while ensuring a stable supply of energy, undertaking supply chain development for next-generation energy sources including hydrogen, clean ammonia, sustainable aviation fuel, synthetic methane, and carbon management while also participating in liquefied natural gas (LNG) investment, marketing and new business development and the production and marketing of crude oil, petroleum products and liquefied propane gas (LPG).

The following table provides a summary of our existing projects and planned natural gas projects as of March 31, 2024, which are variously involved in investment in exploration and development of upstream businesses, investment in liquefaction plans, marketing and/or import agent services or shipping services with respect to natural gas.

Project	Beginning of Production	Total Production Capacity (Million tons/year)	Shareholding	The Company's Participation
Existing Projects				
Brunei	1972	7.2	Brunei Gov. (50%), Shell (25%), the Company (25%)	1969
Malaysia I (Satu)	1983	8.4	Petronas (90%), Sarawak Gov. (5%), the Company (5%)	1978
Malaysia II (Dua)	1995	9.6	Petronas (80%), Sarawak Gov. (10%), the Company (10%)	1992
North West Shelf	1989	16.9	Woodside (33.3%), Shell, BP, Chevron, Japan Australia LNG (MIMI) Pty Ltd(1), 16.7% respectively	1985
Oman	2000	7.1	Oman Gov. (51%), Shell (30%), TotalEnergies (5.54%), the Company (2.77%) and others	1993
Qalhat	2005	3.3	Oman Gov. (46.8%), Oman LNG (36.8%), Naturgy (7.4%), Osaka Gas (3%), the Company (3%) and others	2006
Russia Sakhalin II	2008 (Oil) 2009 (LNG)	9.6	Gazprom (77.5%), Mitsui & Co., Ltd. (12.5%), the Company (10%)	1994 PSA Execution
Indonesia Tangguh	2009	11.4	BP (40.2%), MI Berau(2) (16.3%), KG Berau(3) (8.6%) and others	2001
Indonesia Donggi - Senoro	2015	2.0	Sulawesi LNG Development Limited(4) (59.9%), PT Pertamina Hulu Energi (29%), PT Medco LNG Indonesia (11.1%)	2007
Wheatstone	2017	8.9	Chevron (64.136%), KUFPEC (13.4%), Woodside (13%), Kyushu Elec. (1.464%), PEW (8%; of which the Company holds 39.7%)	2012
Cameron	2019	12.0	Sempra Energy (50.2%), Japan LNG Investment(5) (16.6%), Mitsui & Co. (16.6%), TotalEnergies (16.6%)	2012
Planned Projects				
LNG Canada	Mid 2020's	14.0	Shell (40%), Petronas (25%), PetroChina (15%), Diamond LNG Canada Partnership (the Company and others, 15%), Korea Gas (5%)	2010

Notes:
(1) We and Mitsui & Co., Ltd. each hold 50% of this entity.
(2) We and INPEX Corporation hold 56% and 44% of this entity, respectively.
(3) MIBJ (owned 44% by INPEX Corporation and 56% by us), Mitsui & Co., Ltd., JX Nippon Oil & Gas Exploration Corporation, and Japan Oil, Gas and Metals National Corporation hold 16.5%, 20.1%, 14.2%, and 49.2% of this entity, respectively.
(4) We and Korea Gas Corporation hold 75% and 25% of this entity, respectively.
(5) We and Nippon Yusen Kabushiki Kaisha hold 70% and 30% of this entity, respectively.

Materials Solution Group

The Materials Solution Group works to enhance the material industry's competitiveness and promote decarbonization initiatives while taking a broad view of materials supply chains. Among other things, the Materials Solution Group participates in the manufacturing and global marketing of chemical products, providing comprehensive services for distribution, processing and other activities related to steel products, manufacturing and sales of carbon materials, construction materials and ceramic minerals, and business development in environmental materials, semiconductors and related products.

Some of our major subsidiaries and affiliates include: Metal One Corporation, which is one of the leading companies in the steel products value chain, and from which we recorded ¥21.0 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; SPDC Ltd., a company that sells petrochemical products, including through SHARQ, a joint venture with Saudi Basic Industries Corporation operating in Saudi Arabia, from which we incurred a ¥3.6 billion loss before eliminating consolidation adjustments for the year ended March 31, 2024; Mitsubishi Shoji Chemical Corp., a company that markets and sells solvents, paints, coating resins and silicones, from which we recorded ¥2.9 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; Mitsubishi Corporation Plastics Ltd., a company that markets and sells synthetic raw materials & plastics, from which we recorded ¥3.1 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; Meiwa Corp., a company that sales and imports/exports chemicals and other products, from which we recorded ¥0.9 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; and Cape Flattery Silica Mines Pty., Ltd., which is one of the world's largest silica sand suppliers, and from which we recorded ¥1.2 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024.

Mineral Resources Group

The Mineral Resources Group aims to contribute to a better society through the reliable and sustainable supply of high-qualify mineral resources. Among other things, the Mineral Resources Group engages in investments, operations and business development connected to ferrous raw materials including metallurgical coal and iron ore and critical minerals including copper, aluminum and battery materials, global trading and marketing of mineral resources, development of metals recycling businesses, and investments in startups and early-stage emerging technology companies in the metals and mining sector.

On April 2, 2024 we completed the sale of the Blackwater and Daunia coal mines in Queensland, Australia to Whitehaven Coal Ltd. Prior to the sale, MC held a 50% stake in each of these mining assets through our wholly owned subsidiary, Mitsubishi Development Pty Ltd., which shared equal ownership of the mines as part of a joint venture, BHP Mitsubishi Alliance (BMA), with BHP, a major resource company. We regularly evaluate our mineral resource portfolio to enhance its quality and resilience against potential downturns. The strategic choice to divest from these two mines was guided by this objective, completing the consolidation of our holdings of high-grade metallurgical coal assets. Ensuring stability of the supply of this critical commodity remains a key priority for us, as part of our commitment to maintain BMA as a cornerstone of our mineral resources portfolio. BMA's high-grade metallurgical coal, when used in blast furnaces, yields lower greenhouse gas emissions compared to conventional metallurgical coal, giving it the potential to play an important role in decarbonizing the steelmaking industry. While ensuring a steady supply of high-grade metallurgical coal and iron ore remains critical for our mission to support society in achieving carbon neutrality, we intend to apply the net proceeds of this sale strategically towards expanding our supply capabilities in other critical minerals essential for electrification, including copper, aluminum/bauxite, lithium and nickel. Additionally we intend to invest in secondary resources to develop the circular economy, amplifying support for societal energy transformation initiatives.

The following table provides a summary of existing projects as of March 31, 2024:

Product	Project	Country	Annual Production Capacity[1]	Main Partners	The Company's Share
Metallurgical Coal	BMA	Australia	Metallurgical Coal, etc., 52 mt[2]	BHP	50.0%
Copper	Escondida	Chile	Copper 1,109 kt	BHP, Rio Tinto	8.3%
	Los Pelambres	Chile	Copper 300 kt	Luksic Group (AMSA)	5.0%
	Anglo American Sur	Chile	Copper 255 kt[3]	Anglo American	20.4%
	Antamina	Peru	Copper 422 kt, Zinc 464 kt[2]	BHP, Glencore, Teck	10.0%
	Quellaveco	Peru	Copper 319 kt	Anglo American	40.0%

Notes:

(1) Production capacity shows 100% volume of the project.

(2) This figure is based on the annual production volume for the year ended March 31, 2023.

(3) This figure is based on the annual production volume for the calendar year ended December 31, 2022.

Urban Development & Infrastructure Group

The Urban Development and Infrastructure Group's goal is to create a better future by leading progress in urban development and infrastructure. Among other things the Urban Development & Infrastructure Group engages in urban development and management, real estate development and fund management, data center businesses, airport and toll road businesses, water business, industrial plant, energy infrastructure, ship, aerospace, and defense related businesses, distribution of machine tools and agricultural machinery, facility management and construction solutions including equipment rental.

The group engages in the development and management of urban development projects and real estate development projects that form the foundation of urban life, including logistics facilities, commercial facilities and residential properties in Japan, and the development and management of high value-added urban development projects that offer convenience and environmental friendliness, with a focus on the ASEAN region. The group also promotes the development and management of real estate development projects located mainly in North America and Asia.

Mobility Group

The Mobility Group aims to realize a prosperous, comfortable society by providing mobility solutions that support the optimal movement of people and goods. To that end, the Mobility Group engages in the production, sale and financing of automobiles, manufacturing, sales of tires, domestic and intermediary trading business, development of battery supply chain services, and the total mobility service business.

Our mobility business focuses on the Asia market, particularly Thailand and Indonesia. Although affected by COVID-19 in recent years, the Asia market has been stable and growing. We maintain a high market share in each of Indonesia and Thailand with partners.

Food Industry Group

The Food Industry Group is engaged in businesses that deliver food-related products to consumers all over the world. Our operations cover food resources, fresh foods, consumer products, food ingredients and other products. We play an active role in every link of the supply chain, from the production and sourcing of raw materials to the manufacturing of finished products. Our objective is to deliver a stable supply of goods and services that meet the needs of consumers and provide them with a quality of life that is both rich and full of variety. We are also actively working to provide solutions to an array of social issues across our supply chains. Recognizing our responsibility to meet and exceed health and environmental standards, we undertake businesses that prioritize consumer safety and security, and by doing so, we seek to provide the kind of value that is sought by society. We are firmly committed to realizing a stable and sustainable supply model by laterally developing quality products and services in markets across the globe, creating new growth opportunities, flexibly responding to economic and industrial changes, and becoming an increasingly competitive player in the foods sector.

Some of our major subsidiaries and affiliates include: Cermaq Groups AS, which is one of the largest salmon farming, processing and sales companies in the world, and from which we incurred a ¥20.3 billion loss before eliminating consolidation adjustments for the year ended March 31, 2024; Olam Group Limited, a leading food and agri-business company in categories including cocoa, coffee, cotton, edible nuts and spices, from which we recorded ¥3.3 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; Agrex Do Brasil Ltda., a Brazil-based wholly owned subsidiary engaged in grain collection and sales, agricultural material sales and grain production, from which we recorded ¥3.7 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; Indiana Packers Corporation, a fully integrated pork processor and owner of one of the largest hog slaughtering facilities in North America, from which we recorded ¥3.1 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024; and Mitsubishi International Food Ingredients, Inc., a company that sells ingredients for the food, beverage and nutritional industries, from which we recorded ¥2.5 billion in profit before eliminating consolidation adjustments for the year ended March 31, 2024.

Smart-Life Creation Group

The Smart-Life Creation Group's goal is to address issues and needs from the consumer's perspective by linking digital capabilities with the real world in order to drive smart (and better) life creation. To that end, the Smart-Life Creation Group engages in the retail, data marketing and payment platform businesses, food distribution logistics business development, the manufacture and sale of clothing, home living accessories, packaging and other products, sales of medical equipment and materials, the development, production and sale of pharmaceutical and agrochemical raw materials and intermediates, the nursing care business, business development, consulting and solutions using AI and digital technology, and financial businesses including private equity, leasing and reinsurance.

On February 6, 2024, we, KDDI Corporation ("KDDI") and our subsidiary Lawson, Inc. ("Lawson"), an operator of approximately 14,600 convenience stores in Japan, announced that the three companies had signed a capital business partnership agreement. As part of the transaction, KDDI conducted a public tender offer for shares of Lawson, and following successful completion of the tender offer as of May 7, 2024, Lawson is expected to delist from the Tokyo Stock Exchange and a series of procedures will be completed to make us and KDDI the only major shareholders of Lawson. Upon completion, we and KDDI will own 50% of Lawson shares each, and the companies will work to enhance the corporate value of Lawson as business partners. We, KDDI and Lawson aim to provide sustainable services addressing various societal challenges including reduction of environmental footprints by combining the functionalities and services of KDDI and Lawson.

KDDI and MC’s business partnership has 3 key dimensions: “Real”, “Digital”, and “Green”. As part of the Real dimension of the partnership, Lawson and KDDI will aim for further improvement in customer convenience by handling Lawson products and services in au Style and au Shop locations and KDDI products and services in Lawson stores, while installing online remote customer service to support the everyday lives of Lawson customers. As part of the Digital dimension of the transaction, KDDI’s customer attribute and location data and Lawson’s consumer purchase data will be integrated, creating one of the largest customer data platforms in Japan. Through this data, the parties aim to facilitate developing services for KDDI and Lawson customers to provide attractive shopping deals and expand customer visits to Lawson stores and optimizing Lawson’s store operations through the provision of KDDI’s digital transformation insights and technology. As part of the Green dimension of the deal, MC and KDDI will aim to realize a green and sustainable consumer society, contributing to Lawson’s Blue Challenge 2050 environmental vision through initiatives including reducing CO2 emissions through installation of solar panels at Lawson stores, circular economy businesses including manufacturing biodiesel from oil waste disposed of at Lawson stores, and reducing plastic use by replacing plastic containers and bottles with biomass materials at Lawson stores.

By developing real-digital hybrid services leveraging Lawson and KDDI’s respective customer bases and services along these three dimensions, the parties hope to expand Lawson and KDDI’s respective store networks, enhance service offering at Lawson stores to include telecommunication, finance, healthcare and education, and expand Lawson’s loyalty point program. Additionally we will work towards achieving Lawson’s long-term goal of realizing a decarbonized society through environmental measures.

Power Solution Group

Through our Power Solution Group, we conduct a variety of initiatives with a focus on our power solution value chain business which functions to generate renewable energy, integrate weather-dependent electricity (through a sophisticated balance of supply and demand) as well as deliver electricity and high added-value services to our customers.

Some of the Power Solution Group’s main initiatives include the renewable energy business, which helps contribute to a decarbonized society; the construction of distributed power generation infrastructure based on the concept of local production for local consumption and power trading businesses such as spot transactions and futures trading in the power market.

By combining low-emission power sources, such as renewable energy, with digital technologies, the Power Solution Group not only contributes to the stable supply of electricity, but also provides new added value to customers, such as supply and demand adjustment. We also undertake initiatives in the field of hydrogen, which is expected to play a role as next-generation fuel. Through these efforts, we aim to contribute to the realization of a sustainable, low-carbon/decarbonized society while raising our corporate value.

In March 2020, Diamond Chubu Europe B.V., which was established jointly by Mitsubishi Corporation and Chubu Electric Power Co., Inc., acquired 100% of the shares of Eneco Groep N.V. (“Eneco”), a company that operates an integrated energy business in Europe, for approximately ¥500.0 billion. A decline in electricity demand or macroeconomic conditions in Europe may affect our operating results via Eneco’s operating results or impairment loss on the goodwill recognized when we acquired Eneco. The book value of such goodwill, before calculation to reflect the portion attributable to us, was approximately ¥145.9 billion as of March 31, 2024.

ESG Initiatives

We promote a wide range of ESG-focused activities that cover various fields and geographical regions in order to try to grow together with the communities in which we operate. We aim to deliver sustainable growth by adapting to changes in the business environment and fulfilling societal needs in due consideration for the Sustainable Development Goals (“SDGs”) adopted by the United Nations. To achieve this aim, in 2016 we identified a set of “Key Sustainability Actions” as mileposts for proactively realizing the simultaneous generation of economic, societal, and environmental value for our growth. In the year ended March 31, 2020, we formulated individual business goals so that each business group could autonomously promote initiatives around the Key Sustainability Actions. In the year ended March 31, 2021, we reviewed these individual business goals to make them more specific and quantifiable, taking into account the external environment and societal demands. In the year ended March 31, 2022, we established the “Roadmap to a Carbon Neutral Society,” new GHG emissions reduction targets and energy transformation (EX) investment guidelines. In the year ended March 31, 2023, to further raise our corporate value over the medium to long term, we conducted a review of our “Key Sustainability Issues” and revised “Materiality”, the set of crucial societal issues that we will prioritize through our business activities). Taking into account our multi-industry interests and business activities, we intend to simultaneously fulfill our responsibility to provide stable energy supply, such as natural gas, while rising to the global challenge of realizing a decarbonized society. Specifically, we aim to:

- *Meet GHG emission reduction targets.* Our goal is to halve the Scope 1 and Scope 2 emissions of us and our consolidated companies, including affiliates, based on our equity share, by the year ending March 31, 2031 (from levels for the year ended March 31, 2021 of 25.30 million metric tons of CO2 equivalents) and achieve net zero emissions with respect to the same by the year ending March 31, 2051.

- *Make EX-related investments.* Our goal is to make approximately ¥2 trillion in EX-related investments by the year ending March 31, 2031, while doubling our group's renewable power capacity from 3.3 GW to 6.6 GW. We aim as a group to achieve 100% non-fossil fuel power generation by the year ending March 31, 2051. Some of our recent EX-related initiatives include:

  - The first plant to be operated under a hydroelectric power alliance between the Hokkaido Electric Power Company and the Company went online in Hokkaido.

  - The Company, Amogy and SK Innovation are coordinating to utilize Amogy's ammonia cracking technology in Japan and South Korea.

  - ENEOS Corporation, JX Nippon Oil & Gas Exploration Corporation, the Company and PETRONAS CCS Solutions Sdn Bhd are evaluating and establishing carbon capture and storage (CCS) value chains in Tokyo-Bay and Malaysia.

  - Nissan Motor Corporation and the Company agreed to explore new business in next-generation-mobility and energy-related services utilizing electric vehicles.

  - Honda Motor Co., Ltd., Tokuyama Corporation, and the Company conducted a joint demonstration to operate a data center using by-product hydrogen and a stationary fuel cell (FC) power station designed to reuse FC systems from fuel cell electric vehicles (FCEVs).

  - MC to invest in TIER IV, Inc., a pioneer in open-source autonomous driving technology, to cooperatively address efforts to transform mobility services in regional areas with autonomous driving technology.

- *Pursue integrated EX/DX initiatives.* Our goal is to pursue various initiatives to "Create a New Future", including signing an EX/DX regional redevelopment agreement with the city of Nasushiobara.

The following table summarizes the issues we include in "Materiality":

Issue	Overview
Realizing a Carbon Neutral Society and Striving to Enrich Society Both Materially and Spiritually:	
Contributing to Decarbonized Societies	Contribute to the realization of a decarbonized society by striving to reduce GHG emissions, while providing products and services that support decarbonization during the transition period.
Conserving and Effectively Utilizing Natural Capital	Recognizing the Earth itself as our most important stakeholder, strive to maintain biodiversity and conserve natural capital, and work to create circular economies while reducing our environmental footprint.
Promoting Stable, Sustainable Societies and Lifestyles	Promote sustainable societies and lifestyles of the future through businesses in a diverse range of countries and industries, while fulfilling our responsibility to provide a stable supply of resources, raw materials, products, and services in line with the needs of our customers.
Utilizing Innovation to Address Societal Needs	Create businesses that help to address societal needs while working to spur major industry reforms that are supported by business innovation.
Addressing Regional Issues and Growing Together with Local Communities	Strive to contribute to the development of economies and societies by addressing issues facing countries and regions, while seeking to grow together and collaborate with diverse stakeholders, regions and communities.

Issue	Overview
Respecting Human Rights in Our Business Operations	Respect the human rights of all stakeholders involved in promoting our diverse operations worldwide, and pursue solutions for value-chain related issues, while considering the local conditions in each country.
Striving to Serve as a Platform for Simultaneously Generating Economic Value, Societal Value and Environmental Value:	
Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce	Recognizing that human resources are the greatest asset of our businesses, foster a diverse and versatile talent pool that drives efforts to generate growth throughout our organization, and also seek to develop an organization where a diverse workforce shares common values and grows together while furthering their connections and inspiring each another to excel.
Realizing a Highly Transparent and Flexible Organization	While swiftly responding to changes in the business environment, strive to realize effective governance on a global, consolidated basis and maintain a sound organization that is transparent and flexible.

Governance Transition to a Company with an Audit and Supervisory Committee

We continuously strive towards a corporate governance system that realizes effective oversight based on sufficient deliberation by the Board of Directors and management and business execution that anticipates changes and promotes growth while transforming and strengthening businesses. Following approval at the 2024 General Meeting of Shareholders on June 21, 2024, we have strengthened our corporate governance system by transitioning from our prior corporate governance system based on a Board of Directors and an advisory Audit and Supervisory Board to a new system incorporating a new Audit and Supervisory Committee with oversight authority as a part of the Board of Directors. The new Audit and Supervisory Committee is composed of five directors, three of whom are outside directors, and sit as a committee of the 15 member Board of Directors. Our Internal Audit Department and our outside auditors report directly to the Audit and Supervisory Committee, which has audit and reporting duties to the full Board of Directors. As our management and business execution covers diverse businesses, the Audit and Supervisory Committee continuously improves the effectiveness of the audit function by deepening its cooperation with the Internal Audit Department. To enhance the Audit and Supervisory Committee's oversight functions, the Audit and Supervisory Committee has the ability to report and state its opinions directly to the General Meeting of Shareholders.

Corporate Governance and Nomination Committee and Compensation Committee

To enhance the deliberation ability of our Board of Directors, the advisory Governance, Nomination and Compensation Committee has been split into a Corporate Governance and Nomination Committee, chaired by the Chairman of the Board, and a Compensation Committee, chaired by an independent director. The Corporate Governance and Nomination Committee will deliberate our basic corporate governance policies and executive nominations in order to promote value creation for Mitsubishi Corporation. The Compensation Committee will deliberate policy on setting the remuneration of Directors and executives above the senior vice president level. Both committees will deliver reports and advice to the Board of Directors.

Executive Delegation

In order to strengthen our ability to respond to changes in the business environment, the Board of Directors is empowered to delegate partial decision-making authority for the execution of important operations to the executives, ensuring timely decision-making and flexibility of deliberation at the Board of Directors.

Competition

At the consolidated level, our primary competitors are other Japanese general trading companies, including Itochu Corporation, Marubeni Corporation, Mitsui & Co., Ltd., and Sumitomo Corporation which similarly engage in business activities in various fields.

We also face intense competition at the segment level, with respect to each of the Natural Gas, Industrial Materials, Chemicals Solution, Mineral Resources, Industrial Infrastructure, Automotive & Mobility, Food Industry, Consumer Industry, Power Solution and Urban Development Groups, which compete with a variety of competitors in various industries worldwide.

Regulation

Our business activities are subject to various governmental regulations in the countries in which we operate. These regulations generally relate to obtaining business and investment approvals, and meeting the requirements of export regulations, including those related to national security considerations, tariffs, antitrust, consumer and business taxation, exchange controls and environmental laws and regulations. Due to the nature of our business, our business activities are regulated and subject to various laws and regulations across the globe.

Compliance

We have established various compliance-related internal regulations under our Three Corporate Principles, Corporate Standards of Conduct and Code of Conduct. We review these internal regulations every year to reflect amendments to the laws and regulations, changes in the business environment and other conditions.

We have established a “Code of Prohibition against Improper Payments or Other Types of Benefits” in order to prevent provision of improper benefits to domestic and foreign public officials (including persons who are deemed to be public officials under applicable laws) and conduct that is seen as suspicious or untrustworthy by third parties. We also comply with the anti-bribery laws and regulations of various countries, including the Japanese criminal law and the Unfair Competition Prevention Act of Japan, the Foreign Corrupt Practices Act of 1977 of the United States and the United Kingdom Bribery Act of 2010. Furthermore, we have established a strict anti-corruption system and pre-approval process by setting detailed guidelines regarding the appointment of agents and intermediaries, and the provision of entertainment or gifts to public officials or applicable persons. In addition, we have established internal anti-corruption regulations requiring detailed due diligence when accepting workplace experience training for relatives of public officials and applicable persons, as well as providing donations to government and public officials. We have introduced guidelines with respect to the conduct of anti-corruption due diligence on our business and other partners, and continuously and periodically review and seek to improve our internal rules and regulations by taking into account the trends of enforcement and proceedings brought by anti-corruption regulators as well as anti-corruption programs and measures taken by other companies.

In 2016, we engaged external experts to conduct a thorough assessment regarding our entire anti-corruption system, with the aim to build a more effective anti-corruption system. Utilizing the experts’ evaluations and recommendations, we are committed to continuously improve our anti-corruption systems and ensure their effectiveness. For the year ended March 31, 2020, we adopted a risk-based anti-corruption system that aims to devote appropriate attention and resources depending on the types and scales of transactions and the level of corruption risks in applicable countries, and revised relevant guidelines accordingly to build a system to seek to prevent bribery and corruption on a consolidated basis. In the year ended March 31, 2024 there were no bribery or corruption cases which had a significant impact on our group as a whole.

With the goal of instilling internal understanding of our code of conduct, employee pocket handbooks are prepared and distributed to all officers and employees. Moreover, officers and employees are required to take e-learning courses, including case studies on the code of conduct, and to pledge that they understand and will adhere to the codes at all times.

We have expanded the scope of our various compliance measures to cover all group company officers and employees around the world as well. As a cohesive group with expansive operations on a global scale, we strive to strengthen our compliance activities while linking individual measures in this manner.

Property, Plant and Equipment

The following table contains a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of our tangible fixed assets as of March 31, 2023 and 2024.

	Land	Buildings and Structures	Machinery and Equipment	Vessels and Vehicles	Mineral Resources-related Property	Construction in Progress	Total
	(in millions of yen)						
(March 31, 2023)							
Gross carrying amount	¥237,863	¥1,021,100	¥1,515,589	¥ 231,805	¥1,749,739	¥492,408	¥ 5,248,504
Accumulated depreciation and accumulated impairment losses	(20,052)	(582,604)	(791,294)	(129,263)	(732,762)	(487)	(2,256,462)
Carrying amount	¥217,811	¥ 438,496	¥ 724,295	¥ 102,542	¥1,016,977	¥491,921	¥ 2,992,042
(March 31, 2024)							
Gross carrying amount	¥220,627	¥ 595,002	¥1,490,529	¥ 256,651	¥1,690,896	¥434,058	¥ 4,687,763
Accumulated depreciation and accumulated impairment losses	(12,102)	(371,823)	(762,502)	(140,835)	(707,507)	(626)	(1,995,395)
Carrying amount	¥208,525	¥ 223,179	¥ 728,027	¥ 115,816	¥ 983,389	¥433,432	¥ 2,692,368

Total Assets

The following table shows our total assets by reportable segment as of March 31, 2022, 2023 and 2024.

	As of March 31,		
	2022	2023	2024
	(in millions of yen)		
Natural Gas Group	¥ 2,015,966	¥ 2,043,043	¥ 2,255,989
Industrial Materials Group	1,355,028	1,461,661	1,427,964
Chemicals Solution Group	651,280	691,522	675,570
Mineral Resources Group	4,554,696	4,098,105	4,379,232
Industrial Infrastructure Group	1,129,890	1,329,167	1,455,118
Automotive & Mobility Group	1,797,804	2,021,907	1,976,039
Food Industry Group	1,968,611	2,102,969	2,206,109
Consumer Industry Group	3,831,776	3,882,050	4,036,198
Power Solution Group	2,650,077	2,716,166	2,754,544
Urban Development Group	1,136,239	1,164,595	1,222,038
Other(1)	3,604,258	3,483,890	3,878,342
Adjustments and Eliminations(2)	(2,783,613)	(2,847,574)	(2,807,571)
Total Assets	¥21,912,012	¥22,147,501	¥23,459,572

Notes:

(1) "Other" represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.

(2) "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.

(3) In the fiscal year ended March 2024, we set up the Next-Generation Energy Business Group to further promote the growth strategy under Midterm Corporate Strategy 2024. The next-generation fuels and petroleum business of the Petroleum & Chemicals Solution Group was transferred to the new business group, and the Petroleum & Chemicals Solution Group was renamed the Chemicals Solution Group. As a result, segment information for the previous fiscal years in the above table regarding the business transferred to the Next-Generation Energy Business Group has been reclassified and included in Other. In the audited consolidated financial statements included elsewhere in this Offering Memorandum, such retrospective adjustments have been applied to the corresponding figures for the fiscal year ended March 31, 2023, presented as comparative information in the audited consolidated financial statements for the fiscal year ended March 31, 2024, and have not been reflected in the audited consolidated financial statements for the fiscal year ended March 31, 2023.

Labor Relations

We have entered into a union shop agreement with the Mitsubishi Corporation Staff Union ("MC Staff Union"), which was formed in 1970. All of our eligible employees join the MC Staff Union, except for those considered as non-union members based on agreements between the MC Staff Union and the Company (including those qualified for management-level positions and those deemed to be non-union members in keeping with the characteristics of their duties based on individual agreements). The total number of employees belonging to the MC Staff Union was 2,935 as of May 1, 2024.

Our operating companies are subject to the laws and regulations and labor practices of their host countries.

Legal Proceedings

We are subject to litigation arising in the ordinary course of our business.

There is no legal or arbitration proceeding, including government proceedings pending or known to be contemplated, which may have, or have had in the recent past, a material adverse effect on our consolidated operating results or consolidated financial position.

MANAGEMENT

Overview

As of June 21, 2024 our corporate governance system has transitioned from a system based on a Board of Directors and an advisory Audit & Supervisory Board to a new system incorporating a new Audit and Supervisory Committee with oversight authority as a part of the Board of Directors. For more details, see "Business—Governance Transition to a Company with an Audit and Supervisory Committee". Our Board of Directors are responsible for making decisions concerning important issues and overseeing business execution. Directors and Directors who are Audit and Supervisory Committee Members are elected at a general meeting of shareholders. The normal term of office of a Director (excluding Directors who are Audit and Supervisory Committee Members) expires at the close of the ordinary general meeting of shareholders held with respect to the last year ended within one year after such Director's election although each Director may serve any number of consecutive years. The normal term of office of Directors who are Audit and Supervisory Committee Members expires at the close of the ordinary general meeting of shareholders held with respect to the last year ended within two years after such Audit and Supervisory Committee Member's election although each Audit and Supervisory Committee Member may serve any number of consecutive years.

The Board of Directors elects from among its members (excluding Audit and Supervisory Committee Members) Representative Directors, who have individual authority to represent us. Under our Articles of Incorporation, the Board of Directors elects the Chairman of the Board of Directors. In addition, under our Articles of Incorporation, the Board of Directors appoints Executive Officers, who carry out business operations, and elects the President and Chief Executive Officer and other senior Executive Officers from among the Executive Officers.

Audit and Supervisory Committee Members are not required to be certified public accountants but may not serve as executive directors (as defined under the Companies Act) or employees of us or any of our subsidiaries at the same time. In addition, not less than half of the Audit and Supervisory Committee Members must be outside Audit and Supervisory Committee Members, who are not a spouse or relative within the second degree of kinship of a director, manager or important employee of us and have never been a director, accounting advisor, corporate auditor, executive director, corporate executive officer, manager or any other type of employee of us or any of our subsidiaries for the last ten years prior to their election as a Director, and fulfill certain other requirements specified in the Companies Act. Under our Articles of Incorporation, the Audit and Supervisory Committee Members are required to elect from among themselves full-time Audit and Supervisory Committee Members.

Audit and Supervisory Committee Members have the statutory duty of supervising the administration of our affairs by the Directors and also of examining the financial statements and business reports to be submitted by a Representative Director to general meetings of shareholders. Members of the Audit and Supervisory Committee vote with the other Directors of the Board. In addition, the Audit and Supervisory Committee may state the opinions of the Audit and Supervisory Committee on matters such as appointments (excluding the appointment of Audit and Supervisory Committee Members) and remuneration of Directors (excluding their own compensation) at the General Meeting of Shareholders.

Audit and Supervisory Committee Members constitute the Audit and Supervisory Committee. The Audit and Supervisory Committee has a statutory duty to prepare its audit report. In addition, the Audit and Supervisory Committee has statutory duty to determine the content of proposals regarding the election and dismissal of a financial auditor and the refusal to reelect a financial auditor to be submitted to general meetings of shareholders.

We must appoint, by a resolution of a general meeting of shareholders, an independent auditor in addition to Audit and Supervisory Committee Members. Such independent auditor has the statutory duty of examining the financial statements, prepared in accordance with the Companies Act, to be submitted by a Representative Director to general meetings of shareholders and reporting its opinion thereon to the relevant Audit and Supervisory Committee Members and the relevant Directors, and examining the financial statements to be included in periodic reports filed by us with the Director of the Kanto Local Finance Bureau. Currently, our independent auditor is Deloitte Touche Tohmatsu LLC.

In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, companies listed on the Tokyo Stock Exchange, including us, are required to have at least one independent officer. Such independent officer is required to be an outside director or outside corporate auditor (as defined under the Companies Act) who is unlikely to have conflicts of interest with shareholders of the relevant company.

Sustainability-related Governance Structure

In our management framework, sustainability initiatives are overseen by the Director and Corporate Functional Officer in charge of Corporate Sustainability & Corporate Social Responsibility ("CSR"). The Corporate Sustainability & CSR Department plans and drafts related policies and measures. Following deliberations by the Corporate Sustainability & CSR Committee, which convenes approximately twice a year, items are put forward or reported to the Board of Directors and the Executive Committee. The Executive Committee is the highest-level executive body for decision-making regarding management policies, targets, and companywide planning, including companywide strategies for sustainability and CSR. The Sustainability & CSR Committee is a subcommittee under the Executive Committee that discusses basic policies and initiatives related to sustainability, CSR and corporate philanthropy.

In addition, we have established the Sustainability Advisory Committee, which is an advisory body on sustainability to the Corporate Functional Officer and comprised of six external experts who represent our diverse stakeholder groups including NGOs, international agencies and the ESG investment sector. We convey our view on sustainability policies to committee members and, with the aim of improving stakeholder engagement, receive advice and recommendations from them.

Directors and Audit and Supervisory Committee Members

The following table sets forth the names and titles of our Directors and Audit and Supervisory Committee Members as of the date of this offering memorandum.

Name	Title	Director or Audit & Supervisory Board Member since
Takehiko Kakiuchi	Chairman of the Board	June, 2016
Katsuya Nakanishi	President and Chief Executive Officer and Representative Director	June, 2022
Kotaro Tsukamoto	Senior Executive Vice President, Representative Director	June, 2024
Yutaka Kashiwagi	Executive Vice President, Representative Director	June, 2021
Yuzo Nouchi	Executive Vice President, Representative Director	June, 2022
Yoshiyuki Nojima	Corporate Functional Officer, Executive Vice President, Representative Director	June, 2024
Shunichi Miyanaga	Independent Director	June, 2019
Sakie Akiyama	Independent Director	June, 2020
Mari Sagiya	Independent Director	June, 2022
Mari Kogiso	Independent Director	June, 2024
Mitsumasa Icho	Director, Full-time Audit and Supervisory Committee Member	June, 2022
Akira Murakoshi	Director, Full-time Audit and Supervisory Committee Member	June, 2023
Tsuneyoshi Tatsuoka	Independent Director, Independent Audit and Supervisory Committee Member	June, 2024
Rieko Sato	Independent Director, Independent Audit and Supervisory Committee Member	June, 2020
Takeshi Nakao	Independent Director, Independent Audit and Supervisory Committee Member	June, 2020

The following tables set forth professional biographical information regarding our Directors and Audit and Supervisory Committee Members as of the date of this offering memorandum.

Takehiko Kakiuchi	
April 1979	Joined Mitsubishi Corporation
April 2010	Senior Vice President, Division COO of Foods (Commodity) Division
April 2011	Senior Vice President, General Manager, Living Essential Group CEO Office (Concurrently), Division COO of Foods (Commodity) Division
April 2013	Executive Vice President, Group CEO of Living Essentials Group
April 2016	President and CEO
June 2016	Director, President and CEO
April 2022	Chairman of the Board (present position)

Katsuya Nakanishi	
April 1985	Joined Mitsubishi Corporation
April 2016	Senior Vice President, Regional CEO, Middle East & Central Asia
April 2018	Senior Vice President, Division COO, New Energy & Power Generation Division
April 2019	Executive Vice President, Group CEO, Power Solution Group
April 2020	Executive Vice President, Group CEO, Power Solution Group, Power & Retail DX Task Force Leader
October 2021	Executive Vice President, Group CEO, Power Solution Group, Power & Retail DX Task Force Leader, EX Task Force Leader
April 2022	President & CEO
June 2022	Director, President and CEO (present position)

Kotaro Tsukamoto

April 1985	Joined Mitsubishi Corporation
April 2016	Senior Vice President, Mitsubishi Corp., General Manager, Corporate Planning Department, Metal One Corporation
April 2017	Senior Vice President, Division COO Steel Business Division
April 2018	Senior Vice President, Division COO, Mineral Resources Investment Division, General Manager, MDP Department
April 2019	Executive Vice President, Group CEO, Industrial Materials Group
April 2024	Senior Executive Vice President, Senior Assistant to the President and CEO, (concurrently) Chief Compliance officer
June 2024	Director, Senior Executive Vice President, Senior Assistant to the President and CEO, (concurrently) Chief Compliance officer (present position)

Yutaka Kashiwagi

April 1986	Joined Mitsubishi Corporation
April 2018	Senior Vice President, Division COO of the Environmental Business Division
April 2019	Senior Vice President, General Manager, Power Solution Group CEO Office
April 2021	Executive Vice President, Corporate Functional Officer, Business Development for Japan, General Manager of Kansai Branch
June 2021	Director, Executive Vice President, Corporate Functional Officer, Business Development for Japan, General Manager of Kansai Branch
April 2022	Director, Executive Vice President, Corporate Functional Officer, CDO, CAO, Corporate Communications, Corporate Sustainability & CSR
July 2022	Director, Executive Vice President, Corporate Functional Officer, IT, CAO, Corporate Communications, Corporate Sustainability & CSR
April 2023	Director, Executive Vice President, Corporate Functional Officer, IT, CAO (concurrently) Chief Compliance Officer, Officer for Emergency Crisis Management Headquarters
April 2024	Director, Executive Vice President, Corporate Functional Officer, Human Resources, Global Planning & Coordination, IT (present position)

Yuzo Nouchi

April 1987	Joined Mitsubishi Corporation
April 2019	Senior Vice President, General Manager, Corporate Accounting Dept.
April 2022	Executive Vice President, Corporate Functional Officer, CFO
June 2022	Director, Executive Vice President, Corporate Functional Officer, CFO (present position)

Yoshiyuki Nojima

April 1988	Joined Mitsubishi Corporation
April 2020	Senior Vice President, General Manager, Legal Department
April 2021	Senior Vice President, General Manager, Corporate Administration Department
April 2024	Executive Vice President, Corporate Functional Officer, Corporate Administration, Legal, (concurrently) General Manager, Corporate Administration Department, (concurrently) Officer for Emergency Crisis Management Headquarters
June 2024	Director, Executive Vice President, Corporate Functional Officer, Corporate Administration, Legal, (concurrently) General Manager, Corporate Administration Department, (concurrently) Officer for Emergency Crisis Management Headquarters (present position)

Shunichi Miyanaga

April 1972	Joined Mitsubishi Heavy Industries, Ltd. ("MHI")
April 2006	Senior Vice President of MHI
April 2008	Executive Vice President of MHI
June 2008	Director, Executive Vice President, MHI
April 2011	Director, Senior Executive Vice President, MHI
April 2013	Director, President, MHI
April 2014	Director, President and CEO, MHI
April 2019	Chairman of the Board, MHI (present position)
June 2019	Independent Director, Mitsubishi Corporation (present position)

Sakie Akiyama

April 1987	Joined Arthur Andersen & Co. (currently Accenture PLC) (resigned in April 1991)
April 1994	Founder and CEO, Saki Corporation
October 2018	Founder, Saki Corporation (present position)
June 2020	Independent Director, Mitsubishi Corporation (present position)

Mari Sagiya

April 1985	Joined IBM Japan, Ltd.
July 2002	Director, IBM Japan, Ltd.
July 2005	Senior Vice President, IBM Japan, Ltd. (resigned in July 2014)
July 2014	Executive Vice President, SAP Japan Co., Ltd. (resigned in December 2015)
June 2016	Executive Vice President, Chief Marketing Officer, Salesforce.com Co., Ltd. (currently Salesforce Japan Co., Ltd.) (resigned in August 2019)
June 2022	Independent Director, Mitsubishi Corporation (present position)

Mari Kogiso

April 1990	Joined Long-term Credit Bank of Japan
June 1998	Joined World Bank
June 2003	Representative, Asia, Multilateral Investment Guarantee Agency, World Bank Group
October 2012	Founder and CEO, i-Incubate Corporation
October 2014	Representative, Dalberg Japan
January 2016	Head of International Business Planning, Sasakawa Peace Foundation
July 2017	General Manager, Gender Investment and Innovation Division, Sasakawa Peace Foundation
June 2019	General Manager, (Diversity, Human Rights, and Public Relations regarding Sustainability), CEO Office, FAST RETAILING CO., LTD. (resigned in December 2020)
January 2021	Founder and CEO, SDG Impact Japan Inc. (present position)
June 2022	Audit & Supervisory Board Members, Mitsubishi Corporation
June 2024	Director, Mitsubishi Corporation (present position)

Icho Mitsumasa

April 1982	Joined Mitsubishi Corporation
April 2014	Senior Vice President, General Manager, Risk Management Dept.
April 2017	Senior Vice President, General Manager, Business Investment Management Dept.
January 2018	Executive Vice President, Corporate Functional Officer, Regional Strategy for Japan, General Manager, Kansai Branch
June 2018	Director, Executive Vice President, Corporate Functional Officer, Regional Strategy for Japan, General Manager, Kansai Branch
April 2019	Director, Executive Vice President, Group CEO, Urban Development Group
June 2019	Executive Vice President, Group CEO, Urban Development Group
April 2022	Senior Advisor to the President, CEO (resigned in Jun. 2022)
June 2022	Full-time Audit & Supervisory Board Member
June 2024	Director, Full-time Audit and Supervisory Committee Member (present position)

Akira Murakoshi

April 1982	Joined Mitsubishi Corporation (Legal Dept.)
April 2012	Senior Vice President, Division COO, General Merchandise Division.,
April 2014	Senior Vice President, Mitsubishi Corporation, President, Mitsubishi Company (Thailand), Ltd., Bangkok, (Concurrently) President, Thai-MC Company, Limited, (Concurrently) General Manager, Haadyai Office, Mitsubishi Company (Thailand), Ltd., (Concurrently) General Manager, Haadyai Office, Thai-MC Company, Limited
April 2016	Senior Vice President, Mitsubishi Corporation, President, Mitsubishi Company (Thailand), Ltd., Bangkok, (Concurrently) President, Thai-MC Company, Limited, (Concurrently) General Manager, Haadyai Office, Mitsubishi Company (Thailand), Ltd., (Concurrently) General Manager, Haadyai Office, Thai-MC Company, Limited, (Concurrently) General Manager, Vientiane Liaison Office, Mitsubishi Corporation
April 2017	Executive Vice President, Corporate Functional Officer, Corporate Communications, Human Resources, Mitsubishi Corporation
June 2017	Director, Executive Vice President, Corporate Functional Officer, Corporate Communications, Human Resources, Mitsubishi Corporation
April 2020	Director, Executive Vice President, Corporate Functional Officer, CDO, Human Resources, Global Strategy, Mitsubishi Corporation
April 2021	Director, Executive Vice President, Corporate Functional Officer, CDO, CAO, Corporate Communications, Corporate Sustainability & CSR, Mitsubishi Corporation
April 2022	Director, Mitsubishi Corporation
June 2022	Corporate Advisor, Mitsubishi Corporation
June 2023	Full-time Audit & Supervisory Board Member
June 2024	Director, Full-time Audit and Supervisory Committee Member (present position)

Rieko Sato

April 1984	Admitted to the Bar of Japan
August 1989	Shearman & Sterling LLP (resigned in July 1990)
July 1998	Partner, ISHII LAW OFFICE (present position)
June 2020	Audit & Supervisory Board Member, Mitsubishi Corporation
June 2024	Director, Independent Audit and Supervisory Committee Member, Mitsubishi Corporation (present position)

Takeshi Nakao

October 1989	Joined KPMG Minato Audit Corporation (currently KPMG AZSA LLC) (resigned in March 1996)
August 1993	Admitted to Certified Public Accountant of Japan
September 2006	CEO, PARTNERS HOLDINGS, Co. Ltd. (present position)
June 2020	Audit & Supervisory Board Member, Mitsubishi Corporation
June 2024	Director, Independent Audit and Supervisory Committee Member, Mitsubishi Corporation (present position)

There are no potential conflicts of interest of the persons listed above between their duties to us and their private interests or other duties.

As at the date of this offering memorandum, there are no outstanding loans granted by us to the Directors or any guarantees provided by us for their benefit.

Under the Companies Act and our Articles of Incorporation, we may enter into agreements with our Directors (excluding executive directors) and Audit and Supervisory Committee Members to limit their respective liabilities to us arising from their failure to execute their duties in good faith and without gross negligence, subject to applicable laws and regulations. We have entered into such agreements with each Director (excluding executive directors) and Audit and Supervisory Committee Member, which limit the maximum amount of their liability to us to the minimum amount stipulated by applicable laws and regulations, so long as Directors (excluding executive directors) and Audit and Supervisory Committee Members have acted in good faith and without gross negligence in performing their duties.

Executive Officers

The following table sets forth the names and titles of our Executive Officers as of the date of this offering memorandum.

Name	Title	Position
Katsuya Nakanishi	President and Chief Executive Officer	
Kotaro Tsukamoto	Senior Executive Vice President	Senior Assistant to the President & CEO, (Concurrently) Chief Compliance Officer
Yutaka Kashiwagi	Executive Vice President	Corporate Functional Officer, Human Resources, Global Planning & Coordination, IT
Kiyotaka Kikuchi	Executive Vice President	CRO, Asia & Oceania,(Concurrently) General Manager, Singapore Branch
Takuya Kuga	Executive Vice President	Group CEO, Urban Development & Infrastructure Group
Shigeru Wakabayashi	Executive Vice President	Group CEO, Mobility Group
Yuzo Nouchi	Executive Vice President	Corporate Functional Officer, CFO
Masaru Saito	Executive Vice President	Group CEO, Environmental Energy Group
Tetsuo Kawate	Executive Vice President	CRO, Americas, (Concurrently) President, Mitsubishi Corporation (Americas)
Ko Imamura	Executive Vice President	Group CEO, Materials Solution Group
Satoshi Koyama	Executive Vice President	Group CEO, Mineral Resources Group, (Concurrently) Division COO, Ferrous Raw Materials Div.
Yoshiyuki Nojima	Executive Vice President	Corporate Functional Officer, Corporate Administration, Legal, (Concurrently) General Manager, Corporate Administration Dept., (Concurrently) Officer for Emergency Crisis Management Headquarters
Shota Kondo	Executive Vice President	Group CEO, Smart-Life Creation Group
Hideyuki Hori	Executive Vice President	Group CEO, Food Industry Group
Yuji Okafuji	Executive Vice President	Group CEO, Power Solution Group
Akihiko Takada	Senior Vice President	CRO, Europe, Middle East & Africa, (Concurrently) Managing Director, Mitsubishi Corporation International (Europe) Plc., (Concurrently) General Manager, London Branch
Kyoya Kondo	Senior Vice President	Division COO, Isuzu Business Div.
Sadahiko Haneji	Senior Vice President	President, Mitsubishi Corporation do Brasil, S.A.
Tetsuya Shinohara	Senior Vice President	General Manager, Global Planning & Coordination Dept.
Toshiaki Maekawa	Senior Vice President	Division COO, Automotive Business Div.
Koji Ohno	Senior Vice President	Division COO, Steel Products Div.
Akifumi Suzuki	Senior Vice President	Division COO, Carbon & Ceramics Div.
Tetsu Funayama	Senior Vice President	SVP, Business Development for Japan, (Concurrently) General Manager, Kansai Branch
Kazuaki Yamana	Senior Vice President	General Manager, Business Investment Management Dept.
Kenji Kobayashi	Senior Vice President	Corporate Functional Officer, CSEO
Juro Baba	Senior Vice President	Seconded to Toyobo MC Corporation (Executive Vice-president & Representative Director, COO)
Ken Yamaguchi	Senior Vice President	Mitsubishi Shokuhin Co., Ltd. (Managing Executive Officer)
Satoshi Sato	Senior Vice President	Division COO, Industrial Machinery Div.
Takehiro Fujimura	Senior Vice President	General Manager, Internal Audit Dept.
Takuya Hirakuri	Senior Vice President	Division COO, Digital Solutions Div. (Smart-Life Creation Group)
Akihiro Kurosawa	Senior Vice President	General Manager, Legal Dept.
Kazuo Ito	Senior Vice President	Division COO, Logistics & Food Distribution Div. (Smart-Life Creation Group)
Yoshihiro Shimazu	Senior Vice President	General Manager, Corporate Accounting Dept.
Shuji Kobayashi	Senior Vice President	General Manager, Food Industry Group CEO Office
Keisuke Kitamura	Senior Vice President	Metal One Corporation (President & CEO, Director)
Takuji Konzo	Senior Vice President	Diamond Gas International Pte. Ltd. (CEO)

Name	Title	Position
Satoshi Hamada	Senior Vice President	President, Mitsubishi International Corporation, (Concurrently) Executive Vice President, Mitsubishi Corporation (Americas), (Concurrently) General Manager, Houston Branch, Mitsubishi Corporation (Americas), (Concurrently) General Manager, Houston Branch, Mitsubishi International Corporation
Hiroshi Nishino	Senior Vice President	President, Mitsubishi Corporation China Co., Ltd., (Concurrently) General Manager, Beijing Branch, Mitsubishi Corporation China Co., Ltd.
Kazuyoshi Kawakami	Senior Vice President	General Manager, Finance Dept.
Takahiro Zaizen	Senior Vice President	General Manager, Jakarta Representative Office
Naotaka Honda	Senior Vice President	General Manager, IT Service Dept.
Yoshiyuki Watanabe	Senior Vice President	Division COO, Business Development Div. (Materials Solution Group)
Shinya Naka	Senior Vice President	General Manager, Environmental Energy Group CEO Office
Kenichiro Tauchi	Senior Vice President	Mitsubishi Development Pty Ltd (Managing Director & CEO
Nobukazu Tanaka	Senior Vice President	General Manager, Mobility Group CEO Office
Tomonori Hirata	Senior Vice President	Division COO, Power Business Development Div.
Reiko Kashiwabara	Senior Vice President	General Manager, Global Human Resources Dept.

Compensation

Under the remuneration scheme in effect for the fiscal year ended March 31, 2024, the aggregate remuneration paid by us to our Directors (excluding outside Directors) in their capacity as such was ¥1,857 million for the year ended March 31, 2024. The aggregate remuneration paid by us to our Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) was ¥174 million for the year ended March 31, 2024. Finally, the aggregate remuneration paid by us to our outside Directors & outside Audit and Supervisory Board Members was ¥120 million and ¥69 million, respectively, for the year ended March 31, 2024.

We have established a remuneration package for Directors and Audit and Supervisory Committee Members to enable a sustainable increase in our corporate value, and to ensure that the respective roles of our Directors and Audit and Supervisory Committee Members are properly fulfilled in accordance with business execution and management supervision functions. Our remuneration package for Directors and Audit and Supervisory Committee Members is outlined as follows.

Remuneration Levels

We set remuneration levels based on the functions and roles of our Directors and Audit and Supervisory Committee Members, our performance and certain other factors. In line with our performance targets, we have a globally competitive remuneration level to cultivate the next generation of our management team and to enhance our organizational vitality.

Remuneration Composition

Under the remuneration scheme in effect for the fiscal year ended March 31, 2024, remuneration for Directors for business execution, excluding the Chairman of the Board and outside Directors (the “Executive Directors”), consisted of base salary, annual deferral for retirement remuneration, individual performance-linked remuneration, performance-linked bonus (short term), performance-linked bonus (mid- to long-term), and stock-based remuneration linked to medium- to long term share performance. In principle, all allocated stock-based remuneration linked to medium- to long term share performance could not be exercised during the three-year performance period and the Executive Directors were obliged to hold shares, including those acquired through the exercise of stock options, while in office. The number of stock options which could be exercised at the end of the performance period varied, depending on the growth rate of the shares (calculated as Total Shareholder Return divided by the TOPIX benchmark growth rate over the same period). Under the remuneration scheme in effect for the fiscal year ended March 31, 2024, we paid our Chairman of the Board, outside Directors and Audit & Supervisory Board Members fixed monthly remuneration instead of variable remuneration to ensure their independence to properly fulfill their roles as they either supervise or audit our management team.

In addition, we pay executive pensions to retired Directors and Audit and Supervisory Board Members or Audit and Supervisory Committee Members. In the year ended March 31, 2024, we paid ¥69 million and ¥3 million to 43 retired Directors and 4 Audit & Supervisory Board Members (excluding outside Directors and outside Audit & Supervisory Board Members), respectively.

We transitioned to a Company with an Audit & Supervisory Committee. Therefore, we abolished the current remuneration limits for Directors and, by taking into consideration various factors including economic conditions, set remuneration for Directors. Under the new remuneration scheme in effect for the fiscal year ended March 31, 2025 and beyond, remuneration for Directors for business execution, excluding the Chairman of the Board and outside Directors, consisted of base salary, annual deferral for retirement remuneration, individual performance-linked remuneration, performance-linked bonus (short term), performance-linked bonus (mid-to long-term), and stock-based remuneration linked to medium-to long term share performance. New remuneration limits will be equivalent to the previous remuneration limits for Directors, except that the remuneration limits relating to base salary, annual deferral for retirement remuneration and individual performance-linked remuneration will be up to ¥1.5 billion per year (for the base salary paid to outside Directors, up to ¥250 million per year).

Governance of Remuneration

Pursuant to our internal rules, a majority of the members of our Governance and Nomination Committee and Compensation Committee are outside Directors and/or outside Audit and Supervisory Committee Members. The committees deliberates on matters related to governance, nomination and compensation.

SUBSIDIARIES AND AFFILIATES

We are a globally integrated business enterprise that develops and operates businesses together with our offices and subsidiaries in approximately 90 countries and regions worldwide. As of March 31, 2024, we had a global network of around 1,800 group companies.

The following table sets forth certain information regarding the principal subsidiaries and affiliates owned, directly or indirectly, by us as of March 31, 2024.

Company Name	Country	Voting Rights (%)
Natural Gas Group		
DGS Japan Co., Ltd.	Japan	100.00
Cutbank Dawson Gas Resources Ltd.	Canada	100.00
Diamond Gas Holdings Sdn. Bhd.	Malaysia	100.00
Diamond LNG Canada Partnership	Canada	96.70
Others (26 Companies)		
Industrial Materials Group		
Isuzu Corporation	Japan	56.60
M.O. Tec Corporation	Japan	100.00
Metal One Corporation	Japan	60.00
Metal One Specialty Steel Corporation	Japan	100.00
Metal One Steel Products Corporation	Japan	100.00
Metal One Tubular Products Inc.	Japan	100.00
SUS-TECH Corporation	Japan	75.00
Cape Flattery Silica Mines Pty., Ltd.	Australia	100.00
COILPLUS, INC.	United States	100.00
MC Metal Service Asia (Thailand) Co., Ltd.	Thailand	100.00
Metal One (China) Corporation	China	100.00
Metal One America, Inc.	United States	100.00
Metal One Holdings America, Inc.	United States	92.00
METAL ONE STEEL SERVICE DE MEXICO, S.A. DE C.V.	Mexico	100.00
Others (69 Companies)		
Chemicals Solution Group		
Mitsubishi Corporation Plastics Ltd.	Japan	100.00
Mitsubishi Shoji Chemical Corporation	Japan	100.00
Others (14 Companies)		
Mineral Resources Group		
JECO Corporation	Japan	70.00
Mitsubishi Corporation RtM Japan Ltd.	Japan	100.00
MC Copper Holdings B.V.	The Netherlands	100.00
MITSUBISHI CORPORATION RTM CHINA LIMITED	China	100.00
Mitsubishi Corporation RtM International Pte. Ltd.	Singapore	100.00
Mitsubishi Development Pty Ltd	Australia	100.00
Ryowa Development II Pty., Ltd.	Australia	100.00
Ryowa Development Pty., Ltd.	Australia	100.00
Triland Metals Ltd.	United Kingdom	100.00
Others (9 Companies)		
Industrial Infrastructure Group		
CHIYODA CORPORATION	Japan	33.46
Chiyoda X-ONE Engineering Corporation	Japan	100.00
MC Shipping Ltd.	Japan	100.00
Mitsubishi Corporation Machinery, Inc.	Japan	100.00
Mitsubishi Corporation Technos	Japan	100.00
MSK FARM MACHINERY CORPORATION	Japan	100.00
Nikken Corporation	Japan	100.00
CHIYODA INTERNATIONAL CORPORATION	United States	100.00
MC Machinery Systems, Inc.	United States	100.00
P.T. CHIYODA INTERNATIONAL INDONESIA	Indonesia	100.00
Others (56 Companies)		
Automotive & Mobility Group		
Isuzu UTE Australia Pty Ltd.	Australia	100.00
JSC MC Bank Rus	Russia	100.00
P.T. Dipo Star Finance	Indonesia	95.00
Tri Petch Isuzu Leasing Co., Ltd.	Thailand	93.50
Tri Petch Isuzu Sales Co., Ltd.	Thailand	88.73
Others (23 Companies)		

Company Name	Country	Voting Rights (%)
Food Industry Group		
Foodlink Corporation	Japan	99.42
JAPAN FARM HOLDINGS INC.	Japan	92.66
MC Agri Alliance Ltd.	Japan	70.00
Mitsubishi Corporation Life Sciences Limited	Japan	100.00
Nihon Shokuhin Kako Co., Ltd.	Japan	59.83
Nitto Fuji Flour Milling Co., Ltd.	Japan	65.80
Nosan Corporation	Japan	100.00
Seto Futo Co., Ltd.	Japan	86.63
Toyo Reizo Co., Ltd.	Japan	95.08
AGREX ASIA PTE. LTD.	Singapore	100.00
AGREX DO BRASIL LTDA.	Brazil	100.00
AGREX, Inc.	United States	100.00
ASIA MODIFIED STARCH CO., LTD	Thailand	100.00
Cermaq Group AS	Norway	100.00
Indiana Packers Corporation	United States	80.00
MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC.	United States	100.00
Riverina (Australia) Pty Ltd	Australia	100.00
Others (97 Companies)		
Consumer Industry Group		
Lawson Bank, Inc.	Japan	95.00
Lawson, Inc.	Japan	50.12
MC Healthcare, Inc.	Japan	100.00
Mitsubishi Corporation Fashion Co., Ltd.	Japan	100.00
Mitsubishi Corporation LT, Inc.	Japan	100.00
Mitsubishi Corporation Packaging Ltd.	Japan	100.00
Mitsubishi Shokuhin Co., Ltd.	Japan	50.15
SEIJO ISHII CO., LTD	Japan	100.00
Others (65 Companies)		
Power Solution Group		
Mitsubishi Corporation Clean Energy Ltd.	Japan	100.00
Mitsubishi Corporation Energy Solutions Ltd.	Japan	100.00
Mitsubishi Corporation Offshore Wind Ltd.	Japan	100.00
DGA Ho Ping B.V.	The Netherlands	100.00
Diamond Generating Asia, Limited	China	100.00
Diamond Generating Corporation	United States	100.00
Diamond Transmission Corporation Limited	United Kingdom	100.00
N.V. Eneco	The Netherlands	100.00
Others (300 Companies)		
Urban Development Group		
Diamond Realty Management Inc.	Japan	100.00
DRI INDIA CO., LTD.	Japan	100.00
Marunouchi Infrastructure Inc.	Japan	100.00
MC Aviation Partners Inc.	Japan	100.00
Mitsubishi Corporation Urban Development, Inc.	Japan	100.00
TANGERANG REALTY INVESTMENT INC.	Japan	53.67
AIGF ADVISORS PTE. LTD.	Singapore	100.00
Diamond RC Holding Limited	China	100.00
Diamond Realty Investments, Inc.	United States	100.00
DIAMOND REALTY MANAGEMENT AMERICA INC.	United States	100.00
DRIC PERIDOT LIMITED	China	60.00
JAPAN AIRPORT MANAGEMENT LLC	Mongolia	70.00
JAPAN HIGHWAYS INTERNATIONAL B.V.	The Netherlands	69.20
MARUNOUCHI INVESTMENT B.V.	The Netherlands	100.00
MC ALABANG, INC.	Philippines	100.00
MC DEVELOPMENT ASIA PTE. LTD.	Singapore	100.00
MC DIAMOND REALTY INVESTMENT PHILIPPINES, INC.	Philippines	100.00
MC EMERGING CAPITAL PARTNERS B.V.	The Netherlands	100.00
MC ISQ-UK Ltd.	United Kingdom	100.00
MC JIIP Holdings Inc.	Cayman Islands, British Overseas Territory	100.00
MC UK Investment Ltd.	United Kingdom	100.00
MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED	Vietnam	100.00
PT MC URBAN DEVELOPMENT INDONESIA	Indonesia	100.00
Others (100 Companies)		

Company Name	Country	Voting Rights (%)
Others		
MC DATA PLUS	Japan	100.00
Mitsubishi Corporation Energy Co., Ltd.	Japan	100.00
Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Japan	100.00
MC Finance & Consulting Asia Pte. Ltd.	Singapore	100.00
Mitsubishi Corporation Finance PLC	United Kingdom	100.00
Others (13 Companies)		
Main Regional Subsidiaries		
Mitsubishi Australia Ltd.	Australia	100.00
Mitsubishi Corp. do Brasil S.A.	Brazil	100.00
Mitsubishi Corporation (Americas)	United States	100.00
Mitsubishi Corporation (Hong Kong) Ltd.	China	100.00
Mitsubishi Corporation (Korea) Ltd.	Korea	100.00
Mitsubishi Corporation (Shanghai) Ltd.	China	100.00
Mitsubishi Corporation (Taiwan) Ltd.	Taiwan	100.00
Mitsubishi Corporation International (Europe) Plc.	United Kingdom	100.00
Mitsubishi International Corporation	United States	100.00
Mitsubishi International GmbH.	Germany	100.00
Thai-MC Company Ltd.	Thailand	71.40
Others (27 Companies)		

DESCRIPTION OF THE NOTES

The following is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. You are urged to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, United States of America. The holders of the notes are deemed to have notice of all the provisions of the notes and the Indenture.

In this summary, "we," "us" and "our" refer to Mitsubishi Corporation on a standalone basis.

The notes will be issued pursuant to an indenture dated July 15, 2021 (the "Indenture") between us and The Bank of New York Mellon, as trustee, paying agent, transfer agent and registrar, as a new series of notes alongside our outstanding 1.125% notes due 2026, our 5.000% notes due 2028 and our 5.000% notes due 2029.

General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on our ability to pay dividends on our common stock, incur additional indebtedness, including other senior indebtedness (other than as set forth below under "—Negative Pledge"), or issue new securities or repurchase our respective existing securities. In addition, there are only limited restrictions on our ability to pledge assets or secure other indebtedness. The Indenture and the notes do not contain any covenants or other provisions to afford more than limited protection to holders of the notes in the event of a highly-leveraged transaction or a change in control of us.

The notes are being offered and sold without being registered under the Securities Act, in reliance upon an exemption therefrom, (i) in the United States to persons reasonably believed to be both a Qualified Institutional Buyer within the meaning of Rule 144A in transactions pursuant to Rule 144A and a Qualified Purchaser as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder and (ii) outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act. Accordingly, the Indenture is not required to be, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

Status of the Notes

The notes will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.

Principal and Maturity

The initial aggregate principal amount of the notes is $500,000,000. The notes will mature on July 17, 2034. The principal of the notes will be repaid at maturity at a price of 100% of the principal amount of the notes. The notes will not be redeemable prior to maturity, except as set forth below under "—Optional Redemption" and "—Optional Tax Redemption," and will not be subject to any sinking fund.

Interest

Interest on the notes will accrue at the rate of 5.125% per annum semi-annually in arrears on January 17 and July 17 of each year (each, an "Interest Payment Date"), beginning on January 17, 2025. We will pay interest to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day that is 15 calendar days immediately preceding such Interest Payment Date, whether or not such day is a Business Day (as defined below).

Interest on both series of the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid and will be paid to but excluding the relevant Interest Payment Date. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest will be computed by rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined below), if any) in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

"Business Day" means, for the purpose of the Indenture and the notes, a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in London, The City of New York or Tokyo.

Repurchases of the Notes

We, or any of our subsidiaries, may at any time repurchase any or all of either series of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any of our subsidiaries shall have any obligation to offer to repurchase any notes held by any holder as a result of our or any of our subsidiary's repurchase or offer to repurchase notes held by any other holder in the open market or otherwise. Any notes so repurchased shall be cancelled.

Optional Redemption

Prior to April 17, 2034 (three months prior to their maturity date) (the "Par Call Date"), we may redeem the notes at our option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(i) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points less (b) interest accrued to the date of redemption; and

(ii) 100% of the principal amount of the notes to be redeemed;

plus, in either case, accrued and unpaid interest thereon to the redemption date.

On or after the Par Call Date, we may redeem the notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield determined by us in accordance with the following two paragraphs.

The Treasury Rate shall be determined by us after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily)—H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading). In determining the Treasury Rate, we shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date (the "Remaining Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, we shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, we shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, we shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

Our actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption will be mailed or electronically delivered (or otherwise transmitted in accordance with the depositary's procedures) at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed.

In the case of a partial redemption, selection of the notes for redemption will be made pro rata, by lot or by such other method as the trustee in its sole discretion deems appropriate and fair. No notes of a principal amount of $200,000 or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon surrender for cancellation of the original note. For so long as the notes are held by DTC (or another depositary), the redemption of the notes shall be done in accordance with the policies and procedures of the depositary.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Optional Tax Redemption

The notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, and upon giving not less than 30 nor more than 60 days' prior notice of redemption to the holders (which notice shall be irrevocable) and the trustee, at a redemption price equal to 100% of the principal amount of the notes then outstanding together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts thereon, if we have or will become obliged to pay any Additional Amounts with respect to the notes as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes and such obligation cannot be avoided through the taking of reasonable measures available to us (an "Additional Amounts Event").

Prior to the publication of any notice of such redemption, we shall deliver to the trustee (i) a certificate signed by an authorized officer of us stating that the conditions precedent to the right to so redeem the notes have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall be entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders of the notes.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which we (or the successor entity) would actually be obliged to pay such Additional Amounts on a payment with respect to the notes.

Taxation and Additional Amounts

All payments of principal and interest in respect of the notes by us shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments, levies or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax ("Japanese Taxes"), unless such withholding or deduction is required by law. In such event, we shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as "Additional Amounts") as may be necessary so that the net amounts received by such holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction.

However, no such Additional Amounts shall be payable in relation to any such withholding or deduction in respect of any payment on any note:

(i) to or for the benefit of a holder or beneficial owner of a note who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese Taxes in respect of such note by reason of its (A) having some present or former connection with Japan other than the mere holding of such note or (B) being a person having a special relationship with us as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Article 3-2-2, Paragraphs (5) to (7) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") (a "Specially-related Person of ours");

(ii) to or for the benefit of a holder or beneficial owner of a note who would otherwise be exempt from any such withholding or deduction but (A) who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to us or the paying agent, as appropriate, or (B) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the paying agent;

(iii) to or for the benefit of a holder or beneficial owner of a note who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly, or through the Participant or otherwise) the paying agent of its status as not being subject to Japanese Taxes to be withheld or deducted by us by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant note through a payment handling agent in Japan appointed by it);

(iv) to or for the benefit of a holder or beneficial owner of a note who presents the note for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that such holder or beneficial owner of the note would have been entitled to such Additional Amounts on presenting the same for payment on any date during such 30-day period;

(v) to or for the benefit of a holder or beneficial owner of a note who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, where Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or

(vi) any combination of (i) through (v) above.

None of us, the trustee, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any law, regulation or other official guidance implementing FATCA, or an intergovernmental agreement with respect thereto, or any agreement between us, the trustee or a paying agent and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where a note is held through a participant of an international clearing organization or a financial intermediary (each, a “Participant”), in order to receive payments free of withholding or deduction by us or, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of ours or (b) a Japanese financial institution (a “Designated Financial Institution”) falling under certain categories prescribed by Article 6, Paragraph (11) of the Special Taxation Measures Act, and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the “Act”), all in accordance with the Act, such beneficial owner of the note must, at the time of entrusting a Participant with the custody of the relevant note, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of the note is exempted from the requirement for Japanese Taxes to be withheld or deducted (the “Interest Recipient Information”), and advise the Participant if the beneficial owner of the note ceases to be so exempted, including the case where the relevant beneficial owner of the note who is an individual non-resident of Japan or a non-Japanese corporation becomes a Specially-related Person of ours.

Where a note is not held by a Participant, in order to receive payments free of withholding or deduction by us for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a Specially-related Person of ours or (b) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of the note must, prior to each date on which it receives interest, submit to us or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a “Written Application for Tax Exemption”) in the form obtainable from us or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of the note, the title of the notes, the relevant Interest Payment Date, the amount of interest payable and the fact that such beneficial owner of the note is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence. If the relevant beneficial owner of the note provides a paying agent with the information required to be stated in the Written Application for Tax Exemption in an electronic form prescribed by the Act, such beneficial owner of the note will be deemed to have submitted a Written Application for Tax Exemption to such paying agent.

As used herein, the “Relevant Date” means the date on which any payment in respect of a note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the notes in accordance with the Indenture.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-related Person of ours; or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see “Taxation—Japanese Taxation.”

We will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. We will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, we will use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon request.

The obligation to pay Additional Amounts shall not apply to (A) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal or interest on the notes. Except as otherwise set forth in the notes and in the Indenture, we shall pay all stamp, court, excise or other documentary taxes, charges or similar levies which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the execution of the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

Merger, Consolidation, Sale or Disposition

The Indenture contains provisions permitting us, without the consent of the holders of the notes, to merge or consolidate with or merge into, or sell, assign, transfer, lease or convey all or substantially all of its properties or assets to any person or persons, provided that (a) we are the surviving party of such consolidation, merger, sale, assignment, transfer, lease or conveyance, or (b) the entity formed by such consolidation or into which we are merged, or the entity that acquires by conveyance or transfer of all or substantially all of our properties and assets, as the case may be, is a joint stock company (*kabushiki kaisha*) incorporated with limited liability under the laws of Japan and expressly assumes our obligations under the Indenture and on all series of securities issued thereunder and certain other conditions are met, including that, immediately after giving effect to such transaction, no event of default under the Indenture has occurred and is continuing. Before the consummation of any such proposed consolidation, merger, sale, assignment, transfer, lease or conveyance, we shall deliver an officer's certificate, and an opinion of counsel, to the effect that the conditions set forth above and in the Indenture have been met. The trustee shall be entitled to rely conclusively upon such officer's certificate and opinion of counsel.

Negative Pledge

So long as any of the notes remain outstanding, we will not create or permit to subsist any Lien (as defined below) on any of our property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by us with a fiscal agent, trustee or depository to pay, defease or discharge in full over time our obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

"Public External Indebtedness" means bonds, debentures, notes or other similar investment securities of us evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Right to Require Resale

Any purported sale or transfer of a note (or beneficial interest therein) which is not made in compliance with the transfer restrictions set forth under "Transfer Restrictions" herein will be void and will not be honored by us. We have the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both a Qualified Institutional Buyer and a Qualified Purchaser at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements set forth under "Transfer Restrictions" herein to sell such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to us who is able to and who does make all of the representations and agreement set forth in "Transfer Restrictions" herein. Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See "Transfer Restrictions—Compliance Procedures for Purposes of Section 3(c)(7) of the Investment Company Act—Forced Sale for Non-Qualified Institutional Buyers/ Qualified Purchasers."

Events of Default

Holders of the notes will have certain rights if an event of default occurs. References to an event of default mean any of the following:

(i) default is made in the payment of any interest or Additional Amounts, if any, in respect of the notes when it becomes due and payable, and such default continues for a period of 30 days thereafter;

(ii) default is made in the payment of the principal of or any premium on any of the notes when it becomes due and payable;

(iii) default by us in the performance or observance of any covenant, condition or provision contained in the notes or in the Indenture, and such default shall continue for 90 days after our receipt of written notice requesting such default to be remedied from the trustee, or holders of not less than 25% in aggregate outstanding principal amount of the notes;

(iv) we become bound as a consequence of acceleration due to a default in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least $100,000,000 (or its equivalent in any other currency or currencies) contracted or incurred to repay the same prior to its stated maturity, or we have defaulted in the repayment of any such indebtedness contracted or incurred at the later of the maturity thereof or the expiration of any applicable grace period therefor, or we have failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by us of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that if any such default is cured under such indebtedness, or is waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then such event of default shall be deemed to have been thereupon cured or waived;

(v) a final and non-appealable order of a court of competent jurisdiction is made or an effective resolution is passed for the winding up or dissolution of us, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes our entire obligations under the Indenture in relation to the notes;

(vi) an encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of us, of all or substantially all of our assets and undertakings, as the case may be, and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;

(vii) we stop payment (within the meaning of the bankruptcy laws of Japan) or cease to carry on business or are unable to pay our debts generally as and when they fall due;

(viii) a decree or order by any court having jurisdiction shall have been issued adjudging us bankrupt or insolvent, or approving a petition seeking with respect to our reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(ix) we initiate or consent to proceedings relating to us under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, our creditors generally.

If an event of default with respect to the notes occurs and is continuing, then in every such case (other than an event of default specified in (v), (vi), (vii) or (viii) above) the trustee or the holders of not less than 25% in principal amount of the outstanding notes may, and the trustee at the request of such holders shall (subject to receiving indemnity and/or security and/or pre-funding to its satisfaction), declare the principal amount of all the notes to be due and payable immediately, by a notice in writing to us (and to the trustee if given by holders), and upon any such declaration such principal amount shall become immediately due and payable.

The trustee and the agents (as defined below) need not do anything to ascertain whether any event of default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by the trustee or the agents to do so, and the trustee or the agents may assume that no default or event of default has occurred and that we are performing our obligations under the Indenture and the notes, unless a Responsible Officer of the trustee or, as the case may be, the agents have received written notice of the occurrence of such default or event of default or facts establishing that we are not performing their respective obligations under the Indenture, the notes or a default or an event of default has occurred. Neither the trustee nor the agents shall be required to verify any information in such notice.

"Responsible Officer" means, when used with respect to the trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of this Indenture.

"Specified Corporate Trust Office" means The Bank of New York Mellon, Singapore Branch located at One Temasek Avenue, #02-01 Millenia Tower, Singapore 039192; Attention: Global Corporate Trust—Mitsubishi Corporation; Facsimile: +65 6883 0338.

Notwithstanding the foregoing, in the case of an event of default arising under (v), (vi), (vii) or (viii) above, the principal of and interest on the outstanding notes will become immediately due and payable without further action by the trustee or the holders or notice.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal, premium (if any) or interest (including, in each case, any Additional Amounts, if applicable) in respect of the notes after the applicable due date specified in the notes, no holder of any note has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the trustee of a continuing event of default;
- the holders of not less than 25% in aggregate principal amount of the notes shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee;
- such holder or holders have offered to the trustee indemnity and/or security and/or pre-funding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such written request;
- the trustee for 60 days after its receipt of such written notice, request and offer of indemnity and/or security and/or pre-funding satisfactory to the trustee has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes.

Discharge, Defeasance and Covenant Defeasance

We have the ability to eliminate most or all of our obligations on the notes prior to maturity if we comply, among other conditions, with the following provisions:

Discharge of Indenture. We may discharge all of our obligations with respect to the notes, other than as to transfers and exchanges, under the Indenture after we have:

(i) paid or caused to be paid the principal of and any premium and interest on all of the outstanding notes, in accordance with their terms;

(ii) delivered to the paying agent for cancellation all of the outstanding notes; or

(iii) irrevocably deposited with the trustee (or its agent) cash or U.S. government obligations in trust for the benefit of the holders of the notes that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified by an accounting or financial firm of international standing to be sufficient to pay on each date that they become due and payable, the principal of and any premium and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of such notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to such notes.

Defeasance of the notes at Any Time. We may also discharge all of our obligations, other than as to transfers and exchanges, under the notes at any time, which is referred to in this offering memorandum as defeasance. Alternatively, we may be released with respect to any outstanding notes from the obligations imposed by the covenants described above limiting consolidations, mergers, transfers of assets and the creation of security interests, and elect not to comply with those sections without creating an event of default. Discharge under those procedures is referred to in this offering as covenant defeasance.

Defeasance or covenant defeasance may be effected only if, among other things:

(i) we irrevocably deposit with the trustee (or its agent) cash or U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and any premium and interest on the notes; and

(ii) we deliver to the trustee an opinion of counsel of recognized standing to the effect that:

   a. the beneficial owners of the notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and

   b. the beneficial owners of the notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred.

In the case of a defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service or a change in U.S. federal income tax law occurring after the issuance of the notes.

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes; provided, however, that if any additional notes are not fungible with the notes offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the Indenture and will have a separate CUSIP, ISIN, Common Code or similar identifying number from the notes offered hereby.

Indemnification of Judgment Currency

We will indemnify each holder of a note and the trustee to the full extent permitted by applicable law against any loss incurred by the holder and the trustee as a result of any judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the holder on the Business Day after such payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the holder or, as the case may be, the trustee.

Modification and Waiver

Modification and amendment of the notes and the Indenture may be made by us and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes of the affected series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of us to pay any Additional Amounts;

(ii) reduce the principal amount of, or rate of interest on, any of the notes;

(iii) reduce any amount payable on redemption of any of the notes;

(iv) affect the rights of holders of less than all the outstanding notes;

(v) change the place of payment where, or the coin or currency in which, any of the notes or interest thereon is payable; or

(vi) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any of the notes on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all of the notes of the affected series outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes, we and the trustee, at any time and from time to time, may enter into one or more supplemental indentures to the Indenture, in form reasonably satisfactory to the trustee, for any of the following purposes:

(i) to secure the notes, provided it does not breach the negative pledge described above under "—Negative Pledge";

(ii) to evidence the succession of another corporation, entity or person to us and the assumption by any such successor of our covenants in the Indenture and the notes;

(iii) to add to our covenants or to surrender any right or power in the Indenture conferred upon us for the benefit of the holders of the notes;

(iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee;

(v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect; or

(vi) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Paying Agent, Transfer Agent and Registrar

The Bank of New York Mellon, located in 240 Greenwich Street, New York, NY 10286, United States of America, will initially act as paying agent, transfer agent and registrar (collectively, the "agents") for the notes. We may change the paying agent, transfer agent or registrar without prior notice to the holders of the notes, and we or any of our subsidiaries may act as paying agent, transfer agent or registrar.

Paying Agent in Singapore

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the notes on the Official List of the SGX-ST. For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that the Global Notes (as defined below) are exchanged for Definitive Notes (as defined below). In addition, in the event that the Global Notes are exchanged for Definitive Notes, an announcement of such exchange will be made by us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is a banking corporation incorporated and existing under the laws of the United States of America, with its registered office located in 240 Greenwich Street, New York, NY 10286, United States of America. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of us, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with us; provided, however, that if it has or acquires any conflicting interest, as defined in Section 310(b) of the U.S. Trust Indenture Act, as amended, it must eliminate such conflict within 90 days or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless the requisite number of holders have instructed the trustee in writing and offered to the trustee security and/or indemnity and/or pre-funding satisfactory to it against the costs, expenses (including the fees and properly incurred expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by us with the trustee or a paying agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the trustee shall, upon our written request, be repaid by us, as the case may be, and all liability of the trustee or such paying agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to us for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, we will promptly furnish to the trustee (for the benefit of the holders of the notes):

(i) (x) within three months after the end of each fiscal year, English translations of our consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows and (y) within six months after the end of each fiscal year, an English translation of our annual report including our consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows prepared in accordance with IFRS Accounting Standards and audited by an independent auditor; and

(ii) as soon as practicable after the end of each quarterly period (other than the last quarterly period of a fiscal year), English translations of our interim consolidated statements of financial position and consolidated statements of income, comprehensive income, changes in equity and cash flows prepared in accordance with IFRS Accounting Standards, provided that interim consolidated statements of cash flows will not be required if disclosure of interim consolidated statements of cash flows is not required for such corresponding interim period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies.

To the extent any reports or other documents are published by us on our investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the trustee and the holders of the notes.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture is and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, we will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. We have appointed Cogency Global Inc. with offices located at 122 East 42nd Street, 18th Floor, New York, NY 10168, as our initial agent for such purpose.

Methods of Receiving Payments

The principal of, and interest and Additional Amounts on, the notes represented by the Global Notes will be payable in U.S. dollars. The paying agent will hold all sums received by it for the payment of the principal and interest on the notes in trust for the benefit of the holders of the notes. We will cause the trustee or the paying agent to pay such amounts, on the dates payment is to be made, directly to DTC.

Book-Entry; Delivery and Form

The notes will initially be issued to investors only in book-entry form. The notes sold in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (the "Regulation S Global Notes"), and the notes sold to persons reasonably believed to be Qualified Institutional Buyers who are also Qualified Purchasers in reliance on Rule 144A will initially be in the form of one or more fully-registered global notes (the "Rule 144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The Global Notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the notes. The Global Notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification or certifications (in the form provided in the Indenture).

Prior to the fortieth day after the later of the commencement of the offering and the date of the issuance of the notes, beneficial interests in a Regulation S Global Note may be transferred within the United States to a person who takes delivery in the form of an interest in the related Rule 144A Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) (a) from the transferee to the effect that such transferee (i) is a Qualified Institutional Buyer who is also a Qualified Purchaser purchasing for its own account (or for the account of one or more Qualified Institutional Buyers who are Qualified Purchasers over which account it exercises sole investment discretion) and (ii) agrees to comply with the restrictions on transfer set forth under "Transfer Restrictions," and (b) from the transferor to the effect that the transfer was made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer who is also a Qualified Purchaser acquiring for its own account or the account of a Qualified Institutional Buyer who is also a Qualified Purchaser and that the transferor has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions." After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, but such transfers will continue to be subject to the transfer restrictions contained in the legend regarding such restrictions set forth under "Transfer Restrictions."

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other Global Note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the Global Notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until notes in definitive form ("Definitive Notes") are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. These Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants.

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Clearstream is a limited liability company organized under Luxembourg law. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between

Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Luxembourg Commission de Surveillance du Secteur Financier. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a Global Note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a Global Note will not receive written confirmation from DTC, Euroclear or Clearstream of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a Global Note. Beneficial owners of interests in a Global Note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers among DTC, Euroclear and Clearstream

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, crossmarket transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a Global Note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a Global Note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a Global Note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the Global Note for all purposes under the notes and the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the Global Notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a Global Note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The paying agent will make payments of principal of, and premium and interest on, the notes and send any notices in respect of the notes held in book-entry form to Cede & Co. Payment of principal of, and premium and interest on, the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a Global Note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or us, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of, and premium and interest on, the notes or other amounts to DTC is our responsibility, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a Global Note is the responsibility of participants and indirect participants.

Except as described in this offering memorandum, a beneficial owner of an interest in a Global Note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a Global Note must rely on the procedures of DTC to exercise any rights under the notes.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. Neither we, the trustee nor any agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the notes at any time by giving notice to us. Under those circumstances, Definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No Definitive Notes will be issued in exchange for the Global Notes unless (i) DTC is at any time unwilling or unable to continue as a depositary for the Global Notes or has ceased to be qualified to act as such as required by the Indenture and a successor depositary is not appointed within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive Notes delivered in exchange for beneficial interests in any Global Note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the Definitive Notes will be payable by the paying agent by wired transfer, upon presentation and surrender of the notes at our offices or at the principal office of the paying agent in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. If we act as our own paying agent, interest on the Definitive Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date or by wire transfer. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, no later than 15 calendar days prior to the Interest Payment Date on which such payment is due and (b) in the case of payment of principal on the maturity date, no later than 15 calendar days prior to the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the paying agent for payment together with such notice.

Enforcement

With respect to enforcement of the provisions of the Indenture, in considering the interests of holders of the notes, while title to the notes is registered in the name of a nominee of the depositary, the trustee may rely conclusively upon and/or refer to any information made available to it by the depositary as to the identity (either individually or by category) of participants or persons who hold interests through such participants with entitlements to such notes and may consider such interests as if such accountholders were the holders of such notes.

Clearance and Settlement

The notes have been accepted for clearance through DTC, Euroclear and Clearstream.

Minimum Board Lot Size on the SGX-ST

The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require.

TAXATION

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering memorandum are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes, where the notes are issued by us outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

(1) Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the notes is a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder"), as described below, the Japanese tax consequences to such Non-Resident Holder are significantly different depending upon whether such non-resident holder is a Specially-Related Person. Most importantly, if such non-resident holder is a Specially-Related Person, income tax at the rate of 15.315% of the amount of such interest will be withheld by us under Japanese tax law.

(a) If the recipient of interest on the notes is a Non-Resident Holder that is not a Specially-Related Person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law" in this Japanese taxation section) (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such non-resident holder ceases to be so exempted (including the case where it became a Specially-Related Person); and

(ii) if the relevant notes are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) or certain information to be stated in such written application in an electronic form (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the interest recipient information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.

(b) If the recipient of interest on the notes is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the recipient provides the interest recipient information or submits the written application for tax exemption as set out in paragraph (a) above. Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(2) Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the notes to be made to a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual resident of Japan or a Japanese corporation (a "Resident Holder") (except for (a) a designated financial institution which has complied with the requirements under Article 6, Paragraph (11) of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a Japanese Payment Handling Agent), or to a Non-Resident Holder that is a Specially-Related Person will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan or an individual non-resident of Japan that in either case is a Specially-Related Person having a permanent establishment in Japan, interest on the notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified notes and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified notes or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Person, and if the notes are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the notes. As the status of such Non-Resident Holder as a Specially-Related Person for Japanese withholding tax purposes is determined based on the status as at the beginning of our fiscal year in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Person.

The Japanese withholding tax imposed upon interest on the notes paid to a Non-Resident Holder that is a Specially-Related Person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor such taxes will be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

Certain U.S. Federal Income Taxation Considerations

The following is a summary of certain U.S. federal income tax considerations relevant to the ownership and disposition of the notes issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax consequences. The discussion is limited to considerations relevant to a U.S. Holder (as defined below), and does not address the effects of other U.S. federal tax laws, such as estate and gift tax laws, or any state, local or foreign tax laws. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder ("Treasury Regulations"), judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the "IRS"), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of the notes. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of the notes.

This discussion is limited to holders who hold the notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this discussion is limited to persons purchasing the notes for cash at original issue and at their original "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of the notes is sold to the public for cash). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare surtax on net investment income or the alternative minimum tax. In addition, it does not address all of the tax consequences relevant to holders who are subject to special rules, including, but not limited to:

- U.S. expatriates and former citizens or long-term residents of the United States;
- U.S. Holders whose functional currency is not the U.S. dollar;
- persons holding the notes as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies and other financial institutions;
- REITs and regulated investment companies;
- controlled foreign corporation and passive foreign investment companies;
- cooperatives;
- controlled foreign corporation and passive foreign investment companies;
- cooperatives;
- brokers, dealers and traders in securities;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations (including private foundations) and governmental organizations;
- persons deemed to sell the notes under the constructive sale provisions of the Code; and
- persons required to recognize any item of gross income for U.S. federal income tax purposes with respect to the notes no later than when such item is taken into account on an applicable financial statement.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of a note that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

If an entity or arrangement taxed as a partnership for U.S. federal income tax purposes holds the notes, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partnership and partner level. Accordingly, an entity or arrangement treated as a partnership for U.S. federal income tax purposes that is considering holding the notes, and the partners in such partnerships, should consult their tax advisers regarding the U.S. federal income tax consequences to them and their partners of the ownership and disposition of notes by the partnership.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-US TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Payments of Stated Interest

It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. Payments of stated interest on a note (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for income taxes withheld by the Company. Stated interest income on a note will generally constitute foreign source income and will generally be considered "passive category income" for purposes of computing the foreign tax credit. There are significant and complex limitations on a U.S. Holder's ability to claim foreign tax credits (or deduction in lieu thereof). U.S. Holders should consult their own tax advisers regarding the creditability or deductibility of any foreign taxes withheld.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a note, a U.S. Holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amounts realized upon such disposition and the U.S. Holder's adjusted tax basis in the note. The amount realized by a U.S. Holder is generally the sum of the cash plus the fair market value of all other property received on the sale or other taxable disposition (without reduction for any taxes withheld), less any amount attributable to accrued but unpaid stated interest, which will be taxable as such to the extent not previously included in income as described above under "—Payments of Stated Interest." A U.S. Holder's adjusted tax basis in a note will generally be its U.S. dollar cost for the note.

Gain or loss a U.S. Holder recognizes on the sale or other taxable disposition of the notes generally will be U.S. source capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if a U.S. Holder has held the notes for more than one year on the date of disposition. For non-corporate U.S. Holders, long-term capital gains are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their own tax adviser regarding the tax consequences of a non-U.S. tax imposed on a disposition of notes, including the foreign tax credit implications of the sale or retirement of notes under its particular circumstances.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of interest on the notes and to the proceeds of the sale or other disposition (including a redemption or retirement) of a note paid to a U.S. Holder, unless such U.S. Holder is an exempt recipient and, when required, provides evidence of such exemption. A U.S. Holder that is not an exempt recipient may be subject to U.S. federal backup withholding at the applicable rate (currently 24%) with respect to payments on the notes and the proceeds of a sale or other taxable disposition of the notes, unless the U.S. Holder provides its taxpayer identification number and certifies on IRS Form W-9, under penalties of perjury, that it is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding withheld from a payment to a U.S. Holder may be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is furnished to the IRS in a timely manner.

Foreign Financial Asset Reporting

Individuals (and certain entities) that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds are generally required to file an information report with respect to such assets with their tax returns. The notes will generally constitute specified foreign financial assets subject to these reporting requirements, unless the notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of the foregoing disclosure requirements to their ownership of the notes, including the significant penalties for non-compliance.

CERTAIN ERISA AND BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) plans and arrangements subject to Section 4975 of the Code, and (c) entities that are deemed to hold the assets of such plans (each of the foregoing described in clauses (a)-(c) referred to herein as "Covered Plans"), and on those persons who are fiduciaries with respect to a Covered Plan. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of a Covered Plan, or who renders investment advice for a fee or other compensation to a Covered Plan, is generally considered to be a fiduciary of the Covered Plan.

In considering an investment in the notes, a fiduciary of a Covered Plan or a Plan (as defined below) should determine, among other things, that the investment is in accordance with the documents and instruments governing the Covered Plan or Plan (as defined below) and the applicable provisions of ERISA, the Code or, with respect to a Plan, the provisions of any Similar Laws (as defined below), relating to a fiduciary's duties to the Covered Plan or Plan, including, without limitation, as applicable, the prudence, diversification, delegation of control, conflict of interest and prohibited transaction provisions of ERISA, the Code or, with respect to Plans, any other applicable Similar Laws.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Covered Plan and certain persons having certain relationships to such Covered Plans (referred to as "parties in interest" or "disqualified persons"), unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, a fiduciary of the Covered Plan who engaged in such non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code, and the transaction may need to be reversed.

A prohibited transaction within the meaning of ERISA and the Code could arise in connection with an investment in the notes, for example, if the notes (including any interest in a note) are acquired by a Covered Plan to which we or an initial purchaser or any of our or their respective affiliates is a party in interest or disqualified person and such acquisition and holding of the note is not covered by an applicable statutory or administrative exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that potentially may provide exemptive relief for direct or indirect prohibited transactions resulting from a Covered Plan's investment in a note. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuers of notes nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Covered Plan involved in the transaction and provided further that the Covered Plan pays no more than adequate consideration in connection with the transaction. Each of these PTCEs contains conditions and limitations on its application. There can be no assurance that any PTCE or any other exemption will be available with respect to any otherwise prohibited transactions arising in connection with an investment in notes or that all of the conditions of any exemption will be satisfied or that any exemption or exemptions would cover all potential transactions that may arise in connection with such an investment. Accordingly, notes (including interests therein) may not be acquired by any person investing "plan assets" of any Covered Plan or Plan, unless such acquisition will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Laws (as defined below). Any fiduciary of a Covered Plan which proposes to cause the Covered Plan to purchase or hold the notes (including any interest in a note) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

U.S. governmental plans, non-U.S. plans and certain church plans (each such plan, a "Plan"), while not subject to the fiduciary responsibility or the prohibited transaction provisions of ERISA or the Code, may nevertheless be subject to other U.S. or non-U.S., federal state or other laws or regulations that are substantially similar to the foregoing provisions of ERISA and/or the Code (collectively "Similar Laws"). Each fiduciary of any such Plan should consult with its counsel before investing in the notes with the assets of any such Plan to determine the need for, and the availability, if necessary, of any exemptive relief under any such Similar Laws.

In light of the foregoing, by its purchase or holding of any note (including any interest in a note), the purchaser thereof will be deemed to have represented and warranted that either: (i) no assets of a Covered Plan or a Plan have been used to acquire or hold such note or an interest therein or (ii) the purchase and holding of such note or an interest therein by such person will not result in a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of the rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions or other violations, fiduciaries, or other persons considering purchasing the notes (including an interest therein) or holding the notes on behalf of, or with the assets of, any Covered Plan or Plan, should consult with their advisors and/or counsel regarding the matters described in this section. Neither this discussion nor anything provided in this offering memorandum is, or is intended to be, investment advice directed at any potential Covered Plan or other Plan purchasers, or to Covered Plan or Plan purchasers generally, and such purchasers or holders of the notes (or interests therein) have the exclusive obligation for determining whether an investment in the notes is suitable for the Covered Plan or Plan, as applicable and that such investment will not result in a prohibited transaction under ERISA or Section 4975 of the Code, a violation of the fiduciary requirements of ERISA, or a violation of any Similar Law. The sale of notes (including interests therein) to any Covered Plan or Plan is in no respect a representation by us, an initial purchaser or any of our or their respective affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Covered Plans or Plans generally or any particular Covered Plan or Plan, or that such investment is prudent or appropriate for Covered Plans or Plans generally or any particular Covered Plan or Plan.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated July 10, 2024 (the "purchase agreement"), between us and the initial purchasers named below, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the notes listed opposite their names below.

Initial purchasers	Principal amount of notes
J.P. Morgan Securities LLC	$155,000,000
Citigroup Global Markets Inc.	150,000,000
Morgan Stanley & Co. LLC	150,000,000
Goldman Sachs & Co. LLC	37,500,000
BofA Securities, Inc.	7,500,000
Total	$500,000,000

The initial purchasers have advised us that they propose initially to offer the notes at the issue price listed on the cover page of this offering memorandum. After the initial offering, the issue price, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase the notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S and by the initial purchasers or affiliates of certain of the initial purchasers inside the United States to persons reasonably believed to be both (1) Qualified Institutional Buyers as defined in Rule 144A and (2) Qualified Purchasers as defined in Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder.

No Sale of Similar Securities

We have agreed that, during a period from the date hereof through and including the closing date hereof, we will not, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any U.S. dollar-denominated debt securities issued or guaranteed by us and having a tenor of more than one year (other than the notes).

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The Initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issue of the Notes

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under "Certain ERISA and Benefit Plan Considerations" and "Transfer Restrictions." Approval in-principle has been received for the listing and quotation of the notes on the Official List of the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require. The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial issue price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Relating to the notes—The market for the notes offered by this offering memorandum may have limited liquidity."

Settlement

We expect that delivery of the notes will be made to investors on or about July 17, 2024, which will be the fifth New York business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering memorandum, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been, and will not be, registered under the Securities Act or any state securities laws, in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act, and we have not been registered, and will not register, as an investment company under the Investment Company Act. Accordingly, the notes may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to persons reasonably believed to be both Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) and Qualified Purchasers (as defined in Section 2(a)(51)(A) under the Investment Company Act and the rules and regulations promulgated thereunder). The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be both Qualified Institutional Buyers and Qualified Purchasers in reliance on the exemption from registration provided by Rule 144A under the Securities Act, and each purchaser of the notes that is a U.S. person is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemptions. The offering of the notes to persons other than U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

CERTAIN VOLCKER RULE CONSIDERATIONS—We do not believe that it is necessary for us to rely solely on either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act in connection with this offering or otherwise. Accordingly, we do not believe that we are or, after completion of the offering, will be a "covered fund" as defined in the final regulations issued December 10, 2013, implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, commonly known as the "Volcker Rule."

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. The notes (i) have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used in this item (i) means any person that is a resident of Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold as part of distribution pursuant to the purchase agreement at any time, to, or for the benefit of, any person other than a beneficial owner that is (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Person of ours, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a Japanese Payment Handling Agent.

Member States of the European Economic Area

The notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (b) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; or (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA. Consequently, no key information document required by the UK PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which

Section 21(1) of the FSMA does not apply to us, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the notes in, from or otherwise involving the United Kingdom.

Hong Kong

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice.

The notes have not been, and will not be, offered or sold in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO"), and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and no advertisement, invitation or document relating to the notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore Notice SFA 04-N12: Notice on the Sale of Investment Products and Monetary Authority of Singapore Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under the following exemptions under the FinSA:

(a) to any investor that qualifies as a professional client within the meaning of the FinSA;

(b) to fewer than 500 investors (other than professional clients within the meaning of the FinSA); or

(c) in any other circumstances falling within article 36 of the FinSA;

provided, in each case, that no such offer of notes referred to in (a) through (c) above shall require the publication of a prospectus for offers of notes pursuant to the FinSA.

The notes will not be listed or admitted to trading on the SIX Swiss Exchange or on any other trading venue in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the offering, the notes or us constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the offering, the notes or us may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to the FinSA.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, the notes or us have been or will be filed with or approved by any Swiss regulatory authority.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering memorandum may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering memorandum.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction. Accordingly, the notes may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except (a) to Qualified Institutional Buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A that are also Qualified Purchasers (as defined in Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder) and (b) outside the U.S. to persons other than "U.S. persons" (as defined in Rule 902 under the Securities Act) in offshore transactions in compliance with Regulation S.

For a discussion of the requirements to effect exchanges or transfers of interests in the Global Notes, see "Description of the Notes—Book-Entry; Delivery and Form."

Rule 144A Notes

Each purchaser of the notes (including the registered holders and beneficial owners of the notes as they exist from time to time, including as a result of transfers, in each case, as of the time of purchase) offered hereby in reliance on Rule 144A (the "Rule 144A Notes") must be able to and will be deemed to have represented and agreed, on its own behalf and on behalf of each account for which it is purchasing, as follows:

1. It is a Qualified Institutional Buyer who is also a Qualified Purchaser; is aware the resale of the notes to it is being made in reliance on Rule 144A; is acquiring such notes for its own account or the account of a Qualified Institutional Buyer who is also a Qualified Purchaser as to which the purchaser exercises sole investment discretion; and it and each such account:

   (i) is not a broker-dealer which owns and invests on a discretionary basis less than US$25,000,000 in securities of unaffiliated issuers;

   (ii) is not formed for the purpose of investing in us (unless all of its beneficial owners are Qualified Institutional Buyers who are also Qualified Purchasers);

   (iii) has not invested more than 40% of its assets in the notes (or beneficial interests therein) and/or other securities of us after giving effect to the purchase of the notes (or beneficial interests therein) (unless all of its beneficial owners are Qualified Institutional Buyers who are also Qualified Purchasers);

   (iv) is not a participant-directed employee plan, such as a 401(K) plan, or a trust holding the asset of such a plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan;

   (v) is not a partnership, common trust fund or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are Qualified Institutional Buyers who are also Qualified Purchasers;

   (vi) will provide notice of the transfer restrictions described in this "Transfer Restrictions" to any subsequent transferees, who will be deemed to make the same representations contained in this "Transfer Restrictions";

   (vii) acknowledges that we may receive a list of participants holding positions in the Rule 144A Global Notes from one or more book-entry depositaries; and

(viii) if it is a Section 3(c)(1) or Section 3(c)(7) investment company, or a Section 7(d) foreign investment company relying on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act with respect to its U.S. holders and was formed on or before April 30, 1996, it has received the necessary consent from its beneficial owners as required by the Investment Company Act.

2. It understands that if at any time we determine in good faith that a holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser at the time of acquisition of such note or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this "Transfer Restrictions," we have the right to require such holder to transfer such note (or beneficial interest therein) to a transferee acceptable to us who is able to and who does make all of the representations and agreements set forth in this "Transfer Restrictions." Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph.

3. It understands that we are not required to be registered as an "investment company" under the Investment Company Act.

4. It understands and acknowledges that such Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and the Rule 144A Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except to a person who the seller reasonably believes is both a Qualified Institutional Buyer and a Qualified Purchaser in a transaction meeting the requirements of Rule 144A, or to a non-U.S. person in an offshore transaction in accordance with Regulation S, in each case in accordance with all applicable securities laws of the states of the United States.

5. It understands and acknowledges that Rule 144A Notes (or any interest therein) may be held, purchased, sold, pledged or otherwise transferred only in minimum principal amounts of US$200,000 and integral multiples of US$1,000 in excess thereof.

6. It understands that each Rule 144A Global Note, and each Definitive Note issued in exchange for all or part of a Rule 144A Global Note or an interest therein, will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

   THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF US$200,000 AND INTEGRAL MULTIPLES OF US$1,000 IN EXCESS THEREOF. IF AT ANY TIME MITSUBISHI CORPORATION (THE "COMPANY") DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THIS NOTE OR BENEFICIAL INTERESTS HEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE INDENTURE, THE COMPANY SHALL REQUIRE SUCH HOLDER TO TRANSFER THIS NOTE (OR INTEREST HEREIN) TO A TRANSFEREE ACCEPTABLE TO THE COMPANY WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE INDENTURE. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THIS NOTE (OR INTEREST HEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE NOTE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE NOTE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN.

   THE NOTES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW. THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). ACCORDINGLY, OFFERS AND SALES OF THE NOTES MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS IN THE UNITED STATES OR THE

APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION AND IN A TRANSACTION THAT DOES NOT CAUSE THE COMPANY TO BE REQUIRED TO REGISTER UNDER THE INVESTMENT COMPANY ACT. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT (I) IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE COMPANY AND THE NOTES, (II) IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF, (III) IT IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND A QUALIFIED PURCHASER ("QP") (AS DEFINED IN SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND RELATED RULES), IN EACH CASE PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB WHO IS ALSO A QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION, IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, (IV) IT IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$25,000,000 IN SECURITIES OF ISSUERS THAT ARE NOT ITS AFFILIATED PERSONS, (V) IT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE COMPANY, (VI) IT HAS NOT INVESTED MORE THAN 40% OF ITS ASSETS IN THE NOTES (OR BENEFICIAL INTERESTS THEREIN) AND/OR OTHER SECURITIES OF THE COMPANY AFTER GIVING EFFECT TO THE PURCHASE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) (UNLESS ALL OF ITS BENEFICIAL OWNERS ARE QIBS WHO ARE ALSO QPS); (VII) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, OR A TRUST HOLDING THE ASSET OF SUCH A PLAN, UNLESS THE INVESTMENT DECISIONS WITH RESPECT TO SUCH PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN; (VIII) IT IS NOT A PARTNERSHIP, COMMON TRUST FUND OR CORPORATION, SPECIAL TRUST, PENSION FUND OR RETIREMENT PLAN, OR OTHER ENTITY, IN WHICH THE PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENT TO BE MADE, OR THE ALLOCATION THEREOF, UNLESS ALL SUCH PARTNERS, BENEFICIARIES, BENEFICIAL OWNERS, PARTICIPANTS, SHAREHOLDERS OR OTHER EQUITY OWNERS ARE QIBS WHO ARE ALSO QPS; (IX) IT, AND EACH ACCOUNT FOR WHICH IT IS PURCHASING, WILL HOLD AND TRANSFER AT LEAST THE MINIMUM DENOMINATION OF SECURITIES, (X) IT UNDERSTANDS THAT THE COMPANY MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN THIS NOTE FROM ONE OR MORE BOOK ENTRY DEPOSITARIES, (XI) IF IT IS A SECTION 3(C)(1) OR SECTION 3(C)(7) INVESTMENT COMPANY, OR A SECTION 7(D) FOREIGN INVESTMENT COMPANY RELYING ON SECTION 3(C)(1) OR SECTION 3(C)(7) OF THE INVESTMENT COMPANY ACT WITH RESPECT TO ITS U.S. HOLDERS AND WAS FORMED ON OR BEFORE APRIL 30, 1996, IT HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS AS REQUIRED BY THE INVESTMENT COMPANY ACT, AND (XII) IT MUST BE ABLE TO AND WILL BE DEEMED TO REPRESENT THAT IT AGREES TO COMPLY WITH THE APPLICABLE TRANSFER RESTRICTIONS, AND WILL NOT TRANSFER THIS NOTE OR ANY BENEFICIAL INTERESTS HEREIN EXCEPT TO A PURCHASER WHO CAN MAKE THE SAME REPRESENTATIONS AND AGREEMENTS ON BEHALF OF ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING OR TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER HEREOF, THE COMPANY OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY ON THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.

7. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the notes offered hereby.

8. It acknowledges that the trustee for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

9. It acknowledges that we, the initial purchasers, the Transfer Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the notes are no longer accurate, it shall promptly notify us, the initial purchasers and the Transfer Agent. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Compliance Procedures for Purposes of Section 3(c)(7) of the Investment Company Act

The following procedures will be taken in respect of all notes that are Rule 144A Notes:

Reminder notices

At least annually, and each time we send a periodic report to holders of notes, we will send to all holders of the notes a reminder notice stating that: (i) each beneficial holder that is a U.S. person is required to be both a Qualified Institutional Buyer and a Qualified Purchaser that can make the representations and agreements set forth under the caption "Transfer Restrictions" herein, (ii) the notes can be transferred only to another U.S. person that is both a Qualified Institutional Buyer and a Qualified Purchaser that can make such representations and agreements or to a non-U.S. person in an offshore transaction in accordance with Regulation S and (iii) any such transfer not in accordance with such provisions is void ab initio and we have the right to force any beneficial holder who is in breach of any such representations and agreements to sell its notes. We will send the annual or periodic report, together with the reminder notice, to each subsequent purchaser with a request that such subsequent purchaser pass the notifications along to beneficial owners of notes; provided, that so long as the notes are in the form of the Global Notes, we may instead arrange for an "Important Notice" to be sent to participants identified by the book-entry system(s) in which the notes are deposited with a request that participants pass them along to beneficial owners.

DTC actions with respect to the notes

We will instruct DTC to take the following (or substantially similar) steps with respect to the notes:

1. to include a "3c7" marker that indicates that sales, resales, pledges, exchanges or other transfers of beneficial interests to U.S. persons are limited to Qualified Institutional Buyers that are also Qualified Purchasers in the DTC 20-character descriptor for the notes and the 48-character additional descriptor;

2. to cause each (i) physical order ticket that DTC delivers after settlement for the notes to have the 20-character descriptor printed on it and (ii) where the deliver order ticket is electronic, to have a "3c7" indicator and a related user manual for participants, which will contain a description of the relevant restrictions;

3. to send an "Important Notice" outlining the 3(c)(7) and other transfer restrictions with respect to the Global Notes to all DTC participants in connection with the initial offering, and up to one time per year, to re-issue the "Important Notice"; and

4. to include in its "Reference Directory" that DTC makes available to its participants our name on the list of all issuers who have advised DTC that they are 3(c)(7) issuers, the CUSIP number of the Global Notes and a paragraph explaining the transfer restrictions for the Global Notes in more detail.

Upon our request, DTC will provide to us a list of all DTC participants holding interests in the Global Notes.

Bloomberg screens, etc.

The Bloomberg screen containing information about any note will include appropriate legends regarding Rule 144A and Section 3(c)(7) restrictions. In the event that Telekurs, Reuters or any other information service provider becomes an important source of information in the secondary market for the notes, any screen of any such provider containing information about any notes will include substantially similar language.

CUSIP

The confirmations relating to trades of the notes sold in reliance on Rule 144A will contain a CUSIP number which has a fixed field attached thereto containing "Section 3(c)(7)" and "Rule 144A" indicators.

Legends

We will not remove the legends or portion thereof relating to Section 3(c)(7) of the Investment Company Act described under "Transfer Restrictions" from the notes sold in reliance on Rule 144A so long as we are relying on the exemption from registration under the Investment Company Act provided by Section 3(c)(7) thereof.

Forced Sale for Non-Qualified Institutional Buyers/Qualified Purchasers

We have the right under the Indenture to require any holder of a note (or beneficial interest therein) that is a U.S. person and is determined not to have been both (i) a Qualified Institutional Buyer and (ii) a Qualified Purchaser at the time of acquisition of such note (or such beneficial interest therein) or is otherwise determined to be in breach, at the time given, of any of the representations and agreements contained in this "Transfer Restrictions" to transfer such note (or such beneficial interest therein), within 30 days after notice of the sale requirement is given, to a transferee acceptable to us who is able to and who does make all of the representations and agreements set forth in this "Transfer Restrictions." Pending such transfer, such holder will be deemed not to be the holder of such notes for any purpose, including but not limited to receipt of principal and interest payments on such notes, and such holder will be deemed to have no interest whatsoever in such notes except as otherwise required to sell its interest therein as described in this paragraph. See "Description of the Notes—Right to Require Resale."

Regulation S Notes

Each purchaser of notes other than the Rule 144A Notes ("Regulation S Notes") must be able to and will be deemed to have represented and agreed as follows:

1. It is a non-U.S. person who is acquiring such Regulation S Notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

2. It understands that such Regulation S Notes are being offered only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and that the Regulation S Notes offered hereby have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (5) below.

3. It agrees that it will deliver to each person to whom it transfers the Regulation S Notes notice of any restrictions on transfer of such Regulation S Notes.

4. It understands that each Regulation S Global Note, and each Definitive Note issued in exchange for all or part of a Regulation S Global Note or interest therein, will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

   THE NOTES MAY BE PURCHASED AND TRANSFERRED ONLY IN MINIMUM PRINCIPAL AMOUNTS OF $200,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF.

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED,

RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. MITSUBISHI CORPORATION (THE "COMPANY") HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE DATE OF ISSUANCE OF THE NOTES.

5. It acknowledges that the trustee for the notes will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

6. It acknowledges that we, the initial purchasers, the Transfer Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the notes are no longer accurate, it shall promptly notify us, the initial purchasers and the Transfer Agent. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the offering will be passed upon for us by Mori Hamada & Matsumoto in respect of Japanese law. The validity of the notes and certain legal matters with respect to the offering will be passed upon for us by Morrison & Foerster LLP and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP, in each case in respect of New York state and U.S. federal securities law.

INDEPENDENT AUDITOR

The consolidated financial statements of Mitsubishi Corporation as of and for the years ended March 31, 2023 and 2024, included in this offering memorandum, have been audited by Deloitte Touche Tohmatsu LLC, independent auditor, as stated in its reports appearing herein.

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements of Mitsubishi Corporation and its Subsidiaries

Note: In the audited consolidated financial statements included in this Offering Memorandum, retrospective adjustments relating to changes in reporting segments in the fiscal year ended March 31, 2024 have been applied only to the corresponding figures for the fiscal year ended March 31, 2023, presented as comparative information in the audited consolidated financial statements for the fiscal year ended March 31, 2024, and have not been reflected in the audited consolidated financial statements for the fiscal year ended March 31, 2023. See "Presentation of financial information—Retrospective Adjustments."

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi Corporation:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes to the consolidated financial statements, including material accounting policy information, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified in the current period were:

1. Medium- to long-term copper price assumption

2. Medium- to long-term crude oil price assumption

1. Medium- to long-term copper price assumption

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in the copper business in Chile and Peru. Of the Group's investments in the copper business, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 292,020 million and investments accounted for using the equity method were JPY 406,130 million in the consolidated statement of financial position as of March 31, 2024. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, the medium- to long-term copper price assumption is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term copper price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term copper price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts caused by efforts towards a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future copper price assumptions published by multiple external organizations, which indicates high uncertainty. Therefore, we identified the determination of the medium- to long-term copper price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term copper price assumption used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term copper price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.

- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the impacts caused by efforts towards a decarbonized society on the current copper markets and the future global demand and supply for copper.

- We evaluated the reasonableness of the Group's medium- to long-term copper price assumption by comparing the Group's assumption with a range developed by our independent estimates of future copper price. Our range is developed to be narrower than the medium- to long-term copper price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.

- When we developed the range, we independently obtained the medium- to long-term copper price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosure of the medium- to long-term copper price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term copper price assumption as discussed above.

2. Medium- to long-term crude oil price assumption

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the natural gas/oil development and production and the liquefied natural gas ("LNG") projects in various countries, such as Australia, Russia, Malaysia, and Canada. Of the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 217,842 million, investments accounted for using the equity method were JPY 773,084 million (total of JPY 522,974 million in LNG-related business and JPY 250,110 million in shale gas business), and property, plant and equipment were JPY 341,939 million in the consolidated statement of financial position as of March 31, 2024. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method and property, plant and equipment, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, due to the fact that LNG price correlates with crude oil price, the medium- to long-term crude oil price assumption is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method and property, plant and equipment. Changes in the medium- to long-term crude oil price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term crude oil price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts caused by efforts towards a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future crude oil price assumptions published by multiple external organizations. Therefore, we identified the determination of the medium- to long-term crude oil price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term crude oil price assumption used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term crude oil price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method and property, plant and equipment.

- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the impacts caused by efforts towards a decarbonized society on the current crude oil markets and the future global demand and supply for crude oil.

- We evaluated the reasonableness of the Group's medium- to long-term crude oil price assumption by comparing the Group's assumption with a range developed by our independent estimates of future crude oil price. Our range is developed to be narrower than the medium- to long-term crude oil price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.

- When we developed the range, we independently obtained the medium- to long-term crude oil price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over the medium- to long-term crude oil price assumption as discussed above.

Other Information

Management is responsible for the other information. The Audit & Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit & Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain, when performing risk assessment procedures, 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to the Group were JPY 6,716 million and JPY 843 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Financial Report as information for readers.

Yuki Higashikawa
Designated Engagement Partner
Certified Public Accountant

Hirofumi Otani
Designated Engagement Partner
Certified Public Accountant

Sogo Ito
Designated Engagement Partner
Certified Public Accountant

June 21, 2024

Consolidated Financial Statements
Consolidated Statement of Financial Position
March 31, 2023 and 2024

ASSETS	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars (Note 2) 2024
Current assets			
Cash and cash equivalents (Notes 2 and 30)	¥1,556,999	¥1,251,550	$8,288
Time deposits (Note 30)	95,291	94,113	623
Short-term investments (Notes 7, 30 and 34)	42,127	5,388	36
Trade and other receivables (Notes 8, 16, 24, 30, 35 and 38)	4,127,275	4,242,973	28,099
Other financial assets (Notes 30, 31 and 32)	392,644	269,269	1,783
Inventories (Notes 9 and 30)	1,771,382	1,724,221	11,419
Biological assets (Note 10)	109,953	122,558	812
Advance payments to suppliers	139,140	151,437	1,003
Assets classified as held for sale (Notes 11 and 16)	243,663	3,072,964	20,351
Other current assets (Note 30)	630,829	742,026	4,914
Total current assets	9,109,303	11,676,499	77,328
Non-current assets			
Investments accounted for using the equity method (Notes 2 and 38)	3,921,494	4,500,877	29,807
Other investments (Notes 2, 7, 16, 30 and 34)	1,816,851	1,814,773	12,018
Trade and other receivables (Notes 8, 16, 30, 34, 35 and 38)	1,013,428	1,096,313	7,260
Other financial assets (Notes 30, 31 and 32)	160,892	121,894	807
Property, plant and equipment (Notes 2, 12, 15 and 16)	2,992,042	2,692,368	17,830
Investment property (Note 13)	81,986	28,754	190
Intangible assets and goodwill (Note 14)	1,207,402	742,893	4,920
Right-of-use assets (Note 35)	1,590,283	456,406	3,023
Deferred tax assets (Note 28)	39,082	43,345	287
Other non-current assets (Notes 10 and 19)	214,738	285,450	1,890
Total non-current assets	13,038,198	11,783,073	78,034
Total assets (Note 6)	¥22,147,501	¥23,459,572	$155,361

See Notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars (Note 2) 2024
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,395,890	¥1,733,684	$11,481
Trade and other payables (Notes 18, 30, 33 and 38)	3,369,018	2,848,897	18,867
Lease liabilities (Notes 35 and 36)	264,083	111,821	741
Other financial liabilities (Notes 30, 31, 32 and 33)	354,066	254,441	1,685
Advances from customers (Note 24)	296,463	321,400	2,128
Income tax payables	185,432	64,942	430
Provisions (Note 20)	84,618	177,840	1,178
Liabilities directly associated with assets classified as held for sale (Note 11)	25,812	1,916,404	12,691
Other current liabilities (Note 30)	719,297	702,652	4,653
Total current liabilities	6,694,679	8,132,081	53,855
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	3,493,991	3,394,268	22,479
Trade and other payables (Notes 30, 33 and 38)	59,235	31,872	211
Lease liabilities (Notes 35 and 36)	1,403,606	446,818	2,959
Other financial liabilities (Notes 30, 31, 32 and 33)	177,380	108,482	718
Retirement benefit obligation (Note 19)	118,470	110,356	731
Provisions (Note 20)	342,808	287,572	1,904
Deferred tax liabilities (Note 28)	679,144	789,857	5,231
Other non-current liabilities	59,152	63,437	420
Total non-current liabilities	6,333,786	5,232,662	34,653
Total liabilities	13,028,465	13,364,743	88,508
Equity			
Common stock (Note 21)	204,447	204,447	1,354
Additional paid-in capital (Note 21)	225,858	226,781	1,502
Treasury stock (Note 21)	(124,083)	(187,011)	(1,238)
Other components of equity			
Other investments designated as FVTOCI (Note 22)	405,431	471,147	3,120
Cash flow hedges (Notes 22 and 32)	53,044	87,004	576
Exchange differences on translating foreign operations (Notes 22 and 32)	1,257,065	1,789,444	11,851
Total other components of equity	1,715,540	2,347,595	15,547
Retained earnings (Notes 2, 7 and 21)	6,043,878	6,452,055	42,729
Equity attributable to owners of the Parent	8,065,640	9,043,867	59,893
Non-controlling interests (Note 5)	1,053,396	1,050,962	6,960
Total equity	9,119,036	10,094,829	66,853
Total liabilities and equity	¥22,147,501	¥23,459,572	$155,361

See Notes to the consolidated financial statements.

Consolidated Statement of Income
For the years ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2023	2024	2024
Revenues (Notes 6, 24, 26, 30, 32 and 35)	¥21,571,973	¥19,567,601	$129,587
Cost of revenues (Notes 9, 14, 26, 30 and 32)	(19,012,011)	(17,207,892)	(113,960)
Gross profit (Note 6)	2,559,962	2,359,709	15,627
Selling, general and administrative expenses (Notes 14, 25, 35 and 38)	(1,607,518)	(1,692,282)	(11,207)
Gains (losses) on investments (Notes 26, 30, 37 and 38)	197,005	233,007	1,543
Gains (losses) on disposal and sale of property, plant and equipment and others (Note 41)	(272)	37,215	246
Impairment losses on property, plant and equipment, intangible assets, goodwill and others (Notes 12 and 14)	(31,638)	(29,556)	(196)
Other income (expense)-net (Notes 10, 14, 27 and 32)	(25,353)	(104,117)	(690)
Finance income (Notes 7, 26 and 38)	203,642	305,374	2,022
Finance costs (Notes 26 and 35)	(115,377)	(191,141)	(1,266)
Share of profit (loss) of investments accounted for using the equity method (Notes 6 and 38)	500,180	444,385	2,943
Profit (loss) before tax	1,680,631	1,362,594	9,024
Income taxes (Notes 28, 37, 38 and 41)	(409,132)	(337,736)	(2,237)
Profit (loss) for the year	¥1,271,499	¥1,024,858	$6,787
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥1,180,694	¥964,034	$6,384
Non-controlling interests	90,805	60,824	403
	¥1,271,499	¥1,024,858	$6,787
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥269.76	¥230.10	$1.52
Diluted (Note 29)	268.56	222.37	1.47

See Notes to the consolidated financial statements.

Note: On January 1, 2024, the Company conducted a three-for-one stock split of its common shares. The calculation of Profit (loss) for the year attributable to Owners of the Parent per share (in Yen) is done under the assumption that the stock split occurred at the start of the previous fiscal year.

Consolidated Statement of Comprehensive Income
For the years ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2023	2024	2024
Profit (loss) for the year	¥1,271,499	¥1,024,858	$6,787
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains (losses) on other investments designated as FVTOCI (Notes 2, 7 and 22)	(94,571)	102,553	679
Remeasurement of defined benefit pension plans (Notes 19 and 22)	15,602	79,260	525
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	595	(5,336)	(35)
Total	(78,374)	176,477	1,169
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	103,164	36,904	244
Exchange differences on translating foreign operations (Notes 22 and 32)	296,053	479,396	3,175
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	186,546	83,214	551
Total	585,763	599,514	3,970
Total other comprehensive income (loss) (Note 22)	507,389	775,991	5,139
Total comprehensive income (loss)	¥1,778,888	¥1,800,849	$11,926
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,651,771	¥1,714,019	$11,351
Non-controlling interests	127,117	86,830	575
	¥1,778,888	¥1,800,849	$11,926

See Notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
For the years ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2023	2024	2024
Common stock:			
Balance at the beginning of the year (Note 21)	¥204,447	¥204,447	$1,354
Balance at the end of the year (Note 21)	204,447	204,447	1,354
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	226,483	225,858	1,496
Compensation costs related to share-based payment (Note 23)	2,150	3,284	22
Sales of treasury stock upon exercise of share-based payment	(1,723)	(1,099)	(7)
Equity transactions with non-controlling interests and others (Note 37)	(1,052)	(1,262)	(8)
Balance at the end of the year	225,858	226,781	1,502
Treasury stock:			
Balance at the beginning of the year	(25,544)	(124,083)	(822)
Sales of treasury stock upon exercise of share-based payment	4,378	5,240	35
Purchases and sales - net (Note 21)	(216,740)	(445,026)	(2,947)
Cancellation (Note 21)	113,823	376,858	2,496
Balance at the end of the year	(124,083)	(187,011)	(1,238)
Other components of equity:			
Balance at the beginning of the year (Note 22)	1,270,412	1,715,540	11,361
Other comprehensive income (loss) attributable to owners of the Parent (Notes 22 and 32)	471,077	749,985	4,967
Transfer to retained earnings (Note 22)	(25,949)	(117,930)	(781)
Balance at the end of the year (Note 22)	1,715,540	2,347,595	15,547
Retained earnings: (Note 21)			
Balance at the beginning of the year	5,204,434	6,043,878	40,026
Cumulative effects of change in accounting policy (Note 2)	(22,384)	–	–
Adjusted balance at the beginning of the year	5,182,050	6,043,878	40,026
Profit (loss) for the year attributable to owners of the Parent	1,180,694	964,034	6,384
Cash dividends paid to owners of the Parent (Note 21)	(228,829)	(293,433)	(1,943)
Sales of treasury stock upon exercise of share-based payment	(2,163)	(3,496)	(23)
Cancellation of treasury stock (Note 21)	(113,823)	(376,858)	(2,496)
Transfer from other components of equity	25,949	117,930	781
Balance at the end of the year	6,043,878	6,452,055	42,729
Equity attributable to owners of the Parent	8,065,640	9,043,867	59,893
Non-controlling interests:			
Balance at the beginning of the year	976,940	1,053,396	6,976
Cash dividends paid to non-controlling interests	(56,348)	(84,771)	(561)
Equity transactions with non-controlling interests and others	5,687	(4,493)	(30)
Profit (loss) for the year attributable to non-controlling interests	90,805	60,824	403
Other comprehensive income (loss) attributable to non-controlling interests (Notes 22 and 32)	36,312	26,006	172
Balance at the end of the year	1,053,396	1,050,962	6,960
Total equity	¥9,119,036	¥10,094,829	$66,853
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,651,771	¥1,714,019	$11,351
Non-controlling interests	127,117	86,830	575
Total comprehensive income (loss)	¥1,778,888	¥1,800,849	$11,926

See Notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
For the years ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2023	2024	2024
Operating activities:			
Profit (loss) for the year	¥1,271,499	¥1,024,858	$6,787
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	583,294	599,330	3,969
(Gains) losses on investments	(197,005)	(233,007)	(1,543)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	31,910	(7,659)	(51)
Finance (income) - net of finance costs	(88,265)	(114,264)	(757)
Share of (profit) loss of investments accounted for using the equity method	(500,180)	(444,385)	(2,943)
Income taxes	409,132	337,736	2,237
Changes in trade receivables	179,318	82,648	547
Changes in inventories	(12,929)	(71,555)	(474)
Changes in trade payables	(108,217)	(8,490)	(56)
Changes in derivative related assets and liabilities (Note 2)	197,674	39,779	263
Other - net (Notes 2 and 19)	26,665	156,024	1,033
Dividends received	489,353	485,252	3,214
Interest received	121,653	187,571	1,242
Interest paid	(134,224)	(212,823)	(1,409)
Income taxes paid	(339,540)	(473,635)	(3,137)
Net cash provided by (used in) operating activities	1,930,138	1,347,380	8,923
Investing activities:			
Payments for property, plant and equipment and others	(454,954)	(520,542)	(3,447)
Proceeds from disposal of property, plant and equipment and others (Note 41)	20,276	26,099	173
Payments for investment property	(611)	(1,296)	(9)
Proceeds from disposal of investments property	395	65,738	435
Purchases of investments accounted for using the equity method	(181,025)	(255,141)	(1,690)
Proceeds from disposal of investments accounted for using the equity method	284,129	349,160	2,312
Acquisitions of businesses - net of cash acquired (Notes 5 and 36)	(25,734)	(12,715)	(84)
Proceeds from disposal of businesses - net of cash divested (Notes 36 and 37)	173,362	(15,852)	(105)
Purchases of other investments	(62,425)	(66,483)	(440)
Proceeds from disposal of other investments	116,835	137,642	912
Increase in loans receivable	(157,096)	(112,375)	(744)
Collection of loans receivable	46,889	193,848	1,284
Net (increase) decrease in time deposits	62,493	6,156	41
Net cash provided by (used in) investing activities	(177,466)	(205,761)	(1,363)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	(408,701)	220,413	1,460
Proceeds from long-term debts (Note 36)	214,020	430,656	2,852
Repayments of long-term debts (Note 36)	(772,621)	(614,361)	(4,069)
Repayments of lease liabilities (Notes 35 and 36)	(308,946)	(300,086)	(1,987)
Dividends paid to owners of the Parent (Note 21)	(228,829)	(293,433)	(1,943)
Dividends paid to non-controlling interests	(56,348)	(84,771)	(561)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(14,526)	(21,925)	(145)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	26,420	22,301	148
Net (increase) decrease in treasury stock (Note 21)	(217,107)	(445,027)	(2,947)
Net cash provided by (used in) financing activities	(1,766,638)	(1,086,233)	(7,194)
Effect of exchange rate changes on cash and cash equivalents	15,395	47,921	317
Net increase (decrease) in cash and cash equivalents included in assets classified as held for sale	–	(408,756)	(2,707)
Net increase (decrease) in cash and cash equivalents	1,429	(305,449)	(2,023)
Cash and cash equivalents at the beginning of the year	1,555,570	1,556,999	10,311
Cash and cash equivalents at the end of the year	¥1,556,999	¥1,251,550	$8,288

See Notes to the consolidated financial statements.

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company") is a diversified organization engaged in a wide variety of business activities through its network in Japan and overseas. These activities span from natural resource development to the trading and manufacturing of a wide range of products and the provision of consumer goods and services. Leveraging its collective capabilities based on its broad engagement with wide-ranging industries and global intelligence, the Company commercializes new business models and new technologies and develops and offers new services.

The principal business activities of the Company are disclosed in Note 6. The consolidated financial statements of the Parent comprise the accounts of the Company, including interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with IFRS Accounting Standards (IFRS)

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(2) Basis of measurement

The consolidated 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.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2024 is presented solely for the convenience of readers outside of Japan and has been made at the rate of ¥151=US$1, the approximate rate of exchange at March 31, 2024. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied

The new major standards and interpretations applied from the year ended March 31, 2024 are as follows:

Standards and interpretations	Outline
IAS 12 Income Taxes (Amended)	Deferred Tax related to Assets and Liabilities arising from a single Transaction

IAS 12 Income Taxes (Amended)

The Company has applied IAS 12 (Amended) from the fiscal year ended March 31, 2024. As a result, the beginning balance of "Investments accounted for using the equity method" and "Retained earnings" in the consolidated statement of financial position, and "Retained earnings" in the consolidated statement of changes in equity for the year ended March 31, 2023, decreased by ¥5,381 million, respectively.

In the consolidated statement of changes in equity for the year ended March 31, 2023, "Cumulative effects of change in accounting policy" in "Retained earnings" decreased by ¥22,384 million. This includes a decrease of ¥5,381 million due to the application of IAS 12 (Amended) as above, as well as a decrease of ¥17,003 million due to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (Amended) applied from the previous fiscal year.

In accordance with the application of IAS 12 (Amended), the accounting treatment at the time of initial recognition of transactions that result in recognizing equivalent amounts of taxable and deductible temporary differences is clarified, and "Deferred tax liabilities" and "Deferred tax assets" are recognized in the consolidated statement of financial position for such taxable and deductible temporary differences, respectively. In certain businesses under investments accounted for using the equity method, the Company recognized deferred tax liabilities without recognizing deferred tax assets due to lack of recoverability. As a result, the Company made the retrospective adjustment to “Investments accounted for using the equity method” and “Retained earnings” as described above.

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2024.

(5) Significant accounting judgments, estimates and assumptions

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is changed, and the future periods affected by such revisions.

Impact of the Russia-Ukraine Situation

Regarding the impact of the Russia-Ukraine situation as shown in the economic forecasts issued by public institutions, the global economic growth is expected to be under downward pressure due to inflation. Specifically, as the situation escalates, financial and economic sanctions imposed by major countries against Russia and countermeasures taken by Russia in response, such as restrictions on international remittances and export controls, etc., are likely to remain in place and target an even broader range of items, resulting in restrictions on the supply of goods as well as inflation induced by energy price surges and other factors. Under these circumstances, the direct and indirect impact of this situation will vary by the Company’s business segments and regions it operates. The assumptions made by the Company are based on a projection that the impact will remain in place for some time in the fiscal year ending March 31, 2025. It is assumed that it will take time to lift financial and economic sanctions, lift restrictions on international remittances, resolve unforeseen supply situation and normalize trade and supply chains. The Company’s main business in Russia consist of financial service business in the Automotive & Mobility segment and investment in the LNG-related business in the Natural Gas segment. The carrying amount of total assets related to the Company’s business in Russia amount to ¥180,540 million and ¥235,642 million ($1,561 million) as of March 31, 2023 and 2024 (of which, the balance of cash and cash equivalents restricted on international remittances was ¥50,546 million and ¥56,459 million ($374 million)).

(LNG-related business in Russia)

The Company holds a 10% ownership interest in Sakhalin Energy LLC. (“SELLC”), which has been engaged in LNG-related business in Russia, and accounts for this investment as other investments (financial asset measured at FVTOCI). The Russian Governmental Resolution issued on March 23, 2024 (No. 701) finalized all LLC Members of SELLC. The details related to the operation of SELLC, including the SELLC’s Corporate Charter as well as the terms of the LLC Members Agreement, are being discussed. As such, there remains uncertainty surrounding this investment. Under these circumstances, the Company continues to measure the fair value of this investment with the income approach using the probability-weighted average expected present value technique. The discount rate used for the measurement is determined considering the country risk premium for Russia. While the Company anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios, the Company measured the fair value (Level 3) for this investment at ¥83,210 million and ¥79,599 million ($527 million) as of March 31, 2023 and 2024.

It may be necessary to reassess the scenarios used in the probability-weighted average expected present value technique depending on the future circumstances which may partially resolve uncertainties previously considered in other scenarios. As a result, there is a possibility that the fair value of the investment in SELLC may increase or decrease.

Impact of Climate Change

The impact of climate change and a transition toward decarbonized society is considered in the Company’s consolidated financial statements through estimating for impairment of non-financial assets, fair value of financial instruments, useful lives of property, plant and equipment along with the estimation of asset retirement obligations (ARO) and other items. “The Roadmap to a Carbon Neutral Society”, established by the Company in October 2021, was designed to ensure that the Company contributes to the realization of the international targets set forth in the Paris Agreement and other initiatives. The decarbonization scenarios developed by external institutions in line with the Paris Agreement are considered one of important references in these accounting estimates. However, as the decarbonization scenarios generally assume market-wide trends in terms of supply and demand, the trends may not directly provide the degree of the impact on the business of the Company due to the superiority or subordination of its assets or the peculiarities of its sales contracts. In addition, while the scenario analysis based on the decarbonization scenario analyzes the super-long-term impact on a decades-long basis, a medium- to long-term time horizon of several years to 10 years, which more strongly reflects the current business environment, has a significant impact on the measurement of assets and liabilities in the consolidated financial statements. Therefore, even if the decarbonization scenario analysis implies indications of loss in the value of assets or an increase in liabilities related to our business, it does not immediately mean that the implication also has an impact on the measurement of assets and liabilities in the consolidated financial statements. In considering the accounting estimates, in addition to the decarbonization scenarios, the Company’s policies, policy in each country, the results of analyses by external institutions, and other factors that affect each project are comprehensively taken into account to reflect the impact of climate change. Also, the accounting estimate may be affected significantly by future changes in the Company’s strategies or a shift in global trend toward decarbonization.

The Company conducts scenario analyses by referring to a scenario that limits the temperature increase to 1.5°C above pre-industrial levels (“1.5°C scenario”) as part of a discussion on the effect of significant climate-related risks and opportunities on the Company’s business and resilience of the Company’s strategy. LNG-related business in the Natural Gas segment and Australian metallurgical coal business in the Mineral Resources segment, which have a high transition risk of climate change and have a relatively large scale of assets, are selected from a risk perspective in the scenario analyses.

In LNG-related business, although there is uncertainty in natural gas and LNG demand in the market-wide trends under the 1.5°C scenario, a certain level of demand is still expected in the long-term in Asia, which is a strategic region for the Company’s LNG business. For the purpose of fair value measurement and impairment testing, including judgements about presence of indications of impairment or reversal of impairment, future cash flow is estimated based on the long-term contracts which accounts for a majority of production in the Company’s existing LNG project, and the forecast of the spot market, where the Company sells the remaining production volume.

In the Australian metallurgical coal business, the demand is likely to remain steady over the long-term even under the 1.5°C scenario since emerging economies such as India and many Southeast Asian countries are expected to sustain the trade volumes. While the demand for steel, which plays a vital role as an essential basic material in the development of infrastructure for achieving decarbonization, is expected to remain robust, it would take many years for any low-carbon steelmaking method to be adopted worldwide. Therefore, during the transitional period lasting several decades, blast furnace steelmaking using metallurgical coal is expected to remain as the primary method and the need for high-quality metallurgical coal, which is the Australian metallurgical coal business’s main product, will likely increase since it contributes to the reduction of emissions in blast furnace steel making process. For the scale of assets, which is the criteria of the implementation of the scenario analyses, the book value of property, plant and equipment of Mitsubishi Development Pty Ltd are ¥994,604 million and ¥962,746 million ($6,376 million) as of March 31, 2023 and 2024, respectively. Though there are uncertainties in the realization of the above 1.5°C scenario, a certain level of demand is expected to continue even under the environment the scenario assumes. Therefore, the Company determines that there is no indication of impairment as of March 31, 2024. The ARO, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities, are estimated based on the remaining operating life mine that can be commercially mined, taking into account the supply and demand, and medium- to long-term price assumption for metallurgical coal. The book value of the ARO are ¥171,266 million and ¥143,118 million ($948 million) as of March 31, 2023 and 2024, respectively.

Regarding the carrying amount of investments in LNG-related business and Shale gas business, and medium- to long-term price assumption for crude oil which LNG prices are closely linked with, refer to “Medium- to long-term price assumption for copper and crude oil”. Regarding the impact on provisions, refer to Note 20.

Medium- to long-term price assumption for copper and crude oil

The Company holds interests in entities that are engaged in copper business in the Mineral Resources segment. The Company also holds interests in entities that are engaged in LNG-related business and shale gas business in the Natural Gas segment. The carrying amount of these investments as of March 31, 2023, and March 31, 2024, are as follows.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
(Copper business)			
Other investments (financial assets measured at FVTOCI)	¥377,790	¥292,020	$1,934
Investments accounted for using the equity method	388,462	406,130	2,690
(LNG-related business)			
Other investments (financial assets measured at FVTOCI)	¥197,443	¥217,842	$1,443
Investments accounted for using the equity method	488,015	522,974	3,463
Property, plant and equipment	281,332	341,939	2,264
(Shale gas business)			
Investments accounted for using the equity method	¥225,135	¥250,110	$1,656

The fair value of these financial assets measured at FVTOCI is determined using the discounted cash flow model. Investments accounted for using the equity method, along with property, plant and equipment, are tested for impairment. If there are indications of impairment or reversal of impairment, the recoverable amount is measured, which is the higher of the value in use or the fair value less costs of disposal. The Company uses the discounted cash flow model to estimate value in use. With regard to the copper business, the medium- to long-term copper price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment. With regard to the LNG-related business, the medium- to long-term crude oil price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, as LNG prices are closely linked with crude oil prices. In addition, with regard to the shale gas business, the impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, is partially affected by crude oil prices as the prices of some shale gas products are linked with crude oil.

The FVTOCI financial assets principally included Minera Escondida and Compania Minera Antamina for copper business as well as Sakhalin Energy LLC and Malaysia LNG Satu for LNG business.
For details on the measurement of fair value, refer to “Notes 30”.

The medium- to long-term copper price assumptions are determined based on forecasts of future global demand, production volume and cost assumption. Following the Company’s examination of the consistency between the Company’s price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. Although uncertainties regarding global conditions and macroeconomic trends remain in short-term, the Company anticipates a further increase in demands for copper in future, which has superior electrical conductivity, given the circumstances that more progress on renewable power generation, including wind and solar power and the associated development of power transmission as well as a wide spread of electric vehicles (EVs), by accelerating the countermeasure of decarbonized society. On the other hand, there will be a decline in production at existing mines and increasing difficulties in developing in both existing and new mines. The Company thus, forecasts that the copper market will be tightening in the medium- to long-term.

The Company’s estimate for the medium- to long-term price assumption for copper after 2029, which is reviewed every year, is similar to price forecasts disclosed by third parties (approximately US$3.9/lb., the mean of the price forecasts as of March 2024 disclosed by analysts in financial institutions excluding inflationary effects). In addition, the Company’s estimate at the close of the year ended March 31, 2023, for the medium- to long-term price assumption for copper after 2028 was similar to price forecasts disclosed by third parties (approximately US$3.5/lb., the mean of the price forecasts as of March 2023 disclosed by analysts in financial institutions excluding inflationary effects).

The medium- to long-term crude oil price assumptions are determined based on forecasts of future global demand, production volume, and cost assumption. Upon the Company’s examination of the consistency between the Company’s price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. From the long-term perspective, the Company forecasts that crude oil demand will peak in the 2030s as efforts toward a decarbonized society are expected to be supported by the development of electrification, as represented by the popularization of EVs, and the growing trend toward countering global climate change risks. In terms of a medium- to long-term timespan, while taking into account the decarbonization scenarios announced by external organizations, such as IEA, the Company also gives comprehensive consideration to uncertainties regarding progress in decarbonization, the impact of current price surges and other factors. The medium- to long-term price assumption for Brent crude oil, which is reviewed every year, will reach about US$75/BBL in 2028, excluding inflationary effects, as of March 31, 2024. At the close of the year ended March 31, 2023, the Company similarly estimated that the medium- to long-term price assumptions of Brent crude oil would reach about US$75/BBL in 2027, excluding inflationary effects. Accordingly, the Company has made no significant changes in price assumptions.

Other

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2025 is included in the following Notes:

• Fair value of financial instruments: Notes 7 and 30

• Impairment of financial assets: Note 8

• Impairment of non-financial assets: Notes 12, 13, 14 and 15

• Measurement of defined benefit obligation: Note 19

• Provisions: Note 20

• Recoverability of deferred tax assets: Note 28

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following Notes:

• Transfers of financial assets: Note 34

• Interests in joint arrangements and associates: Note 38

Significant changes in accounting judgement, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2024 are included in the following Notes, except for the above:

• Segment information: Note 6

• Non-current assets or disposal groups held for sale: Note 11

• Provisions: Note 20

• Other income (expense)-net: Note 27

• Consolidated subsidiaries: Note 37

• Interests in joint arrangements and associates: Note 38

(6) Changes in presentation

From the year ended March 31, 2024, "Changes in derivative related assets and liabilities" has been presented separately in "Operating activities" on the consolidated statement of cash flows due to an increase in its significance. "Changes in derivative related assets and liabilities" has also been reclassified and is presented separately from ¥52,861 million of "Other - net" and ¥144,813 million of "Changes in margin deposits of derivative transactions and others" on the consolidated statement of cash flows for the year ended March 31, 2023.

3. MATERIAL ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

The Parent consolidates the investees that it directly or indirectly controls. Therefore, the Company generally consolidates its majority-owned subsidiaries. However, even in cases where the Company does not own the majority of voting rights, if the Company is deemed to substantively control the decision-making body, the investee is treated as a consolidated subsidiary. In cases where the Company has the majority of voting rights in an investee but other shareholders have substantive rights to participate in the decision-making over the ordinary course of business of the investee, the Company does not have control, and the equity method is applied.

Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Parent's interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent.

If control over a subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets (including goodwill), liabilities, and the previous carrying amount of non-controlling interest of the subsidiary is recognized in profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments," or the cost on initial recognition of investment in associates or joint ventures.

Please refer to Appendix 1. "List of subsidiaries" for the major consolidated subsidiaries.

(ii) Business combinations

Business combinations (acquisition of businesses) are accounted for using the acquisition method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, with several exemptions.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company exceeds the net amount of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill. In cases where the above sum is below the net amount of identifiable assets and liabilities, the deficient amount is immediately recognized in profit or loss as a bargain purchase gain.

(iii) Associates and joint ventures

The equity method is applied to investments in associates and joint ventures.

An associate is an entity that is not controlled solely or jointly by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% or more but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity. Entities over which the Company is able to exert significant influence on their decisions regarding financial and operating or business policies even if it holds less than 20% of the voting rights are also included in associates. In contrast, the equity method is not applied in cases where the Company is deemed not to have significant influence even if it holds 20% or more of the voting rights.

A joint venture is a joint arrangement (i.e., arrangement of which two or more parties have joint control) whereby the parties that have joint control have rights to the net assets of an independent entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on activities that have a significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control and those activities are undertaken jointly by the parties.

(iv) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Company's share of assets, liabilities, revenues and expenses arising from the jointly controlled operating activities is recognized.

(v) Investment entities

An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis. In principle, investment entities measure all of their investments at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments."

If an associate or joint venture of the Company qualifies as an investment entity, upon applying the equity method by the Company, the Company elects to maintain the fair value measurement applied by the investment entity to its equity in such subsidiaries, and does not reclassify those equity to conform to the ordinary consolidation process, while the said reclassification is required if a subsidiary of the Company qualifies as an investment entity.

(vi) Reporting date

When the Company prepares the consolidated financial statements, certain subsidiaries, associates and joint arrangements prepare financial statements with a fiscal year end on or after December 31, but prior to the Parent's fiscal year end of March 31 for which unification of the fiscal year end is impracticable, since the local legal system or contractual terms among shareholders requires the fiscal year end to be different from that of the Parent. It is also impracticable for such entities to provide the provisional settlement of accounts at the end of the reporting period of the Parent due to the characteristics of the business, operations or other practical factors. In such case, adjustments have been made to the consolidated financial statements of the Company for the effects of significant transactions or events that occurred between the end of the reporting period of the subsidiaries, associates or joint arrangements and that of the consolidated financial statements.

(2) Foreign currency translation

Items denominated in foreign currencies are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. The difference arising from the retranslation is recognized in "Other income (expense)-net" in the consolidated statement of income.

The assets and liabilities of foreign operations, such as foreign subsidiaries and associates, are translated into Japanese yen at the respective year-end exchange rates. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in "Other components of equity" on a post-tax basis. Income and expense items of foreign operations are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period.

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit or loss. In the case of partial disposal that led to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit or loss.

(3) Financial instruments

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date at transaction price and others. The Company recognizes all other financial assets at the trade date at fair value on which the Company became a party to the contract concerning such financial instruments. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets measured at fair value

The details of fair value measurements are as described in (17) "Fair value measurements."

Among financial assets other than financial assets measured at amortized cost, debt instruments meeting both of the following requirements are measured at fair value through other comprehensive income (FVTOCI).

- The asset is held within a business model whose objective is to hold assets for both the collection of contractual cash flows and for sale.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The cumulative changes in the fair value of debt instruments measured at FVTOCI are recognized in profit or loss in the event of the derecognition of such assets.

Financial assets, other than those measured at amortized cost and debt instruments measured at FVTOCI, are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects irrevocably to designate equity instruments as financial assets measured at FVTOCI if the investments are not held for trading, but rather for purposes such as generating business opportunities and maintaining/strengthening trading/cooperative relationships.

The cumulative changes in the fair value of equity instruments as financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in profit or loss, as part of finance income at the time when the right to receive payment of the dividend is established.

(iv) Impairment of financial assets measured at amortized cost and debt instruments measured at FVTOCI

Expected credit losses are estimated on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and loss allowances are recognized and measured accordingly.

Loss allowances, based on information such as changes in external and/or internal credit ratings and past due information as of the reporting date, is measured at an amount equal to expected credit losses resulting from all possible default events over the expected lifetime if the credit risk on those financial instruments has increased significantly since initial recognition, or otherwise, at an amount equal to the corresponding expected credit losses within 12 months after the reporting date.

Expected credit losses are measured by reflecting factors such as credit ratings, current financial conditions, and forward-looking information. For financial assets showing evidence of credit impairment as of the reporting date, such as significant financial difficulty of the issuer or the borrower and breach of contracts including past due events, the Company estimates expected credit losses individually after taking into overall consideration such as credit ratings, the states of collateral, and evaluations based on discounted cash flow.

(v) Derecognition of financial assets

The Company derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Company neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Company recognizes the retained interest in assets and related liabilities that might be payable.

(vi) Cash equivalents

Cash equivalents, which are mainly related to time deposits, are original maturities of three months or less, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(vii) Non-derivative financial liabilities

The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date. Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged, canceled or expired.

(viii) Equity

The amount of equity instruments issued by the Parent is recognized in "Common stock" and "Additional paid-in capital," and direct issue costs (net of tax) are deducted from "Additional paid-in capital."

When the Company acquires treasury stock, the sum of the consideration paid and direct transaction costs (after tax) is recognized as a deduction from equity.

(ix) Hedge accounting and derivatives

The Company utilizes derivative instruments primarily to manage interest rate and foreign exchange risks, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities. In the case where transactions which can mitigate market risk caused by accounting mismatch, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

Fair value hedges

Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging derivative instruments are recognized in profit or loss, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in "Other income (expense)-net" in the consolidated statement of income.

Cash flow hedges

Derivative instruments designated as hedging instruments of cash flow hedges include interest rate swaps to convert floating-rate financial liabilities to fixed-rate financial liabilities, and forward exchange contracts to offset variability in functional currency-equivalent cash flows on forecasted sales transactions. Additionally, commodity swaps and futures contracts that qualify as cash flow hedges are utilized. The effective portion of changes in the fair values of derivatives that are designated as cash flow hedges are deferred and accumulated in "Other components of equity." In cases where the hedged item is recognized as a non-financial asset or non-financial liability, the amount recognized in "Other components of equity" is reclassified as an adjustment of the initial carrying amount of the non-financial asset or non-financial liability. Derivative unrealized gains and losses included in "Other components of equity" other than the above are reclassified into profit or loss at the time that the associated hedged transactions are recognized in profit or loss.

Hedges of net investment in foreign operations

The Company uses forward exchange contracts and non-derivative financial instruments, such as foreign currency-denominated debt, in order to reduce the foreign currency exposure in the net investment in a foreign operation. The effective portion of changes in fair values of the hedging instruments are accumulated in “Exchange differences on translating foreign operations” within “Other components of equity.”

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities.

Changes in fair value of derivatives not designated as hedging instruments or held for trading purposes are recognized in profit or loss.

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the weighted average cost formula or identified cost method.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations (“the inventory held for trading purposes”) are measured at fair value less costs to sell.

The Company has contracts to borrow commodities from or lend commodities to counterparties mainly in Mineral Resources segment (“Commodity loan transaction”). In the commodity borrowing transactions, the Company borrows the commodities from the counterparties and is required to return the same quality and quantity of the commodities to the counterparties on the date mutually agreed by both parties. The Company recognizes and measures the commodities borrowed at the time of transaction implementation as the inventory held for trading purposes. The obligation to return the commodities is recognized in other current liabilities or other non-current liabilities and remeasured at fair value at the end of each reporting period. Also, in the commodity lending transactions, the inventory held for trading purposes is reclassified to other current assets or other non-current assets at the time of lending implementation, and measured at fair value less costs to sell at the end of each reporting period. The Company earns profit and manages commodity price risks combined with these transactions and commodity derivative transactions including contracts to purchase and sell non-financial instruments in accordance with IFRS 9 “Financial Instruments.”

(5) Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognized in profit or loss, except in the case where fair value cannot be measured reliably.

(6) Property, plant and equipment

Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment other than assets that are not depreciated such as land and mineral resources-related property, is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for vessels and vehicles mainly over the following estimated useful lives.

The estimated useful life of each asset is mainly as follows.

Buildings and structures	2 to 65 years
Machinery and equipment	3 to 50 years
Vessels and vehicles	2 to 25 years

Assets related to mineral rights, exploration and evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.

Among these, assets related to mineral rights, exploration and evaluation after the start of production are depreciated using the unit-of-production method based on the proven or probable reserves. Depreciation of mineral resources-related property other than the above is calculated principally using the straight-line method over its estimated useful life which is mainly 2 to 46 years.

(7) Investment property

The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 2 to 60 years.

(8) Intangible assets and goodwill

Intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. These intangible assets are amortized under the straight-line method over their estimated useful lives from the date on which the assets became available for use.

The estimated useful life of each asset is mainly as follows:

Software	2 to 15 years
Customer relationships	4 to 13 years
Sustainable energy subsidy	10 to 13 years

At N.V. Eneco, the rights to receive subsidies for sustainable energy producers from governments ("Sustainable energy subsidy") are recognized as intangible assets.

Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them, which are mainly related to software. Other development costs, mainly related to software, are recognized as an expense as incurred.

Intangible assets with indefinite useful lives and goodwill are not amortized but measured at cost, net of accumulated impairment losses.

(9) Leases

(i) Lease as lessee

At the commencement date of the lease, lease liabilities are initially measured at the present value of future lease payments over the lease term, and right-of-use assets, representing the right to use an underlying asset, are initially measured at the initial amount of lease liabilities adjusted for prepaid lease payments, etc.

Subsequent to initial recognition, right-of-use assets are depreciated over the lesser of the useful life or the lease term, mainly on a straight-line basis. Interest costs and repayments of lease liabilities are reflected in the carrying amount of lease liabilities based on the interest method. The lease term is determined, at the commencement date of the lease, by evaluating the enforceability of options to terminate and/or extend the lease as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business, etc. The Company also subsequently remeasures the carrying amount of lease liabilities and right-of-use assets to reflect the change in lease payments when necessary based on the actual results of exercise etc. Regarding the impairment of right-of-use-assets, refer to (12) "Impairment of non-financial assets."

The Company elects the recognition exemption for short-term leases for leases having lease terms of 12 months or less. For these leases, neither right-of-use assets nor lease liabilities are recognized, and lease payments are recognized as an expense on a straight-line basis over the lease term. In addition, as a practical expedient regarding the separation of components of contracts is elected for the classes of underlying asset of real estates and vessels in which non-lease components are not separately accounted from lease components, lease components and any associated non-lease components are accounted as a single lease component.

(ii) Lease as lessor

Leases as lessor are classified as finance leases if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Amounts due from lessees under finance leases are recognized as part of "Trade and other receivables" at an amount equal to the net investment in the lease, and its finance income is allocated and recognized over the lease term on a rational basis against the gross investment in the lease.

Leases other than finance leases are classified as operating leases, and operating lease income is recognized over the term of underlying leases on a straight-line basis.

(10) Mining operations

Mining exploration costs are recognized as an expense as incurred until the mining project has been established as technically feasible and commercially viable by a final feasibility study. Once established as technically feasible and commercially viable, costs are capitalized and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred. To the extent of the benefit of improved access to ore, the stripping costs are mainly recognized as property, plant and equipment.

For capitalized costs related to mining operations, impairment loss is recognized based on the fair value less costs of disposal if it is determined that commercial production cannot commence or capitalized costs are not recoverable.

(11) Non-current assets or disposal groups held for sale

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets and current liabilities.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. However, this excludes those that are subject to measurement requirements in accordance with standards other than IFRS 5 "Non-current Asset Held for Sale and Discontinued Operations."

(12) Impairment of non-financial assets

If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. In addition, goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, principally at the same time every year, irrespective of whether there is any indication of indication of impairment.

The smallest unit that generates cash inflows largely independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit, and assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs of disposal.

Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset. Non-financial assets other than goodwill that constitute a portion of the carrying amount of investments accounted for using the equity method are tested for impairment by investee asset, cash-generating unit, or group of cash-generating units on the basis of the carrying amounts that reflect fair value adjustment upon application of the equity method.

Impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount, and the reversal of impairment losses are recognized in profit or loss. However, impairment loss recognized for goodwill is not reversed. Reversal of impairment loss is recognized up to the carrying amount which is calculated on the basis that no impairment loss for the asset had been recorded in prior years.

(13) Post-employment benefits

The Company has adopted defined benefit plans and defined contribution plans.

Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Benefit obligations are calculated, by involving qualified actuaries, at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan.

The Company recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income and such increases or decreases are recorded in "Other components of equity" which are immediately reclassified into "Retained earnings."

Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period considering the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of "Property, plant and equipment", "Investment property" and "Right-of-use assets" and is depreciated over the estimated useful life of the corresponding asset.

(15) Revenues

(i) Revenue recognition criteria (five-step approach)

In line with the application of IFRS 15 "Revenue from Contracts with Customers," the Company recognizes revenue based on the five-step approach outlined below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is a performance obligation for the Company to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission, fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income.

The Company adopts the practical expedient which allows it not to adjust the financing component if the period between the transfer of goods or services and receipt of payment from a customer is expected to be one year or less at the contract inception.

(ii) Revenue recognition in major transactions

(Revenue recognition at a point in time (all segments))

The Company trades a wide variety of products and commodities, including metals, machinery, chemicals, and consumer goods. In the sale of products and commodities as a principal, the Company recognizes revenue when the terms of delivery have been satisfied as it is considered that the customer has obtained control of the products or commodities and therefore, the identified performance obligations (delivery of products and commodities) have been satisfied at that point. When the Company acts as an agent in the sale of products and commodities, the Company recognizes revenue when the terms of delivery have been satisfied as it is considered that the customer has obtained control of the products or commodities and therefore, the identified performance obligations (arrangement for the delivery of products and commodities) have been satisfied at that point.

The Company also performs service-related activities. In service-related activities, the Company provides a variety of services including logistics, telecommunications, technical support and others. Revenue for service-related activities is recognized when the customer has obtained the benefits as it is considered that the performance obligations (providing services) have been satisfied.

(Revenue recognition over time (mainly Consumer Industry segment and Industrial Infrastructure segment))

The Company mainly performs the services based on franchise contracts and plant constructions based on construction contracts. If the control of the goods or services is transferred to the customer over time, revenue from franchise contracts is recognized by the profits recognized for each franchisee. Revenue from other contract like construction contract is recognized by measuring progress towards complete satisfaction of the performance obligations (providing services) with mainly the input methods (in the case of construction contracts, it is mainly the progress of the costs), which faithfully depict the Company's performance.

Revenue recognition of service-related activities performed by the Company as an agent is also measured by progress towards complete satisfaction of the performance obligations as an agent (arrangements related to providing services) with mainly the input methods (mainly the progress of costs incurred by arrangements).

(16) Income taxes

Income tax expenses consist of current and deferred taxes and are recognized in profit or loss, excluding those related to other comprehensive income etc.

Deferred taxes are recognized for temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable that future taxable income will be reduced, and the recoverability of those deferred tax assets is reviewed at the end of each reporting period.

For taxable temporary differences concerning subsidiaries, associates, and joint arrangements, deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries, associates, and joint arrangements are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The Company applies the temporary exception under IAS 12 Income Taxes (Amended), issued on May 23, 2023, to recognize deferred tax assets and liabilities arising from legislations enacted to implement Pillar Two model published by OECD.

(17) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market price and valuation methodologies, such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1

Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3

Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

The valuation methods for all fair value measurements of assets and liabilities are determined based on the valuation policies and procedures, which include the valuation methods for fair value measurements, approved by the proper accounting personnel. The business plans and development plans that provide a basis for cash flows are decided through internal verification procedures, which include analyses of the variance between plans and results in the previous fiscal year, as well as discussions with business partners and hearings with external specialists. The discount rates properly reflect the risk premium, the risk-free rate and the unlevered rate, with due consideration to the external environment, such as geopolitical risks. Future resource prices are a significant unobservable input for the fair value measurements of resource-related investments and are calculated based on comprehensive consideration of such factors as present prices, forecasts of supply and demand, and the price forecasts of external institutions. Short-term prices are more likely to be significantly affected by the present price, and medium- to long-term prices are more likely to be significantly affected by forecasts of supply and demand and the price forecasts of external institutions. These inputs are analyzed in comparison with those from the prior year, and reports issued by external institutions in order to analyze changes in fair value. The results of fair value measurements and analyses of changes in fair value are reviewed quarterly by the accounting department of the relevant segment of the Company (which is independent of the segment's sales department) or that of the relevant subsidiary and then approved by the authorized accounting officer. The valuation policies and procedures, including the valuation methods for fair value measurements, are decided and periodically reviewed by the corporate accounting department of the Parent, based on its accounting manual.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or amended major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2024 are as follows.

The impacts of application of IAS 21 (Amended) cannot be reasonably estimated, since it is currently under consideration.

The application of IFRS18 requires the presentation of new subtotals, including “Operating profit”, in the consolidated statements of income and enhances guidance on information grouping (aggregation and disaggregation). In addition, new disclosures such as management-defined performance measure (MPM) are required. However, the impacts of application of IFRS18 are currently under consideration.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/amended Standards and Interpretations
IAS 21 (Amended)	The Effects of Changes in Foreign Exchange Rates	January 1, 2025	March 31, 2026	Clarify exchange rates for currencies that have lacked exchangeability for a long time.
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	Revised presentation of consolidated statements of income and disclosure of management-defined performance measure, etc.

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

There were no significant business combinations or acquisitions of joint operations for the years ended March 31, 2023 and 2024.

6. SEGMENT INFORMATION

[Operating segment information]

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the President and CEO of the Parent who is the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The Company’s reportable operating segments consist of the following ten business groups:

Natural Gas	The Natural Gas Group engages in the natural gas/oil development and production business and the liquefied natural gas (LNG) business in North America, Southeast Asia, Australia and other regions.
Industrial Materials	The Industrial Materials Group engages in sales and trading, investment and business development related to a wide range of materials, including steel products, silica sand, cement, ready-mixed concrete, carbon materials, PVC and functional chemicals, serving industries including automobiles and mobility, construction and infrastructure.
Chemicals Solution	The Chemicals Solution Group engages in sales and trading, business development and investing related to a wide range of chemical-related fields, such as ethylene, methanol, salt, ammonia, plastics and fertilizers.
Mineral Resources	The Mineral Resources Group engages in “managing” business by investing in and developing mineral resources, such as copper, metallurgical coal, iron ore and aluminum, while leveraging high-quality and functions in steel raw materials and non-ferrous resources and products through a global network to reinforce supply systems.
Industrial Infrastructure	The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, construction machinery, machinery tools, agricultural machinery, elevators, escalators, facility management, ships and aerospace-related equipment.

Automotive & Mobility	The Automotive & Mobility Group is deeply involved in the entire automotive value chain, spanning car production to after-sales services, and especially in sales of and financing for passenger and commercial cars. The Group also engages in mobility related businesses which fulfills needs related to passenger and cargo transportation.
Food Industry	The Food Industry Group engages in sales, trading, business development and other operations across a wide range of business areas related to food, including food resources, fresh foods, consumer goods, and food ingredients, spanning from raw ingredient production and procurement to product manufacturing.
Consumer Industry	The Consumer Industry Group engages in supplying products and services across a range of fields, including retail & distribution, logistics, healthcare and apparel.
Power Solution	The Power Solution Group engages in a wide range of business areas in power- and water-related businesses which is the industrial base domestically and in the overseas. Specifically, the Group engages in power generating and transmission businesses, power trading businesses, power retail businesses as well as the development of hydrogen energy sources.
Urban Development	The Urban Development Group engages in development, operation and management of businesses in a number of areas, such as urban development and real estate, corporate investing, leasing and infrastructure.

The accounting policies of the operating segments are the same as those described in Note 3. Management evaluates segment performance based on several factors, of which the primary financial measure is profit (loss) attributable to the Parent.

Intersegment transactions are priced with reference to prices applicable to transactions with third parties.

The Company's segment information at and for the years ended March 31, 2023 and 2024 was as follows:

Please refer to the respective Notes to the consolidated financial statements presented in the table for items of income and expense within each segment.

As for "Revenues", please refer to Note 24.

	Millions of Yen						
2023	Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	¥140	¥175,200	¥82,262	¥656,828	¥125,293	¥231,795	¥314,192
Share of profit of investments accounted for using the equity method	233,173	43,993	9,816	19,164	21,407	69,098	32,318
Profit for the year attributable to owners of the Parent	170,601	61,983	29,479	439,331	31,870	131,575	63,388
Total assets	2,043,043	1,461,661	691,522	4,098,105	1,329,167	2,021,907	2,102,969
Note				38		38	

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	¥733,277	¥170,084	¥29,967	¥2,519,038	¥42,128	¥(1,204)	¥2,559,962
Share of profit of investments accounted for using the equity method	10,009	3,514	47,891	490,383	9,790	7	500,180
Profit for the year attributable to owners of the Parent	18,861	61,885	123,256	1,132,229	24,105	24,360	1,180,694
Total assets	3,882,050	2,716,166	1,164,595	21,511,185	3,483,890	(2,847,574)	22,147,501
Note		37, 38	37				

2024	Millions of Yen Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	¥78,301	¥162,702	¥69,819	¥397,918	¥137,631	¥182,085	¥303,145
Share of profit of investments accounted for using the equity method	133,178	44,177	(8,726)	70,322	18,140	94,406	17,976
Profit for the year attributable to owners of the Parent	219,464	64,356	9,521	295,524	42,749	141,434	14,853
Total assets	2,255,989	1,427,964	675,570	4,379,232	1,455,118	1,976,039	2,206,109
Note	37					37	11, 20, 38

	Millions of Yen Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	¥796,322	¥155,079	¥35,227	¥2,318,229	¥41,112	¥368	¥2,359,709
Share of profit of investments accounted for using the equity method	13,726	19,879	32,483	435,561	8,796	28	444,385
Profit for the year attributable to owners of the Parent	49,320	92,025	41,457	970,703	2,934	(9,603)	964,034
Total assets	4,036,198	2,754,544	1,222,038	22,388,801	3,878,342	(2,807,571)	23,459,572
Note	14	37, 38	11				

2024	Millions of U.S. Dollars Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	$519	$1,077	$462	$2,635	$911	$1,206	$2,008
Share of profit of investments accounted for using the equity method	882	293	(58)	466	120	625	119
Profit for the year attributable to owners of the Parent	1,453	426	63	1,957	283	937	98
Total assets	14,940	9,457	4,474	29,002	9,637	13,086	14,610
Note	37					37	11, 20, 38

	Millions of U.S. Dollars Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	$5,274	$1,027	$233	$15,353	$272	$2	$15,627
Share of profit of investments accounted for using the equity method	91	132	215	2,885	58	0	2,943
Profit for the year attributable to owners of the Parent	327	609	275	6,428	19	(64)	6,384
Total assets	26,730	18,242	8,093	148,270	25,684	(18,593)	155,361
Note	14	37, 38	11				

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. In the fiscal year ended March 31, 2024, the Company set up the Next-Generation Energy Business Group to further promote the growth strategy under Midterm Corporate Strategy 2024. The next-generation fuel and petroleum businesses of the Petroleum & Chemicals Solution Group was transferred to the new business group, and the Petroleum & Chemicals Solution Group was renamed the Chemicals Solution Group. As a result, segment information for the previous fiscal year regarding the businesses transferred to the Next-Generation Energy Business Group has been reclassified and included in "Other". Net income attributable to owners of the Company of the Next Generation Energy Business Group included in "Other" for the years ended March 31, 2023 and 2024 amounted to ¥15,570 million and ¥10,766 million ($71 million), respectively, and total assets amounted to ¥469,159 million and ¥536,310 million ($3,552 million), respectively.

4. In the fiscal year ended March 31, 2024, the tire business of the Consumer Industry Group was transferred to the Automotive & Mobility Group. As a result, segment information for the previous fiscal year regarding the business transferred to the Automotive & Mobility Group has been reclassified.

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Revenues:			
Japan	¥9,901,987	¥9,497,940	$62,900
U.S.A	3,682,578	2,907,301	19,254
Singapore	1,747,194	1,452,786	9,621
Australia	1,439,304	1,257,433	8,327
Netherlands	1,045,224	860,303	5,697
Other	3,755,686	3,591,838	23,787
Total	¥21,571,973	¥19,567,601	$129,587
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Australia	¥1,034,395	¥1,005,662	$6,660
Japan	2,707,740	869,825	5,760
Netherlands	678,306	785,519	5,202
Canada	338,142	416,934	2,761
Other	1,217,352	959,934	6,357
Total	¥5,975,935	¥4,037,874	$26,741

Note: Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2023 and 2024.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of "Short-term investments" and "Other investments" at March 31, 2023 and 2024.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2023)				
Short-term investments	–	–	¥42,127	¥42,127
Other investments	¥225,036	¥1,417,318	174,497	1,816,851
(March 31, 2024)				
Short-term investments	61	–	5,327	5,388
Other investments	210,222	1,486,501	118,050	1,814,773

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2024)				
Short-term investments	$0	–	$35	$36
Other investments	1,392	$9,844	782	12,018

The Company estimates expected credit losses on "short-term investments" and "other investments" measured at amortized cost and, when necessary, recognizes loss allowances; however, the amounts were immaterial for the years ended March 31, 2023 and 2024.

Please refer to Note 30 for a breakdown of the fair values of "Other investments" measured at FVTOCI at March 31, 2023 and 2024.

The fair values of the marketable securities at March 31, 2023 and 2024 were mainly as follows:

Security name	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars 2024
ISUZU MOTORS	¥100,477	¥130,766	$866
SUMBER ALFARIA TRIJAYA	96,263	104,916	695
NISSIN FOODS HOLDINGS	82,614	76,188	505
AYALA CORPORATION	60,643	50,518	335
YAMAZAKI BAKING	15,799	38,620	256
INPEX CORPORATION	20,429	34,226	227
MITSUBISHI ESTATE	16,536	29,207	193
RYOHIN KEIKAKU	16,218	27,216	180
CAP	20,858	19,386	128
THAI UNION GROUP	13,162	14,401	95

The non-marketable securities primarily consisted of investments related to mineral resources. Please refer to Note 2 for the non-marketable securities and fair values of these investments for the years ended March 31, 2023 and 2024, respectively.

The amount of dividend income from financial assets measured at FVTOCI held at March 31, 2023 and 2024 that were recognized for the years ended March 31, 2023 and 2024 were ¥132,403 million and ¥173,473 million ($1,149 million), respectively. These dividend incomes are included in "Finance income" in the consolidated statement of income.

With respect to financial assets measured at FVTOCI derecognized as a result of sale, through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2023 and 2024 were as follows.

	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars 2024
Fair value at the time of derecognition	¥59,450	¥61,524	$407
Accumulated gain or loss on disposal (before tax)	10,692	38,701	256

The amount of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2023 and 2024.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction, was transferred to retained earnings. Please refer to Note 22 for the amounts transferred for the years ended March 31, 2023 and 2024, respectively. Also, the portions of which attributable to the non-controlling interest were immaterial.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2023 and 2024. The amounts not expected to be collected within 1 year included within the total current trade and other receivables were immaterial.

Classification	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars 2024
Current trade and other receivables			
Notes receivable-trade	¥256,292	¥253,015	$1,676
Accounts receivable-trade and other and lease receivables	3,481,726	3,537,946	23,430
Other receivables	441,208	505,621	3,348
Loss allowance	(51,951)	(53,609)	(355)
Total current trade and other receivables	¥4,127,275	¥4,242,973	$28,099
Non-current trade and other receivables			
Trade and lease receivables	¥591,695	¥601,042	$3,980
Loans receivable	425,778	508,895	3,370
Other receivables	28,220	23,524	156
Loss allowance	(32,265)	(37,148)	(246)
Total non-current trade and other receivables	¥1,013,428	¥1,096,313	$7,260

Short-term and long-term receivables are contractual rights to receive money. The Company recognizes loss allowances for these receivables by estimating expected credit losses based on internal ratings, current financial conditions and forward-looking information. The Company applies the simplified approach for trade receivables and contract assets that do not contain a significant financial component in accordance with IFRS15 and measures loss allowances at an amount equal to lifetime expected credit losses. For other receivables, the Company measures loss allowances at an amount equal to 12-month expected credit losses when there is no significant increase in credit risk. When there is a significant increase in credit risk, the Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for receivables that are credit-impaired as of the reporting date are measured by estimating expected credit losses individually, based upon factors related to credit ratings from applicable agencies, evaluation based on discounted cash flow, fair value of the underlying collateral, the condition of the debtor and other information.

The Company writes off the amount of expected credit losses from the gross carrying amount of a receivable and derecognizes the receivable when the Company has no reasonable expectations of recovering the receivable in its entirety or a portion thereof. The Company recognizes loss allowances on such receivables based on the expected credit losses for the gross amount after write-off.

The following is a breakdown of the gross carrying amount of receivables before adjusting for loss allowance and the amount of loss allowance at March 31, 2023 and 2024.

(March 31, 2023)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,834,319	¥586,525	¥450,096	¥35,508	¥4,296	¥4,095
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	58,639	39,950	11,008	3,656	2,469	101
Credit-impaired receivables	31,675	5,495	14,992	20,746	1,398	11,947
Total	¥3,924,633	¥631,970	¥476,096	¥59,910	¥8,163	¥16,143

Purchased or originated credit-impaired receivables are included in “Credit-impaired receivables” above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2023 was immaterial.

(March 31, 2024)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,868,489	¥605,779	¥633,247	¥34,073	¥5,064	¥1,154
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	25,899	46,547	3,299	1,835	4,657	95
Credit-impaired receivables	40,182	8,301	11,159	30,348	2,378	11,153
Total	¥3,934,570	¥660,627	¥647,705	¥66,256	¥12,099	¥12,402

	Millions of U.S. Dollars					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	$25,619	$4,012	$4,194	$226	$34	$8
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	172	308	22	12	31	1
Credit-impaired receivables	266	55	74	201	16	74
Total	$26,057	$4,375	$4,289	$439	$80	$82

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2024 was immaterial.

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds credit enhancements such as guarantees from third parties and credit insurance, and collateral such as commodity inventory. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2024.

The Company has not shown the classification of "Trade receivables that do not contain a significant financing component" in accordance with IFRS15 in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of trade receivables that do not contain a significant financing component with original maturities of more than one year were ¥6,138 million and ¥20,974 million ($139 million) at March 31, 2023 and 2024, respectively. These are included in "12-month expected credit losses" and "Receivables for which there have been significant increases in credit risk" within "Lifetime expected credit losses" above.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2023 and 2024 were as follows.

(Year ended March 31, 2023)

	Millions of Yen			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥34,553	¥4,588	¥28,986	¥68,127
Provision for expected credit losses	8,862	1,234	22,002	32,098
Charge-offs	(1,893)	–	(17,622)	(19,515)
Other	2,377	404	725	3,506
Balance at the end of the year	¥43,899	¥6,226	¥34,091	¥84,216

(Year ended March 31, 2024)

	Millions of Yen			
	12-month expected credit losses	Lifetime expected credit losses: Receivables for which there have been significant increases in credit risk	Lifetime expected credit losses: Credit impaired receivables	Total
Balance at the beginning of the year	¥43,899	¥6,226	¥34,091	¥84,216
Provision for expected credit losses	770	10	20,076	20,856
Charge-offs	(3,589)	–	(16,259)	(19,848)
Other	(789)	351	5,971	5,533
Balance at the end of the year	¥40,291	¥6,587	¥43,879	¥90,757

	Millions of U.S. Dollars			
	12-month expected credit losses	Lifetime expected credit losses: Receivables for which there have been significant increases in credit risk	Lifetime expected credit losses: Credit impaired receivables	Total
Balance at the beginning of the year	$291	$41	$226	$558
Provision for expected credit losses	5	0	133	138
Charge-offs	(24)	–	(108)	(131)
Other	(5)	2	40	37
Balance at the end of the year	$267	$44	$291	$601

The change in loss allowance due to changes in expected credit losses is included in “Provision for expected credit losses”. Purchased or originated credit-impaired receivables are included in “Credit impaired receivables” above, and the total amount of undiscounted expected credit losses at initial recognition on the receivables during the year ended March 31, 2024 was ¥14,247 million ($94 million). Also, “Other” principally includes the effect of changes in foreign currency exchange rates.

The Company has not shown the classification of the loss allowance for “Trade receivables that do not contain a significant financing component” in accordance with IFRS15 in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of the loss allowance for trade receivables that do not contain a significant financing component with original maturities of more than one year was immaterial at March 31, 2024.

The Company uses a single consistent method without classification for the accounting treatment and risk management related to trade and other receivables. Refer to Note 3 “(3) Financial instruments” and Note 33.

9. INVENTORIES

The breakdown of “Inventories” at March 31, 2023 and 2024 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Merchandise and finished goods	¥1,347,110	¥1,408,014	$9,325
Raw materials, work in progress and supplies	301,361	251,104	1,663
Real estate held for development and resale	122,911	65,103	431
Total	¥1,771,382	¥1,724,221	$11,419
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥457,563	¥544,073	$3,603

The amount of “Real estate held for development and resale” includes ¥87,181 million and ¥31,598 million ($209 million) that were expected to be sold after more than 12 months at March 31, 2023 and 2024, respectively.

Costs of inventories are recognized as expenses in the amount of "Costs of revenues" in the consolidated statement of income and the expenses other than inventories recognized in the amount of "Costs of revenues" were immaterial for the years ended March 31, 2023 and 2024.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2023 and 2024.

10. BIOLOGICAL ASSETS

The following is a breakdown of carrying amounts of biological assets at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Salmon Farming	¥92,438	¥105,406	$698
Other	17,980	17,649	117
Carrying amounts	¥110,418	¥123,055	$815

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada.The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets held in the business of salmon farming at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Cost of biological assets	¥77,171	¥91,069	$603
Fair value adjustments	15,267	14,337	95
Carrying amounts	¥92,438	¥105,406	$698

The following is a breakdown of changes in the carrying amounts of biological assets held in the business of salmon farming for the years ended March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Balance at the beginning of year	¥84,985	¥92,438	$612
Increase due to production	131,367	157,825	1,045
Decrease due to sales / harvest / mortality	(119,407)	(152,311)	(1,009)
Fair value adjustments	(4,086)	(2,370)	(16)
Exchange translations and others	(421)	9,824	65
Balance at the end of year	¥92,438	¥105,406	$698

Fair value adjustments of biological assets were mainly included in "Other income (expense)-net" in the consolidated statement of income.

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a market approach based on the most relevant assumptions of price, growth rate and mortality rate at the reporting date. The valuation of biological assets is classified at Level 3 in the valuation hierarchy.

The business related to biological assets is exposed to fluctuations in prices, which is determined by global supply and demand.

In order to partially mitigate the commodity price risk, the Company enters into forward contracts in exchange markets.

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the years ended March 31, 2023 and 2024.

	Tonnes	
	2023	2024
Balance at the beginning of year	118,313	116,354
Increase due to production	241,153	242,350
Decrease due to sales/harvest/mortality	(243,112)	(241,386)
Balance at the end of year	116,354	117,318

11. NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

The following non-current assets and disposal groups are classified as held for sale as of March 31, 2023 and 2024 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year.

Impairment losses for assets classified as held for sale are mainly included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income.

Non-current assets classified as held for sale

As of March 31, 2023, ¥44,953 million in investment property in the Urban Development segment (office buildings, commercial complexes, etc. held to earn rentals) was classified as held for sale and measured at the carrying amounts.

The sale of the assets held by the Company was completed on May 31, 2023, and a gain of ¥18,246 million ($121 million) is recorded in "Gains (losses) on disposal and sale of property, plant and equipment and others" and related income tax expense of ¥4,562 million ($30 million) is recorded in "Income taxes," respectively in the consolidated statement of income.

Also consideration received in cash of ¥63,200 million ($419 million) is recorded in "Proceeds from disposal of investment property" in the consolidated statement of cash flows.

Disposal groups classified as held for sale

As of March 31, 2023, the assets and liabilities of MCE Bank GmbH (MCE Bank), a consolidated subsidiary in the Automotive & Mobility segment, were classified as a disposal group held for sale and the Company recorded assets of ¥141,382 million in "Assets classified as held for sale" and liabilities of ¥7,714 million in "Liabilities directly associated with assets classified as held for sale", respectively, in the consolidated statement of financial position.

On May 31, 2023, all the shares in MCE Bank owned by the Company (100% of all outstanding shares) were sold to Santander Consumer Bank AG. With this sale of shares, the Company has lost control of MCE Bank.

The gains(losses) from the loss of control were immaterial for the year ended March 31, 2024.

As of March 31, 2024, the assets related to the Blackwater and Daunia coal mines, in which Mitsubishi Development Pty Ltd, a consolidated subsidiary in the Mineral Resources segment, holds a 50% interest, amounted to ¥197,644 million ($1,309 million). These assets primarily constituted property, plant and equipment, such as mineral resources-related property, and are classified as a disposal group held for sale measured at the carrying amounts.

On October 18, 2023, an agreement was made to sell the assets to Whitehaven Coal Ltd. of Australia. The transaction is anticipated to take place within 1 year, provided that normal or customary criteria are met. These assets are directly associated with liabilities totaling ¥65,579 million ($434 million) and the majority of which are asset retirement obligations.

The sale of these assets and liabilities was completed on April 2, 2024. For details, please refer to Note 41 "Completion of divestment of two coal mines under the metallurgical coal business."

As of March 31, 2024, the assets and liabilities held by Lawson Inc. (Lawson), a consolidated subsidiary in the Consumer Industry segment were classified as a disposal group held for sale, and the disposal group was measured at their carrying amounts. This is because KDDI Corporation (KDDI) commenced a tender offer for shares of Lawson on March 28, 2024, and control over the assets and liabilities related to this business is expected to be lost within 1 year. This tender offer was completed and concluded on April 25, 2024.

The following is a breakdown of the assets and liabilities classified as a disposal group held for sale at March 31, 2024.

	Millions of Yen	Millions of U.S. Dollars
	2024	2024
Cash and cash equivalents	¥408,756	$2,707
Trade and other receivables (Current)	187,238	1,240
Inventories	29,176	193
Other investments	102,588	679
Property, plant and equipment	245,493	1,626
Investment property	47,841	317
Intangible assets and goodwill	528,078	3,497
Right-of-use assets	1,058,071	7,007
Other	71,431	473
Total assets	¥2,678,672	$17,740
Bonds and borrowings (Current)	¥30,850	$204
Trade and other payables (Current)	462,039	3,060
Lease liabilities (Current)	150,755	998
Lease liabilities (Non-current)	916,106	6,067
Provisions (Non-current)	37,840	251
Deferred tax liabilities	96,689	640
Other	78,923	523
Total liabilities	¥1,773,202	$11,743

Trade and other receivables (Current), Bonds and borrowings (Current) and Trade and other payables (Current) are measured at amortized cost. Also, in addition to financial assets measured at amortized cost, financial assets measured at FVTPL classified in Level 3 and FVTOCI classified in Level 1 and Level 3 are included in Other investments, the carrying amounts of which were immaterial as of March 31, 2023 and 2024.

Going forward, a resolution will be adopted at an extraordinary shareholders' meeting of Lawson to conduct a squeeze-out procedure by means of a reverse stock split of Lawson shares. After the completion of the squeeze-out procedure (i.e., after Lawson goes private), the Company and KDDI plan to adjust their ownership ratios to 50%.

(1) Effective date of the Reverse Stock Split (planned)	Around August 2024
(2) Effective date of the Shareholders Agreement (planned)	Around September 2024

Upon completion of all of the above transactions, the shareholders' agreement will become effective and the Company will no longer have sole control over Lawson, which will be classified as a joint venture. As a result, a gain of ¥183.2 billion ($1.2 billion) and a related income tax expense of ¥60.0 billion ($0.4 billion) are expected to be recorded in "Gains (losses) on investments" and "Income taxes," respectively, in the consolidated statements of income in the year ending March 31, 2025, mainly due to the portions attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost. The estimated and actual amounts of such gains and losses may differ due to changes in the carrying amounts and other factors until the completion of all of the above transactions.

As of March 31, 2024, the assets and liabilities held by a consolidated subsidiary in the Food Industry segment have been classified in disposal groups held for sale and been measured at fair value less cost to sell in Level 3. This is mainly due to the fact that negotiations to sell the shares are in progress and the loss of control over its assets and liabilities is expected within 1 year. As a result, a loss of ¥38,601 million ($256 million) after taxes, including an "Impairment losses on property, plant and equipment and others" of ¥33,750 million ($224 million), is recorded in the consolidated statement of income.

The following is a breakdown of the assets and liabilities classified as a disposal group held for sale at March 31, 2024.

	Millions of Yen	Millions of U.S. Dollars
	2024	2024
Trade and other receivables (Current)	¥43,822	$290
Inventories	66,834	443
Investments accounted for using the equity method	6,298	42
Property, plant and equipment	44,737	296
Right-of-use assets	6,347	42
Other	8,644	57
Total assets	¥176,682	$1,170
Bonds and borrowings (Current)	¥11,860	$79
Trade and other payables (Current)	45,543	302
Lease liabilities (Non-current)	8,911	59
Other	7,974	53
Total liabilities	¥74,288	$492

Trade and other receivables (Current), Bonds and borrowings (Current) and Trade and other payables (Current) are measured at amortized cost.

Fair value of non-current assets or disposal groups

The fair value in Level 1 of non-current assets or disposal groups was measured by the quoted market price in an active market. The fair value in Level 3 of non-current assets or disposal groups was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the estimated sales value of the assets.

Differences between the carrying amount and the fair value of non-current assets or disposal groups held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of "Property, plant and equipment" at March 31, 2023 and 2024.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2023)							
Gross carrying amount	¥237,863	¥1,021,100	¥1,515,589	¥231,805	¥1,749,739	¥492,408	¥5,248,504
Accumulated depreciation and accumulated impairment losses	20,052	582,604	791,294	129,263	732,762	487	2,256,462
Carrying amount	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042
(March 31, 2024)							
Gross carrying amount	¥220,627	¥595,002	¥1,490,529	¥256,651	¥1,690,896	¥434,058	¥4,687,763
Accumulated depreciation and accumulated impairment losses	12,102	371,823	762,502	140,835	707,507	626	1,995,395
Carrying amount	¥208,525	¥223,179	¥728,027	¥115,816	¥983,389	¥433,432	¥2,692,368

(March 31, 2024)	Millions of U.S. Dollars Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$1,461	$3,940	$9,871	$1,700	$11,198	$2,875	$31,045
Accumulated depreciation and accumulated impairment losses	80	2,462	5,050	933	4,685	4	13,215
Carrying amount	$1,381	$1,478	$4,821	$767	$6,513	$2,870	$17,830

Carrying amounts above include property, plant and equipment subject to operating leases as lessor and consist primarily of leased vessels in the Commercial vessels-related business, which are included in "Vessels and vehicles."

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2023 and 2024.

Carrying amount	Millions of Yen Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Beginning of year ended March 31, 2023	¥216,324	¥454,485	¥636,975	¥89,140	¥1,031,465	¥355,650	¥2,784,039
Additions	3,305	25,749	63,143	23,247	69,079	224,224	408,747
Additions through business combination	295	3,052	3,239	2	–	11,696	18,284
Disposal or reclassification to assets held for sale	(409)	(3,362)	(6,000)	(3,963)	(1,669)	(1,531)	(16,934)
Depreciation	–	(37,445)	(93,397)	(16,971)	(68,296)	–	(216,109)
Impairment losses	(114)	(8,202)	(6,534)	(4)	(3,674)	(286)	(18,814)
Exchange translations	3,481	4,134	33,379	6,586	(21,753)	45,429	71,256
Other	(5,071)	85	93,490	4,505	11,825	(143,261)	(38,427)
End of year ended March 31, 2023	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042
Additions	546	26,001	58,279	25,269	79,998	255,527	445,620
Additions through business combination	–	–	224	14,221	–	3,505	17,950
Disposal or reclassification to assets held for sale	(11,029)	(219,451)	(63,811)	(4,272)	(154,445)	(30,065)	(483,073)
Depreciation	–	(39,733)	(105,073)	(18,973)	(60,045)	–	(223,824)
Impairment losses	(762)	(13,222)	(20,490)	(31)	–	(1,244)	(35,749)
Exchange translations	3,914	10,314	69,767	4,314	95,743	35,897	219,949
Other	(1,955)	20,774	64,836	(7,254)	5,161	(322,109)	(240,547)
End of year ended March 31, 2024	¥208,525	¥223,179	¥728,027	¥115,816	¥983,389	¥433,432	¥2,692,368

Carrying amount	Millions of U.S. Dollars Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Beginning of year ended March 31, 2024	$1,442	$2,904	$4,797	$679	$6,735	$3,258	$19,815
Additions	4	172	386	167	530	1,692	2,951
Additions through business combination	–	–	1	94	–	23	119
Disposal or reclassification to assets held for sale	(73)	(1,453)	(423)	(28)	(1,023)	(199)	(3,199)
Depreciation	–	(263)	(696)	(126)	(398)	–	(1,482)
Impairment losses	(5)	(88)	(136)	(0)	–	(8)	(237)
Exchange translations	26	68	462	29	634	238	1,457
Other	(13)	138	429	(48)	34	(2,133)	(1,593)
End of year ended March 31, 2024	$1,381	$1,478	$4,821	$767	$6,513	$2,870	$17,830

Notes:
1. "Other" includes deconsolidation, transfers from construction in progress to other property, plant and equipment and effects of changes in estimates of provision for decommissioning and restoration.

2. "Impairment losses" are mainly recognized in the Food Industry segment, Consumer Industry segment and Natural Gas segment for the year ended March 31, 2023, and in the Food Industry segment for the year ended March 31, 2024, respectively.
3. Disposal or reclassification to assets held for sale for the year ended March 31, 2024 includes the effect of reclassification of assets held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale. For details, please refer to Note 11.

Impairment losses are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For assets that have indications of being impaired, impairment losses are calculated as the difference between the carrying amount of such assets and their recoverable amount. In the course of recognizing and measuring impairment losses, the Company measured the recoverable amount using value in use and fair value less costs of disposal. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2023 and 2024.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥166,357 million and ¥161,790 million ($1,071 million) at March 31, 2023 and 2024, respectively. The amount at March 31, 2023 includes a contractual commitment which was incurred as a result of a final investment decision of LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in LNG Canada Project. The amount at March 31, 2024 includes contractual commitments incurred from the investments mainly in renewable energy in N.V. Eneco.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2023 and 2024.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Gross carrying amount	¥171,313	¥63,523	$421
Accumulated depreciation and accumulated impairment losses	89,327	34,769	230
Carrying amount	¥81,986	¥28,754	$190

Decrease of the carrying amount for the year ended March 31, 2024 includes the effect of reclassification of assets held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale. For details, please refer to Note 11. The other changes related to the carrying amounts consisted mainly of increase due to acquisitions and decrease due to depreciation. The respective amounts of these changes were immaterial at March 31, 2023 and 2024.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Fair value	¥94,766	¥40,281	$267

The fair value of investment property is mainly based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.

The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The amounts of rental income and fixed property taxes and other direct operating expenses arising from investment property were immaterial for the years ended March 31, 2023 and 2024.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2023 and 2024.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets at March 31, 2023 and 2024.

	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
(March 31, 2023)							
Gross carrying amount	¥348,289	¥333,373	¥286,811	¥99,211	¥82,227	¥64,513	¥1,214,424
Accumulated amortization and accumulated impairment losses	67,268	194,235	137,073	3,367	17,326	47,528	466,797
Carrying amount	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627
(March 31, 2024)							
Gross carrying amount	¥52,243	¥287,488	¥190,860	¥122,817	¥92,811	¥77,733	¥823,952
Accumulated amortization and accumulated impairment losses	14,484	179,450	99,911	2,939	27,514	53,234	377,532
Carrying amount	¥37,759	¥108,038	¥90,949	¥119,878	¥65,297	¥24,499	¥446,420

	Millions of U.S. Dollars						
(March 31, 2024)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Gross carrying amount	$346	$1,904	$1,264	$813	$615	$515	$5,457
Accumulated amortization and accumulated impairment losses	96	1,188	662	19	182	353	2,500
Carrying amount	$250	$715	$602	$794	$432	$162	$2,956

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2023 and 2024.

Carrying amount	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2023	¥290,992	¥135,586	¥153,730	¥99,487	¥67,635	¥20,432	¥767,862
Additions	54	38,554	87	3,210	—	15,248	57,153
Additions through business combinations	76	485	—	—	—	7	568
Disposal or reclassification to assets held for sale	(1)	(1,395)	—	(1,854)	—	(907)	(4,157)
Amortization	(11,322)	(35,268)	(16,073)	(45)	(6,834)	(12,887)	(82,429)
Impairment losses	(1,177)	(743)	(2,586)	(962)	—	(1,778)	(7,246)
Exchange translations	2,322	1,950	5,914	(3,515)	4,100	(837)	9,934
Other	77	(31)	8,666	(477)	—	(2,293)	5,942
End of year ended March 31, 2023	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627
Additions	599	55,939	—	14,555	—	13,691	84,784
Additions through business combinations	377	385	—	—	—	9,984	10,746
Disposal or reclassification to assets held for sale	(236,840)	(50,832)	(77,441)	(180)	—	(9,492)	(374,785)
Amortization	(11,839)	(37,813)	(16,862)	(72)	(7,387)	(14,459)	(88,432)
Impairment losses	—	(1,236)	—	(1)	—	(2,302)	(3,539)
Exchange translations	4,135	2,940	8,814	9,887	7,783	1,198	34,757
Other	306	(483)	26,700	(155)	—	8,894	35,262
End of year ended March 31, 2024	¥37,759	¥108,038	¥90,949	¥119,878	¥65,297	¥24,499	¥446,420

Carrying amount	Millions of U.S. Dollars						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2024	$1,861	$921	$992	$635	$430	$112	$4,951
Additions	4	370	—	96	—	91	561
Additions through business combinations	2	3	—	—	—	66	71
Disposal or reclassification to assets held for sale	(1,568)	(337)	(513)	(1)	—	(63)	(2,482)
Amortization	(78)	(250)	(112)	(0)	(49)	(96)	(586)
Impairment losses	—	(8)	—	(0)	—	(15)	(23)
Exchange translations	27	19	58	65	52	8	230
Other	2	(3)	177	(1)	—	59	234
End of year ended March 31, 2024	$250	$715	$602	$794	$432	$162	$2,956

"Disposal or reclassification to assets held for sale" for the year ended March 31, 2024, includes the effect of reclassification of assets held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale, and "Other" of "Customer relationships" includes the reversal of impairment loss recognized in the past regarding customer-related assets of Lawson (related to domestic convenience store business) of ¥26,745 million ($177 million). The reversal of impairment loss is included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For details of reclassification of assets to held for sale, please refer to Note 11.

The Company does not amortize intangible assets with indefinite useful lives such as fish farming license and surface rights, given that the terms of the contracts are not set out and it is possible to sustain the value of such rights at a small cost.

At March 31, 2023 and 2024, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Fish farming license and surface rights	¥94,881	¥118,506	$785
Other	8,183	4,747	31
Total	¥103,064	¥123,253	$816

Amortization expense for intangible assets, including those internally generated, is included in "Cost of revenues" or "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses on intangible assets are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For the assets for which indications of impairment are identified, the recoverable amounts are estimated, normally as value in use, and impairment losses are calculated as the difference between the carrying amount of the assets and the recoverable amount. Value in use of assets is primarily estimated based on discounted cash flows.

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥103,049 million and ¥69,094 million ($458 million) at March 31, 2023 and 2024, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2023 and 2024.

Research and development costs recognized in net income were immaterial at March 31, 2023 and 2024.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Gross carrying amount	¥625,827	¥316,285	$2,095
Accumulated impairment losses	(166,052)	(19,812)	(131)
Carrying amount	¥459,775	¥296,473	$1,963

The following is a breakdown of the activity of the carrying amount of goodwill.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Balance at the beginning of the year	¥453,706	¥459,775	$3,045
Additions	3,852	10,229	68
Impairment losses	(8,652)	(7,172)	(47)
Disposal	(12)	(189,362)	(1,254)
Exchange translations	11,616	23,005	152
Other	(735)	(2)	(0)
Balance at the end of the year	¥459,775	¥296,473	$1,963

Impairment losses on goodwill are included in "Other income (expense)-net" in the consolidated statement of income.

Decrease of the carrying amount due to disposal for the year ended March 31, 2024 includes the effect of reclassification of assets (including goodwill) held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale. For details, please refer to Note 11. Also, decrease of the carrying amount due to disposal for the year ended March 31, 2024 includes the effect of the loss of control over Nexamp, Inc., a consolidated subsidiary in the Power Solution Segment. For details, please refer to Note 37 (Nexamp, Inc.).

Impairment test of goodwill and intangible assets with indefinite useful lives

The assumptions used for the impairment test of significant goodwill and intangible assets with indefinite useful lives allocated to cash-generating units were as follows:

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2023 was ¥22,397 million and ¥93,941 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2024 was ¥24,496 million ($162 million) and ¥117,630 million ($779 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of ten years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as the effect of on-going salmon farming improvement initiatives.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2024, the Company used the growth rate of 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Chiyoda Corporation

The amount of goodwill as of March 31, 2023 and 2024 was ¥69,264 million and ¥69,230 million ($458 million), respectively. In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are construction revenue and gross profit margin. These assumptions reflect factors such as the current status of each project and the economic environment.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. Future cash flows exceeding the period of the business plan were estimated based on the leveling of historical results. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2024, the Company mainly used the growth rate of 0%. For some businesses, terminal value for the period beyond the business plan was calculated by multiplying the one-year net profit based on the net profit of the last year of the business plan by percentages referencing guideline company peer group forward PER multiples.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

N.V. Eneco

The amount of goodwill as of March 31, 2023 and 2024 was ¥124,682 million and ¥145,864 million ($966 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are the sales price assumption and the supply outlook that is a precondition for sales volume. These assumptions reflect factors such as historical performance and the outlook for future supply-and-demand conditions, etc.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2024, the Company used the growth rate of 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range due to factors observed in the external environment such as escalation of geopolitical risks and volatile energy market conditions, the risk of the recoverable amount falling below the book value is considered to be limited.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The carrying amount of exploration and evaluation assets was ¥115,589 million and ¥127,573 million ($845 million) as of March 31, 2023 and 2024, respectively, and these amounts were primarily included within "Property, plant and equipment" in the consolidated statements of financial position. The changes in the carrying amounts of exploration and evaluation assets were mainly due to exchange translations.

Further, there were some liabilities derived from the Company's exploration and evaluation activities; however, the carrying amount as of March 31, 2023 and 2024 was immaterial.

In addition, there were some expenses as well as cash flows from operating and investing activities derived from the Company's exploration and evaluation activities, however neither of these expenses nor cash flows for the years ended March 31, 2023 and 2024 were material.

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Trade and other receivables (current and non-current)	¥197,099	¥179,968	$1,192
Other investments (current and non-current)	340,889	287,774	1,906
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	141,783	100,202	664
Assets classified as held for sale	45,081	116,175	769
Other	10,888	8,735	58
Total	¥735,740	¥692,854	$4,588

"Other investments" above includes shares pledged as collateral by the Company in relation to project financing in which an associate or investee is the debtor.

The Parent, subsidiaries, associates and investees have borrowings under loan agreements with financial institutions, and above assets pledged as collateral are provided upon the request of the lenders.

With respect to the borrowings from financial institutions, lenders have rights to enforce the disposal of those assets pledged as collateral and may offset those proceeds against a debt, if the borrower defaults on a debt such as failure of borrower to pay any sum of matured payables, or breach the representation and warranty or the covenants.

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and, therefore, those amounts are not included in the amount of assets pledged as collateral above.

Notwithstanding the above assets pledged as collateral, substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, allow banks, under certain conditions, to require the Company to provide collateral (or additional collateral) or guarantors with respect to the loans, and to treat any collateral, whether furnished as security for certain short-term or long-term loans or otherwise, as collateral for all indebtedness to such banks.

It may be possible to regard the assets as pledged collateral for those transferred but which are not derecognized from the consolidated statement of financial position. However, the legal nature of those transactions are different from the assets pledged under collateral in normal contracts hence the Company excluded such transactions from the table above.

Meanwhile, the Company sold ¥78,604 million and ¥129,964 million ($861 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2023 and 2024, respectively. As for similar transactions regarding to the financial assets, please refer to Note 34 (2) “Transferred financial assets that were not derecognized.”

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2023 and 2024.

17. BONDS AND BORROWINGS

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Bank loans			
—3.6% as of March 31, 2024	¥574,612	¥446,322	$2,956
Commercial paper			
—4.9% as of March 31, 2024	422,367	826,593	5,474
Bonds and borrowings (non-current liabilities) with current maturities	398,911	460,769	3,051
Total	¥1,395,890	¥1,733,684	$11,481

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2024.

Bonds and borrowings (non-current liabilities) as of March 31, 2023 and 2024 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Non-current liabilities with collateral maturing through 2041 —principally 0.7% to 2.7% as of March 31, 2024	¥103,407	¥67,513	$447
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2083 —principally 0.0% to 1.9% as of March 31, 2024	2,010,480	1,816,908	12,033
Banks and other financial institutions, maturing through 2040 (payable in foreign currencies) —principally 1.8% to 6.2% as of March 31, 2024	1,279,386	1,340,960	8,881
Japanese yen bonds (including commercial paper) (fixed rate 0.1% to 1.7%, due 2028-2081 as of March 31, 2024)	310,000	350,000	2,318
U.S. dollar bonds (floating rate 6.2%, due 2024 as of March 31, 2024)	4,003	4,542	30
(fixed rate 1.1% to 5.0%, due 2024-2028 as of March 31, 2024)	199,910	302,510	2,003
Other and adjustments	(14,284)	(27,396)	(181)
Sub-total	¥3,892,902	¥3,855,037	$25,530
Less current maturities	(398,911)	(460,769)	(3,051)
Total	¥3,493,991	¥3,394,268	$22,479

Non-current liabilities with collateral principally include borrowings from banks and other financial institutions both in Japanese yen and foreign currencies.

Related information such as lines of credit, financial covenants and breakdown by due date is stated in “Liquidity risk management” of Note 33.

Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2080-2083) of ¥286,000 million ($1,894 million). These loans are callable after the fifth year from their execution dates (2020-2023) at the discretion of the Company.

Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2081) of ¥200,000 million ($1,325 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2021) at the discretion of the Company.

The amount of fixed-rate debts and bonds procured by the Parent were ¥1,654,419 million and ¥1,792,905 million ($11,874 million) as of March 31, 2023 and 2024, respectively. In principle, for these fixed-rate debts and bonds, fair value hedge with interest rate swaps as hedging instruments is applied to hedge risks of changes in fair value due to interest rate volatility. Please refer to Notes 32 and 33 for details about fair value hedges.

18. TRADE AND OTHER PAYABLES

The carrying amounts of “Trade and other payables” (current liabilities) at March 31, 2023 and 2024 mostly consist of accounts payable-trade to be paid to customers, in which the amounts not expected to be settled within 1 year are immaterial.

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

The Parent and certain subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Japanese Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

By April 2013, the Parent had converted certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

The Parent has the obligation to make contributions to the Mitsubishi Corporation Pension Fund ("Fund") in order to cover the cost of paying pension benefits. The Fund is legally independent from the Parent, and the board of representatives comprises an equal number of representatives elected by the Parent and the Parent's employees. The chairman of the board is elected from the representatives elected from the Parent. Proceedings of the board of representatives are decided by a majority vote of the members attending. In the case of a tied vote, the chairman has the power to decide. However, with regard to important matters, the decision is made by a majority that exceeds the above.

The director of the Fund has the duty to comply with the law, the dispositions of the Minister of Health, Labour, and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the board of representatives and to faithfully perform duties for the Fund. In addition, the director is prohibited from acts that constitute conflicts of interest and from managing the Fund for the purpose of benefiting a third party.

In addition to the defined benefit pension plans, the Parent and most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The Company uses March 31 as the measurement date for the pension plans.

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2023 and 2024:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥610,581	¥556,776	$3,687
Service cost	16,913	14,924	99
Interest cost	6,555	8,473	56
Actuarial (gain) loss	(39,909)	(11,996)	(79)
Benefits paid	(30,852)	(28,474)	(189)
Acquisitions/divestitures-net	(6,584)	(49,846)	(330)
Others	72	(2,384)	(16)
Present value of obligations under defined benefit pension plans at the end of the year	556,776	487,473	3,228
Change in plan assets:			
Fair value of plan assets at the beginning of the year	593,106	557,911	3,695
Interest income	7,094	9,350	62
Income from plan assets other than interest	(21,433)	99,238	657
Employer contributions	4,533	3,612	24
Benefits paid	(23,304)	(21,875)	(145)
Return of assets from retirement benefit trusts	—	(55,400)	(367)
Acquisitions/divestitures-net	(4,807)	(32,214)	(213)
Others	2,722	(3,752)	(25)
Fair value of plan assets at the end of the year	557,911	556,870	3,688
Effect of the asset ceiling	—	—	—
Net amount of (assets) liabilities recorded in Consolidated statement of financial position	¥ (1,135)	¥(69,397)	$(460)

Note:
1. "Actuarial (gain) loss" arises from changes in demographic assumptions and financial assumptions.
2. "Return of assets from retirement benefit trusts" was a result of the partial cancellation of the Parent's retirement benefit trust in the current fiscal year. The transaction amount is included in "Other—net" of cash flow from Operating activities in the consolidated statement of cash flows.

Investment Policy

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 and investment managers for the purpose of risk control and thereby pursues efficient risk management.

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2023 and 2024:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Plan assets that have a quoted market price in an active market			
Equity instruments	¥104,296	¥153,896	$1,019
Debt instruments	9,575	6,669	44
Cash and cash equivalents	67,590	27,522	182
Total	181,461	188,087	1,246
Plan assets that do not have a quoted market price in an active market			
Equity instruments	82,435	95,945	635
Debt instruments	167,442	141,895	940
Life insurance company accounts	58,103	57,852	383
Other assets	68,470	73,091	484
Total	376,450	368,783	2,442
Total plan assets	¥557,911	¥556,870	$3,688

Notes:
1. "Equity instruments" that have a quoted market price in an active market, mainly consist of Japanese equity securities, and include investments through funds.
2. "Equity instruments" and "debt instruments" that do not have a quoted market price in an active market, mainly consist of global equity securities, global debt respectively, and both include investments through funds.
3. "Other assets" include cash equivalent, hedge funds, private equity funds, and infrastructure funds, etc.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2023 and 2024 were as follows:

	2023	2024
Discount rate	1.6%	1.6%
Rate of increase in future compensation levels	2.4	2.7

The assumption of average longevity at pension age of the Parent was 21.0 years for current pensioners, and 22.9 years for employees at March 31, 2023 and 2024.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥25,567 million ($169 million) at March 31, 2024. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥22,754 million ($151 million).

This analysis assumes that all other variables remain constant. However, the discount 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. Companies in Japan generally contribute to the extent of the amount deductible for income tax purposes.

The Company expects to contribute ¥3,161 million ($21 million) to its defined benefit pension plans during the year ending March 31, 2025.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2025	¥29,092	$193
2026	28,126	186
2027	28,072	186
2028	30,880	205
2029	31,396	208
2030 through 2034	135,232	896

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans for the years ended March 31, 2023 and 2024 were ¥11,770 million and ¥12,766 million ($85 million), respectively.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥776,293 million and ¥825,473 million ($5,467 million) for the years ended March 31, 2023 and 2024, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2024 were as follows:

(Year ended March 31, 2024)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥280,075	¥ 7,724	¥(10,380)	¥11,576	¥(69,142)	¥219,853
Provision relating to onerous contracts	82,482	85,428	(32,485)	1,076	(1,163)	135,338
Other	48,756	54,754	(15,319)	46	2,565	90,802

(Year ended March 31, 2024)

	Millions of U.S. Dollars					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$ 1,855	$ 51	$ (69)	$ 77	$ (458)	$ 1,456
Provision relating to onerous contracts	546	566	(215)	7	(8)	896
Other	323	363	(101)	0	17	601

* "Other" principally includes the effect of reclassification of liabilities held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale, the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of consolidation and deconsolidation. For details of reclassification of liabilities held by Lawson to held for sale, please refer to Note 11.

In addition to the above, "Provisions" on the consolidated statement of financial position contains provisions regarding employee benefits and others.

Provision for decommissioning and restoration

The Company recognizes a provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. The main cash outflows related to the provision are expected to be paid over approximately 51 years, but are inherently difficult to predict and affected by future business plans and other circumstances. The discount rate is applied at a pre-tax discount rate that reflects the market valuation of the time value of money.

The Company's consolidated subsidiary in the Mineral Resources segment recognizes a provision for asset retirement obligations based on costs they expect to incur to restore mining sites to the original state in the future. The amount of asset retirement obligations is ¥143,118 million ($948 million) as of March 31, 2024. As certain mines were reclassified as held for sale by this subsidiary, the related effect/decrease in ARO of ¥48,309 million ($320 million) is recognized under "Other". Please refer to Note 11, for detailed information.

Provision relating to onerous contracts

The Company recognizes a provision relating to onerous contracts, consisting primarily of costs associated with construction contract and commodity sales and purchase contract, if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

"Provisions used" includes the effect of sales transactions in progress that have been delivered to the customer in the LNG sales business, amounting to ¥13,823 million ($92 million) (decrease) for the fiscal year ended March 31, 2024. Expenditures related to this obligation are expected to be incurred over periods of up to 17 years but will be affected by future business plans and other circumstances.

Other

"Other" includes provisions for product warranties, provisions for loss on litigation and others.

On January 25, 2024, Cermaq Group AS, a wholly owned subsidiary in the Food Industry segment, received a Statement of Objections from the European Commission concerning suspected violations of European competition laws in the Norwegian Atlantic Salmon aquaculture and marketing business. The Parent has also received the same Statement as the parent company on the same day. A "Statement of Objections" is a document that expresses the European Commission's interim view on alleged violations of European competition law under investigation and is not a final decision. Recipients of this document are entitled to express their opinions, including, without limitation, objections. The final decision of the European Commission may be appealed to the EU Court but the date of the final decision has not been determined.

During the year ended March 31, 2024, the Company recorded ¥33,427 million ($221 million) (increase) as "Provisions made" due to receipt of the Statement of Objections. However, the Company does not acknowledge any legal liability, and intends to strongly defend itself against these objections.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2023 and 2024 was as follows:

	2023 (Number of shares)	2024 (Number of shares)
Ordinary stock (no-par stock)	7,500,000,000	7,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2023 and 2024 was as follows:

	2023 (Number of shares)	2024 (Number of shares)
Balance, beginning of the year	4,457,170,053	4,374,907,053
Change during the year	(82,263,000)	(195,888,900)
Balance, end of the year	4,374,907,053	4,179,018,153

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to be 25% of the common stock amount.

The Companies Act allows, subject to certain conditions, such as resolution at a shareholders' meeting, a company to transfer amounts between common stock, reserves and surplus.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, within the limit under the Articles of Incorporation, subject to limitations imposed by the Companies Act. At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Parent's treasury stock by its resolutions.

The number of treasury stock held by the Parent and the Parent's treasury stock held by subsidiaries and associates were 88,529,424 shares and 81,159,032 shares at March 31, 2023 and 2024, respectively. The number of shares of the Parent held in the trust account for the ESOP Trust, which was included in the number of treasury stock and treasury stock held by subsidiaries and associates, were 21,059,172 shares and 20,529,960 shares at March 31, 2023 and 2024, respectively.

Shares repurchased and cancelled during the year ended March 31, 2024 were as follows:

Resolution	Class of shares	Number of shares repurchased	Number of shares cancelled	Date of cancellation (Expected date)	Shares outstanding after cancellation
Board of Directors' meeting held on February 3, 2023	Ordinary shares	24,611,400	62,425,200	May 31, 2023	4,312,481,853
Board of Directors' meeting held on May 9, 2023	Ordinary shares	133,463,700	133,463,700	January 31, 2024	4,179,018,153
Board of Directors' meeting held on February 6, 2024	Ordinary shares	33,350,500	–	(October 31, 2024)	–

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥3,290,348 million ($21,790 million) as of March 31, 2024. The distributable amount may change up to the effective date of the distribution of dividends due to the Parent's acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2023 and 2024 were as follows:

Resolution	Class of shares	Millions of Yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Millions of U.S. Dollars Amount of dividends	U.S. Dollars Dividends per share
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥116,909	¥26.33	March 31, 2022	June 27, 2022		
Board of Directors' meeting held on November 8, 2022	Ordinary shares	112,715	25.67	September 30, 2022	December 1, 2022		
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	147,891	34.33	March 31, 2023	June 26, 2023	$979	$0.23
Board of Directors' meeting held on November 2, 2023	Ordinary shares	146,990	35.00	September 30, 2023	December 1, 2023	973	0.23

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

Resolution	Class of shares	Millions of Yen Amount of dividends	Source of dividends	Yen Dividends per share	Record date	Effective date	Millions of U.S. Dollars Amount of dividends	U.S. Dollars Dividends per share
Ordinary general meeting of shareholders held on June 21, 2024	Ordinary shares	¥144,146	Retained earnings	¥35.00	March 31, 2024	June 24, 2024	$955	$0.23

Management of capital

The Parent manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

Note: On January 1, 2024, the Company conducted a three-for-one stock split of its common shares. The calculation of the number of shares and dividends per share above are done under the assumption that the stock split occurred at the beginning of the previous fiscal year.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2023 and 2024.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2023)				
Other investments designated as FVTOCI	¥511,059	¥ (95,711)	¥ (9,917)	¥405,431
Remeasurement of defined benefit pension plans	–	16,032	(16,032)	–
Cash flow hedges	(121,321)	174,365	–	53,044
Exchange differences on translating foreign operations	880,674	376,391	–	1,257,065
Total	¥1,270,412	¥471,077	¥ (25,949)	¥1,715,540
(Year ended March 31, 2024)				
Other investments designated as FVTOCI	¥405,431	¥98,317	¥ (32,601)	¥471,147
Remeasurement of defined benefit pension plans	–	85,329	(85,329)	–
Cash flow hedges	53,044	33,960	–	87,004
Exchange differences on translating foreign operations	1,257,065	532,379	–	1,789,444
Total	¥1,715,540	¥749,985	¥(117,930)	¥2,347,595

	Millions of U.S. Dollars			
(Year ended March 31, 2024)	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$2,685	$651	$(216)	$3,120
Remeasurement of defined benefit pension plans	–	565	(565)	–
Cash flow hedges	351	225	–	576
Exchange differences on translating foreign operations	8,325	3,526	–	11,851
Total	$11,361	$4,967	$(781)	$15,547

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Gains (losses) on other investments designated as FVTOCI	¥842	¥(7,663)	$(51)
Remeasurement of defined benefit pension plans	463	494	3
Cash flow hedges	13,502	3,075	20
Exchange differences on translating foreign operations	21,505	30,100	199
Total	¥36,312	¥26,006	$172

The following is a breakdown of “Other comprehensive income (loss)” (including those attributable to non-controlling interests) for the years ended March 31, 2023 and 2024.

	Millions of Yen					
	2023			2024		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains (losses) on other investments designated as FVTOCI	¥(122,089)	¥27,518	¥(94,571)	¥133,833	¥(31,280)	¥102,553
Remeasurement of defined benefit pension plans	18,476	(2,874)	15,602	111,234	(31,974)	79,260
Share of other comprehensive income (loss) of investments accounted for using the equity method	691	(96)	595	(4,181)	(1,155)	(5,336)
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	130,717	(27,553)	103,164	45,473	(8,569)	36,904
Exchange differences on translating foreign operations	285,280	10,773	296,053	495,487	(16,091)	479,396
Share of other comprehensive income (loss) of investments accounted for using the equity method	214,850	(28,304)	186,546	104,435	(21,221)	83,214
Total	¥527,925	¥(20,536)	¥507,389	¥886,281	¥(110,290)	¥775,991

	Millions of U.S. Dollars		
	2024		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains (losses) on other investments designated as FVTOCI	$886	$(207)	$679
Remeasurement of defined benefit pension plans	737	(212)	525
Share of other comprehensive income (loss) of investments accounted for using the equity method	(28)	(8)	(35)
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	301	(57)	244
Exchange differences on translating foreign operations	3,281	(107)	3,175
Share of other comprehensive income (loss) of investments accounted for using the equity method	692	(141)	551
Total	$5,869	$(730)	$5,139

The amounts reclassified to profit or loss from exchange differences on translating foreign operations for the year ended March 31, 2023 include ¥13,296 million (before income taxes) due to the loss of control over DGA SEG B.V., a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment in Indonesia.

The amounts reclassified to profit or loss from exchange differences on translating foreign operations for the year ended March 31, 2024 include ¥16,323 million ($108 million) (before income taxes) due to the loss of control over DIAMOND GAS MALAYSIA B.V., a wholly owned subsidiary in the Natural Gas segment, as well as ¥18,995 million ($126 million) (before income taxes) due to the loss of control over MC AUTOMOBILE (EUROPE) N.V., a wholly owned subsidiary in the Automotive & Mobility segment.
Other than the above, the amounts reclassified to profit or loss from exchange differences on translating foreign operations and share of other comprehensive income (loss) of investments accounted for using the equity method included in Other comprehensive income (loss) (including those attributable to non-controlling interests) were immaterial for the years ended March 31, 2023 and 2024.

As for the reclassification adjustments to profit or loss from cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests) for the years ended March 31, 2023 and 2024, please refer to Note 32.

23. SHARE-BASED PAYMENT

The Parent unified previous stock option plans for a stock-linked compensation plan that grant the right to purchase the shares of the Parent at an exercise price of ¥1 per share from 2007 stock option plans resolved at the Board of Directors' meeting held on July 20, 2007 to the year ended March 31, 2019. The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would newly distribute stock options for a stock-linked compensation plan with market conditions.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or after July 2007

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is up to 30 years. The stock options are vested and exercisable from the earlier of either the day up to 2 years after the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plan for a stock-linked compensation plan with market conditions resolved by the Board of Directors' meetings held on or after June 2019

Under the new plans with market conditions, for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. Depending on the plans, the contractual term of the stock option is 27 years starting on the day up to 3 years after the grant date. The number of stock options that can be exercised varies depending on the Parent's share performance for 3 years starting from the grant date or the day up to 3 years before the grant date. The stock option holders cannot exercise their stock acquisition right after 10 years from the day after leaving their position as director and executive officer of the Parent.

The share-based remuneration based on these stock option plans was immaterial for the years ended March 31, 2023 and 2024.

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the years ended March 31, 2023 and 2024.

	Millions of Yen						
2023	Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues recognized from contracts with customers	¥ 805,862	¥2,574,769	¥2,114,275	¥1,758,863	¥637,882	¥1,014,483	¥1,929,755
Revenues from other sources of revenue	1,198,658	27,907	–	1,926,110	102,102	74,303	487,432
Total	¥2,004,520	¥2,602,676	¥2,114,275	¥3,684,973	¥739,984	¥1,088,786	¥2,417,187

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,365,701	¥1,630,193	¥20,441	¥15,852,224	¥1,231,823	–	¥17,084,047
Revenues from other sources of revenue	3,109	44,310	42,225	3,906,156	581,770	–	4,487,926
Total	¥3,368,810	¥1,674,503	¥62,666	¥19,758,380	¥1,813,593	–	¥21,571,973

	Millions of Yen						
2024	Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues recognized from contracts with customers	¥505,041	¥2,457,153	¥1,744,293	¥1,521,606	¥786,791	¥846,747	¥1,995,071
Revenues from other sources of revenue	604,036	30,392	–	1,724,684	101,465	76,353	409,198
Total	¥1,109,077	¥2,487,545	¥1,744,293	¥3,246,290	¥888,256	¥923,100	¥2,404,269

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,483,122	¥1,376,700	¥28,132	¥14,744,656	¥1,112,594	–	¥15,857,250
Revenues from other sources of revenue	22,468	42,747	21,605	3,032,948	677,403	–	3,710,351
Total	¥3,505,590	¥1,419,447	¥49,737	¥17,777,604	¥1,789,997	–	¥19,567,601

	Millions of U.S. Dollars						
2024	Natural Gas	Industrial Materials	Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Revenues recognized from contracts with customers	$3,345	$16,273	$11,552	$10,077	$5,211	$5,608	$13,212
Revenues from other sources of revenue	4,000	201	–	11,422	672	506	2,710
Total	$7,345	$16,474	$11,552	$21,499	$5,882	$6,113	$15,922

	Millions of U.S. Dollars						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	$23,067	$9,117	$186	$97,648	$7,368	–	$105,015
Revenues from other sources of revenue	149	283	143	20,086	4,486	–	24,572
Total	$23,216	$9,400	$329	$117,734	$11,854	–	$129,587

Revenues recognized from contracts with customers include revenues recognized at a point in time (sales of products or providing services, etc. as principal or agent), as well as revenues recognized over time (providing services based on franchise contracts, plant constructions based on construction contracts, etc.).

In the fiscal year ended March 31, 2024, the Company set up the Next-Generation Energy Business Group to further promote the growth strategy under Midterm Corporate Strategy 2024 and included in Other. Revenues recognized from contracts with customers for the Next Generation Energy Business Group included in Other for the years ended March 31, 2023 and 2024 amounted to 1,222,987 million and 1,102,365 million ($7,300 million), respectively, and Revenues from other sources of revenue amounted to 581,770 million and 677,402 million ($4,486 million), respectively.

Revenues recognized from contracts with customers in the Consumer Industry segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥251,564 million and ¥277,563 million ($1,838 million) for the years ended March 31, 2023 and 2024. The commission includes lease income attributable to property and store equipment leases.

Revenues recognized from contracts with customers in the Industrial Infrastructure segment include revenues recognized by measuring progress of construction based on construction contracts, the amount of which was ¥428,189 million and ¥528,210 million ($3,498 million) for the years ended March 31, 2023 and 2024.

Revenues other than the above items are mainly from the sale of goods and related services.

Revenues from other sources of revenue include revenues recognized in the scope of IFRS9 “Financial Instruments” (including the gross amount of revenues recognized from contracts to buy or sell a non-financial item that can be settled net in cash or other financial instruments, or by exchange for financial instruments at the timing of delivery) and lease income based on IFRS16 “Leases”.

The portion of the Company’s revenues accounted for by variable consideration is immaterial.

(2) Contract balance

Contract assets are an entity’s right to consideration in exchange for goods or services that the entity has transferred to a customer (except receivables) when the right is conditioned on something other than the passage of time (for example, the entity’s future performance). It is presented as “Trade and other receivables”.

Contract liabilities represent an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from said customer and is presented mainly as “Advances from customers”.

The following is a breakdown of carrying amounts of “Contract assets” and “Contract liabilities” at the beginning and the end of the years ended March 31, 2023 and 2024. Both contract balances were mainly recognized from construction contracts in which there was a difference between the point in time when performance obligations were satisfied (progress of construction) and the right to claim arose or consideration was received. Contract assets increased due to performance obligations being satisfied before rights to claim arose (and decreased due to transfer to trade receivables when the rights to claim arose). Contract liabilities increased due to rights to claim arising before performance obligations were satisfied (and decreased due to transfer to revenues when the performance obligations were satisfied).

	Millions of Yen				Millions of U.S. Dollars	
	2023		2024		2024	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥46,032	¥255,629	¥41,535	¥324,839	$275	$2,151
Changes during the year	(4,497)	69,210	4,314	31,651	29	210
Balance at the end of the year	¥41,535	¥324,839	¥45,849	¥356,490	$304	$2,361

Revenues recognized for the years ended March 31, 2023 and 2024 that were included in the contract liabilities balance at the beginning of the year were ¥162,362 million and ¥220,454 million ($1,460 million) respectively. Revenues for the years ended March 31, 2023 and 2024 recognized (or partially recognized) from the performance obligations satisfied in the previous years were immaterial.

(3) Transaction price allocated to the remaining performance obligations

Following are the aggregate amounts of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) at the end of the years ended March 31, 2023 and 2024 and the breakdown by expected duration of the remaining performance obligation in the future.

The amounts of the transaction price are calculated based on the contracts with the customers with reference to commodity prices such as crude oil or gas, and if the consideration is variable, it is included in the transaction price only to the extent that a significant reversal in the amount of cumulative revenues recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of the years ended March 31, 2023 and 2024 was derived to a large extent from a long-term LNG sales contract with customers mainly in Japan through participating in Cameron LNG LLC ("CLNG") at Louisiana Terminal in the U.S and the LNG Canada Project in Kitimat, British Columbia, Canada. Please refer to Note 38 for information of CLNG.

Contracts for which the original expected duration of revenue recognition from contract conclusion is one year or less are not included in the table below in accordance with the provisions of practical expedient adopted.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Not later than 1 year	¥1,501,156	¥1,563,339	$10,353
Later than 1 year and not later than 5 years	3,594,412	3,563,176	23,597
Later than 5 years and not later than 10 years	2,434,136	2,588,474	17,142
Later than 10 years	3,054,047	2,833,190	18,763
Total	¥10,583,751	¥10,548,179	$69,855

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe at March 31, 2023 and 2024, the amount of estimated consideration of which was ¥94,934 million and ¥68,028 million ($451 million) per year.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Employee benefit expenses	¥593,859	¥622,078	$4,120
Equipment expenses	335,759	351,683	2,329
Outsourcing expenses	127,821	143,205	948
Transportation and warehousing expenses	136,746	139,473	924
Office expenses	79,417	87,144	577
Advertising and sales promotion expenses	72,959	80,462	533
Others	260,957	268,237	1,776
Total	¥1,607,518	¥1,692,282	$11,207

Remuneration for the Parent's directors for the years ended March 31, 2023 and 2024 that were included in "Employee benefit expenses" were ¥1,955 million and ¥1,979 million ($13 million), respectively.

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains (losses) on investments," "Finance income" and "Finance costs" for the years ended March 31, 2023 and 2024.

Classification	Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars 2024
Gains (losses) on investments			
Financial assets measured at FVTPL	¥5,512	¥3,658	$24
Subsidiaries, investments accounted for using the equity method and other	191,493	229,349	1,519
Total gains (losses) on investments	¥197,005	¥233,007	$1,543
Finance income			
Interest income	66,758	113,043	749
Dividend income	136,884	192,331	1,274
Total finance income	¥203,642	¥305,374	$2,022
Finance costs			
Interest expenses	(115,377)	(191,141)	(1,266)
Total finance costs	¥(115,377)	¥(191,141)	$(1,266)

"Interest income" is mainly incurred from Financial assets measured at amortized cost such as "Loans receivables" and Financial assets measured at FVTPL such as "Cash and cash equivalents". Dividend income is mainly incurred from Financial assets measured at FVTOCI.

"Interest expenses" is mainly incurred from Financial liabilities measured at amortized cost, "Lease liabilities" and Derivatives. For "Lease liabilities", please refer to Note 35 for more information.

In addition to the above, the Company recognized income and expenses from the following financial instruments for the years ended March 31, 2023 and 2024.

Derivatives not being designated as hedging instruments

Please refer to Note 33 for income and expenses from derivatives not being designated as hedging instruments, and please refer to Note 32 for gains and losses on hedging activities.

Income and expenses pertaining to sales finance transactions

For some of sales finance transactions, "Interest income" incurred from Financial assets measured at amortized cost and "Interest expense" from Financial liabilities measured at amortized cost recognized in "Revenues" or "Cost of revenues" in the consolidated statement of income, of which the portion of the amounts were immaterial.

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2023 and 2024.

27. OTHER INCOME (EXPENSE)-NET

The following is a breakdown of “Other income (expense)-net” for the years ended March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Foreign exchange gains (losses)	¥26,009	¥ (27,763)	$(184)
Gains (losses) from derivatives	(31,454)	25,086	166
Gains (losses) from valuation of biological assets	(10,490)	(5,098)	(34)
Other	(9,418)	(96,342)	(638)
Other income (expense)-net	¥(25,353)	¥(104,117)	$(690)

Gains (losses) arising from the translation of assets and liabilities recorded in currencies other than the functional currency and from the settlement of those assets and liabilities are recognized as foreign exchange gains (losses) as they arise.

Gains (losses) from derivatives include unrealized gains (losses) on outstanding foreign exchange-related derivatives, which are generally effectively offset by foreign exchange gains (losses) and, consequently, the net amount of the offsetting gains (losses) of those accounts is immaterial. Please refer to Note 33, for information on risk management for foreign currency risk. Gains (losses) from derivatives also include gains (losses) from interest rate swap contracts entered into to convert fixed-rate financial assets and liabilities into floating-rate, as well as to convert certain floating-rate financial assets and liabilities into fixed-rate basis. Gains (losses) from derivatives which effectively offset the interest rate risks but do not meet the requirement of hedge accounting were immaterial for the years ended March 31, 2023 and 2024.

Please refer to Note 10, for information on gains (losses) from valuation of biological assets.

Other includes losses of ¥33,427 million ($221 million) arising from recognition of provision in Cermaq Group AS, a consolidated subsidiary in the Food Industry Segment. Please refer to Note 20, for detailed information.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 30.6%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Current tax	¥386,957	¥292,140	$1,935
Deferred tax	22,175	45,596	302
Income taxes	409,132	337,736	2,237
Income taxes recognized in other comprehensive income	20,536	110,290	730
Total	¥429,668	¥448,026	$2,967

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2023 and 2024 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2023	2024
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(6.8)	(7.9)
Effect of the recoverability of deferred tax assets	(0.6)	1.4
Difference of tax rates for foreign subsidiaries	(1.4)	(2.0)
Other-net	2.5	2.7
Effective income tax rate on income before income taxes in the consolidated statement of income	24.3%	24.8%
Less effect of income from investments accounted for using the equity method	6.8	7.9
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 2)	31.1%	32.7%

Notes:
1. The reconciliation is rounded to one decimal place.
2. To exclude the effect of "Share of profit of investments accounted for using the equity method" included in profit before tax in the consolidated statements of income which causes the difference between the effective tax rate and the combined statutory tax rate, "Effective income tax rate on income before income taxes of the Parent and subsidiaries" is disclosed.

Significant components of deferred tax assets and liabilities at March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Assets:			
Loss allowance	¥20,322	¥12,837	$85
Accrued pension and retirement benefits	22,918	10,688	71
Property, plant and equipment, Investment property and Intangible assets	27,885	28,657	190
Short-term investments and Other investments	47,239	37,278	247
Net operating loss carry forwards	27,045	32,908	218
Provisions and other	121,219	102,068	676
Derivatives	55,853	46,523	308
Leases	388,145	89,225	591
Other	84,903	78,102	517
Gross deferred tax assets	795,529	438,286	2,903
Liabilities:			
Accrued pension and retirement benefits	–	22,713	150
Short-term investments and Other investments	360,146	402,592	2,666
Property, plant and equipment, Investment property and Intangible assets	380,413	298,913	1,980
Investments accounted for using the equity method	187,295	237,450	1,573
Derivatives	39,619	29,862	198
Leases	388,145	95,839	635
Other	79,973	97,429	645
Gross deferred tax liabilities	1,435,591	1,184,798	7,846
Net deferred tax liabilities	¥(640,062)	¥(746,512)	$(4,944)

No deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements where the Parent considers that the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. At March 31, 2023 and 2024, the amount of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements on which deferred tax liabilities were not recognized in the Company's consolidated financial statements were ¥2,562,634 million and ¥2,986,540 million ($19,778 million), respectively.

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 assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2023 and 2024 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Not later than 5 years	¥80,237	¥74,936	$496
Later than 5 years and not later than 10 years	325,382	320,515	2,123
Later than 10 years	1,239,283	1,239,992	8,212
Total	¥1,644,902	¥1,635,443	$10,831

The amounts of deductible temporary differences associated with investments in subsidiaries, on which deferred tax assets were not recognized in the Company's consolidated financial statements at March 31, 2023 and 2024 were ¥450,805 million and ¥351,303 million ($2,327 million), respectively, and are not included in the above.

Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan but did not recognize deferred tax assets on the local tax, considering the recoverability, as of March 31, 2023 and 2024, were ¥573,561 million and ¥583,825 million ($3,866 million), respectively, which are included in the above table and the amount of deductible temporary differences associated with investments in subsidiaries.

29. EARNINGS PER SHARE

Reconciliations of the basic and diluted profit for the years attributable to owners of the Parent per share are as follows:

	Yen		U.S. Dollars
	2023	2024	2024
Profit for the year attributable to owners of the Parent per share			
Basic	¥269.76	¥230.10	$1.52
Diluted	268.56	222.37	1.47

			Millions of U.S. Dollars
	2023	2024	2024
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥1,180,694	¥964,034	$6,384
Reconciliation of profit for the year	—	(28,057)	(186)
Diluted profit for the year attributable to owners of the Parent	¥1,180,694	¥935,977	$6,199
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	4,376,783	4,189,638	
Effect of dilutive securities:			
Share-based remuneration	19,539	19,503	
Diluted outstanding shares	4,396,322	4,209,141	

Note: On January 1, 2024, the Company conducted a three-for-one stock split of its common shares. The above reconciliations of the basic and diluted profit for the year attributable to owners of the Parent per share is calculated based on the assumption that the stock split occurred at the start of the previous fiscal year.

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following tables categorize assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and 2024, respectively.

(March 31, 2023)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,319,000	—	—	—	¥1,319,000
Short-term investments and other investments					
Financial assets measured at FVTPL	15,612	¥361	¥209,063	—	225,036
Financial assets measured at FVTOCI					
Marketable securities	558,974	—	—	—	558,974
Non-marketable securities	—	314	858,030	—	858,344
Trade and other receivables					
Financial assets measured at FVTPL	1,945	167,105	23,170	—	192,220
Other financial assets (Derivatives)					
Interest rate contracts	—	51,511	—	¥(306)	51,205
Foreign exchange contracts	—	53,787	—	(5,303)	48,484
Commodity contracts and others	988,240	736,727	35,133	(1,306,253)	453,847
Inventories	57,367	400,196	—	—	457,563
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	346,001	—	—	346,001
Total assets	¥2,941,138	¥1,756,002	¥1,125,396	¥(1,311,862)	¥4,510,674
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	37,903	—	(305)	37,598
Foreign exchange contracts	—	30,332	—	(5,302)	25,030
Commodity contracts and others	871,460	820,055	81,893	(1,304,590)	468,818
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	273,062	—	—	273,062
Total liabilities	¥871,460	¥1,161,352	¥81,893	¥(1,310,197)	¥804,508

Notes:
1. There were no material transfers between different levels during the year ended March 31, 2023.
2. Please refer to Note 7 for the main items for “Financial assets measured at FVTOCI (Marketable securities) “ classified in Level 1.

(March 31, 2024)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,011,361	—	—	—	¥1,011,361
Short-term investments and other investments					
Financial assets measured at FVTPL	20,243	¥473	¥189,567	—	210,283
Financial assets measured at FVTOCI					
Marketable securities	654,661	—	—	—	654,661
Non-marketable securities	—	322	831,518	—	831,840
Trade and other receivables					
Financial assets measured at FVTPL	—	158,259	28,882	—	187,141
Other financial assets (Derivatives)					
Interest rate contracts	—	40,181	—	¥(197)	39,984
Foreign exchange contracts	—	82,737	—	(3,761)	78,976
Commodity contracts and others	477,672	498,290	38,249	(742,008)	272,203
Inventories	8,619	535,454	—	—	544,073
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	444,243	—	—	444,243
Total assets	¥2,172,556	¥1,759,959	¥1,088,216	¥(745,966)	¥4,274,765
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	41,448	—	(198)	41,250
Foreign exchange contracts	—	38,789	—	(4,272)	34,517
Commodity contracts and others	448,716	536,998	43,607	(742,165)	287,156
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	326,196	—	—	326,196
Total liabilities	¥448,716	¥943,431	¥43,607	¥(746,635)	¥689,119

(March 31, 2024)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$6,698	—	—	—	$6,698
Short-term investments and other investments					
Financial assets measured at FVTPL	134	$3	$1,255	—	1,393
Financial assets measured at FVTOCI					
Marketable securities	4,336	—	—	—	4,336
Non-marketable securities	—	2	5,507	—	5,509
Trade and other receivables					
Financial assets measured at FVTPL	—	1,048	191	—	1,239
Other financial assets (Derivatives)					
Interest rate contracts	—	266	—	$(1)	265
Foreign exchange contracts	—	548	—	(25)	523
Commodity contracts and others	3,163	3,300	253	(4,914)	1,803
Inventories	57	3,546	—	—	3,603
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	2,942	—	—	2,942
Total assets	$14,388	$11,655	$7,207	$(4,940)	$28,310
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	274	—	(1)	273
Foreign exchange contracts	—	257	—	(28)	229
Commodity contracts and others	2,972	3,556	289	(4,915)	1,902
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	2,160	—	—	2,160
Total liabilities	$2,972	$6,248	$289	$(4,945)	$4,564

Notes:

1. There are no material transfers between different levels during the year ended March 31, 2024.
2. Please refer to Note 7 for the main items for "Financial assets measured at FVTOCI (Marketable securities) " classified in Level 1.

Please refer to Note 10 for the details of biological assets measured at fair value.

The following tables represent the changes in the balance of major Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2023 and 2024, respectively.

(Year ended March 31, 2023)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL . . .	¥164,598	¥4,451	¥7,990	¥65,360	¥(32,880)	¥(456)	¥209,063	¥2,612
Financial assets measured at FVTOCI (Non-marketable securities)	1,019,554	—	(139,070)	515	(22,968)	(1)	858,030	—
Other financial assets (Derivatives)								
Commodity contracts and others	36,186	18,470	2,867	443	—	(22,833)	35,133	10,056
Other financial liabilities (Derivatives)								
Commodity contracts and others	70,576	5,882	10,127	6,601	—	(11,293)	81,893	2,300

Notes:
1. “Increase due to purchases and other” and “Decrease due to sales and other” include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2023.
3. “Increase due to purchases and other” under “Financial assets measured at FVTPL” in the fiscal year ended March 31, 2023 includes an increase of ¥24,117 million due to sales of partial interest in electricity and gas retailer company in the United Kingdom accounted for using the equity method and a classification for the remaining interests as financial assets measured at FVTPL, as well as an increase of ¥30,000 million due to a payment of equity in the functional materials specialized company.

(Year ended March 31, 2024)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	¥209,063	¥(1,852)	¥12,274	¥24,775	¥(52,100)	¥(2,593)	¥189,567	¥(883)
Financial assets measured at FVTOCI (Non-marketable securities)	858,030	—	3,527	3,684	(33,722)	(1)	831,518	—
Other financial assets (Derivatives)								
Commodity contracts and others	35,133	8,824	5,201	3,393	—	(14,302)	38,249	5,889
Other financial liabilities (Derivatives)								
Commodity contracts and others	81,893	16,879	(47,707)	576	—	(8,034)	43,607	13,531

(Year ended March 31, 2024)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	$1,385	$(12)	$81	$164	$(345)	$(17)	$1,255	$(6)
Financial assets measured at FVTOCI (Non-marketable securities)	5,682	—	23	24	(223)	(0)	5,507	—
Other financial assets (Derivatives)								
Commodity contracts and others	233	58	34	22	—	(95)	253	39
Other financial liabilities (Derivatives)								
Commodity contracts and others	542	112	(316)	4	—	(53)	289	90

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation, capital increase, paid-in capital reduction and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2024.

3. “Decrease due to sales and other” under “Financial assets measured at FVTPL” includes a decrease of ¥30,000 million ($199 million) attributable to the reclassification of the functional materials specialized company to an equity-method affiliate in the fiscal year ended March 31, 2024.

Net realized/unrealized gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in “Gains (losses) on investments” in the consolidated statement of income. The amount recognized as other comprehensive income (loss) is included in “Exchange differences on translating foreign operations” in the consolidated statement of other comprehensive income.

In the fiscal year ended March 31, 2023, the amount recognized as other comprehensive income (loss) included a decrease of ¥60,185 million in the fair value of the investment in the LNG-related business in Russia, a decrease of ¥49,559 million in the fair value of the investment in the LNG-related business in Malaysia due to downward dividend forecast revisions, and a decrease of ¥32,888 million in the fair value for the investment in HERE Technologies due to business plan revisions.

In the fiscal year ended March 31, 2024, the amount recognized as “Other comprehensive income (loss)” included a decrease of ¥85,770 million ($568 million) in the fair value of investments in the copper business, mainly due to a revision in the medium-to long-term business plan, an increase of ¥35,833 million ($237 million) in the fair value of investments in the North American plastic building materials business, and an increase of ¥19,259 million ($128 million) in the fair value of the investment in the LNG-related business in Russia. Please refer to Note 2 for estimates and underlying assumptions regarding the LNG-related business in Russia.

The amount recognized as profit or loss for other financial assets (derivatives) is included mainly in “Revenues” and “Cost of revenues” in the consolidated statement of income.

The amount recognized for “Other comprehensive income (loss)” regarding other financial liabilities (derivatives) is mainly included in “cash flow hedges” in the consolidated statement of comprehensive income. For the year ended March 31, 2024, the amount recognized for “Other comprehensive income (loss)” regarding other financial liabilities (derivatives) is mainly attributable to the change in the fair value of derivatives associated with long-term electric power supply contracts in N.V. Eneco based on a decline in market conditions.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents consist of cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments primarily consist of marketable equity securities valued at the quoted market price in an active market. Level 3 short-term investments and other investments primarily consist of non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting department of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables

Trade and other receivables measured at fair value on a recurring basis primarily consist of restricted cash and non-recourse receivables, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating. Trade and other receivables are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting department of the Company who manage the corresponding assets, or personnel in charge of accounting at a subsidiary that possesses such assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchange markets, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by the income approach based on unobservable inputs such as estimated future market prices. For long-term electric power contracts and related derivatives (sales and procurement), which are the primary transactions, future market prices are estimated using such observable inputs as market prices, as well as such unobservable inputs as government energy policy and forecasts of electricity supply and demand. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories

Level 1 and Level 2 inventories primarily consist of inventories of nonferrous metals held for trading purposes, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

Other current assets and other non-current assets (Assets related to commodity loan transactions) Other current assets and other non-current assets measured at fair value on a recurring basis primarily consist of assets related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2. The fair values include costs to sell, which are immaterial.

Other current liabilities and other non-current liabilities (Liabilities related to commodity loan transactions) Other current liabilities and other non-current liabilities measured at fair value on a recurring basis primarily consist of liabilities related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

Quantitative information about Level 3 Fair Value Measurements

The following tables represent main information about valuation methods and unobservable inputs used for the major Level 3 assets measured at fair value as of March 31, 2023 and 2024, respectively.

(March 31, 2023)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	13.9%

(March 31, 2024)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	13.8%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Significant increases (decreases) in this input result in significant decreases (increases) in fair value.

Even if there is no change in the discount rate for individual non-marketable equity securities, it is possible that changes in fair value of individual equity securities result in change of the aforementioned weighted average discount rate. Regarding changes in the fair value of non-marketable equity securities classified as level 3, please refer to the tables for "changes in the balance of major level 3 assets and liabilities measured at fair value on a recurring basis."

The main items of non-marketable equity securities are investments in the copper business and LNG-related business. The medium- to long-term forecast for copper and crude oil is another significant unobservable input. Please refer to Note 2 for the fair values and estimates of investments in the copper business and LNG-related business.

Fair value of financial instruments measured at amortized cost

The following is the carrying amounts and information about fair values of financial instruments that are measured at amortized cost.

Cash equivalents and time deposits

The carrying amounts of cash equivalents and time deposits measured at amortized cost were ¥333,290 million and ¥334,302 million ($2,213 million) for the years ended March 31, 2023 and 2024, respectively. The carrying amounts approximate their fair values due to most of these instruments having relatively short maturities.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost mainly consist of domestic and foreign debt securities and non-marketable assets such as guarantee deposits in domestic business. The carrying amounts were ¥216,624 million and ¥123,377 million ($817 million) for the years ended March 31, 2023 and 2024, respectively. The carrying amounts approximate the fair values because debt securities are hedged through fair value hedge with interest rate swap as hedging instruments so that the hedge effect are included in the carrying amounts. The discount rates applied to fair value measurement of guarantee deposits have not changed materially since initial recognition due to domestic interest rate having been staying low.

Trade and other receivables

The carrying amounts of trade and other receivables were ¥4,283,129 million and ¥4,454,486 million ($29,500 million) for the years ended March 31, 2023 and 2024, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with relatively long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

Bonds and borrowings

The carrying amounts of bonds and borrowings were ¥4,889,881 million and ¥5,127,952 million ($33,960 million) for the years ended March 31, 2023 and 2024, respectively. The carrying amounts approximate the fair values, provided the carrying amounts are measured taking into account the effects of fair value hedges, where the hedging instruments of interest rate swap are applied for fixed-rate debts with long maturities that are vulnerable to interest rate volatilities. Please refer to Notes 17 and 32 for fair value hedge and Note 33 for risk management policy.

Trade and other payables

The carrying amounts of trade and other payables were ¥3,424,965 million and ¥2,875,695 million ($19,044 million) for the years ended March 31, 2023 and 2024, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount (before offsetting), offset amount, the amount presented in the consolidated statement of financial position, the amount not offset in the consolidated statement of financial position, and the net amount of financial assets and financial liabilities that are offset in accordance with the requirements for offsetting financial assets and financial liabilities and subject to enforceable master netting agreements or similar agreements at March 31, 2023 and 2024 were as follows.

(March 31, 2023)

	Millions of Yen		
	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥1,865,398	¥45,000	¥1,841,643
Offset amount	(1,311,862)	—	(1,310,197)
Amount presented in the consolidated statement of financial position	553,536	45,000	531,446
Amount not offset in the consolidated statement of financial position	(304,458)	(45,000)	(223,528)
Net	¥249,078	—	¥307,918

"Offset amount" includes a portion of financial collateral that meets the offsetting criteria, as well as derivatives.

(March 31, 2024)

	Millions of Yen			Millions of U.S. Dollars		
	Financial assets		Financial liabilities	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥1,137,129	¥45,000	¥1,109,558	$7,531	$298	$7,348
Offset amount	(745,966)	—	(746,635)	(4,940)	—	(4,945)
Amount presented in the consolidated statement of financial position	391,163	45,000	362,923	2,590	298	2,403
Amount not offset in the consolidated statement of financial position	(124,409)	(45,000)	(176,578)	(824)	(298)	(1,169)
Net	¥266,754	—	¥186,345	$1,767	—	$1,234

"Offset amount" includes a portion of financial collateral that meets the offsetting criteria, as well as derivatives.

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and create a right of set-off but the agreements do not automatically grant the right of set-off.

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loan in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set-off for the Company but do not grant the right of set-off automatically.

Also, the Company does not include the amount related to securities lending transactions and sale-and-repurchase transactions in Note 34 (2) "Transferred financial assets that were not derecognized" in the table above, while these agreements provide a right of set-off for the Company in the same way as reverse repurchase transactions.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, foreign exchange contracts, currency swaps, commodity futures contracts and commodity swaps. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and 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. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the 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, but its effect on profit or loss is immaterial.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2023 and 2024.

	Millions of Yen				Millions of U.S. Dollars	
	2023		2024		2024	
Types of hedges	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges	¥38,411	¥47,867	¥48,500	¥49,564	$321	$328
Cash flow hedges	88,311	122,920	28,366	34,977	188	232
Hedge of the net investment in foreign operations	241	38,531	—	22,859	—	151
Total	¥126,963	¥209,318	¥76,866	¥107,400	$509	$711

The derivative instruments above are included in "Other financial assets", "Other financial liabilities", and "Bonds and borrowings" in the consolidated statement of financial position.

The primary hedging instrument for fair value hedges is Interest rate swap contracts.

The primary hedging instrument for cash flow hedges is Commodity contracts.

The primary hedging instrument for hedge of the net investment in foreign operations is Foreign-currency-denominated debt.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2023 and 2024. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2023)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,459,000	Million yen
		Fixed receive / floating pay interest rate swap	1,500,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	552,236	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	294,557	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	950,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	749,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	3,538,100	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,442,401	Thousand U.S. Dollars
		U.S. Dollars denominated debt	268,410	Thousand U.S. Dollars
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	147,167	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	23,895,000	TOZ
		Platinum commodity derivative	181,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	177,907,362	MMBTU
		Gas / Power commodity derivative	16,776,900	MWH

(March 31, 2024)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,490,000	Million yen
		Fixed receive / floating pay interest rate swap	2,000,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	522,542	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	264,748	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	950,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	431,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	3,377,000	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,093,657	Thousand U.S. Dollars
		U.S. Dollars denominated debt	114,960	Thousand U.S. Dollars
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	280,250	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	23,895,000	TOZ
		Platinum commodity derivative	181,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	55,029,490	MMBTU
		Gas / Power commodity derivative	15,209,267	MWH

(2) Fair value hedges

The following are the carrying amounts of the main hedged items and the accumulated amounts of fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2023 and 2024.

(March 31, 2023)

		Millions of Yen	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,643,143	¥(9,825)

(March 31, 2024)

		Millions of Yen	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,768,181	¥(23,527)
Foreign currency risk	Bonds and borrowings	68,143	22,513

(March 31, 2024)

Risk category	Account in the consolidated statement of financial position	Millions of U.S. Dollars	
		Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	$11,710	$(156)
Foreign currency risk	Bonds and borrowings	451	149

The amount of hedge ineffectiveness and the accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses were immaterial for the years ended March 31, 2023 and 2024.

(3) Cash flow hedges

The following are the amounts of other components of equity recognized by continuing cash flow hedges at March 31, 2023 and 2024.

Risk category	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Interest rate risk	¥74,197	¥62,161	$412
Foreign currency risk	18,282	18,027	119
Commodity price risk	(39,435)	6,816	45

The amounts recorded as other components of equity recognized by hedging relationships for which hedge accounting is no longer applied was immaterial at March 31, 2023 and 2024.

The following are the gains or losses related to hedging activities for the years ended March 31, 2023 and 2024.

(Year ended March 31, 2023)

During the year ended March 31, 2023, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥68,322 million (losses) recorded in the categories of foreign currency risk and ¥68,456 million (gains) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥60,725 million (losses) in “Other income (expense)-net” in the categories of foreign currency risk and ¥65,391 million (losses) in “Revenues” / “Cost of revenues” in the categories of commodity price risk, for the year ended March 31, 2023.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2023.

(Year ended March 31, 2024)

During the year ended March 31, 2024, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥90,627 million ($600 million) (gains) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥31,170 million ($206 million) (gains) in “Revenues” / “Cost of revenues” in the categories of commodity price risk, for the year ended March 31, 2024.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2024.

(4) Net investment hedges

The following are the amounts of other components of equity recognized by net investment hedges at March 31, 2023 and 2024.

Risk category		Millions of Yen 2023	Millions of Yen 2024	Millions of U.S. Dollars 2024
Foreign currency risk	Other components of equity recognized by continuing hedges	¥(26,233)	¥(21,512)	$(142)
	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	(112,624)	(122,175)	(809)

The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) and hedge ineffectiveness were immaterial for the years ended March 31, 2023 and 2024.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for more information regarding hedging activities related to each risk.

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, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2023 and 2024, the Company had gross interest-bearing liabilities (excluding lease liabilities) of ¥4,889.9 billion and ¥5,128.0 billion ($34.0 billion), respectively. Since 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, loans receivable and other operating assets that are positively affected by increases in interest rates. Since a rise in interest rates produces an increase in income from these assets, although 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, 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. To monitor market movements in interest rates and respond flexibly to market risks, the Parent has an Asset Liability Management (ALM) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations. Assuming that the interest rate increased/decreased by 1% at March 31, 2023 and 2024, its impact on net income and total equity would be immaterial.

With the cessation of LIBOR publication at the end of June 2023, the Company has completed the transition to alternative rate indices such as risk-free rates.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2023 and 2024 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2023 (Billion Yen)	2024 (Billion Yen)	2024 (Million U.S. Dollars)
U.S. Dollar	¥18.6	¥21.2	$140
Australian Dollar	11.4	11.7	77
Euro	4.1	5.1	34

Commodity price risk management

The Company is exposed to risks related to fluctuations in commodity prices in various trading and other operating activities and enters into derivatives such as commodity futures, options, swaps and contracts to buy or sell non-financial items that can be settled net in cash or other financial instruments in order to hedge or manage such risks. Although some of these derivatives are not designated as hedging relationships such as cash flow hedges or fair value hedges, the Company believes that the impacts derived from fluctuations in commodity prices are effectively managed, as trading positions, which may also include inventories, assets and liability related to commodity loan transactions and others, are integrally managed by each commodity with exposure and loss limit set and monitored in accordance with risk management strategies.

The derivatives held to hedge or manage risks related to changes in commodity prices are measured at fair value and their fluctuations are recognized in “revenues” or “cost of revenues” in the consolidated statement of income, being offset by profits or losses related to inventories or commodity loan contracts measured at fair value if applicable. Such net profits are administrated as transaction profits (gross profit) by each commodity.

Transactions utilizing such derivatives are operated mainly in the Mineral resources trading business and the Overseas power business where the transaction profits (gross profits) were ¥95.6 billion and ¥91.0 billion ($0.6 billion) for the years ended March 31, 2023 and 2024, respectively.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.

At March 31, 2023 and 2024, the Company owned ¥574.6 billion and ¥674.9 billion ($4.5 billion) of marketable securities. These investments are mostly equity securities of customers and suppliers which are exposed to the risk of fluctuations in share prices. These amounts are based on fair value and not including equity securities of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2023 and 2024, the increase or decrease in total equity would amount to approximately ¥40.0 billion and approximately ¥47.0 billion ($0.3 billion), respectively. As most of the marketable equity securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable equity securities at March 31, 2023 and 2024.

Credit risk management

The Company is exposed 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 to experience credit losses. To manage the credit risk, the Company maintains credit and transaction limits for each customer. 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 using a certain formula that refers to the financial position of the counterparties as an input, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The contract amount of guarantees and financing agreements and the amount of financial assets in Note 8 represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 40 for details of guarantees and financing agreements.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for Lease Liabilities) by due date at March 31, 2023 and 2024 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for Lease Liabilities by due date.

Financial guarantee contracts are not included in the breakdown, since the Company's payment timing can be changed due to condition of the guaranteed liabilities or situation of debtors. Please refer to Note 40 for the exposure related to financial guarantee contracts.

(March 31, 2023)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,395,499	¥1,457,493	¥2,051,173	¥4,904,165
Trade and other payables	3,355,895	36,932	35,426	3,428,253
Other financial liabilities (derivatives)	354,066	104,634	72,746	531,446
Total	¥5,105,460	¥1,599,059	¥2,159,345	¥8,863,864

(March 31, 2024)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,734,957	¥1,284,532	¥2,135,859	¥5,155,348
Trade and other payables	2,841,040	20,328	19,401	2,880,769
Other financial liabilities (derivatives)	254,441	69,280	39,202	362,923
Total	¥4,830,438	¥1,374,140	¥2,194,462	¥8,399,040

(March 31, 2024)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$11,490	$8,507	$14,145	$34,141
Trade and other payables	18,815	135	128	19,078
Other financial liabilities (derivatives)	1,685	459	260	2,403
Total	$31,990	$9,100	$14,533	$55,623

The Company maintains lines of credit in both bilateral and syndicated structures arranged by various banks. The short-term and long-term portions of unused lines of credit totaled ¥334,235 million and ¥1,143,320 million, respectively, at March 31, 2023 and ¥484,938 million ($3,212 million) and ¥1,185,753 million ($7,853 million), respectively, at March 31, 2024. The Company is required to comply with certain financial covenants to maintain these facilities. These amounts do not include the amounts of overdraft contracts.

The unused lines of credit are maintained sufficiently mainly as a purpose of backup in case of fund shortage for redemption of the commercial paper program, which the Parent has issued to fund working capital and other general corporate requirements, resulting in a sufficient level of liquidity.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2023 was as follows.

The consolidated subsidiary in the Automotive & Mobility segment had established a Receivable Purchase Facility with the contract maximum funding amount transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company could subsequently transfer its receivables up to the maximum amount. In addition, the Company had the right to receive a part of the future interest income from the transferred receivables. Also, the Company bore its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers.

Note that the sale of all shares of said subsidiary held by the Company was completed on May 31, 2023.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2023 and 2024 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default. The amounts of the transferred financial assets and the liabilities associated to the transferred financial assets were immaterial at March 31, 2023 and 2024.

The Company provides some debt securities for securities lending transactions and sale-and-repurchase transactions.

In respect of securities lending transactions, the Company lends securities and receives cash as collateral while the rights to receive interest income from the securities and the risks of price fluctuations are retained. In respect of sale-and-repurchase transaction, the Company sells a security and agrees to repurchase it at a fixed price on a future date and retains the risks of price fluctuations. The Company continues to recognize these securities because they do not qualify for derecognition.

The amounts of these securities were ¥39,112 million and ¥5,341 million ($35 million) as “Short-term investments”, and ¥9,428 million and ¥5,324 million ($35 million) as “Other investments” at March 31, 2023 and 2024, respectively. The liabilities associated with the cash received as collateral were included in “Bonds and borrowings” totaling ¥48,667 million and ¥10,600 million ($70 million) at March 31, 2023 and 2024, respectively. The liabilities will be settled at the time of returning back and repurchase and the Company does not have the ability to use these securities until the settlement.

The carrying amount of these securities and the associated liabilities approximate fair value.

35. LEASES

Lessee

Leases as lessee

The Company leases, as lessee, mainly real estates including land, buildings and structures for convenience store business, offices, distribution center, as well as equipment and fixtures for business operation etc., and vessels. Some of these leases contain options to terminate and/or extend the lease. The Company reflects these options upon initial recognition of "Right-of-use assets" and "Lease liabilities" by evaluating the enforceability of those options as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise.

At March 31, 2023 and 2024, the carrying amounts of "Right-of-use assets" were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Real estate	¥1,221,374	¥251,025	$1,662
Machinery and equipment	172,954	47,208	313
Vessels and vehicles	173,499	139,061	921
Other	22,456	19,112	127
Total	¥1,590,283	¥456,406	$3,023

Notes:
The additions to "Right-of-use assets", due to new contract and others, were ¥339,084 million and ¥276,171 million ($1,829 million) for the years ended March 31, 2023 and 2024, respectively.

Decrease of "Right-of-use assets" for the year ended March 31, 2024 includes the effect of reclassification of assets held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale. For details, please refer to Note 11.

The depreciation of "Right-of-use assets" for the years ended March 31, 2023 and 2024 were as follows:

Depreciation	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Real estate	¥190,880	¥193,345	$1,280
Machinery and equipment	44,897	45,598	302
Vessels and vehicles	31,249	31,466	208
Other	7,867	7,861	52
Total	¥274,893	¥278,270	$1,843

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2023 and 2024.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2023	2024	2024
Interest expense on lease liabilities	Finance costs	¥(20,750)	¥(24,385)	$(161)
Expense related to short-term leases	Selling, general and administrative expenses	(33,109)	(48,661)	(322)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(10,930)	(18,051)	(120)
Income from subleasing right-of-use assets	Revenues	54,863	56,558	375

Total cash outflow for leases as lessee for the years ended March 31, 2023 and 2024 were ¥362,844 million and ¥376,913 million ($2,496 million), respectively. The cash outflow included in the measurement of “Lease liabilities” are included in Financing activities as “Repayments of lease liabilities”, and the cash outflow not included in the measurement of “Lease liabilities” are included in Operating activities.

The breakdown of future lease payments included in the measurement of “Lease liabilities” at March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Not later than 1 year	¥276,001	¥117,549	$778
Later than 1 year and not later than 5 years	720,144	262,111	1,736
Later than 5 years	833,817	294,797	1,952
Sub-total	¥1,829,962	¥ 674,457	$4,467
Less amount representing interest	(162,273)	(115,818)	(767)
Lease liabilities	¥1,667,689	¥ 558,639	$3,700

The amount of leases not yet commenced to which the lessee is committed at March 31, 2023 and 2024 were ¥240,455 million and ¥416,449 million ($2,758 million), respectively.

The amount at March 31, 2023 includes contractual commitments of leases as lessee of real estates for convenience store business, contractual commitments of the LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in the LNG Canada Project.

The amount at March 31, 2024 includes contractual commitments of the LNG Canada Project as described above, contractual commitments of the newly concluded charter agreements in the LNG sales business.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of lease payments receivable by receipt period and the present value of lease payments receivable, and the components of the outstanding receivables under finance leases at March 31, 2023 and 2024 were as follows:

	Components of receivables under finance lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024	2023	2024	2024
Lease payments receivable						
Not later than 1 year	¥197,565	¥ 202,639	$1,342	¥188,281	¥192,877	$1,277
Later than 1 year and not later than 2 years	155,759	167,232	1,107	142,054	152,106	1,007
Later than 2 years and not later than 3 years	120,080	131,806	873	105,396	115,059	762
Later than 3 years and not later than 4 years	91,405	95,477	632	77,269	79,892	529
Later than 4 years and not later than 5 years	62,051	65,291	432	49,980	52,073	345
Later than 5 years	92,364	97,572	646	66,024	65,566	434
Sub-total	¥719,224	¥ 760,017	$5,033	¥629,004	¥657,573	$4,355
Estimated unguaranteed residual value of leased assets	2,966	3,056	20			
Gross investment in the lease	¥722,190	¥ 763,073	$5,053			
Less unearned income	(90,220)	(102,446)	(678)			
Finance lease receivables	¥631,970	¥ 660,627	$4,375			
Less loss allowance	(8,163)	(12,099)	(80)			
Receivables under finance leases (net of loss allowance)	¥623,807	¥ 648,528	$4,295			

The following are the amounts mainly recognized in the consolidated statement of income related to finance leases as lessor for the year ended March 31, 2023 and 2024.

		Millions of Yen		Millions of U.S. Dollars
	Account in the consolidated statement of income	2023	2024	2024
Finance income on the net investment in the lease	Revenues	¥31,457	¥34,556	$229

Operating leases as lessor

The Company leases, as lessor, vessels, real estates and other industrial machinery under operating leases.

The breakdown of lease payments receivable at March 31, 2023 and 2024 were as follows. Variable lease payments receivable that do not depend on an index or a rate are not included.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Not later than 1 year	¥41,779	¥41,188	$273
Later than 1 year and not later than 2 years	23,598	24,883	165
Later than 2 years and not later than 3 years	18,500	17,217	114
Later than 3 years and not later than 4 years	12,628	10,652	71
Later than 4 years and not later than 5 years	8,159	6,708	44
Later than 5 years	17,362	19,862	132
Total	¥122,026	¥120,510	$798

The amount of lease income for the years ended March 31, 2023 and 2024 were ¥127,944 million and ¥125,526 million ($831 million), respectively.

In addition, as for the variable lease income included in franchise commissions from franchised stores which is recognized in "Revenues" in the consolidated statement of income, please refer to Note 24.

As for "Property, plant and equipment" subject to operating leases as a lessor, please refer to Note 12.

36. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Acquisition of businesses:			
Consideration for acquisition			
Total amount of consideration for acquisition	¥25,832	¥18,255	$121
Payment of outstanding balance as of the end of the previous fiscal year	11,509	–	–
Cash acquired	98	5,540	37
Acquisitions of businesses - net of cash acquired	14,225	12,715	84

Notes:
1. For details of significant assets acquired and liabilities assumed in the acquisitions of businesses, please refer to Note 5.
2. "Acquisition of businesses—net of cash acquired" in consolidated statement of cash flows for the year ended March 31, 2023 includes "Payment of outstanding balance as of the end of the previous fiscal year".

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Disposals of businesses:			
Consideration for sales			
Total amount of consideration for sales	¥209,656	¥58,084	$385
Amount receivable included in consideration for sales	–	36,102	239
Cash divested	36,294	37,834	251
Proceeds from disposal of businesses - net of cash divested	173,362	(15,852)	(105)
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	13,272	5,253	35
Inventories	21,566	88,858	588
Assets classified as held for sale	6,429	141,479	937
Property, plant and equipment and investment property	25,122	234,693	1,554
Intangible assets and goodwill	466	24,824	164
Right-of-use assets	4,547	23,543	156
Investments accounted for using the equity method	51,807	4,739	31
Other	11,427	9,442	63
Total sold assets	¥134,636	¥532,831	$3,529
Liabilities sold			
Bonds and borrowings	26,934	93,364	618
Trade and other payables	18,298	53,966	357
Liabilities directly associated with classified as held for sale	1,752	7,801	52
Other	5,067	15,573	103
Total sold liabilities	¥52,051	¥170,704	$1,130
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	39,586	423,387	2,804

Assets recognized due to loss of control (net of liabilities) principally include Loans receivable and Investments accounted for using the equity method.

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2023 and 2024.

(Year ended March 31, 2023)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2022	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2023
Bonds and borrowings . . .	¥5,643,169	¥(967,302)	¥263,553	¥(27,136)	¥(23,496)	–	¥1,093	¥4,889,881
Lease liabilities	1,592,307	(308,946)	23,352	–	2,601	¥346,714	11,661	1,667,689

(Year ended March 31, 2024)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2023	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2024
Bonds and borrowings . . .	¥4,889,881	¥36,708	¥351,835	¥(13,331)	¥(88,221)	–	¥(48,920)	¥5,127,952
Lease liabilities	1,667,689	(300,086)	35,772	–	(25,474)	¥283,391	(1,102,653)	558,639

(Year ended March 31, 2024)

	Millions of U.S. Dollars							
			Non-cash changes					
	Balance at April 1, 2023	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2024
Bonds and borrowings	$32,383	$243	$2,330	$(88)	$(584)	–	$(324)	$33,960
Lease liabilities	11,044	(1,987)	237	–	(169)	$1,877	(7,302)	3,700

Notes:
1. Cash flows related to “Bonds and borrowings” are included in “Net increase (decrease) in short-term debts”, “Proceeds from long-term debts” and “Repayments of long-term debts” in the consolidated statement of cash flows.
2. Cash flows related to “Lease liabilities” are included in “Repayments of lease liabilities” in the consolidated statement of cash flows.
3. Decrease of “Other” in “Bonds and borrowings” and “Lease liabilities” for the year ended March 31, 2024 includes the effect of reclassification of liabilities held by Lawson, a consolidated subsidiary in the Consumer Industry Segment, to held for sale. For details, please refer to Note 11.
4. “Other” in “Lease liabilities” for the years ended 31 March, 2023 and 2024 includes changes due to cancellation of lease contracts and remeasurement of lease liabilities.

37. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control were immaterial for the years ended March 31, 2023 and 2024.

The gains (losses) associated with the loss of control of subsidiaries

The net gain associated with the loss of control of subsidiaries (before tax) was ¥159,619 million and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥11,344 million for the year ended March 31, 2023.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥154,938 million ($1,026 million) and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥103,155 million ($683 million) for the year ended March 31, 2024.

These gains are included in “Gains (losses) on investments” in the consolidated statement of income.

(Mitsubishi Corp.-UBS Realty Inc.)

During the year ended March 31, 2023, the Company sold all the shares (51% of all outstanding stock) in Mitsubishi Corp.-UBS Realty Inc. (MC-UBSR) , a consolidated subsidiary in the Urban Development segment, to 76KK, an indirect subsidiary of KKR & CO. INC. With this sale of shares, the Company has lost control of MC-UBSR. Therefore, the Company recorded ¥112,018 million in gains on sales following loss of control and ¥27,940 million in related income tax expenses under “Gains (losses) on investments” and “Income taxes” in the consolidated statement of income, respectively. In addition, the Company recorded ¥115,652 million in consideration received in cash as “Proceeds from disposal of businesses-net of cash divested” in the consolidated statement of cash flows.

(DGA SEG B.V.)

During the year ended March 31, 2023, the Company sold its 50% shares in DGA SEG B.V. (SEG B.V.), a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment company in Indonesia.

As a result, the Company has lost control of SEG B.V. and accounted for its investment in SEG B.V. using the equity method as a joint venture. The Company recorded gains on sales of ¥12,017 million and profit from remeasurement of the remaining shares at fair value by the loss of control of ¥7,618 million in “Gains (losses) on investments” in the consolidated statement of income.

(Diamond Generating Europe Investments Limited)

During the year ended March 31, 2023, the Company sold all the shares in Diamond Generating Europe Investments Limited (DGI), a wholly owned subsidiary in the Power Solution segment, which owned 16.7% interest in the offshore wind farm operating off the coast of Scotland in the United Kingdom. With this sale of the shares, the Company has lost control of DGI and recorded gains on sales following loss of control of ¥23,255 million in “Gains (losses) on investments” in the consolidated statement of income.

(DIAMOND GAS MALAYSIA B.V.)

During the year ended March 31, 2024, the Company lost control of DIAMOND GAS MALAYSIA B.V. (DGM), a wholly owned subsidiary in the Natural Gas segment, due to the liquidation of DGM. The Company recorded mainly gains from cumulative exchange differences on translating foreign operations of ¥16,331 million ($108 million), as “Gains (losses) on investments” in the consolidated statement of income due to the loss of control.

(MC AUTOMOBILE (EUROPE) N.V.)

During the year ended March 31, 2024, the Company lost control of MC AUTOMOBILE (EUROPE) N.V. (MCAE) a wholly owned subsidiary in the Automotive & Mobility segment, due to the liquidation of MCAE. The Company recorded mainly gains from cumulative exchange differences on translating foreign operations of ¥18,655 million ($124 million), as “Gains (losses) on investments” in the consolidated statement of income due to the loss of control.

(Nexamp, Inc.)

During the year ended March 31, 2024, Nexamp, Inc. (Nexamp), a consolidated subsidiary in the Power Solution segment, executed a third-party capital increase and shareholder allotment with Manulife Investment Management and an existing shareholder, Generate Capital, as the allottees. Nexamp also purchased a portion of the shares previously held by the Company. In addition, the Company has entered into a shareholders’ agreement with Manulife Investment Management and Generate Capital pertaining to Nexamp.As a result, the Company lost sole control over Nexamp, which became a joint venture of the Company. Furthermore, the Company lost control of entities jointly controlled by the Company and Nexamp due to the loss of sole control over Nexamp and those entities were reclassified to joint ventures of the Company.

The Company recorded gains on sales of the investment of ¥9,224 million ($61 million) and the gains of ¥100,557 million ($666 million) attributable to the remeasurement of the investment retained at fair value due to the loss of control in "Gains (losses) on investments" and the related income tax expenses of ¥24,403 million ($162 million) in "Income taxes" in the consolidated statement of income.

Subsidiaries with material non-controlling interests

Company Name	Voting Rights held by non-controlling interests
Metal One Corporation (Japan)	40.00%
Diamond Chubu Europe B.V. (Netherlands)	20.00%
Lawson, Inc. (Japan)	49.88%
Mitsubishi Shokuhin Co., Ltd. (Japan)	49.85%

Entity of which the Company has control regardless of the possession of less than half of the voting rights

(Chiyoda Corporation)

The Company has purchased class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company. The Company holds 33.46% of the voting rights to Chiyoda Corporation and if it were to exercise the conversion request rights attached to the class A preferred shares, it would hold 81.99% of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, the Company accounts for Chiyoda Corporation as a consolidated subsidiary.

38. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX"), which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")

The Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company with an investment in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation ("KOGAS") holding a 25% ownership interest. Under the shareholder's agreement with KOGAS, significant decisions regarding Sulawesi LNG Development's operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method as a joint venture.

DIAMOND REALTY INVESTMENT GRAND PARK 2 CO., Ltd. ("DRI-GP2 Co., Ltd.")

The Company holds 51% of the voting rights in DRI-GP2 Co., Ltd. (a Japanese company), which invests in an urban development project known as Grand Park Phase 3 in the suburbs of Ho Chi Minh City, Vietnam. Nomura Real Estate Development Co., Ltd. holds the remaining 49% ownership interest. Under the shareholder's agreement with Nomura Real Estate Development Co., Ltd., significant decisions regarding DRI-GP2 Co., Ltd.'s operations require unanimous consent by the Company and Nomura Real Estate Development Co., Ltd. The rights given to Nomura Real Estate Development Co., Ltd. in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of DRIGP2 Co., Ltd. does not rest with the Company. Accordingly, the Company accounts for its investment in DRI-GP2 Co., Ltd. using the equity method as a joint venture.

Nexamp, Inc. ("Nexamp")

The Company holds 58.3% ownership interests in Nexamp, which is engaged in the distributed solar power generation business in the United States of America. The shareholders' agreement of Nexamp stipulates that significant decisions regarding Nexamp's operations require consent of Manulife Investment Management and Generate Capital, in addition to the Company. Manulife Investment Management and Generate Capital have substantive participation rights in Nexamp, and control over the operations or assets of Nexamp does not rest with the Company. Accordingly, the Company accounts for its investments in Nexamp using the equity method as a joint venture.

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam Group Limited ("Olam")

The Company holds a 14.56% ownership interest in Olam, an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam (at the time "Olam International Limited") issued were exercised and the Company's voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

Mitsubishi HC Capital Inc.

The Company holds 18.40% of the shares of Mitsubishi HC Capital Inc. Although the Company holds less than 20% of the voting rights to Mitsubishi HC Capital Inc., said company's shareholder composition, excluding Mitsubishi UFJ Financial Group and the Company, is widely distributed, and the Company's voting rights have a relatively high significance. Furthermore, the Company has significant influence (power to participate in financial and operating policy decisions) over Mitsubishi HC Capital Inc. through directors and senior vice presidents of asset finance and other important business domains dispatched by the Company. As such, the Company accounts for its investment in Mitsubishi HC Capital Inc. using the equity method.

(3) Material joint arrangements

BMA metallurgical coal business

Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of metallurgical coal which is used for steel manufacturing. The Company holds through MDP a 50% interest in BMA metallurgical coal business in Queensland, Australia, as a joint operation with a partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest metallurgical coal businesses. As of March 31, 2024, the book value of MDP's property, plant and equipment is ¥962,746 million ($6,376 million).

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Profit for the year			
Joint ventures	¥260,500	¥134,174	$ 889
Associates	239,680	310,211	2,054
Sub-total	500,180	444,385	2,943
Other comprehensive income	187,141	77,878	516
Comprehensive income	¥687,321	¥522,263	$3,459

Impairment losses on investments accounted for using the equity method

During the year ended March 31, 2023, the Company recorded impairment losses of ¥37,095 million in “Share of profit (loss) of investments accounted for using the equity method” on its investment in Anglo American Sur S.A. (“AAS”, Headquarter: Santiago, Chile), a Chilean copper resource company, in which the Company holds 20.4% interest; mainly due to delays in development schedule on the mine according to the revised business plan. These losses are included in the consolidated net income of the Mineral Resources segment. As a result, the book value of the Company’s investment in AAS at March 31, 2023, was ¥144,863 million.

Copper is an essential resource for transitioning to decarbonized society in the future, and demand is expected to grow. However, supply constraints are likely to increase mainly due to the declining production volumes and the degradation of ore at existing mines and the increasing difficulty to develop new mines. The Company has forecasted that the copper market would be tightened medium- to long-term. Although the Company has assumed that the potential for future copper resource in the mines remains high, AAS has been closely examining the impact on its business plans following the rejection in May 2022 of its application for an environmental permission required for its development. As a result of this process, since it became clear that there would be delays in the development schedule on the producing and the undeveloped mine site, and that development became more difficult than previously assumed with regards to economic aspect due to environmental countermeasure, the Company revised assumptions for valuation of the mine and recorded impairment losses accordingly.

AAS reapplied to the Environmental Assessment Service of Chile (SEA) for the required environmental permit in June 2022 and received notification that the permit was approved in April 2023. The Company used the business plan based on this reapplication to measure impairment losses.

During the year ended March 31, 2023, the Company identified indications of impairment on the joint venture investments which operate power plants in Japan, due to the suspension of operations in connection with the plant’s equipment failure remediation work. The impairment test was performed based on the latest business plan, which incorporated the downtime from the remediation work aimed at stabilizing the power plants’ operations. As a result, the Company recorded impairment losses of ¥12,531 million in “Share of profit (loss) of investments accounted for using the equity method” and ¥8,338 million in “Gains (losses) on investments – net,” respectively, mainly due to the decrease in revenue from power sales contracts during the downtime period. These losses are included in the consolidated net income of the Power Solution segment. The recoverable amount for the impairment test was estimated based on value in use, which was estimated using the discounted present value of the future cash flows. The differences between the book values and the recoverable amounts of individual assets and investments are recorded as losses.

During the year ended March 31, 2024, the Company identified indications of impairment on a joint venture which operates a power plant in Japan, based on a decline in power generation due to technical factors and the associated increase in costs. As a result of impairment test based on the latest business plan, the Company recorded impairment losses of ¥8,140 million ($54 million) in “Share of profit (loss) of investments accounted for using the equity method” due to decreased revenues from an electricity sales contract and increased costs. In addition, the Company recorded losses of ¥2,535 million ($17 million) associated with the provision for loans to the joint venture in “Selling, general and administrative expenses” and a corresponding tax effect of ¥592 million ($4 million) (gain) in “Income taxes.” These losses are included in the consolidated net income of the Power Solution segment.

The transfer of shares regarding an affiliated company of the Food Industry segment

During the year ended March 31, 2023, the Company classified all shares in an affiliated company of the Food Industry segment as assets held for sale. During the year ended March 31, 2024, the Company recorded a gain on the sale of shares of ¥39,660 million ($263 million) in “Gains (losses) on investments”, dividends of ¥11,849 million ($78 million) in “Finance income”, and related income taxes of ¥12,078 million ($80 million) in “Income taxes”, respectively, upon receiving dividends and the sale of these shares. These profits are included in consolidated net income for the Food Industry segment.

Mozal SA

During the year ended March 31, 2023, the Company sold all shares of the aluminum smelting operating company, Mozal SA, in which MCA Metals Holdings GmbH, the Company’s wholly owned subsidiary, held 25% shares by October 31, 2022. As a result, the Company recorded profit of ¥12,258 million for the sale as

"Gains (losses) on investments." These profits are included in consolidated net income for the Mineral Resources segment.

GAC MITSUBISHI MOTORS

During the year ended March 31, 2023, the Company recorded losses of ¥18,555 million in "Share of profit (loss) of investments accounted for using the equity method" on its investment in GAC MITSUBISHI MOTORS Co., LTD. ("GMMC"), an automobile manufacturing and sales operating company, in which the Company held 20% equity interest, mainly due to the fact that GMMC's profitability was expected to decline as its performance continued to fall short of sales plans amid intensifying competition in the Chinese market. This impairment loss included the Company's share of the related losses at Mitsubishi Motors Corporation, which held 30% of shares in GMMC. In addition, the Company recorded losses on provisions related to loans to GMMC and unused loan commitments to said company of ¥7,674 million in "Selling, general and administrative expenses" as well as a corresponding tax effect of ¥1,919 million (gain) in "Income taxes", respectively. These losses are included in the consolidated net income for the Automotive & Mobility segment.

Electricity and gas retailer company in the United Kingdom

During the year ended March 31, 2023, the Company sold its 1% equity interest of the Electricity and gas retailer company in the United Kingdom, which was an affiliated company accounted for using the equity method with 20.54% equity interest. As a result of this sale, the Company lost significant influence over this company and discontinued to apply the equity method due to less than 20% of proportion of the voting rights held. The Company classified the remaining 19.54% equity interest as financial assets measured at FVTPL (Level 3). As a result, the Company recorded ¥22,212 million (gain) in "Gains (losses) on investments" as a total of gains from the sale of 1% interest and the difference between the book value of the remaining interests and the fair value measured using the present value of future cash flows based on the latest business plan as of the date of the discontinuation of the equity method.

In addition, the Electricity and gas retailer company in the United Kingdom measures a portion of its power and gas procurement contracts at fair value based on the market value in the U.K. power and gas market as contracts to buy or sell non-financial items under IFRS 9 Financial Instruments. During the year ended March 31, 2023, until the discontinuation of the equity method, due to a decline in transaction prices traded in the market, the Company recorded losses of ¥21,117 million as "Share of profit (loss) of investments accounted for using the equity method" based on the fair value measurement of these contracts.

These gains and losses are included in the consolidated net income for the Power Solution segment.

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Sale of goods / rendering of service	¥720,311	¥707,498	$4,685
Goods purchased / service received	1,457,054	1,385,488	9,175

(6) Assets and liabilities of the Company to joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
(Assets)			
Trade receivables	¥169,446	¥167,904	$1,112
Loans and other	447,495	584,118	3,868
(Liabilities)			
Trade payables	252,594	250,594	1,660
Borrowings and other	267,909	117,202	776

In addition to the above, at March 31, 2023 and 2024, the Company provided ¥339,319 million and ¥274,593 million ($1,818 million), respectively, of credit guarantees for certain joint ventures and associates.

The Company has entered into substantial sales commitments with joint ventures and associates at March 31, 2023 and 2024. The outstanding sales commitments amounted to ¥254,807 million and ¥295,842 million ($1,959 million), respectively.

Furthermore, the Company has also entered into substantial purchase commitments with joint ventures and associates at March 31, 2023 and 2024. The outstanding purchase commitments amounted to ¥2,064,946 million and ¥1,598,939 million ($10,589 million), respectively. The amounts of the outstanding purchase commitments at March 31, 2023 and 2024 include mainly the long-term purchase agreement of copper concentrate produced from Quellaveco copper mine (Peru), which MITSUBISHI CORPORATION RTM INTERNATIONAL PTE. LTD. contracted with Anglo American Quellaveco S.A.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in the U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG from August 2020, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.

In relation to most of the LNG the Company plans to purchase, the Company also entered into long-term LNG sales contracts with customers mainly in Japan.

39. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE as a subsidiary.

Non-consolidated SEs

The SEs that the Company does not consolidate as subsidiaries due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

The following table summarizes the carrying amounts of assets in the Company’s consolidated statement of financial position that relate to the SEs at March 31, 2023 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Carrying amounts of assets in the Company’s consolidated statement of financial position that relate to the SEs	¥115,463	¥113,531	$752

Carrying amounts of assets in the Company’s consolidated statement of financial position that relate to the SEs consist primarily of “Investments accounted for using the equity method” and “Other investments.” The carrying amounts of liabilities in the Company’s consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2023 and 2024.

40. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2023 and 2024 amounting to ¥143,015 million and ¥224,935 million ($1,490 million), respectively.

N.V. Eneco has energy purchase commitments at March 31, 2023 and 2024 amounting to ¥2,961,645 million and ¥1,582,961 million ($10,483 million), respectively under long-term energy purchase contracts. The decrease in the year ended March 31, 2024 is mainly due to lower gas and electricity prices.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2023 and 2024 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2024	2024
Financial guarantees			
Outstanding amount	¥495,503	¥453,773	$3,005
Maximum potential amount of future payments	737,347	704,864	4,668
Performance guarantees			
Outstanding amount	258,636	274,428	1,817
Maximum potential amount of future payments	258,636	274,428	1,817

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2024 will expire within 10 years, with certain credit guarantees expiring by the end of 2045. Should the customers, suppliers and the companies accounted for using the equity method fail to perform obligations under the terms of the transaction or financing arrangement, the Company would be required to perform obligations on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2023 and 2024, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥14,323 million and ¥6,915 million ($46 million), respectively.

At March 31, 2023 and 2024, financial guarantees include ¥64,008 million and ¥47,804 million ($317 million) of letters of credit issued for bills discounted.

For a part of performance guarantees, the Company mitigates the risk through arrangements entered into between partners of a consortium in construction contracts whereby a party attributable to the cause of indemnification shall bear the cost, and/or such as recourse provisions from bank, parent company guarantee.

As of March 31, 2024, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit at March 31, 2023 and 2024 amounted to US$966 million and US$844 million, respectively, and are included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2023 and 2024, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$966 million and US$844 million, respectively. The amount is included in "Financial guarantees – Outstanding amount" in the table.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company’s maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company’s obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

41. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 21, 2024.

Dividends

Please refer to Note 21 for the cash dividend resolved at the ordinary general shareholders’ meeting held on June 21, 2024.

Completion of divestment of two coal mines under the metallurgical coal business

On April 2, 2024, Mitsubishi Development Pty Ltd, a consolidated subsidiary in the Mineral Resources segment, completed the divestment of all interests in the Blackwater and Daunia mines, in which it holds a 50% interest each through the BHP Mitsubishi Alliance, a metallurgical coal joint venture developed with BHP in Queensland. The purchase price is US$1.6 billion (US$0.05 billion received on signing of the Asset Sale Agreement, US$1.00 billion upon completion, and the remaining US$0.55 billion to be received over three years following completion), with coal price and sales volume linked contingent consideration of an aggregate of up to US$0.45 billion payable over three years.

Upon completion of the sale, a gain of ¥137.3 billion and a related income tax expense of ¥41.6 billion are expected to be recorded in “Gains (losses) on disposal and sale of property, plant and equipment and others” as well as in “Income taxes” in the consolidated statement of income, respectively, in the next fiscal year. In addition, cash consideration of ¥147.3 billion is expected to be recorded as “Proceeds from disposal of property, plant and equipment and others” in the consolidated statement of cash flows.

The estimated figures may differ from the actual value due to fluctuations in coal prices, sales volume and foreign exchange rates.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent’s Board of Directors on June 21, 2024.

Appendix

1. List of subsidiaries

The Parent’s subsidiaries as of March 31, 2024 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	DGS Japan Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn. Bhd. (Malaysia)	100.00
	Diamond LNG Canada Partnership (Canada)	96.70 (96.70)
	Others (26 Companies)	
Industrial Materials Group	Isuzu Corporation (Japan)	56.60 (56.60)
	M.O. Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Specialty Steel Corporation (Japan)	100.00 (100.00)
	Metal One Steel Products Corporation (Japan)	100.00 (100.00)
	Metal One Tubular Products Inc. (Japan)	100.00 (100.00)
	SUS-TECH Corporation (Japan)	75.00 (75.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	COILPLUS, INC. (U.S.A.)	100.00 (100.00)
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One (China) Corporation (China)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	METAL ONE STEEL SERVICE DE MEXICO, S.A. DE C.V. (Mexico)	100.00 (100.00)
	Others (69 Companies)	
Chemicals Solution Group	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (14 Companies)	
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MITSUBISHI CORPORATION RTM CHINA LIMITED (China)	100.00 (100.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (9 Companies)	

Business Segment	Company Name	Voting Rights (%)
Industrial Infrastructure Group	CHIYODA CORPORATION (Japan)	33.46
	CHIYODA X-ONE ENGINEERING CORPORATION (Japan)	100.00 (100.00)
	MC Shipping Ltd. (Japan)	100.00
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	CHIYODA INTERNATIONAL CORPORATION (U.S.A.)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	P.T. CHIYODA INTERNATIONAL INDONESIA (Indonesia)	100.00 (100.00)
	Others (56 Companies)	
Automotive & Mobility Group	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73 (41.66)
	Others (23 Companies)	
Food Industry Group	Foodlink Corporation (Japan)	99.42
	JAPAN FARM HOLDINGS (Japan)	92.66
	MC Agri Alliance Ltd. (Japan)	70.00
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00 (100.00)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.83
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	65.80
	Nosan Corporation (Japan)	100.00
	Seto Futo Co., Ltd. (Japan)	86.63
	Toyo Reizo Co., Ltd. (Japan)	95.08
	AGREX ASIA PTE. LTD. (Singapore)	100.00
	AGREX DO BRASIL LTDA. (Brazil)	100.00
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	ASIA MODIFIED STARCH CO., LTD (Thailand)	100.00 (100.00)
	Cermaq Group AS (Norway)	100.00 (100.00)
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC. (U.S.A.)	100.00 (100.00)
	Riverina (Australia) Pty Ltd (Australia)	100.00
	Others (97 Companies)	
Consumer Industry Group	Lawson Bank, Inc. (Japan)	95.00 (95.00)
	Lawson, Inc. (Japan)	50.12
	MC Healthcare, Inc. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	100.00
	Mitsubishi Shokuhin Co., Ltd. (Japan)	50.15
	SEIJO ISHII CO., LTD. (Japan)	100.00 (100.00)
	Others (65 Companies)	

Business Segment	Company Name	Voting Rights (%)
Power Solution Group	Mitsubishi Corporation Clean Energy Ltd. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Energy Solutions Ltd. (Japan)	100.00
	Mitsubishi Corporation Offshore Wind Ltd. (Japan)	100.00 (100.00)
	DGA Ho Ping B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (China)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Transmission Corporation Limited (U.K.)	100.00
	N.V. Eneco (The Netherlands)	100.00 (100.00)
	Others (300 Companies)	
Urban Development Group	Diamond Realty Management Inc. (Japan)	100.00
	DRI INDIA CO., LTD. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	53.67
	AIGF ADVISORS PTE. LTD. (Singapore)	100.00
	Diamond RC Holding Limited (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	DIAMOND REALTY MANAGEMENT AMERICA INC. (U.S.A)	100.00 (100.00)
	DRIC PERIDOT LIMITED (China)	60.00
	JAPAN AIRPORT MANAGEMENT LLC (Mongolia)	70.00
	JAPAN HIGHWAYS INTERNATIONAL B.V (The Netherlands)	69.20
	MARUNOUCHI INVESTMENT B.V. (The Netherlands)	100.00
	MC ALABANG, INC. (Philippines)	100.00
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC DIAMOND REALTY INVESTMENT PHILIPPINES, INC. (Philippines)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC UK Investment Ltd. (U.K.)	100.00
	MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED (Vietnam)	100.00
	PT. MC URBAN DEVELOPMENT INDONESIA (Indonesia)	100.00 (0.01)
	Others (100 Companies)	
Others	MC DATA PLUS (Japan)	100.00
	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (13 Companies)	

Business Segment	Company Name	Voting Rights (%)
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (China)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00
	Mitsubishi International Corporation (U.S.A.)	100.00 (100.00)
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.40 (47.40)
	Others (27 Companies)	

Note: The percentages in parentheses under “Voting Rights (%)” indicate the indirect ownership out of the total ownership noted above.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mitsubishi Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes to the consolidated financial statements, including a summary of material accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified in the current period were:

1. Medium- to long-term copper price assumption

2. Medium- to long-term crude oil price assumption

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

1. Medium- to long-term copper price assumption

Key Audit Matter Description

As one of its main businesses in the Mineral Resources segment, the Group holds investments in entities that are engaged in copper business in Chile and Peru. As for the Group's investments in copper business, financial assets measured at fair value through other comprehensive income ("FVTOCI") were JPY 377,790 million and investments accounted for using the equity method were JPY 388,462 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, the medium- to long-term copper price assumption is the most significant unobservable input used when measuring the fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method. Changes in the medium- to long-term copper price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term copper price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts toward a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future copper price assumptions published by multiple external organizations, which indicates high uncertainty. Therefore, we identified the determination of the medium- to long-term copper price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term copper price assumption used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term copper price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method.

- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the impacts caused by the Russia-Ukraine situation, the COVID-19 pandemic and efforts towards a decarbonized society on the current copper markets and the future global demand and supply for copper.

- We evaluated the reasonableness of the Group's medium- to long-term copper price assumption by comparing the Group's assumption with a range developed by our independent estimates of future copper price. Our range is developed to be narrower than medium- to long-term copper price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.

- When we developed the range, we independently obtained the medium- to long-term copper price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosure of the medium- to long-term copper price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term copper price assumption as discussed above.

2. Medium- to long-term crude oil price assumption

Key Audit Matter Description

As one of its main businesses in the Natural Gas segment, the Group holds investments in entities that are engaged in the natural gas/oil development and production and the liquefied natural gas ("LNG") projects in various countries, such as Australia, Russia, Malaysia, and Canada. As for the Group's investments in the above mentioned businesses, financial assets measured at FVTOCI were JPY 197,443 million, investments accounted for using the equity method were JPY 713,150 million (total of JPY 488,015 million in LNG-related business and JPY 225,135 million in shale gas business), and property, plant and equipment were JPY 281,332 million in the consolidated statement of financial position as of March 31, 2023. These investments have a significant impact on the financial position and performance of the Group.

These financial assets, measured at FVTOCI, are non-marketable securities and their fair value is determined using the discounted cash flow model.

If there are indications of impairment or reversal of impairment on investments accounted for using the equity method and property, plant and equipment, the Group shall measure the recoverable amount, which is the higher of the value in use or the fair value less costs to sell. The Group uses the discounted cash flow model to estimate the value in use.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, due to the fact that LNG price correlates with crude oil price, the medium- to long-term crude oil price assumption is the most significant unobservable input used when measuring fair value of FVTOCI financial assets and evaluating the impairment test of investments accounted for using the equity method and property, plant and equipment. Changes in the medium- to long-term crude oil price assumption have more significant impacts on the fair value or the value in use than other unobservable inputs. The Group determines the medium- to long-term crude oil price assumption based on forecasts of future global demand, production volume and cost, which require significant knowledge and expertise in this industry. In addition, these forecasts involve variability and uncertainty in long-term demand and supply, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society. Furthermore, there is a wide range between the high-end and low-end of the future crude oil price assumptions published by multiple external organizations. Therefore, we identified the determination of the medium- to long-term crude oil price assumption as a key audit matter because the determination is complex and requires significant management's judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the medium- to long-term crude oil price assumption used by management included the following, among others:

- We tested the design and operating effectiveness of relevant controls over the determination of the medium- to long-term crude oil price assumption in management's valuation of FVTOCI financial assets and impairment test of investments accounted for using the equity method and property, plant and equipment.

- We inquired of management and inspected the internal documents supporting the assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the impacts from the COVID-19 pandemic, the geopolitical risk arising from the lengthening of the Russia-Ukraine situation, and efforts towards a decarbonized society on the current crude oil markets and the future global demand and supply for crude oil.

- We evaluated the reasonableness of the Group's medium- to long-term crude oil price assumption by comparing the Group's assumption with a range developed by our independent estimates of future crude oil price. Our range is developed to be narrower than medium- to long-term crude oil price assumptions published by multiple external organizations, considering audit materiality, sensitivity to price changes and degrees of variance of price assumptions published by multiple external organizations.

- When we developed the range, we independently obtained the medium- to long-term crude oil price assumptions from multiple external organizations and assessed the independence and the experience of the external organizations to evaluate the reliability and validity of the external pricing sources, with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosure of the medium- to long-term crude oil price assumption as the significant unobservable input in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the uncertainty on this estimate, by testing the consistency with the results of work we performed over medium- to long-term crude oil price assumption as discussed above.

3. Accounting treatment of initial recognition and fair value measurements of investment in Sakhalin 2 project

Key Audit Matter Description

In the Natural Gas segment, the Group held a 10% ownership interest in Sakhalin Energy Investment Company Ltd. ("SEIC"), which operates Sakhalin 2 project, an LNG-related business in Russia. Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416), and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC ("SELLC"), was established to take over the operation of the LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Group submitted the notice of transfer to take ownership interests in SELLC to the Russian government and received approval on August 31, 2022. The Group continues to hold a 10% ownership interest in the LNG-related business, however, the details related to the operation of SELLC, including the terms of the LLC Members Agreement, will be discussed between LLC Members of SELLC after the end of the current fiscal year. As such, uncertainties remain surrounding this investment at year-end.

As disclosed in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, there has been no significant change in the economic substance towards the investment in the LNG-related business as the Group continues to invest in the business after the rights and obligations of SEIC were transferred to SELLC. Therefore, the investment in SELLC is classified as an equity instrument and accounted for as other investments (financial assets measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The Group measures fair value of this investment with the income approach using the probability-weighted average expected present value technique, in which the Group anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios. The Group measured the fair value (Level 3) of this investment at JPY 83,210 million as of March 31, 2023 and consequently recorded other comprehensive loss (before tax) of JPY 60,185 million for the year ended March 31, 2023.

We identified the accounting treatment of initial recognition, including the classification of the financial assets, and fair value measurement of investment in SELLC as a key audit matter because of its quantitative significance in the consolidated financial statements and the following:

Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets

Based on the Russian Federation Presidential Decree and the Governmental Resolution, the Group's investment in the LNG-related business has been transferred from SEIC to SELLC. Significant management's judgment is required in assessing whether there has been any change in the economic substance towards the investment as a result of the transfer, in determining the classification of investment in SELLC as an equity instrument, based on the contractual rights to the investment, the relevant laws and regulations, including the Russian Federation Presidential Decree.

Fair value measurement of investment in SELLC

The valuation of the financial assets measured at FVTOCI related to the LNG-related business requires the use of the valuation methodology taking into account multiple scenarios, estimates of future cash flows and the probability of occurrence in each scenario, and the determination of a discount rate which reflects a country risk of Russia and other factors. It involves significant management's judgment since it is required to evaluate the impact of the international sanction towards Russia, including Russia's counter-measures against unfriendly countries as well as the participation of a new partner that may affect the LLC Members Agreement.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets, and the fair value measurement included the following, among others:

<u>Accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets</u>

- We tested the design and operating effectiveness of relevant controls over the determination of the accounting treatment of initial recognition of investment in SELLC including the classification of the financial assets.

- We inspected the relevant provisions of the Russian Federation Presidential Decree, Governmental Resolution as well as the notice of transfer to take ownership interests in SELLC. We also inspected the board of director's meeting minutes and related documents, and inquired of management whether there was any change in the economic substance towards the investment in LNG-related business as a result of the transfer to evaluate the reasonableness of the management's judgment in concluding that there was no significant change in the economic substance.

- We evaluated the reasonableness of management's judgment for the classification of the investment in SELLC as an equity investment by examining the contractual rights to the investment, the relevant laws and regulations, including the Russian Federation Presidential Decree with the assistance of our legal specialists.

<u>Fair value measurement of investment in SELLC</u>

- We tested the design and operating effectiveness of relevant controls over the fair value measurement of investment in SELLC.

- We inspected the board of director's meeting minutes, and made inquiries of management to obtain an understanding of the progress of the negotiations related to the operation of SELLC, including the terms of the LLC Members Agreement, the discussions with the Japanese government and other relevant parties, and the Group's view towards the international environment, in order to evaluate the reasonableness of the probability of occurrence of the scenario in which the Group anticipated receiving dividends from the investment in SELLC over the project life and other scenarios.

- We evaluated the reasonableness of estimated future cash flows for each scenario by:

  - Comparing them with the approved business plan of SELLC

  - Comparing historical business plans to actual results and evaluating management's ability to reasonably prepare a business plan

  - Considering the impact on the fair value measurement of the partner selling its interests in this project based on the Russian Federation Presidential Decree.

- We verified the reasonableness of valuation methodology and the discount rate selected by management by comparing to our independent estimate of the acceptable range of discount rates developed considering the audit materiality and sensitivity to the fair value measurement with the assistance of our valuation specialists.

- We evaluated the appropriateness of the disclosures of the LNG-related business in Russia in Note 2, "Basis of Preparation (5) Significant accounting judgments, estimates and assumptions," to the consolidated financial statements, including the estimation uncertainty related to the operation of SELLC such as the terms of the LLC Members Agreement. We also verified the consistency of disclosures with the results of procedures performed as mentioned above.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain, when performing risk assessment procedures, 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Financial Report as information for readers.

Yuki Higashikawa
Designated Engagement Partner
Certified Public Accountant

Hirofumi Otani
Designated Engagement Partner
Certified Public Accountant

Sogo Ito
Designated Engagement Partner
Certified Public Accountant

June 23, 2023

Consolidated Financial Statements
Consolidated Statement of Financial Position
March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
ASSETS	2022	2023	2023
Current assets			
Cash and cash equivalents (Note 30)	¥1,555,570	¥1,556,999	$11,619
Time deposits (Note 30)	147,878	95,291	711
Short-term investments (Notes 7, 30 and 34)	7,000	42,127	314
Trade and other receivables (Notes 8, 16, 24, 30, 35 and 38)	4,283,171	4,127,275	30,801
Other financial assets (Notes 30, 31 and 32)	774,833	392,644	2,930
Inventories (Notes 9 and 30)	1,776,616	1,771,382	13,219
Biological assets (Note 10)	98,268	109,953	821
Advance payments to suppliers	99,671	139,140	1,038
Assets classified as held for sale (Note 11)	202,157	243,663	1,819
Other current assets (Note 30)	585,881	630,829	4,708
Total current assets	9,531,045	9,109,303	67,980
Non-current assets			
Investments accounted for using the equity method (Notes 2 and 38)	3,502,881	3,926,875	29,305
Other investments (Notes 2, 7, 16, 30 and 34)	1,957,880	1,816,851	13,558
Trade and other receivables (Notes 8, 16, 30, 34, 35 and 38)	829,686	1,013,428	7,563
Other financial assets (Notes 30, 31 and 32)	218,701	160,892	1,201
Property, plant and equipment (Notes 12, 15 and 16)	2,784,039	2,992,042	22,329
Investment property (Notes 13 and 16)	94,399	81,986	612
Intangible assets and goodwill (Note 14)	1,221,568	1,207,402	9,010
Right-of-use assets (Note 35)	1,520,536	1,590,283	11,868
Deferred tax assets (Note 28)	53,548	39,082	292
Other non-current assets (Notes 10 and 19)	197,729	214,738	1,602
Total non-current assets	12,380,967	13,043,579	97,340
Total assets (Note 6)	¥21,912,012	¥22,152,882	$165,320

See Notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars (Note 2) 2023
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,603,420	¥1,395,890	$10,417
Trade and other payables (Notes 18, 30, 33 and 38)	3,382,112	3,369,018	25,142
Lease liabilities (Notes 35 and 36)	253,519	264,083	1,971
Other financial liabilities (Notes 30, 31, 32 and 33)	884,112	354,066	2,642
Advances from customers (Note 24)	238,656	296,463	2,212
Income tax payables	169,827	185,432	1,384
Provisions (Note 20)	92,154	84,618	631
Liabilities directly associated with assets classified as held for sale (Note 11)	9,585	25,812	193
Other current liabilities (Note 30)	684,448	719,297	5,368
Total current liabilities	7,317,833	6,694,679	49,960
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	4,039,749	3,493,991	26,075
Trade and other payables (Notes 30, 33 and 38)	47,814	59,235	442
Lease liabilities (Notes 35 and 36)	1,338,788	1,403,606	10,475
Other financial liabilities (Notes 30, 31, 32 and 33)	218,053	177,380	1,324
Retirement benefit obligation (Note 19)	127,394	118,470	884
Provisions (Note 20)	280,633	342,808	2,558
Deferred tax liabilities (Note 28)	643,862	679,144	5,068
Other non-current liabilities	40,714	59,152	441
Total non-current liabilities	6,737,007	6,333,786	47,267
Total liabilities	14,054,840	13,028,465	97,227
Equity			
Common stock (Note 21)	204,447	204,447	1,526
Additional paid-in capital (Note 21)	226,483	225,858	1,685
Treasury stock (Note 21)	(25,544)	(124,083)	(926)
Other components of equity			
Other investments designated as FVTOCI (Note 22)	511,059	405,431	3,026
Cash flow hedges (Notes 22 and 32)	(121,321)	53,044	396
Exchange differences on translating foreign operations (Notes 22 and 32)	880,674	1,257,065	9,381
Total other components of equity	1,270,412	1,715,540	12,803
Retained earnings (Notes 7 and 21)	5,204,434	6,049,259	45,144
Equity attributable to owners of the Parent	6,880,232	8,071,021	60,232
Non-controlling interests (Note 5)	976,940	1,053,396	7,861
Total equity	7,857,172	9,124,417	68,093
Total liabilities and equity	¥21,912,012	¥22,152,882	$165,320

See Notes to the consolidated financial statements.

Consolidated Statement of Income
For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Revenues (Notes 6, 24, 26, 30, 32 and 35)	¥17,264,828	¥21,571,973	$160,985
Cost of revenues (Notes 9, 14, 26, 30 and 32)	(15,114,064)	(19,012,011)	(141,881)
Gross profit (Note 6)	2,150,764	2,559,962	19,104
Selling, general and administrative expenses (Notes 14, 25, 35 and 38)	(1,432,039)	(1,607,518)	(11,996)
Gains (losses) on investments (Notes 26, 30, 37, 38 and 41)	75,254	197,005	1,470
Gains (losses) on disposal and sale of property, plant and equipment and others (Note 41)	6,712	(272)	(2)
Impairment losses on property, plant and equipment, intangible assets, goodwill and others (Notes 12 and 14)	(64,517)	(31,638)	(237)
Other income (expense)-net (Notes 10, 14, 27, 32 and 34)	23,289	(25,353)	(189)
Finance income (Notes 7, 26 and 41)	186,532	203,642	1,520
Finance costs (Notes 26 and 35)	(46,682)	(115,377)	(861)
Share of profit (loss) of investments accounted for using the equity method (Notes 6 and 38)	393,803	500,180	3,733
Profit (loss) before tax	1,293,116	1,680,631	12,542
Income taxes (Notes 28, 37, 38 and 41)	(288,657)	(409,132)	(3,053)
Profit (loss) for the year	¥1,004,459	¥1,271,499	$9,489
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥937,529	¥1,180,694	$8,811
Non-controlling interests	66,930	90,805	678
	¥1,004,459	¥1,271,499	$9,489
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥635.06	¥809.29	$6.04
Diluted (Note 29)	625.73	805.69	6.01

See Notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Profit (loss) for the year	¥1,004,459	¥1,271,499	$ 9,489
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains (losses) on other investments designated as FVTOCI (Notes 2, 7 and 22)	82,239	(94,571)	(706)
Remeasurement of defined benefit pension plans (Notes 19 and 22)	20,412	15,602	116
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	10,968	595	5
Total	113,619	(78,374)	(585)
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	(97,950)	103,164	770
Exchange differences on translating foreign operations (Notes 22 and 32)	440,530	296,053	2,209
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	108,528	186,546	1,392
Total	451,108	585,763	4,371
Total other comprehensive income (loss) (Note 22)	564,727	507,389	3,786
Total comprehensive income (loss)	¥1,569,186	¥1,778,888	$13,275
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,471,506	¥1,651,771	$12,326
Non-controlling interests	97,680	127,117	949
	¥1,569,186	¥1,778,888	$13,275

See Notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Common stock:			
Balance at the beginning of the year (Note 21)	¥204,447	¥204,447	$1,526
Balance at the end of the year (Note 21)	204,447	204,447	1,526
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	228,552	226,483	1,690
Compensation costs related to share-based payment (Note 23)	2,135	2,150	16
Sales of treasury stock upon exercise of share-based payment	(636)	(1,723)	(13)
Equity transactions with non-controlling interests and others (Note 37)	(3,568)	(1,052)	(8)
Balance at the end of the year	226,483	225,858	1,685
Treasury stock:			
Balance at the beginning of the year	(26,750)	(25,544)	(191)
Sales of treasury stock upon exercise of share-based payment	1,218	4,378	33
Purchases and sales—net (Note 21)	(12)	(216,740)	(1,617)
Cancellation (Note 21)	–	113,823	849
Balance at the end of the year	(25,544)	(124,083)	(926)
Other components of equity:			
Balance at the beginning of the year (Note 22)	784,685	1,270,412	9,482
Other comprehensive income (loss) attributable to owners of the Parent (Notes 22 and 32)	533,977	471,077	3,515
Transfer to retained earnings (Note 22)	(48,250)	(25,949)	(194)
Balance at the end of the year (Note 22)	1,270,412	1,715,540	12,803
Retained earnings: (Note 21)			
Balance at the beginning of the year	4,422,713	5,204,434	38,839
Cumulative effects of change in accounting policy (Note 2)	–	(17,003)	(127)
Adjusted balance at the beginning of the year	4,422,713	5,187,431	38,712
Profit (loss) for the year attributable to owners of the Parent	937,529	1,180,694	8,811
Cash dividends paid to owners of the Parent (Note 21)	(203,737)	(228,829)	(1,708)
Sales of treasury stock upon exercise of share-based payment	(321)	(2,163)	(16)
Cancellation of treasury stock (Note 21)	–	(113,823)	(849)
Transfer from other components of equity	48,250	25,949	194
Balance at the end of the year	5,204,434	6,049,259	45,144
Equity attributable to owners of the Parent	6,880,232	8,071,021	60,232
Non-controlling interests:			
Balance at the beginning of the year	924,743	976,940	7,291
Cash dividends paid to non-controlling interests	(54,047)	(56,348)	(421)
Equity transactions with non-controlling interests and others	8,564	5,687	42
Profit (loss) for the year attributable to non-controlling interests	66,930	90,805	678
Other comprehensive income (loss) attributable to non-controlling interests (Notes 22 and 32)	30,750	36,312	271
Balance at the end of the year	976,940	1,053,396	7,861
Total equity	¥7,857,172	¥9,124,417	$68,093
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥1,471,506	¥1,651,771	$12,326
Non-controlling interests	97,680	127,117	949
Total comprehensive income (loss)	¥1,569,186	¥1,778,888	$13,275

See Notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
For the years ended March 31, 2022 and 2023

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2022	2023	2023
Operating activities:			
Profit (loss) for the year	¥1,004,459	¥1,271,499	$9,489
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	545,043	583,294	4,353
(Gains) losses on investments	(75,254)	(197,005)	(1,470)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	57,805	31,910	239
Finance (income) - net of finance costs	(139,850)	(88,265)	(659)
Share of (profit) loss of investments accounted for using the equity method	(393,803)	(500,180)	(3,733)
Income taxes	288,657	409,132	3,053
Changes in trade receivables	(673,674)	179,318	1,338
Changes in inventories	(236,396)	(12,929)	(96)
Changes in trade payables	396,298	(108,217)	(808)
Changes in margin deposits of derivative transactions and others	(36,149)	144,813	1,081
Other - net (Note 19)	(34,370)	79,526	593
Dividends received	493,860	489,353	3,652
Interest received	80,601	121,653	908
Interest paid	(64,444)	(134,224)	(1,002)
Income taxes paid	(156,939)	(339,540)	(2,534)
Net cash provided by (used in) operating activities	1,055,844	1,930,138	14,404
Investing activities:			
Payments for property, plant and equipment and others	(393,833)	(454,954)	(3,395)
Proceeds from disposal of property, plant and equipment and others	27,888	20,276	151
Payments for investment property	(443)	(611)	(5)
Proceeds from disposal of investments property	1,329	395	3
Purchases of investments accounted for using the equity method	(157,003)	(181,025)	(1,351)
Proceeds from disposal of investments accounted for using the equity method	246,455	284,129	2,121
Acquisitions of businesses - net of cash acquired (Notes 5 and 36)	(45,154)	(25,734)	(192)
Proceeds from disposal of businesses - net of cash divested (Notes 36 and 37)	53,278	173,362	1,294
Purchases of other investments	(26,990)	(62,425)	(466)
Proceeds from disposal of other investments	142,987	116,835	872
Increase in loans receivable	(82,953)	(157,096)	(1,172)
Collection of loans receivable	60,809	46,889	350
Net (increase) decrease in time deposits	6,080	62,493	466
Net cash provided by (used in) investing activities	(167,550)	(177,466)	(1,324)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	(159,572)	(408,701)	(3,050)
Proceeds from long-term debts (Notes 17 and 36)	864,567	214,020	1,597
Repayments of long-term debts (Notes 17 and 36)	(865,450)	(772,621)	(5,766)
Repayments of lease liabilities (Notes 35 and 36)	(279,784)	(308,946)	(2,305)
Dividends paid to owners of the Parent (Note 21)	(203,737)	(228,829)	(1,708)
Dividends paid to the non-controlling interests	(54,047)	(56,348)	(421)
Payments for acquisition of subsidiary’s interests from the non-controlling interests	(20,393)	(14,526)	(108)
Proceeds from disposal of subsidiary’s interests to the non-controlling interests	25,033	26,420	197
Net (increase) decrease in treasury stock (Note 21)	(13)	(217,107)	(1,620)
Net cash provided by (used in) financing activities	(693,396)	(1,766,638)	(13,184)
Effect of exchange rate changes on cash and cash equivalents	42,848	15,395	114
Net increase (decrease) in cash and cash equivalents	237,746	1,429	10
Cash and cash equivalents at the beginning of the year	1,317,824	1,555,570	11,609
Cash and cash equivalents at the end of the year	¥1,555,570	¥1,556,999	$11,619

See Notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company") is a diversified organization engaged in a wide variety of business activities through its network in Japan and overseas. These activities span from natural resource development to the trading and manufacturing of a wide range of products and the provision of consumer goods and services. Leveraging its collective capabilities based on its broad engagement with wide-ranging industries and global intelligence, the Company commercializes new business models and new technologies and develops and offers new services.

The principal business activities of the Company are disclosed in Note 6. The consolidated financial statements of the Parent comprise the accounts of the Company, including interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with International Financial Reporting Standards (IFRS)

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(2) Basis of measurement

The consolidated 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.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2023 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥134=US$1, the approximate rate of exchange at March 31, 2023. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied

The new major standards and interpretations applied from the year ended March 31, 2023 are as follows:

Standards and interpretations	Outline
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amended)	Clarification of costs to consider in assessing whether a contract is onerous

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

The Company has applied IAS 37 (Amended) from the fiscal year ended March 31, 2023. In accordance with transitional provisions, the Company has adopted the method of recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the year ended March 31, 2023.

The amount of retained earnings decreased by ¥17,003 million (the amount of provisions increased by ¥20,486 million, and deferred tax assets increased by ¥3,483 million) as adjustments of the beginning balance of retained earnings on the date of initial application.

Due to the amendment of IAS 37, the cost of fulfilling a contract comprises costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) the incremental costs of fulfilling that contract such as direct labor and materials; and

(b) an allocation of other costs that relate directly to fulfilling contracts such as an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The Company is required to recognize provisions when the costs of fulfilling a contract exceed the economic benefits of the contract, in which contract is considered onerous.

Before the amendment of IAS 37, the Company had included only (a) the incremental costs of fulfilling a contract as costs that relate directly to the contract, therefore, a part of contracts in LNG sales business required recording additional provisions along with the initial application of IAS 37 (Amended).

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2023.

(5) Significant accounting judgments, estimates and assumptions

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is changed, and the future periods affected by such revisions.

Impact of the Russia-Ukraine Situation

Regarding the impact of the Russia-Ukraine situation as shown in the economic forecasts issued by public institutions, the global economic growth is expected to be under downward pressure due to inflation. Specifically, while the situation escalates, financial and economic sanctions imposed by major countries against Russia and countermeasures taken by Russia in response, such as restrictions on international remittances and export controls, etc., are likely to remain in place and target an even broader range of items, resulting in restrictions on the supply of goods as well as inflation induced by energy price surges and other factors. Under these circumstances, the direct and indirect impact of this situation will vary by Company's business segments and regions it operates. The assumptions made by the Company are based on a projection that the impact will remain in place for some time in fiscal year ending March 31, 2024. It is assumed that it will take time to lift financial and economic sanctions, lift restrictions on international remittances, resolve unforeseen supply situation and normalize trade and supply chains. The Company's main business in Russia consist of financial service business in the Automotive & Mobility segment and investment in the LNG-related business in the Natural Gas segment. As of March 31, 2023, the carrying amount of total assets related to the Company's business in Russia amount to ¥180,540 million ($1,347 million) (of which, the balance of cash and cash equivalents restricted on international remittances was ¥50,546 million ($377 million)).

(LNG-related business in Russia)

The Company holds a 10% ownership interest in Sakhalin Energy Investment Company Ltd. (SEIC), which has been engaged in LNG-related business in Russia, and accounts for this investment as other investments (financial asset measured at FVTOCI). Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416) and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC (SELLC) was established to take over the operation of this LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Company submitted its notice to continue ownership in the LNG-related business to the Russian government and received approval on August 31, 2022. As a result, the Company continues to hold a 10% ownership interest in the LNG-related business. Since there has been no significant change in the economic substance towards the investment in the LNG-related business, the investment in SELLC is accounted for as other investments (financial asset measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The details related to the operation of SELLC, including the SELLC's Corporate Charter as well as the terms of the LLC Members Agreement, will need to be discussed once the transfer of the ownership interest to the new LLC Member is complete and the LLC Members composition of SELLC is determined. As such, there remains uncertainty surrounding this investment. Under these circumstances, the Company continues to measure the fair value of this investment with the income approach using the probability-weighted average expected present value technique. The discount rate used for the measurement is determined considering the country risk premium for Russia. While the Company anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios, the Company measured the fair value (Level 3) for this investment at ¥83,210 million ($621 million) at March 31, 2023 and consequently recorded decrease of ¥60,185 million ($449 million) (before tax) in other comprehensive income (loss) for the year ended March 31, 2023.

After the end of the fiscal year ended March 31, 2023, the Russian Governmental Resolution issued on April 11, 2023 (No. 890) approved a new LLC Member of SELLC. The Company has determined that this event will not have any impact on the fair value, but it may be necessary to reassess the scenarios used in the probability-weighted average expected present value technique depending on the future circumstances which may partially resolve uncertainties previously considered in other scenarios. As a result, there is a possibility that the fair value of the investment in SELLC may increase or decrease.

Impact of Climate Change

The impact of climate change and a transition toward decarbonized society is considered in the Company's consolidated financial statements through estimating for impairment of non-financial assets, fair value of financial instruments, useful lives of property, plant and equipment; along with the estimation of asset retirement obligations (ARO) and other items. "The Roadmap to a Carbon Neutral Society", established by the Company in October 2021, was designed to ensure that the Company contributes to the realization of the international targets set forth in the Paris Agreement and other initiatives. The decarbonization scenarios developed by external institutions in line with the Paris Agreement are considered one of important references in these accounting estimates. However, as the decarbonization scenarios generally assume market-wide trends in terms of supply and demand, the trends may not directly provide the degree of the impact on the business of the Company due to the superiority or subordination of its assets or the peculiarities of its sales contracts. In addition, while the scenario analysis based on the decarbonization scenario analyzes the super-long-term impact on a decades-long basis, a medium- to long-term time horizon of several years to 10 years, which more strongly reflects the current business environment, has a significant impact on the measurement of assets and liabilities in the consolidated financial statements. Therefore, even if the decarbonization scenario analysis implies indications of loss in the value of assets or an increase in liabilities related to the Company's business, it does not immediately mean that the implication also has an impact on the measurement of assets and liabilities in the consolidated financial statements. In considering the accounting estimates, in addition to the decarbonization scenarios, the Company's policies, policy in each country, the results of analyses by external institutions, and other factors that affect each project are comprehensively taken into account to reflect the impact of climate change. Also, the accounting estimate may be affected significantly by future changes in the Company's strategies or a shift in global trend toward decarbonization.

The Company conduct scenario analyses by referring to a scenario that limits the temperature increase to 1.5°C above pre-industrial levels ("1.5°C scenario") as part of a discussion on the effect of significant climate-related risks and opportunities on the Company's business and resilience of the Company's strategy. LNG-related business in the Natural Gas segment and Australian metallurgical coal business in the Mineral Resources segment, which have a high transition risk of climate change and a relatively large scale of assets, are selected from a risk perspective in the scenario analyses.

In LNG-related business, although there is uncertainty in natural gas and LNG demand in the market-wide trends under the 1.5°C scenario, a certain level of demand is still expected in the long-term in Asia, which is a strategic region for the Company's LNG business. For the purpose of fair value measurement and impairment testing, including judgements about presence of indications of impairment or reversal of impairment, future cash flow is estimated based on the long-term contracts which accounts for a majority of production in the Company's existing LNG project, and the forecast of the spot market, where the Company sells the remaining production volume.

In the Australian metallurgical coal business, the demand is likely to remain steady over the long-term even under the 1.5°C scenario since emerging economies such as India and many Southeast Asian countries are expected to sustain the trade volumes. While the demand for steel, which plays a vital role as an essential basic material in the development of infrastructure for achieving decarbonization, is expected to remain robust, it would take many years for any low-carbon steelmaking method to be adopted worldwide. Therefore, during the transitional period lasting several decades, blast furnace steelmaking using metallurgical coal is expected to remain as the primary method and the need for high-quality metallurgical coal, which is the Australian metallurgical coal business's main product, will likely increase since it contributes to the reduction of emissions in blast furnace steel making process. For the scale of assets, which is the criteria of the implementation of the scenario analyses, the book value of the fixed asset of Mitsubishi Development Pty Ltd is ¥994,604 million ($7,422 million) as of March 31, 2023. Though there are uncertainties in the realization of the above 1.5°C scenario, a certain level of demand is expected to continue even under the environment the scenario assumes. Therefore, the Company determines that there is no indication of impairment as of March 31, 2023. The ARO, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities, is estimated based on the remaining operating life mine that can be commercially mined, taking into account the supply and demand, and medium- to long-term price assumption for metallurgical coal. The book value of the ARO is ¥171,266 million ($1,278 million) as of March 31, 2023.

Regarding carrying amount of investments in LNG-related business and Shale gas business, and medium- to long-term price assumption for crude oil which LNG prices are closely linked with, refer to "Medium- to long-term price assumption for copper and crude oil". Moreover, regarding the impact on provisions, refer to Note 20.

Medium- to long-term price assumption for copper and crude oil

The Company holds interests in entities that are engaged in copper business in the Mineral Resources segment. The Company also holds interests in entities that are engaged in LNG-related business and shale gas business in the Natural Gas segment. The carrying amount of these investments as of March 31, 2022, and March 31, 2023, are as follows.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
(Copper business)			
Other investments (financial assets measured at FVTOCI)	¥367,755	¥377,790	$2,819
Investments accounted for using the equity method	385,296	388,462	2,899
(LNG-related business)			
Other investments (financial assets measured at FVTOCI)	¥326,419	¥197,443	$1,473
Investments accounted for using the equity method	391,031	488,015	3,642
Property, plant and equipment	210,071	281,332	2,099
(Shale gas business)			
Investments accounted for using the equity method	¥207,428	¥225,135	$1,680

The fair value of these financial assets measured at FVTOCI is determined using the discounted cash flow model. Investments accounted for using the equity method, along with property, plant and equipment, are tested for impairment. If there are indications of impairment or reversal of impairment, the recoverable amount is measured, which is the higher of the value in use or the fair value less costs of disposal. The Company uses the discounted cash flow model to estimate value in use. With regard to the copper business, the medium- to long-term copper price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment. With regard to the LNG-related business, the medium- to long-term crude oil price forecast is the most significant unobservable input for fair value measurement and impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, as LNG prices are closely linked with crude oil prices. In addition, with regard to the shale gas business, the impairment testing, including judgements about the presence of indications of impairment or reversal of impairment, is partially affected by crude oil prices as the prices of some shale gas products are linked with crude oil.

The FVTOCI financial assets principally included Minera Escondida and Compania Minera Antamina for copper business as well as Sakhalin Energy LLC and Malaysia LNG Satu for LNG business.

For details on the measurement of fair value, refer to Note 30.

The medium- to long-term copper price assumptions are determined based on forecasts of future global demand, production volume and cost assumption. Following the Company's examination of the consistency between the Company's price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. Although the Russia-Ukraine situation and the COVID-19 pandemic might result in a decrease in short-term demands for copper, the Company anticipates a further increase in demands for copper, which has superior electrical conductivity, in the future, given the circumstances that more progress on renewable power generation including wind and solar power and the associated development of power transmission as well as a wide spread of electric vehicles (EVs) is expected, by accelerating the countermeasure of decarbonized society. On the other hand, there will be a decline in production at existing mines and increasing difficulties in developing in both existing and new mines. The Company thus forecasts that the copper market will be tightening in the medium- to long-term.

The Company's estimate for the medium- to long-term price assumption for copper after 2028, which is reviewed every year, is similar to price forecasts disclosed by third parties (approximately US$3.5/lb., the mean of the price forecasts as of March 2023 disclosed by analysts in financial institutions excluding inflationary effects). In addition, the Company's estimate at the close of the year ended March 31, 2022, for the medium- to long-term price assumption for copper after 2027 was similar to price forecasts disclosed by third parties (approximately US$3.6/lb., the mean of the price forecasts as of March 2022 disclosed by analysts in financial institutions excluding inflationary effects). Although the price forecasts disclosed by third parties slightly decreased, the Company's estimate slightly increased taking into account rise in production costs such as materials and equipment, and the Company's estimate is still similar to the average of the price forecasts disclosed by analysts in the market.

The medium- to long-term crude oil price assumptions are determined based on forecasts of future global demand, production volume, and cost assumption. Upon the Company's examination of the consistency between the Company's price assumption and the information published by several external institutions, the person responsible for determining the price assumption authorizes this estimate. Currently, while crude oil demand has been recovering from significant decrease in demand during the COVID-19 pandemic, the lengthening Russia-Ukraine situation has caused geographical risks, leading to increases in crude oil prices volatility. From the long-term perspective, the Company forecasts that crude oil demand will peak in the 2030s as efforts toward a decarbonized society are expected to be supported by the development of electrification, as represented by the popularization of EVs, and the growing trend toward countering global climate change risks. In terms of a medium- to long-term timespan, while taking into account the decarbonization scenarios announced by external organizations, such as IEA, the Company also gives comprehensive consideration to uncertainties regarding progress in decarbonization, the impact of current price surges and other factors. The medium- to long-term price assumption for crude oil, which is reviewed every year, will reach about US$75/BBL (Brent crude oil) in 2027, excluding inflationary effects, as of March 31, 2023. At the close of the year ended March 31, 2022, the Company similarly estimated that the medium- to long-term price assumptions of crude oil would reach about US$70/BBL (Brent crude oil) in 2026, excluding inflationary effects. The Company revised the estimate upward, considering the price forecasts disclosed by external organizations which are also revised upward, the forecasts of future supply and demands for crude oil and the level of crude oil required for new investments meeting the decrease of supply and the increase of demand. The Company has changed the reference index of the medium- to long-term price assumption for crude oil from Dubai to Brent, but the consolidated financial statements have not been affected by this change of index.

Other

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2024 is included in the following Notes:

- Fair value of financial instruments: Notes 7 and 30

- Impairment of financial assets: Note 8

- Impairment of non-financial assets: Notes 12, 13, 14 and 15

- Measurement of defined benefit obligation: Note 19

- Provisions: Note 20

- Recoverability of deferred tax assets: Note 28

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following Notes:

- Transfers of financial assets: Note 34

- Interests in joint arrangements and associates: Note 38

Significant changes in accounting judgement, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2023 are included in the following Notes, except for the above:

- Segment information: Note 6

- Provisions: Note 20

- Interests in joint arrangements and associates: Note 38

3. MATERIAL ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

The Parent consolidates the investees that it directly or indirectly controls. Therefore, the Company generally consolidates its majority-owned subsidiaries. However, even in cases where the Company does not own the majority of voting rights, if the Company is deemed to substantively control the decision-making body, the investee is treated as a consolidated subsidiary. In cases where the Company has the majority of voting rights in an investee but other shareholders have substantive rights to participate in the decision-making over the ordinary course of business of the investee, the Company does not have control, and the equity method is applied.

Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Parent's interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent.

If control over a subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets (including goodwill), liabilities, and the previous carrying amount of non-controlling interest of the subsidiary is recognized in profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments," or the cost on initial recognition of investment in associates or joint ventures.

Please refer to Appendix 1. "List of subsidiaries" for the major consolidated subsidiaries.

(ii) Business combinations

Business combinations (acquisition of businesses) are accounted for using the acquisition method.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, with several exemptions.

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company exceeds the net amount of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill. In cases where the above sum is below the net amount of identifiable assets and liabilities, the deficient amount is immediately recognized in profit or loss as a bargain purchase gain.

(iii) Associates and joint ventures

The equity method is applied to investments in associates and joint ventures.

An associate is an entity that is not controlled solely or jointly by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% or more but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity. Entities over which the Company is able to exert significant influence on their decisions regarding financial and operating or business policies even if it holds less than 20% of the voting rights are also included in associates. In contrast, the equity method is not applied in cases where the Company is deemed not to have significant influence even if it holds 20% or more of the voting rights.

A joint venture is a joint arrangement (i.e., arrangement of which two or more parties have joint control) whereby the parties that have joint control have rights to the net assets of an independent entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on activities that have a significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control and those activities are undertaken jointly by the parties.

(iv) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Company's share of assets, liabilities, revenues and expenses arising from the jointly controlled operating activities is recognized.

(v) Investment entities

An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis. In principle, investment entities measure all of their investments at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments."

If an associate or joint venture of the Company qualifies as an investment entity, upon applying the equity method by the Company, the Company elects to maintain the fair value measurement applied by the investment entity to its equity in such subsidiaries, and does not reclassify those equity to conform to the ordinary consolidation process, while the said reclassification is required if a subsidiary of the Company qualifies as an investment entity.

(vi) Reporting date

When the Company prepares the consolidated financial statements, certain subsidiaries, associates and joint arrangements prepare financial statements with a fiscal year end on or after December 31, but prior to the Parent's fiscal year end of March 31 for which unification of the fiscal year end is impracticable, since the local legal system or contractual terms among shareholders requires the fiscal year end to be different from that of the Parent. It is also impracticable for such entities to provide the provisional settlement of accounts at the end of the reporting period of the Parent due to the characteristics of the business, operations or other practical factors. In such case, adjustments have been made to the consolidated financial statements of the Company for the effects of significant transactions or events that occurred between the end of the reporting period of the subsidiaries, associates or joint arrangements and that of the consolidated financial statements.

(2) Foreign currency translation

Items denominated in foreign currencies are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. The difference arising from the retranslation is recognized in "Other income (expense)-net" in the consolidated statement of income.

The assets and liabilities of foreign operations, such as foreign subsidiaries and associates, are translated into Japanese yen at the respective year-end exchange rates. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in "Other components of equity" on a post-tax basis. Income and expense items of foreign operations are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period.

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit or loss. In the case of partial disposal that led to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit or loss.

(3) Financial instruments

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date at transaction price and others. The Company recognizes all other financial assets at the trade date at fair value on which the Company became a party to the contract concerning such financial instruments. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets measured at fair value

The details of fair value measurements are as described in (17) “Fair value measurements.”

Among financial assets other than financial assets measured at amortized cost, debt instruments meeting both of the following requirements are measured at fair value through other comprehensive income (FVTOCI).

- The asset is held within a business model whose objective is to hold assets for both the collection of contractual cash flows and for sale.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The cumulative changes in the fair value of debt instruments measured at FVTOCI are recognized in profit or loss in the event of the derecognition of such assets.

Financial assets, other than those measured at amortized cost and debt instruments measured at FVTOCI, are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects irrevocably to designate equity instruments as financial assets measured at FVTOCI if the investments are not held for trading, but rather for purposes such as generating business opportunities and maintaining/strengthening trading/cooperative relationships.

The cumulative changes in the fair value of equity instruments as financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in profit or loss, as part of finance income at the time when the right to receive payment of the dividend is established.

(iv) Impairment of financial assets measured at amortized cost and debt instruments measured at FVTOCI

Expected credit losses are estimated on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and loss allowances are recognized and measured accordingly.

Loss allowances, based on information such as changes in external and/or internal credit ratings and past due information as of the reporting date, is measured at an amount equal to expected credit losses resulting from all possible default events over the expected lifetime if the credit risk on those financial instruments has increased significantly since initial recognition, or otherwise, at an amount equal to the corresponding expected credit losses within 12 months after the reporting date.

Expected credit losses are measured by reflecting factors such as credit ratings, current financial conditions, and forward-looking information. For financial assets showing evidence of credit impairment as of the reporting date, such as significant financial difficulty of the issuer or the borrower and breach of contracts including past due events, the Company estimates expected credit losses individually after taking into overall consideration such as credit ratings, the states of collateral, and evaluations based on discounted cash flow.

(v) Derecognition of financial assets

The Company derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Company neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Company recognizes the retained interest in assets and related liabilities that might be payable.

(vi) Cash equivalents

Cash equivalents, which are mainly related to time deposits, are original maturities of three months or less, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(vii) Non-derivative financial liabilities

The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date. Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged, canceled or expired.

(viii) Equity

The amount of equity instruments issued by the Parent is recognized in "Common stock" and "Additional paid-in capital," and direct issue costs (net of tax) are deducted from "Additional paid-in capital."

When the Company acquires treasury stock, the sum of the consideration paid and direct transaction costs (after tax) is recognized as a deduction from equity.

(ix) Hedge accounting and derivatives

The Company utilizes derivative instruments primarily to manage interest rate and foreign exchange risks, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities. In the case where transactions which can mitigate market risk caused by accounting mismatch, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

Fair value hedges

Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging derivative instruments are recognized in profit or loss, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in "Other income (expense)-net" in the consolidated statement of income.

Cash flow hedges

Derivative instruments designated as hedging instruments of cash flow hedges include interest rate swaps to convert floating-rate financial liabilities to fixed-rate financial liabilities, and forward exchange contracts to offset variability in functional currency-equivalent cash flows on forecasted sales transactions. Additionally, commodity swaps and futures contracts that qualify as cash flow hedges are utilized. The effective portion of changes in the fair values of derivatives that are designated as cash flow hedges are deferred and accumulated in "Other components of equity." In cases where the hedged item is recognized as a non-financial asset or non-financial liability, the amount recognized in "Other components of equity" is reclassified as an adjustment of the initial carrying amount of the non-financial asset or non-financial liability. Derivative unrealized gains and losses included in "Other components of equity" other than the above are reclassified into profit or loss at the time that the associated hedged transactions are recognized in profit or loss.

Hedges of net investment in foreign operations

The Company uses forward exchange contracts and non-derivative financial instruments, such as foreign currency-denominated debt, in order to reduce the foreign currency exposure in the net investment in a foreign operation. The effective portion of changes in fair values of the hedging instruments are accumulated in “Exchange differences on translating foreign operations” within “Other components of equity.”

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities.

Changes in fair value of derivatives not designated as hedging instruments or held for trading purposes are recognized in profit or loss.

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the weighted average cost formula or identified cost method.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations (“the inventory held for trading purposes”) are measured at fair value less costs to sell.

The Company has contracts to borrow commodities from or lend commodities to counterparties mainly in Mineral Resources segment (“Commodity loan transaction”). In the commodity borrowing transactions, the Company borrows the commodities from the counterparties and is required to return the same quality and quantity of the commodities to the counterparties on the date mutually agreed by both parties. The Company recognizes and measures the commodities borrowed at the time of transaction implementation as the inventory held for trading purposes. The obligation to return the commodities is recognized in other current liabilities or other non-current liabilities and remeasured at fair value at the end of each reporting period. Also, in the commodity lending transactions, the inventory held for trading purposes is reclassified to other current assets or other non-current assets at the time of lending implementation, and measured at fair value less costs to sell at the end of each reporting period. The Company earns profit and manages commodity price risks combined with these transactions and commodity derivative transactions including contracts to purchase and sell non-financial instruments in accordance with IFRS 9 “Financial Instruments.”

(5) Biological assets

Biological assets are measured at fair value less costs to sell, with any changes therein recognized in profit or loss, except in the case where fair value cannot be measured reliably.

(6) Property, plant and equipment

Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment other than assets that are not depreciated such as land and mineral resources-related property, is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for vessels and vehicles mainly over the following estimated useful lives.

The estimated useful life of each asset is mainly as follows.

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 50 years
Vessels and vehicles	2 to 25 years

Assets related to mineral rights, exploration and evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.

Among these, assets related to mineral rights, exploration and evaluation after the start of production are depreciated using the unit-of-production method based on the proven or probable reserves. Depreciation of mineral resources-related property other than the above is calculated principally using the straight-line method over its estimated useful life which is mainly 2 to 46 years.

(7) Investment property

The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 2 to 60 years.

(8) Intangible assets and goodwill

Intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. These intangible assets are amortized under the straight-line method over their estimated useful lives from the date on which the assets became available for use.

The estimated useful life of each asset is mainly as follows:

Trademarks	10 to 36 years
Software	2 to 15 years
Customer relationships	4 to 28 years
Sustainable energy subsidy	10 to 13 years

At N.V. Eneco, the rights to receive subsidies for sustainable energy producers from governments (“Sustainable energy subsidy”) are recognized as intangible assets.

Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them, which are mainly related to software. Other development costs, mainly related to software, are recognized as an expense as incurred.

Intangible assets with indefinite useful lives and goodwill are not amortized but measured at cost, net of accumulated impairment losses.

(9) Leases

(i) Lease as lessee

At the commencement date of the lease, lease liabilities are initially measured at the present value of future lease payments over the lease term, and right-of-use assets, representing the right to use an underlying asset, are initially measured at the initial amount of lease liabilities adjusted for prepaid lease payments, etc.

Subsequent to initial recognition, right-of-use assets are depreciated over the lesser of the useful life or the lease term, mainly on a straight-line basis. Interest costs and repayments of lease liabilities are reflected in the carrying amount of lease liabilities based on the interest method. The lease term is determined, at the commencement date of the lease, by evaluating the enforceability of options to terminate and/or extend the lease as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business, etc. The Company also subsequently remeasures the carrying amount of lease liabilities and right-of-use assets to reflect the change in lease payments when necessary based on the actual results of exercise etc. Regarding the impairment of right-of-use-assets, refer to (12) “Impairment of non-financial assets.”

The Company elects the recognition exemption for short-term leases for leases having lease terms of 12 months or less. For these leases, neither right-of-use assets nor lease liabilities are recognized, and lease payments are recognized as an expense on a straight-line basis over the lease term. In addition, as a practical expedient regarding the separation of components of contracts is elected for the classes of underlying asset of real estates and vessels in which non-lease components are not separately accounted from lease components, lease components and any associated non-lease components are accounted as a single lease component.

(ii) Lease as lessor

Leases as lessor are classified as finance leases if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Amounts due from lessees under finance leases are recognized as part of "Trade and other receivables" at an amount equal to the net investment in the lease, and its finance income is allocated and recognized over the lease term on a rational basis against the gross investment in the lease.

Leases other than finance leases are classified as operating leases, and operating lease income is recognized over the term of underlying leases on a straight-line basis.

(10) Mining operations

Mining exploration costs are recognized as an expense as incurred until the mining project has been established as technically feasible and commercially viable by a final feasibility study. Once established as technically feasible and commercially viable, costs are capitalized and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred. To the extent the benefit is improved access to ore, the stripping costs are mainly recognized as property, plant and equipment.

For capitalized costs related to mining operations, impairment loss is recognized based on the fair value less costs of disposal if it is determined that commercial production cannot commence or capitalized costs are not recoverable.

(11) Non-current assets or disposal groups held for sale

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets and current liabilities.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. However, this excludes those that are subject to measurement requirements in accordance with standards other than IFRS 5 "Non-current Asset Held for Sale and Discontinued Operations."

(12) Impairment of non-financial assets

If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. In addition, goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, principally at the same time every year, irrespective of whether there is any indication of indication of impairment.

The smallest unit that generates cash inflows largely independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit, and assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs of disposal.

Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset. Non-financial assets other than goodwill that constitute a portion of the carrying amount of investments accounted for using the equity method are tested for impairment by investee asset, cash-generating unit, or group of cash-generating units on the basis of the carrying amounts that reflect fair value adjustment upon application of the equity method.

Impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount, and the reversal of impairment losses are recognized in profit or loss. However, impairment loss recognized for goodwill is not reversed. Reversal of impairment loss is recognized up to the carrying amount which is calculated on the basis that no impairment loss for the asset had been recorded in prior years.

(13) Post-employment benefits

The Company has adopted defined benefit plans and defined contribution plans.

Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Benefit obligations are calculated, by involving qualified actuaries, at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan.

The Company recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income and such increases or decreases are recorded in "Other components of equity" which are immediately reclassified into "Retained earnings."

Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period considering the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of "Property, plant and equipment", "Investment property" and "Right-of-use assets" and is depreciated over the estimated useful life of the corresponding asset.

(15) Revenues

(i) Revenue recognition criteria (five-step approach)

In line with the application of IFRS 15 "Revenue from Contracts with Customers," the Company recognizes revenue based on the five-step approach outlined below.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is a performance obligation for the Company to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission, fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income.

The Company adopts the practical expedient which allows it not to adjust the financing component if the period between the transfer of goods or services and receipt of payment from a customer is expected to be one year or less at the contract inception.

(ii) Revenue recognition in major transactions

(Revenue recognition at a point in time (all segments))

The Company trades a wide variety of products and commodities, including metals, machinery, chemicals, and consumer goods. In the sale of products and commodities as a principal, the Company recognizes revenue when the terms of delivery have been satisfied as it is considered that the customer has obtained control of the products or commodities and therefore, the identified performance obligations (delivery of products and commodities) have been satisfied at that point. When the Company acts as an agent in the sale of products and commodities, the Company recognizes revenue when the terms of delivery have been satisfied as it is considered that the customer has obtained control of the products or commodities and therefore, the identified performance obligations (arrangement for the delivery of products and commodities) have been satisfied at that point.

The Company also performs service-related activities. In service-related activities, the Company provides a variety of services including logistics, telecommunications, technical support and others. Revenue for service-related activities is recognized when the customer has obtained the benefits as it is considered that the performance obligations (providing services) have been satisfied.

(Revenue recognition over time (mainly Consumer Industry segment and Industrial Infrastructure segment))

The Company mainly performs the services based on franchise contracts and plant constructions based on construction contracts. If the control of the goods or services is transferred to the customer over time, revenue from franchise contracts is recognized by the profits recognized for each franchisee. Revenue from other contract like construction contract is recognized by measuring progress towards complete satisfaction of the performance obligations (providing services) with mainly the input methods (in the case of construction contracts, it is mainly the progress of the costs), which reliably depict the Company's performance.

Revenue recognition of service-related activities performed by the Company as an agent is also measured by progress towards complete satisfaction of the performance obligations as an agent (arrangements related to providing services) with mainly the input methods (mainly the progress of costs incurred by arrangements).

(16) Income taxes

Income tax expenses consist of current and deferred taxes and are recognized in profit or loss, excluding those related to other comprehensive income etc.

Deferred taxes are recognized for temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable that future taxable income will be reduced, and the recoverability of those deferred tax assets is reviewed at the end of each reporting period.

For taxable temporary differences concerning subsidiaries, associates, and joint arrangements, deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries, associates, and joint arrangements are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The Company retrospectively applies the temporary exception under IAS 12 Income Taxes (Amended), issued on May 23, 2023, to recognize deferred tax assets and liabilities arising from legislations enacted to implement Pillar Two model published by OECD.

(17) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market price and valuation methodologies, such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1

Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3

Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

The valuation methods for all fair value measurements of assets and liabilities are determined based on the valuation policies and procedures, which include the valuation methods for fair value measurements, approved by the proper accounting personnel. The business plans and development plans that provide a basis for cash flows are decided through internal verification procedures, which include analyses of the variance between plans and results in the previous fiscal year, as well as discussions with business partners and hearings with external specialists. The discount rates properly reflect the risk premium, the risk-free rate and the unlevered rate, with due consideration to the external environment, such as geopolitical risks. Future resource prices are a significant unobservable input for the fair value measurements of resource-related investments and are calculated based on comprehensive consideration of such factors as present prices, forecasts of supply and demand, and the price forecasts of external institutions. Short-term prices are more likely to be significantly affected by the present price, and medium- to long-term prices are more likely to be significantly affected by forecasts of supply and demand and the price forecasts of external institutions. These inputs are analyzed in comparison with those from the prior year, and reports issued by external institutions in order to analyze changes in fair value. The results of fair value measurements and analyses of changes in fair value are reviewed quarterly by the accounting department of the relevant segment of the Company (which is independent of the segment's sales department) or that of the relevant subsidiary and then approved by the authorized accounting officer. The valuation policies and procedures, including the valuation methods for fair value measurements, are decided and periodically reviewed by the corporate accounting department of the Parent, based on its accounting manual.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or amended major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2023 are as follows.

The Company expects no significant impact from application of IFRS 17 in the consolidated financial statements.

The impacts of application of IAS 1 (Amended) on "Bonds and borrowings" (current) and "Bonds and borrowings" (non-current) in the consolidated statement of financial position for the year ending March 31, 2024 cannot be reasonably estimated, since it will fluctuate according to the demand for funds as of the reporting date. There is no significant impact in the consolidated financial statements at the beginning of the year ending March 31, 2024.

The application of IAS 12 (Amended) requires the disclosure of qualitative and quantitative information on reasonable estimation to help users of financial statements understand the entity's exposure to the legislations that implement Pillar Two Model published by OECD which are enacted but not yet in effect, but the impact of such exposure cannot be reasonably estimated as of March 31, 2023, since it is currently under consideration. Pillar Two legislation in Japan is scheduled to come into effect for the year ending March 31, 2025, therefore the consolidated statement of financial position and the consolidated statement of income for the year ending March 31, 2024 will not be affected.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/amended Standards and Interpretations
IFRS 17	Insurance Contracts	January 1, 2023	March 31, 2024	Changes in accounting and disclosure requirements for insurance contracts
IAS 1 (Amended)	Presentation of Financial Statements	January 1, 2024	March 31, 2024	Clarification of requirements related to the classification of liabilities as current or non-current, etc.
IAS 12 (Amended)	Income Taxes	January 1, 2023	March 31, 2024	Disclosure of information that helps users understand the entity’s exposure related to Pillar Two

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

Year Ended March 31, 2022

Significant business combinations and acquisitions of joint operations for the year ended March 31, 2022 were as follows.

MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY

On October 29, 2021, to acquire 80.17% of the shares of Vietnamese real estate investment company MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (MV2), the Company paid an amount equivalent to 70% of the consideration for the shares to the existing shareholders through its Vietnam-based subsidiary, MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED (MCUDV), and Singapore-based subsidiary, MCOP INVESTMENT PTE. LTD. (MCOP). As a result, the Company acquired control of MV2 (the substantial right to direct the relevant activities of MV2) based on an agreement with MV2’s existing shareholders. Accordingly, as of the date of the payment, MV2 and its subsidiaries became consolidated subsidiaries of the Company.

The payment of the remaining 30% of the consideration for the shares and the acquisition of MV2’s shares was completed on June 10, 2022. Following the completion of acquiring these shares, the Company holds 41.09% of the voting rights to MV2 through MCUDV and 39.08% through MCOP, for a total of 80.17%.

These payments of consideration for the shares are included in “Acquisitions of businesses - net of cash acquired” on the consolidated statement of cash flows for the years ended March 31, 2022 and 2023, respectively.

The following table summarizes the fair values of the consideration paid as well as assets acquired, liabilities assumed, non-controlling interests and goodwill recognized as of the acquisition date. Provisional values for some of these items were previously recorded on the consolidated financial statements, as the initial measurements had not been completed at March 31, 2022. These measurements were completed for the year ended March 31, 2023, and did not result in any changes to the provisional amounts.

	Millions of Yen
	2022
Fair value of consideration paid	¥38,066
Recognized amount of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	¥3
Trade and other receivables (current)	22,598
Inventories (Note)	48,919
Deferred tax assets	310
Trade and other payables (current)	(25,488)
Total identifiable net assets	¥46,342
Non-controlling interests	¥(9,512)
Amount of goodwill recognized	1,236
Total	¥38,066

Note: "Inventories" consists of "Real estate held for development and resale" that is expected to be sold after more than 12 months from the acquisition date. Please refer to Note 9 for more information.

The amounts of revenue and profit or loss since the acquisition date and pro forma results of operations for the above business combinations are not presented because the effects are immaterial to the consolidated financial statements.

Year Ended March 31, 2023

There were no significant business combinations or acquisitions of joint operations for the year ended March 31, 2023.

6. SEGMENT INFORMATION

[Operating segment information]

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the President and CEO of the Parent who is the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The Company's reportable operating segments consist of the following ten business groups:

Natural Gas	The Natural Gas Group engages in the natural gas/oil development and production business and the liquefied natural gas (LNG) business in North America, Southeast Asia, Australia and other regions.
Industrial Materials	The Industrial Materials Group engages in sales and trading, investment and business development related to a wide range of materials, including steel products, silica sand, cement, ready-mixed concrete, carbon materials, PVC and functional chemicals, serving industries including automobiles and mobility, construction and infrastructure.
Petroleum & Chemicals Solution	The Petroleum & Chemicals Solution Group engages in sales and trading, business development and investing related to a wide range of oil- and chemical-related fields, such as crude oil and oil products, LPG, ethylene, methanol, salt, ammonia, plastics and fertilizers.
Mineral Resources	The Mineral Resources Group engages in "managing" business by investing in and developing mineral resources, such as copper, metallurgical coal, iron ore and aluminum, while leveraging high-quality and functions in steel raw materials and non-ferrous resources and products through a global network to reinforce supply systems.
Industrial Infrastructure	The Industrial Infrastructure Group engages in businesses and related trading in the field of energy infrastructure, industrial plants, construction machinery, machinery tools, agricultural machinery, elevators, escalators, facility management, ships and aerospace-related equipment.
Automotive & Mobility	The Automotive & Mobility Group is deeply involved in the entire automotive value chain, spanning car production to after-sales services, and especially in sales of and financing for passenger and commercial cars. The Group also engages in mobility related businesses which fulfills needs related to passenger and cargo transportation.
Food Industry	The Food Industry Group engages in sales, trading, business development and other operations across a wide range of business areas related to food, including food resources, fresh foods, consumer goods, and food ingredients, spanning from raw ingredient production and procurement to product manufacturing.
Consumer Industry	The Consumer Industry Group engages in supplying products and services across a range of fields, including retail & distribution, logistics, healthcare, apparel and tire etc.
Power Solution	The Power Solution Group engages in a wide range of business areas in power- and water-related businesses which is the industrial base domestically and in the overseas. Specifically, the Group engages in power generating and transmission businesses, power trading businesses, power retail businesses as well as the development of hydrogen energy sources.
Urban Development	The Urban Development Group engages in development, operation and management of businesses in a number of areas, such as urban development and real estate, corporate investing, leasing and infrastructure.

The accounting policies of the operating segments are the same as those described in Note 3. Management evaluates segment performance based on several factors, of which the primary financial measure is profit (loss) attributable to the Parent.

Intersegment transactions are priced with reference to prices applicable to transactions with third parties.

The Company's segment information at and for the years ended March 31, 2022 and 2023 was as follows:

As for "Revenues", please refer to Note 24.

	Millions of Yen						
2022	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	¥28,527	¥143,642	¥105,219	¥482,490	¥110,955	¥179,230	¥268,780
Share of profit of investments accounted for using the equity method	92,106	35,154	14,247	86,994	2,131	48,210	29,731
Profit for the year attributable to owners of the Parent	105,132	36,785	40,272	420,689	17,281	106,785	79,349
Total assets	2,015,966	1,355,028	1,242,994	4,554,696	1,129,890	1,699,270	1,968,611

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	¥681,647	¥115,556	¥29,267	¥2,145,313	¥6,977	¥(1,526)	¥2,150,764
Share of profit of investments accounted for using the equity method	13,771	15,009	54,424	391,777	2,026	–	393,803
Profit for the year attributable to owners of the Parent	21,023	50,504	40,047	917,867	(551)	20,213	937,529
Total assets	3,930,310	2,650,077	1,136,239	21,683,081	3,012,544	(2,783,613)	21,912,012

	Millions of Yen						
2023	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	¥140	¥175,200	¥115,207	¥656,828	¥125,293	¥225,445	¥314,192
Share of profit of investments accounted for using the equity method	233,173	43,993	19,592	19,164	21,407	62,955	32,318
Profit for the year attributable to owners of the Parent	170,601	61,983	45,049	439,331	31,870	127,461	63,388
Total assets	2,043,043	1,461,661	1,160,681	4,098,105	1,329,167	1,915,370	2,102,969

	Millions of Yen						
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	¥739,627	¥170,084	¥29,967	¥2,551,983	¥9,183	¥(1,204)	¥2,559,962
Share of profit of investments accounted for using the equity method	16,152	3,514	47,891	500,159	14	7	500,180
Profit for the year attributable to owners of the Parent	22,975	61,885	123,256	1,147,799	8,535	24,360	1,180,694
Total assets	3,988,587	2,716,166	1,164,595	21,980,344	3,014,731	(2,842,193)	22,152,882

2023	Millions of U.S. Dollars Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	$1	$1,307	$860	$4,902	$935	$1,682	$2,345
Share of profit of investments accounted for using the equity method	1,740	328	146	143	160	470	241
Profit for the year attributable to owners of the Parent	1,273	463	336	3,279	238	951	473
Total assets	15,247	10,908	8,662	30,583	9,919	14,294	15,694

	Millions of U.S. Dollars Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	$5,520	$1,269	$224	$19,045	$69	$(10)	$19,104
Share of profit of investments accounted for using the equity method	121	26	357	3,732	0	1	3,733
Profit for the year attributable to owners of the Parent	171	462	920	8,566	64	181	8,811
Total assets	29,766	20,270	8,691	164,034	22,498	(21,212)	165,320

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. As for the reversal of impairment losses related to investment in an aluminum smelting operating company in "Mineral resources" in the year ended March 31, 2022, please refer to Note 38.
4. As for the impairment losses on intangible assets related to investment in Chiyoda Corporation in "Industrial Infrastructure" in the year ended March 31, 2022, please refer to Note 14.
5. As for the impairment losses on the sale of an aircraft leasing company and the gains (losses) on investments as a result of the merger of Mitsubishi HC Capital Inc. in "Urban Development" in the year ended March 31, 2022, please refer to Note 38.
6. As for the impairment losses related to investment in Chilean copper resource company in "Mineral resources", please refer to Note 38.
7. As for the losses related to investment in an automobile manufacturing and sales operating company in "Automotive & Mobility", please refer to Note 38.
8. As for the gains on investments related to the sale of partial interest in a subsidiary investing in the Indonesian geothermal investment company and the sale of a subsidiary holding interests in offshore wind power in the United Kingdom in "Power Solution", please refer to Note 37. As for the impairment losses related to investments in domestic power plants operating company and gains related to the sale of partial interest in the UK electricity and gas retailer company, please refer to Note 38.
9. As for the gains on investments related to sale of Mitsubishi Corp.-UBS Realty Inc. in "Urban Development", please refer to Note 37.

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Revenues:			
Japan	¥8,948,983	¥9,901,987	$73,895
U.S.A	2,680,092	3,682,578	27,482
Singapore	1,213,203	1,747,194	13,039
Australia	1,061,888	1,439,304	10,741
Netherlands	538,666	1,045,224	7,800
Other	2,821,996	3,755,686	28,028
Total	¥17,264,828	¥21,571,973	$160,985
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥2,715,104	¥2,707,740	$20,207
Australia	1,042,453	1,034,395	7,719
Netherlands	606,926	678,306	5,062
Other	1,354,068	1,555,494	11,608
Total	¥5,718,551	¥5,975,935	$44,596

Note: Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2022 and 2023.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of "Short-term investments" and "Other investments" at March 31, 2022 and 2023.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2022)				
Short-term investments	–	–	¥7,000	¥7,000
Other investments	¥181,745	¥1,562,519	213,616	1,957,880
(March 31, 2023)				
Short-term investments	–	–	42,127	42,127
Other investments	225,036	1,417,318	174,497	1,816,851

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2023)				
Short-term investments	–	–	$314	$314
Other investments	$1,679	$10,577	1,302	13,558

The Company estimates expected credit losses on "short-term investments" and "other investments" measured at amortized cost and, when necessary, recognizes loss allowances; however, the amounts were immaterial for the years ended March 31, 2022 and 2023.

Please refer to Note 30 for a breakdown of the fair values of "Other investments" measured at FVTOCI at March 31, 2022 and 2023.

The fair values of the marketable securities at March 31, 2022 and 2023 were mainly as follows:

Security name	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
ISUZU MOTORS	¥101,049	¥100,477	$750
SUMBER ALFARIA TRIJAYA	49,092	96,263	718
NISSIN FOODS HOLDINGS	64,915	82,614	617
AYALA CORPORATION	73,764	60,643	453
CAP	35,399	20,858	156
INPEX CORPORATION	21,057	20,429	152
MITSUBISHI ESTATE	19,080	16,536	123
RYOHIN KEIKAKU	15,430	16,218	121
YAMAZAKI BAKING	14,765	15,799	118
THAI UNION GROUP	20,709	13,162	98

The non-marketable securities primarily consisted of investments related to mineral resources. Please refer to Note 2 for the non-marketable securities and fair values of these investments for the years ended March 31, 2022 and 2023, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2022 and 2023 that were recognized for the years ended March 31, 2022 and 2023 were ¥149,570 million and ¥132,403 million ($988 million), respectively. These dividend incomes are included in "Finance income" in the consolidated statement of income.

With respect to financial assets measured at FVTOCI derecognized as a result of sale, through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2022 and 2023 were as follows.

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Fair value at the time of derecognition	¥87,142	¥59,450	$444
Accumulated gain or loss on disposal (before tax)	31,184	10,692	80

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2022 and 2023.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction, was transferred to retained earnings. Please refer to Note 22 for the amounts transferred for the years ended March 31, 2022 and 2023, respectively. Also, the portions of which attributable to the non-controlling interest were immaterial.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2022 and 2023. The amounts not expected to be collected within 1 year included within the total current trade and other receivables were immaterial.

Classification	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Current trade and other receivables			
Notes receivable-trade	¥235,698	¥256,292	$1,913
Accounts receivable-trade and other and lease receivables	3,674,618	3,481,726	25,983
Other receivables	412,145	441,208	3,293
Loss allowance	(39,290)	(51,951)	(388)
Total current trade and other receivables	¥4,283,171	¥4,127,275	$30,801
Non-current trade and other receivables			
Trade and lease receivables	¥515,505	¥591,695	$4,416
Loans receivable	313,244	425,778	3,177
Other receivables	29,774	28,220	211
Loss allowance	(28,837)	(32,265)	(241)
Total non-current trade and other receivables	¥829,686	¥1,013,428	$7,563

Short-term and long-term receivables are contractual rights to receive money. The Company recognizes loss allowances for these receivables by estimating expected credit losses based on internal ratings, current financial conditions and forward-looking information. The Company applies the simplified approach for trade receivables and contract assets that do not contain a significant financial component in accordance with IFRS15 and measures loss allowances at an amount equal to lifetime expected credit losses. For other receivables, the Company measures loss allowances at an amount equal to 12-month expected credit losses when there is no significant increase in credit risk. When there is a significant increase in credit risk, the Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for receivables that are credit-impaired as of the reporting date are measured by estimating expected credit losses individually, based upon factors related to credit ratings from applicable agencies, evaluation based on discounted cash flow, fair value of the underlying collateral, the condition of the debtor and other information.

The Company writes off the amount of expected credit losses from the gross carrying amount of a receivable and derecognizes the receivable when the Company has no reasonable expectations of recovering the receivable in its entirety or a portion thereof. The Company recognizes loss allowances on such receivables based on the expected credit losses for the gross amount after write-off.

The following is a breakdown of the gross carrying amount of receivables before adjusting for loss allowance and the amount of loss allowance at March 31, 2022 and 2023.

(March 31, 2022)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥4,033,740	¥503,141	¥298,997	¥29,195	¥2,827	¥2,531
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	66,959	42,144	9,354	2,716	1,859	13
Credit-impaired receivables	37,834	3,862	9,738	21,295	841	6,850
Total	¥4,138,533	¥549,147	¥318,089	¥53,206	¥5,527	¥9,394

Purchased or originated credit-impaired receivables are included in “Credit-impaired receivables” above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2022 was immaterial.

(March 31, 2023)

	Millions of Yen					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	¥3,834,319	¥586,525	¥450,096	¥35,508	¥4,296	¥4,095
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	58,639	39,950	11,008	3,656	2,469	101
Credit-impaired receivables	31,675	5,495	14,992	20,746	1,398	11,947
Total	¥3,924,633	¥631,970	¥476,096	¥59,910	¥8,163	¥16,143

	Millions of U.S. Dollars					
	Gross carrying amount of receivables before adjusting for loss allowance			Loss allowance		
	Trade receivables	Lease receivables	Loans	Trade receivables	Lease receivables	Loans
12-month expected credit losses	$28,615	$4,377	$3,359	$265	$32	$31
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	438	298	83	27	19	1
Credit-impaired receivables	236	41	112	155	10	89
Total	$29,289	$4,716	$3,554	$447	$61	$121

Purchased or originated credit-impaired receivables are included in "Credit-impaired receivables" above, and the total amount of purchased or originated credit-impaired receivables initially recognized during the year ended March 31, 2023 was immaterial.

The Company holds collateral and other credit enhancements related to the above receivables. For trade receivables for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds credit enhancements such as guarantees from third parties and credit insurance, and collateral such as commodity inventory. Also, for loans for which the loss allowance is measured at an amount equal to 12-month expected credit losses, the Company holds collateral such as vessels. Collateral and other credit enhancements for credit-impaired receivables were immaterial at March 31, 2023.

The Company has not shown the classification of "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of trade receivables that do not contain a significant financing component with original maturities of more than one year were ¥11,730 million and ¥6,138 million ($46 million) at March 31, 2022 and 2023, respectively. These are included in "12-month expected credit losses" and "Receivables for which there have been significant increases in credit risk" within "Lifetime expected credit losses" above.

The changes in the loss allowance for trade and other receivables for the years ended March 31, 2022 and 2023 were as follows.

(Year ended March 31, 2022)

	Millions of Yen			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥25,847	¥3,523	¥33,797	¥63,167
Provision for expected credit losses	10,044	797	9,096	19,937
Charge-offs	(2,476)	–	(11,749)	(14,225)
Other	1,138	268	(2,158)	(752)
Balance at the end of the year	¥34,553	¥4,588	¥28,986	¥68,127

(Year ended March 31, 2023)

	Millions of Yen			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	¥34,553	¥4,588	¥28,986	¥68,127
Provision for expected credit losses	8,862	1,234	22,002	32,098
Charge-offs	(1,893)	–	(17,622)	(19,515)
Other	2,377	404	725	3,506
Balance at the end of the year	¥43,899	¥6,226	¥34,091	¥84,216

	Millions of U.S. Dollars			
		Lifetime expected credit losses		
	12-month expected credit losses	Receivables for which there have been significant increases in credit risk	Credit impaired receivables	Total
Balance at the beginning of the year	$258	$34	$216	$508
Provision for expected credit losses	66	10	164	240
Charge-offs	(14)	–	(131)	(145)
Other	18	3	5	26
Balance at the end of the year	$328	$47	$254	$629

The change in loss allowance due to changes in expected credit losses is included in "Provision for expected credit losses". Also, "Other" principally includes the effect of changes in foreign currency exchange rates.

The Company has not shown the classification of the loss allowance for "Trade receivables that do not contain a significant financing component" in the table above. This is because most of the trade receivables that do not contain a significant financing component have original maturities of one year or less, and the measurement of loss allowance for those mentioned receivables is substantially the same as that of trade receivables which contain a significant financing component.

The amount of the loss allowance for trade receivables that do not contain a significant financing component with original maturities of more than one year was immaterial at March 31, 2023.

The Company uses a single consistent method without classification for the accounting treatment and risk management related to trade and other receivables. Refer to Note 3 "(3) Financial instruments" and Note 33.

9. INVENTORIES

The breakdown of "Inventories" at March 31, 2022 and 2023 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Merchandise and finished goods	¥1,354,173	¥1,347,110	$10,053
Raw materials, work in progress and supplies	303,506	301,361	2,249
Real estate held for development and resale	118,937	122,911	917
Total	¥1,776,616	¥1,771,382	$13,219
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥554,556	¥457,563	$3,415

The amount of "Real estate held for development and resale" includes ¥87,280 million and ¥87,181 million ($651 million) that were expected to be sold after more than 12 months at March 31, 2022 and 2023, respectively.

Costs of inventories are recognized as expenses in the amount of "Costs of revenues" in consolidated statement of income and the expenses other than inventories recognized in the amount of "Costs of revenues" were immaterial for the years ended March 31, 2022 and 2023.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2022 and 2023.

10. BIOLOGICAL ASSETS

The following is a breakdown of carrying amounts of biological assets at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Salmon Farming	¥84,985	¥92,438	$690
Other	13,722	17,980	134
Carrying amounts	¥98,707	¥110,418	$824

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada. The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets held in the business of salmon farming at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Cost of biological assets	¥66,028	¥77,171	$576
Fair value adjustments	18,957	15,267	114
Carrying amounts	¥84,985	¥92,438	$690

The following is a breakdown of changes in the carrying amounts of biological assets held in the business of salmon farming for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance at the beginning of year	¥60,561	¥84,985	$634
Increase due to production	101,607	131,367	980
Decrease due to sales / harvest / mortality	(97,436)	(119,407)	(891)
Fair value adjustments	11,309	(4,086)	(30)
Exchange translations and others	8,944	(421)	(3)
Balance at the end of year	¥84,985	¥92,438	$690

Fair value adjustments of biological assets were mainly included in “Other income (expense)-net” in the consolidated statement of income.

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a market approach based on the most relevant assumptions of price, growth rate and mortality rate at the reporting date. The valuation of biological assets is classified at Level 3 in the valuation hierarchy.

The business related to biological assets is exposed to fluctuations in prices, which is determined by global supply and demand. In order to partially mitigate the commodity price risk, the Company enters into forward contracts in regulated marketplaces.

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the years ended March 31, 2022 and 2023.

	Tonnes	
	2022	2023
Balance at the beginning of year	111,548	118,313
Increase due to production	257,140	241,153
Decrease due to sales/harvest/mortality	(250,375)	(243,112)
Balance at the end of year	118,313	116,354

11. DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

The following disposal groups and non-current assets are classified as held for sale as of March 31, 2023 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year. Amounts related to non-current assets held for sale were immaterial for the year ended March 31, 2022.

Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment and others" or "Gains (losses) on investments" in the consolidated statement of income.

Disposal groups classified as held for sale

As of March 31, 2022, the assets and liabilities of a consolidated subsidiary in the Automotive & Mobility segment were classified as a disposal group held for sale, and the disposal group was measured at fair value less cost to sell in Level 2.

The following is a breakdown of the assets and liabilities classified as a disposal group held for sale at March 31, 2022 and 2023.

Note that the sale of all shares of the subsidiary held by the Company was completed on May 31, 2023. For details, please refer to "The transfer of shares in MCE Bank GmbH (Automobile finance business)" under Note 41. "Subsequent Events."

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Cash and cash equivalents	¥2,582	¥4,431	$33
Trade and other receivables	128,634	131,853	984
Other	4,787	5,098	38
Total assets	¥136,003	¥141,382	$1,055
Trade and other payables	¥5,669	¥5,497	$41
Other	2,096	2,217	17
Total liabilities	¥7,765	¥7,714	$58

In addition to financial assets measured at amortized cost and others, financial assets measured at FVTPL (Level 2) and FVTOCI (Level 2) are included in Trade and other receivables, the carrying amounts of which were ¥1,584 million and ¥80,670 million, and ¥767 million ($6 million) and ¥79,422 million ($593 million), for the years ended March 31, 2022 and 2023 respectively.

Non-current assets classified as held for sale

As of March 31, 2023, following the formation of a sale agreement, ¥44,953 million ($335 million) in investment property in the Urban Development Segment (office buildings, commercial complexes, etc. held to earn rentals) is classified as held for sale and measured at book value.

Note that the sale of the assets held by the Company was completed on May 31, 2023. For details, please refer to "The transfer of investment property in the Urban Development segment" under Note 41. "Subsequent Events."

Fair value of disposal groups or non-current assets

The fair value in Level 1 of disposal groups or non-current assets was measured by the quoted market price in an active market. The fair value in Level 2 of disposal groups or non-current assets was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the estimated sales value of the assets.

Differences between the carrying amount and the fair value of disposal groups or non-current assets held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of "Property, plant and equipment" at March 31, 2022 and 2023.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2022)							
Gross carrying amount	¥238,080	¥977,254	¥1,358,897	¥205,657	¥1,706,321	¥356,371	¥4,842,580
Accumulated depreciation and accumulated impairment losses	21,756	522,769	721,922	116,517	674,856	721	2,058,541
Carrying amount	¥216,324	¥454,485	¥636,975	¥89,140	¥1,031,465	¥355,650	¥2,784,039
(March 31, 2023)							
Gross carrying amount	¥237,863	¥1,021,100	¥1,515,589	¥231,805	¥1,749,739	¥492,408	¥5,248,504
Accumulated depreciation and accumulated impairment losses	20,052	582,604	791,294	129,263	732,762	487	2,256,462
Carrying amount	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042

	Millions of U.S. Dollars						
(March 31, 2023)	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$1,775	$7,620	$11,310	$1,730	$13,058	$3,675	$39,168
Accumulated depreciation and accumulated impairment losses	149	4,348	5,905	965	5,468	4	16,839
Carrying amount	$1,626	$3,272	$5,405	$765	$7,590	$3,671	$22,329

Carrying amounts above include property, plant and equipment subject to operating leases as lessor and consist primarily of leased vessels in the Commercial vessels-related business, which are included in "Vessels and vehicles".

The following is a breakdown of changes in the carrying amounts of "Property, plant and equipment" for the years ended March 31, 2022 and 2023.

	Millions of Yen						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2021	¥219,380	¥449,299	¥648,061	¥89,104	¥875,639	¥228,755	¥2,510,238
Additions	2,521	27,161	51,113	22,010	60,419	187,546	350,770
Additions through business combination	464	1,039	5,330	6	–	374	7,213
Disposal or reclassification to assets held for sale	(3,790)	(5,172)	(53,374)	(12,936)	(103)	(1,085)	(76,460)
Depreciation	–	(38,385)	(88,161)	(14,106)	(56,520)	–	(197,172)
Impairment losses	(4,419)	(5,087)	(3,654)	(552)	(1,480)	(331)	(15,523)
Exchange translations	3,282	8,510	33,101	3,127	87,366	26,090	161,476
Other	(1,114)	17,120	44,559	2,487	66,144	(85,699)	43,497
Balance at March 31, 2022	¥216,324	¥454,485	¥636,975	¥89,140	¥1,031,465	¥355,650	¥2,784,039
Additions	3,305	25,749	63,143	23,247	69,079	224,224	408,747
Additions through business combination	295	3,052	3,239	2	–	11,696	18,284
Disposal or reclassification to assets held for sale	(409)	(3,362)	(6,000)	(3,963)	(1,669)	(1,531)	(16,934)
Depreciation	–	(37,445)	(93,397)	(16,971)	(68,296)	–	(216,109)
Impairment losses	(114)	(8,202)	(6,534)	(4)	(3,674)	(286)	(18,814)
Exchange translations	3,481	4,134	33,379	6,586	(21,753)	45,429	71,256
Other	(5,071)	85	93,490	4,505	11,825	(143,261)	(38,427)
Balance at March 31, 2023	¥217,811	¥438,496	¥724,295	¥102,542	¥1,016,977	¥491,921	¥2,992,042

Carrying amount	Millions of U.S. Dollars Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2022	$1,614	$3,392	$4,754	$665	$7,697	$2,654	$20,776
Additions	25	192	471	173	516	1,673	3,050
Additions through business combination	2	23	24	0	–	87	136
Disposal or reclassification to assets held for sale	(3)	(25)	(45)	(30)	(12)	(11)	(126)
Depreciation	–	(279)	(697)	(127)	(510)	–	(1,613)
Impairment losses	(1)	(61)	(49)	0	(27)	(2)	(140)
Exchange translations	27	30	249	49	(162)	339	532
Other	(38)	0	698	35	88	(1,069)	(286)
Balance at March 31, 2023	$1,626	$3,272	$5,405	$765	$7,590	$3,671	$22,329

Notes:

1. "Other" includes transfers from construction in progress to other property, plant and equipment and effects of changes in estimates of provision for decommissioning and restoration.
2. "Impairment losses" are mainly recognized in Petroleum & Chemicals Solution segment, Food Industry segment and Consumer Industry segment for the year ended March 31, 2022, and in Food Industry segment, Consumer Industry segment and Natural Gas segment for the year ended March 31, 2023, respectively.

Impairment losses are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For assets that have indications of being impaired, impairment losses are calculated as the difference between the carrying amount of such assets and their recoverable amount. In the course of recognizing and measuring impairment losses, the Company measured the recoverable amount using value in use and fair value less costs of disposal. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2022 and 2023.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥232,986 million and ¥166,357 million ($1,241 million) at March 31, 2022 and 2023, respectively. The amount at March 31, 2022 and 2023 includes a contractual commitment which was incurred as a result of a final investment decision (FID) of LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The company holds a 15% interest in LNG Canada Project.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2022 and 2023.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gross carrying amount	¥142,123	¥171,313	$1,279
Accumulated depreciation and accumulated impairment losses	47,724	89,327	667
Carrying amount	¥94,399	¥81,986	$612

Decrease of the carrying amount for the year ended March 31, 2023 includes reclassification to assets held for sale amounted to ¥44,953 million ($335 million) of office buildings and commercial complexes held to earn rentals in the Urban Development Segment. Please refer to Note 11 and 41 for more information of this sale. The other changes related to the carrying amounts consisted primarily of increase due to acquisitions and decrease due to depreciation. The respective amounts of these changes were immaterial at March 31, 2022 and 2023.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Fair value	¥122,275	¥94,766	$707

The fair value of investment property is mainly based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.

The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The amounts of rental income and fixed property taxes and other direct operating expenses arising from investment property were immaterial for the years ended March 31, 2022 and 2023.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2022 and 2023.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets at March 31, 2022 and 2023.

	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
(March 31, 2022)							
Gross carrying amount	¥345,196	¥305,867	¥266,552	¥102,395	¥77,485	¥62,659	¥1,160,154
Accumulated amortization and accumulated impairment losses	54,204	170,281	112,822	2,908	9,850	42,227	392,292
Carrying amount	¥290,992	¥135,586	¥153,730	¥99,487	¥67,635	¥20,432	¥767,862
(March 31, 2023)							
Gross carrying amount	¥348,289	¥333,373	¥286,811	¥99,211	¥82,227	¥64,513	¥1,214,424
Accumulated amortization and accumulated impairment losses	67,268	194,235	137,073	3,367	17,326	47,528	466,797
Carrying amount	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627

	Millions of U.S. Dollars						
(March 31, 2023)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Gross carrying amount	$2,599	$2,488	$2,140	$740	$614	$482	$9,063
Accumulated amortization and accumulated impairment losses	502	1,451	1,022	25	128	356	3,484
Carrying amount	$2,097	$1,037	$1,118	$715	$486	$126	$5,579

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

Carrying amount	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2022	¥300,185	¥143,657	¥189,994	¥88,943	¥72,254	¥21,036	¥816,069
Additions	22	27,527	294	913	—	19,025	47,781
Additions through business combinations	—	33	2,814	—	17,322	1,008	21,177
Disposal or reclassification to assets held for sale	(5)	(1,876)	—	(181)	(19,769)	(2,258)	(24,089)
Amortization	(11,217)	(34,316)	(16,984)	(60)	(5,160)	(18,616)	(86,353)
Impairment losses	(1)	(1,370)	(27,026)	—	—	(35)	(28,432)
Exchange translations	1,964	1,494	4,134	9,874	2,988	1,563	22,017
Other	44	437	504	(2)	—	(1,291)	(308)
End of year ended March 31, 2022	¥290,992	¥135,586	¥153,730	¥99,487	¥67,635	¥20,432	¥767,862
Additions	54	38,554	87	3,210	—	15,248	57,153
Additions through business combinations	76	485	—	—	—	7	568
Disposal or reclassification to assets held for sale	(1)	(1,395)	—	(1,854)	—	(907)	(4,157)
Amortization	(11,322)	(35,268)	(16,073)	(45)	(6,834)	(12,887)	(82,429)
Impairment losses	(1,177)	(743)	(2,586)	(962)	—	(1,778)	(7,246)
Exchange translations	2,322	1,950	5,914	(3,515)	4,100	(837)	9,934
Other	77	(31)	8,666	(477)	—	(2,293)	5,942
End of year ended March 31, 2023	¥281,021	¥139,138	¥149,738	¥95,844	¥64,901	¥16,985	¥747,627

Carrying amount	Millions of U.S. Dollars						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2023	$2,172	$1,011	$1,147	$742	$506	$152	$5,730
Additions	0	287	2	24	—	114	427
Additions through business combinations	1	3	—	—	—	0	4
Disposal or reclassification to assets held for sale	0	(10)	—	(14)	—	(7)	(31)
Amortization	(85)	(263)	(120)	0	(51)	(96)	(615)
Impairment losses	(9)	(6)	(19)	(7)	—	(13)	(54)
Exchange translations	17	15	44	(26)	31	(7)	74
Other	1	0	64	(4)	—	(17)	44
End of year ended March 31, 2023	$2,097	$1,037	$1,118	$715	$486	$126	$5,579

Impairment losses on the intangible assets for the year ended March 31, 2022 include impairment loss of ¥27,026 million on customer-related assets of Chiyoda Corporation in the Industrial Infrastructure segment. For details on the impairment test, please refer to “Impairment losses on the intangible assets”.

The Company does not amortize intangible assets with indefinite useful lives such as business rights, fish farming license and surface rights, given that the terms of the contracts are not set out and it is possible to sustain the value of such rights at a small cost.

At March 31, 2022 and 2023, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Business rights	¥6,012	¥2,942	$22
Fish farming license and surface rights	98,205	94,881	708
Other	5,269	5,241	39
Total	¥109,486	¥103,064	$769

Amortization expense for intangible assets, including those internally generated, is included in "Cost of revenues" or "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses on intangible assets are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" in the consolidated statement of income. For the assets for which indications of impairment are identified, the recoverable amounts are estimated, normally as value in use, and impairment losses are calculated as the difference between the carrying amount of the assets and the recoverable amount. Value in use of assets is primarily estimated based on discounted cash flows.

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥100,140 million and ¥103,049 million ($769 million) at March 31, 2022 and 2023, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2022 and 2023.

Research and development costs recognized in net income were immaterial at March 31, 2022 and 2023.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gross carrying amount	¥611,971	¥625,827	$4,670
Accumulated impairment losses	(158,265)	(166,052)	(1,239)
Carrying amount	¥453,706	¥459,775	$3,431

The following is a breakdown of the activity of the carrying amount of goodwill.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance at the beginning of the year	¥432,393	¥453,706	$3,385
Additions	11,814	3,852	29
Impairment losses	(216)	(8,652)	(65)
Disposal	(4,021)	(12)	0
Exchange translations	14,290	11,616	87
Other	(554)	(735)	(5)
Balance at the end of the year	¥453,706	¥459,775	$3,431

Impairment losses on goodwill are included in "Other income (expense)-net" in the consolidated statement of income.

Impairment test of goodwill and intangible assets with indefinite useful lives

The assumptions used for the impairment test of significant goodwill and intangible assets with indefinite useful lives allocated to cash-generating units were as follows:

Lawson, Inc.

The amount of goodwill as of March 31, 2022 and 2023 was ¥160,194 million and ¥161,813 million ($1,208 million), respectively.

Goodwill was tested for impairment after allocating its book value to the group of cash-generating units composed of the overall business of Lawson Inc., with the value in use as the recoverable amount. Value in use was estimated based on the present value of future cash flows based on business plans reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated business plans for each major business, covering a period of 5 years. The key assumption with the most significant impact on the calculation of value in use is growth in sales amount, which is driven mainly by increases in the number of stores and in average daily store sales in the domestic Consumer Industry business. Demand has gradually recovered from the stagnation caused by the COVID-19 pandemic, and recovery of average daily store sales to the level of the fiscal year ended March 31, 2020 was forecast to resume by the year ending March 31, 2026, in which a sales growth rate of 0.1% was forecast thereafter. These assumptions reflect such factors as historical performance and trends in competitors and peripheral industries. The management authorized these assumptions after considering the consistency among these factors. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating unit. For impairment testing in the year ended March 31, 2023, a discount rate of 4.5% (after-tax conversion) was applied. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For impairment testing in the year ended March 31, 2023, the Company used the growth rate of 0%.

There are certain uncertainties in the significant assumptions used in the impairment test. Although changes in the assumptions in future periods might result in the recoverable amount falling below the book value, the Company does not recognize the indication of such changes.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2022 was ¥23,908 million and ¥97,162 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2023 was ¥22,397 million ($167 million) and ¥93,941 million ($701 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of 10 years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as the effect of on-going salmon farming improvement initiatives.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Chiyoda Corporation

The amount of goodwill as of March 31, 2022 and 2023 was ¥69,298 million and ¥69,264 million ($517 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are construction revenue and gross profit margin. These assumptions reflect factors such as the current status of each project and the economic environment.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. Future cash flows exceeding the period of the business plan were estimated based on the leveling of historical results. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%. For some businesses, terminal value for the period beyond the business plan was calculated by multiplying the one-year net profit based on the net profit of the last year of the business plan by percentages referencing guideline company peer group forward PER multiples.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Nexamp, Inc.

The amount of goodwill as of March 31, 2022 and 2023 was ¥19,898 million and ¥22,957 million ($171 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on fair value less cost of disposal by using the present value of future cash flows based on the business plan reflecting the most recent business environment. The level of the fair value hierarchy within which the fair value measurement is categorized is Level 3.

The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the fair value less cost of disposal are the margin of development and EPC associated with Solar Facilities and energy price forecasts. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

N.V. Eneco

The amount of goodwill as of March 31, 2022 and 2023 was ¥119,488 million and ¥124,682 million ($930 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.

The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are sales price assumption and supply outlook that is a precondition for sales volume. These assumptions reflect factors such as historical performance and the outlook for future supply-and-demand conditions, etc.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate incorporating the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2023, the Company used the growth rate of 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range due to factors observed in the external environment such as escalation of geopolitical risks and volatile energy market conditions, the risk of the recoverable amount falling below the book value is considered to be limited.

Impairment losses on the intangible assets

Chiyoda Corporation

During the year ended March 31, 2022, the Company recorded impairment losses of ¥27,026 million as "Impairment losses on property, plant, and equipment, intangible assets, goodwill and others", in connection with intangible assets the Company has recognized in the course of making Chiyoda Corporation a consolidated subsidiary. These intangible assets consist of Chiyoda Corporation's customer-related assets backed by its existing customer base. The Company has revised its estimates on Chiyoda Corporation's future profit contribution derived from its customer base as previously set forth in its business plans. This revision takes into account progress in business portfolio transformation now under way at Chiyoda Corporation from the EPC business focused on existing LNG, petroleum and petrochemical businesses, to new EPC business fields and non-EPC businesses in line with its growth strategies on the back of the growing magnitude of changes in the business environment, which involves stronger needs than ever for next-generation energy, such as hydrogen technologies possessed by Chiyoda Corporation. These impairment losses are included in consolidated net income (loss) for the Industrial Infrastructure segment (impact on profit for the year attributable to owners of the parent was ¥6.3 billion loss). Please refer to "Impairment test of goodwill and intangible assets with indefinite useful lives" for recoverability of goodwill in impairment assessment.

The Company conducted impairment tests of the asset group (cash-generating unit) comprising the existing customer base recognized when Chiyoda Corporation became a subsidiary. The value in use was used as the recoverable amount, and the difference between the value in use and book value was recorded as impairment losses, which were reasonably allocated to each asset included in the asset group.

The key assumption with the most significant impact on the calculation of the recoverable amount is the future earnings received in proportion from the existing customers at each of Chiyoda's businesses, reflecting the expansion of new customers and the current business environment in line with the Chiyoda's business portfolio strategy.

For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The carrying amount of exploration and evaluation assets was ¥121,631 and ¥115,589 ($863 million) as of March 31, 2022 and 2023, respectively, and these amounts were primarily included within "Property, plant and equipment" in the consolidated statements of financial position. The changes in the carrying amounts of exploration and evaluation assets were mainly due to impairment, write-off of unsuccessful exploration expenditure and exchange translations.

Further, there were some liabilities derived from the Company's exploration and evaluation activities; however, the carrying amount as of March 31, 2022 and 2023 was immaterial, respectively.

In addition, there were some expenses as well as cash flows from operating and investing activities derived from the Company's exploration and evaluation activities, however neither of these expenses nor cash flows for the years ended March 31, 2022 and 2023 were material.

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Trade and other receivables (current and non-current)	¥245,797	¥197,099	$1,471
Other investments (current and non-current)	494,465	340,889	2,544
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	173,062	141,783	1,058
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,129	187	2
Assets classified as held for sale	—	45,081	336
Other	13,707	10,701	80
Total	¥972,160	¥735,740	$5,491

"Other investments" above includes shares pledged as collateral by the Company in relation to project financing in which an associate or investee is the debtor.

The Parent, subsidiaries, associates and investees have borrowings under loan agreements with financial institutions, and above assets pledged as collateral are provided upon the request of the lenders.

With respect to the borrowings from financial institutions, lenders have rights to enforce the disposal of those assets pledged as collateral and may offset those proceeds against a debt, if the borrower defaults on a debt such as failure of borrower to pay any sum of matured payables, or breach the representation and warranty or the covenants.

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and, therefore, those amounts are not included in the amount of assets pledged as collateral above.

Notwithstanding the above assets pledged as collateral, substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, allow banks, under certain conditions, to require the Company to provide collateral (or additional collateral) or guarantors with respect to the loans, and to treat any collateral, whether furnished as security for certain short-term or long-term loans or otherwise, as collateral for all indebtedness to such banks.

It may be possible to regard the assets as pledged collateral for those transferred but which are not derecognized from the consolidated statement of financial position. However, the legal nature of those transactions are different from the assets pledged under collateral in normal contracts hence the Company excluded such transactions from the table above.

Meanwhile, the Company sold ¥91,640 million and ¥78,604 million ($587 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2022 and 2023, respectively. As for similar transactions regarding to the financial assets, please refer to Note 34 (2) "Transferred financial assets that were not derecognized."

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2022 and 2023.

17. BONDS AND BORROWINGS

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

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Bank loans			
—3.1% as of March 31, 2023	¥688,089	¥574,612	$4,288
Commercial paper			
—4.4% as of March 31, 2023	363,142	422,367	3,152
Bonds and borrowings (non-current liabilities) with current maturities	552,189	398,911	2,977
Total	¥1,603,420	¥1,395,890	$10,417

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2023.

Bonds and borrowings (non-current liabilities) as of March 31, 2022 and 2023 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Non-current liabilities with collateral maturing through 2038			
—principally 0.2% to 2.3% as of March 31, 2023	¥117,494	¥103,407	$772
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2082			
—principally 0.0% to 2.0% as of March 31, 2023	2,244,257	2,010,480	15,004
Banks and other financial institutions, maturing through 2037 (payable in foreign currencies)			
—principally 1.7% to 5.9% as of March 31, 2023	1,564,823	1,279,386	9,548
Japanese yen bonds (including commercial paper)			
(fixed rate 0.1% to 1.7%, due 2023-2081 as of March 31, 2023)	400,014	310,000	2,313
U.S. dollar bonds			
(floating rate 5.7%, due 2024 as of March 31, 2023)	3,668	4,003	30
(fixed rate 1.1% to 3.4%, due 2024-2026 as of March 31, 2023)	248,519	199,910	1,492
Other and adjustments	13,163	(14,284)	(107)
Sub-total	¥4,591,938	¥3,892,902	$29,052
Less current maturities	(552,189)	(398,911)	(2,977)
Total	¥4,039,749	¥3,493,991	$26,075

Non-current liabilities with collateral principally include borrowings from banks and other financial institutions both in Japanese yen and foreign currencies.

Related information such as lines of credit, financial covenants and breakdown by due date is stated in "Liquidity risk management" of Note 33.

Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2076-2082) of ¥340,000 million ($2,537 million). These loans are callable after the fifth or seventh year from their execution dates (2016-2022) at the discretion of the Company.

Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2081) of ¥200,000 million ($1,493 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2021) at the discretion of the Company.

The amount of fixed-rate debts and bonds procured by the Parent were ¥1,768,244 million and ¥1,654,419 million ($12,346 million) as of March 31, 2022 and 2023, respectively. In principle, for these fixed-rate debts and bonds, fair value hedge with interest rate swaps as hedging instruments is applied to hedge risks of changes in fair value due to interest rate volatility. Please refer to Notes 32 and 33 for details about fair value hedges.

The amount of bonds and borrowings (non-current liabilities) that refers to the London Interbank Offered Rate (LIBOR) was ¥641,410 million ($4,787 million) as of March 31, 2023. Please refer to "Interest rate risk management" at Note 33 for the detail in regard to preparation for the interest rate benchmark reform.

18. TRADE AND OTHER PAYABLES

The carrying amounts of "Trade and other payables" (current liabilities) at March 31, 2022 and 2023 mostly consist of accounts payable-trade to be paid to customers, in which the amounts not expected to be settled within 1 year are immaterial.

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

The Parent and certain subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Japanese Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

By April 2013, the Parent had converted certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

The Parent has the obligation to make contributions to the Mitsubishi Corporation Pension Fund ("Fund") in order to cover the cost of paying pension benefits. The Fund is legally independent from the Parent, and the board of representatives comprises an equal number of representatives elected by the Parent and the Parent's employees. The chairman of the board is elected from the representatives elected from the Parent. Proceedings of the board of representatives are decided by a majority vote of the members attending. In the case of a tied vote, the chairman has the power to decide. However, with regard to important matters, the decision is made by a majority that exceeds the above.

The director of the Fund has the duty to comply with the law, the dispositions of the Minister of Health, Labour, and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the board of representatives and to faithfully perform duties for the Fund. In addition, the director is prohibited from acts that constitute conflicts of interest and from managing the Fund for the purpose of benefiting a third party.

In addition to the defined benefit pension plans, the Parent and most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The Company uses March 31 as the measurement date for the pension plans.

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2022 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥637,640	¥610,581	$4,557
Service cost	17,832	16,913	126
Interest cost	5,401	6,555	49
Actuarial (gain) loss	(20,339)	(39,909)	(298)
Benefits paid	(29,576)	(30,852)	(230)
Others	(377)	(6,512)	(49)
Present value of obligations under defined benefit pension plans at the end of the year	610,581	556,776	4,155
Change in plan assets:			
Fair value of plan assets at the beginning of the year	622,772	593,106	4,426
Interest income	5,997	7,094	53
Income from plan assets other than interest	8,872	(21,433)	(160)
Employer contributions	8,675	4,533	34
Benefits paid	(22,399)	(23,304)	(174)
Return of assets from retirement benefit trusts	(32,100)	—	—
Others	1,289	(2,085)	(16)
Fair value of plan assets at the end of the year	593,106	557,911	4,163
Effect of the asset ceiling	—	—	—
Net amount of (assets) liabilities recorded in Consolidated statement of financial position	¥17,475	¥(1,135)	$(8)

Note:
1. Actuarial (gain) loss arises from changes in demographic assumptions and financial assumptions.
2. Return of assets from retirement benefit trust was result of cancellation in a part of Parent's retirement benefit trust in previous fiscal year. The transaction amount is included in "Other—net" of cash flow from Operating activities in consolidated statement of cash flows.

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 and investment managers for the purpose of risk control and thereby pursues efficient risk management.

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2022 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Plan assets that have a quoted market price in an active market			
Equity instruments	¥109,778	¥104,296	$778
Debt instruments	9,006	9,575	72
Cash and cash equivalents	70,880	67,590	504
Total	189,664	181,461	1,354
Plan assets that do not have a quoted market price in an active market			
Equity instruments	82,548	82,435	615
Debt instruments	199,594	167,442	1,249
Life insurance company accounts	63,944	58,103	434
Other assets	57,356	68,470	511
Total	403,442	376,450	2,809
Total plan assets	¥593,106	¥557,911	$4,163

Notes:
1. Equity instruments that have a quoted market price in an active market, mainly consist of Japanese equity securities, and include investments through funds.
2. Equity and debt instruments that do not have a quoted market price in an active market, mainly consist of global equity securities, global debt respectively, and both include investments through funds.
3. Other assets include cash equivalent, hedge funds, private equity funds, and infrastructure funds, etc.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2022 and 2023 were as follows:

	2022	2023
Discount rate	1.1%	1.6%
Rate of increase in future compensation levels	2.3	2.4

The assumption of average longevity at pension age of the Parent was 20.4 years and 21.0 years for current pensioners, and 22.8 years and 22.9 years for employees at March 31, 2022 and 2023.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥28,687 million ($214 million) at March 31, 2023. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥25,411 million ($190 million).

This analysis assumes that all other variables remain constant. However, the discount 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. Companies in Japan generally contribute to the extent of the amount deductible for income tax purposes.

The Company expects to contribute ¥4,279 million ($32 million) to its defined benefit pension plans during the year ending March 31, 2024.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2024	¥29,572	$221
2025	32,002	239
2026	31,061	232
2027	31,486	235
2028	35,328	263
2029 through 2033	166,335	1,241

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans for the years ended March 31, 2022 and 2023 were ¥10,040 million and ¥11,770 million ($88 million), respectively.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥710,978 million and ¥776,293 million ($5,793 million) for the years ended March 31, 2022 and 2023, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2023 were as follows:

(Year ended March 31, 2023)

	Millions of Yen							
	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥278,704	—	¥278,704	¥10,594	¥(12,514)	¥9,338	¥(6,047)	¥280,075
Provision relating to onerous contracts	45,743	20,486	66,229	71,610	(54,648)	(83)	(626)	82,482
Other	36,179	—	36,179	30,016	(14,867)	44	(2,616)	48,756

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Cumulative effects of change in accounting policy	Adjusted balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$2,080	—	$2,080	$ 79	$ (93)	$69	$(45)	$2,090
Provision relating to onerous contracts	341	153	494	535	(408)	(1)	(4)	616
Other	270	—	270	224	(111)	1	(20)	364

* "Other" principally includes the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of consolidation and deconsolidation.

In addition to the above, "Provisions" on the consolidated statement of financial position contains provisions regarding employee benefits and others.

Provision for decommissioning and restoration

The Company recognizes provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. Cash outflows related to the provision are expected to be paid over periods of up to 47 years, but are inherently difficult to predict and affected by future business plans and other circumstances. The discount rate is applied at a pre-tax discount rate that reflects the market valuation of the time value of money.

The Company's consolidated subsidiaries in the Mineral Resources segment recognize provision for asset retirement obligations based on costs they expect to incur to restore mining sites to the original state in the future. The amount of asset retirement obligations is ¥171,266 million ($1,278 million) as of March 31, 2023.

Provision relating to onerous contracts

The Company recognizes provision relating to onerous contracts, consisting primarily of costs associated with construction contract and commodity sales and purchase contract, if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

During the year ended March 31, 2023, provisions for losses on construction contracts of Chiyoda Corporation amounting to ¥14,455 million ($108 million) (increase) and ¥26,527 million ($198 million) (decrease) were recorded as "Provisions made" and "Provisions used" due to the reassessments of project execution costs and the progress of the project executions, respectively.

Cash outflows related to the provision are expected to be paid over periods of up to 3 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

In addition, in the LNG sales business to Europe, the sales price was significantly lower than the purchase price due to changes in the business environment, and in some contracts, a review of procurement costs resulted in ¥52,404 million ($391 million) (increase) being recorded as "Provisions made", and ¥27,359 million ($204 million) (decrease) being recorded as "Provisions used" for sales transactions in progress that have been delivered to the customer. Expenditures related to this obligation are expected to be incurred over a period of up to 18 years but will be affected by future business plans and other factors. "Cumulative effects of change in accounting policy " includes ¥20,486 million ($153 million) (increase) as the effect of the revision of IAS No. 37, which became effective in the current fiscal year. For details, please refer to Note 2 "(4) New major standards and interpretations applied ".

Other

" Other" includes provisions for product warranties and others.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2022 and 2023 was as follows:

	2022 (Number of shares)	2023 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2022 and 2023 was as follows:

	2022 (Number of shares)	2023 (Number of shares)
Balance, beginning of the year	1,485,723,351	1,485,723,351
Change during the year	–	(27,421,000)
Balance, end of the year	1,485,723,351	1,458,302,351

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to be 25% of the common stock amount.

The Companies Act allows, subject to certain conditions, such as resolution at a shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, within the limit under the Articles of Incorporation, subject to limitations imposed by the Companies Act. At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Parent's treasury stock by its resolutions.

The number of treasury stock and treasury stock held by subsidiaries and associates were 9,178,013 shares and 29,509,808 shares at March 31, 2022 and 2023, respectively. This increase was due to the share repurchases in order to optimize total payout ratio, as well as the Company's capital structure. The number of shares of the Parent held in the trust account for the ESOP Trust, which was included in the number of treasury stock and treasury stock held by subsidiaries and associates, were 3,172,291 shares and 7,019,724 shares at March 31, 2022 and 2023, respectively. This increase was due to additional contribution of ¥16.0 billion for the acquisition of the common stock of the Parent, which was decided at a meeting of the Executive Committee on May 9, 2022. Please refer to Note 41 for the repurchase and cancellation of shares which was resolved at a meeting of the Board of Directors held on May 9, 2023.

Shares repurchased and cancelled during the year ended March 31, 2023 were as follows:

Resolution	Class of shares	Number of shares repurchased	Number of shares cancelled	Date of cancellation (Expected date)	Shares outstanding after cancellation
Board of Directors' meeting held on May 10, 2022	Ordinary shares	16,578,000	11,578,000	September 30, 2022	1,474,145,351
Board of Directors' meeting held on November 8, 2022	Ordinary shares	15,843,000	15,843,000	March 31, 2023	1,458,302,351
Board of Directors' meeting held on February 3, 2023	Ordinary shares	12,604,600	–	(May 31, 2023)	–

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥3,139,473 million ($23,429 million) as of March 31, 2023. The distributable amount may change up to the effective date of the distribution of dividends due to the Parent's acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2022 and 2023 were as follows:

Resolution	Class of shares	Millions of Yen Amount of dividends	Yen Dividends per share	Record date	Effective date	Millions of U.S. Dollars Amount of dividends	U.S. Dollars Dividends per share
Ordinary general meeting of shareholders held on June 25, 2021	Ordinary shares	¥99,127	¥67	March 31, 2021	June 28, 2021		
Board of Directors' meeting held on November 5, 2021	Ordinary shares	105,055	71	September 30, 2021	December 1, 2021		
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	116,909	79	March 31, 2022	June 27, 2022	$872	$0.59
Board of Directors' meeting held on November 8, 2022	Ordinary shares	112,715	77	September 30, 2022	December 1, 2022	841	0.57

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

Resolution	Class of shares	Millions of Yen Amount of dividends	Source of dividends	Yen Dividends per share	Record date	Effective date	Millions of U.S. Dollars Amount of dividends	U.S. Dollars Dividends per share
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	¥147,891	Retained earnings	¥103	March 31, 2023	June 26, 2023	$1,104	$0.77

Management of capital

The Parent manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2022 and 2023.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2022)				
Other investments designated as FVTOCI	¥457,123	¥80,737	¥(26,801)	¥511,059
Remeasurement of defined benefit pension plans	–	21,449	(21,449)	–
Cash flow hedges	(52,355)	(68,966)	–	(121,321)
Exchange differences on translating foreign operations	379,917	500,757	–	880,674
Total	¥784,685	¥533,977	¥(48,250)	¥1,270,412
(Year ended March 31, 2023)				
Other investments designated as FVTOCI	¥511,059	¥(95,711)	¥(9,917)	¥405,431
Remeasurement of defined benefit pension plans	–	16,032	(16,032)	–
Cash flow hedges	(121,321)	174,365	–	53,044
Exchange differences on translating foreign operations	880,674	376,391	–	1,257,065
Total	¥1,270,412	¥471,077	¥(25,949)	¥1,715,540

	Millions of U.S. Dollars			
(Year ended March 31, 2023)	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$3,814	$(714)	$(74)	$3,026
Remeasurement of defined benefit pension plans	–	120	(120)	–
Cash flow hedges	(905)	1,301	–	396
Exchange differences on translating foreign operations	6,573	2,808	–	9,381
Total	$9,482	$3,515	$(194)	$12,803

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Gains (losses) on other investments designated as FVTOCI	¥11,750	¥842	$6
Remeasurement of defined benefit pension plans	(317)	463	3
Cash flow hedges	(4,524)	13,502	101
Exchange differences on translating foreign operations	23,841	21,505	161
Total	¥30,750	¥36,312	$271

The following is a breakdown of “Other comprehensive income (loss)” (including those attributable to non-controlling interests) for the years ended March 31, 2022 and 2023.

	Millions of Yen					
	2022			2023		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains (losses) on other investments designated as FVTOCI	¥129,985	¥(47,746)	¥82,239	¥(122,089)	¥27,518	¥(94,571)
Remeasurement of defined benefit pension plans	29,211	(8,799)	20,412	18,476	(2,874)	15,602
Share of other comprehensive income (loss) of investments accounted for using the equity method	10,421	547	10,968	691	(96)	595
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	(121,687)	23,737	(97,950)	130,717	(27,553)	103,164
Exchange differences on translating foreign operations	434,231	6,299	440,530	285,280	10,773	296,053
Share of other comprehensive income (loss) of investments accounted for using the equity method	123,986	(15,458)	108,528	214,850	(28,304)	186,546
Total	¥606,147	¥(41,420)	¥564,727	¥527,925	¥(20,536)	¥507,389

	Millions of U.S. Dollars		
	2023		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains (losses) on other investments designated as FVTOCI	$(911)	$205	$(706)
Remeasurement of defined benefit pension plans	137	(21)	116
Share of other comprehensive income (loss) of investments accounted for using the equity method	6	(1)	5
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	976	(206)	770
Exchange differences on translating foreign operations	2,129	80	2,209
Share of other comprehensive income (loss) of investments accounted for using the equity method	1,603	(211)	1,392
Total	$3,940	$(154)	$3,786

The amounts reclassified to profit or loss from exchange differences on translating foreign operations for the year ended March 31, 2023 include ¥13,296 million ($99 million) (before income taxes) due to the loss of control over DGA SEG B.V., a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment in Indonesia. Please refer to Note 37 (DGA SEG B.V.) for more information.

Other than the above, the amounts reclassified to profit or loss from exchange differences on translating foreign operations and share of other comprehensive income (loss) of investments accounted for using the equity method included in Other comprehensive income (loss) (including those attributable to non-controlling interests) were immaterial for the years ended March 31, 2022 and 2023.

As for the reclassification adjustments to profit or loss from cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests) for the years ended March 31, 2022 and 2023, please refer to Note 32.

23. SHARE-BASED PAYMENT

The Parent unified previous stock option plans for a stock-linked compensation plan that grant the right to purchase the shares of the Parent at an exercise price of ¥1 per share from 2007 stock option plans resolved at the Board of Directors' meeting held on July 20, 2007 to the year ended March 31, 2019. The Parent resolved at the Board of Directors meeting held on June 21, 2019 that it would newly distribute stock options for a stock-linked compensation plan with market conditions.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or before June 2007

Under the class B plan (class A plan has no outstanding balance), for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the previous stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plans for a stock-linked compensation plan resolved by the Board of Directors' meetings held on or after July 2007

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is up to 30 years. The stock options are vested and exercisable from the earlier of either the day up to 2 years after the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The stock option plan for a stock-linked compensation plan with market conditions resolved by the Board of Directors' meetings held on or after June 2019

Under the new plans with market conditions, for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. Depending on the plans, the contractual term of the stock option is 27 years starting on the day up to 3 years after the grant date. The number of stock options that can be exercised varies depending on the Parent's share performance during 3 years starting from the grant date or the day up to 2 years before the grant date. The stock option holders cannot exercise their stock acquisition right after 10 years from the day after leaving their position as director and executive officer of the Parent.

The share-based remuneration based on these stock option plans was immaterial for the years ended March 31, 2022 and 2023.

24. REVENUES

(1) The disaggregation of revenue recognized from contracts with customers

The following is the disaggregation of "Revenues" for the years ended March 31, 2022 and 2023.

	Millions of Yen						
2022	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers	¥ 573,645	¥2,147,073	¥2,823,357	¥1,321,134	¥485,437	¥858,082	¥1,586,755
Revenues from other sources of revenue	590,039	25,619	613,632	1,536,509	88,244	57,846	323,741
Total	¥1,163,684	¥2,172,692	¥3,436,989	¥2,857,643	¥573,681	¥915,928	¥1,910,496

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers . . .	¥3,249,783	¥894,839	¥40,113	¥13,980,218	¥5,306	–	¥13,985,524
Revenues from other sources of revenue	646	17,819	25,209	3,279,304	–	–	3,279,304
Total	¥3,250,429	¥912,658	¥65,322	¥17,259,522	¥5,306	–	¥17,264,828

	Millions of Yen						
2023	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers . . .	¥805,862	¥2,574,769	¥3,337,262	¥1,758,863	¥637,882	¥ 970,729	¥1,929,755
Revenues from other sources of revenue	1,198,658	27,907	581,770	1,926,110	102,102	74,303	487,432
Total	¥2,004,520	¥2,602,676	¥3,919,032	¥3,684,973	¥739,984	¥1,045,032	¥2,417,187

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers . . .	¥3,409,455	¥1,630,193	¥20,441	¥17,075,211	¥8,836	–	¥17,084,047
Revenues from other sources of revenue	3,109	44,310	42,225	4,487,926	–	–	4,487,926
Total	¥3,412,564	¥1,674,503	¥62,666	¥21,563,137	¥8,836	–	¥21,571,973

	Millions of U.S. Dollars						
2023	Natural Gas Group	Industrial Materials Group	Petroleum & Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure Group	Automotive & Mobility Group	Food Industry Group
Revenues recognized from contracts with customers . . .	$ 6,014	$19,215	$24,905	$13,126	$4,760	$7,244	$14,401
Revenues from other sources of revenue	8,944	208	4,342	14,374	762	555	3,638
Total	$14,958	$19,423	$29,247	$27,500	$5,522	$7,799	$18,039

	Millions of U.S. Dollars						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers . . .	$25,444	$12,165	$153	$127,427	$66	–	$127,493
Revenues from other sources of revenue	23	331	315	33,492	–	–	33,492
Total	$25,467	$12,496	$468	$160,919	$66	–	$160,985

Revenues recognized from contracts with customers include revenues recognized at a point in time (sales of products or providing services, etc. as principal or agent), as well as revenues recognized over time (providing services based on franchise contracts, plant constructions based on construction contracts, etc.).

Revenues recognized from contracts with customers in the Consumer Industry segment include franchise commissions from franchised stores based on franchise agreements, the amount of which was ¥291,802 million and ¥251,564 million ($1,877 million) for the years ended March 31, 2022 and 2023. The commission includes lease income attributable to property and store equipment leases.

Revenues recognized from contracts with customers in the Industrial Infrastructure segment include revenues recognized by measuring progress of construction based on construction contracts, the amount of which was ¥303,411 million and ¥428,189 million ($3,195 million) for the years ended March 31, 2022 and 2023.

Revenues other than the above items are mainly from the sale of goods and related services.

Revenues from other sources of revenue include revenues recognized in the scope of IFRS9 "Financial Instruments" (including the gross amount of revenues recognized from contracts to buy or sell a non-financial item that can be settled net in cash or other financial instruments, or by exchange for financial instruments at the timing of delivery) and lease income based on IFRS16 "Leases".

The portion of the Company's revenues accounted for by variable consideration is immaterial.

(2) Contract balance

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer (except receivables) when the right is conditioned on something other than the passage of time (for example, the entity's future performance). It is presented as "Trade and other receivables".

Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from said customer and is presented mainly as "Advances from customers".

The following is a breakdown of carrying amounts of "Contract assets" and "Contract liabilities" at the beginning and the end of the years ended March 31, 2022 and 2023. Both contract balances were mainly recognized from construction contracts in which there was a difference between the point in time when performance obligations were satisfied (progress of construction) and the right to claim arose or consideration was received. Contract assets increased due to performance obligations being satisfied before rights to claim arose (and decreased due to transfer to trade receivables when the rights to claim arose). Contract liabilities increased due to rights to claim arising before performance obligations were satisfied (and decreased due to transfer to revenues when the performance obligations were satisfied).

The changes during the year ended March 31, 2022 include additions of ¥72,985 million of "Contract liabilities" as a result of increases due to conclusion of new construction contracts, etc. exceeded decreases due to transfer to revenues at Chiyoda Corporation.

	Millions of Yen				Millions of U.S. Dollars	
	2022		2023		2023	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥53,456	¥147,307	¥46,032	¥255,629	$344	$1,908
Changes during the year	(7,424)	108,322	(4,497)	69,210	(34)	516
Balance at the end of the year	¥46,032	¥255,629	¥41,535	¥324,839	$310	$2,424

Revenues recognized for the years ended March 31, 2022 and 2023 that were included in the contract liabilities balance at the beginning of the year were ¥101,775 million and ¥162,362 million ($1,212 million) respectively. Revenues for the years ended March 31, 2022 and 2023 recognized (or partially recognized) from the performance obligations satisfied in the previous years were immaterial.

(3) Transaction price allocated to the remaining performance obligations

Following are the aggregate amounts of the transaction price allocated to the performance obligations that were unsatisfied (or partially unsatisfied) at the end of the years ended March 31, 2022 and 2023 and the breakdown by expected duration of the remaining performance obligation in the future.

The amounts of the transaction price are calculated based on the contracts with the customers with reference to commodity prices such as crude oil or gas, and if the consideration is variable, it is included in the transaction price only to the extent that a significant reversal in the amount of cumulative revenues recognized will not occur.

The transaction price allocated to the remaining performance obligations at the end of the years ended March 31, 2022 and 2023 was derived to a large extent from a long-term LNG sales contract with customers mainly in Japan through participating in Cameron LNG LLC ("CLNG") at Louisiana Terminal in the U.S and the LNG Canada Project in Kitimat, British Columbia, Canada. Please refer to Note 38 for information of CLNG.

Contracts for which the original expected duration of revenue recognition from contract conclusion is one year or less are not included in the table below under the provisions of practical expedient adopted.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥1,664,722	¥1,501,156	$11,203
Later than 1 year and not later than 5 years	3,368,039	3,594,412	26,824
Later than 5 years and not later than 10 years	2,099,094	2,434,136	18,165
Later than 10 years	2,975,192	3,054,047	22,791
Total	¥10,107,047	¥10,583,751	$78,983

In addition to the above, the Company has the substantially indefinite obligation to supply heat to the customers for district heating business in Europe at March 31, 2022 and 2023, the amount of estimated consideration of which was ¥56,178 million and ¥94,934 million ($708 million) per year.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Employee benefit expenses	¥548,264	¥593,859	$4,432
Equipment expenses	325,507	335,759	2,506
Transportation and warehousing expenses	123,940	136,746	1,020
Outsourcing expenses	99,047	127,821	954
Office expenses	58,897	79,417	593
Advertising and sales promotion expenses	78,057	72,959	544
Others	198,327	260,957	1,947
Total	¥1,432,039	¥1,607,518	$11,996

Remuneration for the Parent's directors for the years ended March 31, 2022 and 2023 that were included in "Employee benefit expenses" were ¥2,076 million and ¥1,955 million ($15 million), respectively.

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains (losses) on investments," "Finance income" and "Finance costs" for the years ended March 31, 2022 and 2023.

Classification	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Gains (losses) on investments			
Financial assets measured at FVTPL	¥36,873	¥5,512	$41
Subsidiaries, investments accounted for using the equity method and other	38,381	191,493	1,429
Total gains (losses) on investments	¥75,254	¥197,005	$1,470
Finance income			
Interest income	25,431	66,758	498
Dividend income	161,101	136,884	1,022
Total finance income	¥186,532	¥203,642	$1,520
Finance costs			
Interest expenses	(46,682)	(115,377)	(861)
Total finance costs	¥(46,682)	¥(115,377)	$(861)

"Interest income" is mainly incurred from Financial assets measured at amortized cost such as "Loans receivables" and Financial assets measured at FVTPL such as "Cash and cash equivalents". Dividend income is mainly incurred from Financial assets measured at FVTOCI.

"Interest expenses" is mainly incurred from Financial liabilities measured at amortized cost, "Lease liabilities" and Derivatives. For "Lease liabilities", please refer to Note 35 for more information.

In addition to the above, the Company recognized income and expenses from the following financial instruments for the years ended March 31, 2022 and 2023.

Derivatives not being designated as hedging instruments

Please refer to Note 33 for income and expenses from derivatives not being designated as hedging instruments, and please refer to Note 32 for gains and losses on hedging activities.

Income and expenses pertaining to sales finance transactions

For some of sales finance transactions, "Interest income" incurred from Financial assets measured at amortized cost and "Interest expense" from Financial liabilities measured at amortized cost recognized in "Revenues" or "Cost of revenues" in the consolidated statement of income, of which the portion of the amounts were immaterial.

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2022 and 2023.

27. OTHER INCOME (EXPENSE)-NET

The following is a breakdown of "Other income (expense)-net" for the years ended March 31, 2022 and 2023.

	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Foreign exchange gains and losses	¥(35,151)	¥26,009	$194
Gains (losses) from derivatives	52,868	(31,454)	(235)
Gains (losses) from valuation of biological assets	8,215	(10,490)	(78)
Other	(2,643)	(9,418)	(70)
Other income (expense)-net	¥23,289	¥(25,353)	$(189)

Gains and losses arising from the translation of assets and liabilities recorded in currencies other than the functional currency and from the settlement of those assets and liabilities are recognized as foreign exchange gains and losses as they arise.

Gains (losses) from derivatives include unrealized gains (losses) on outstanding foreign exchange-related derivatives, which are generally effectively offset by foreign exchange gains and losses and, consequently, the net amount of the offsetting gains (losses) of those accounts is immaterial. Please refer to Note 33, for information on risk management for foreign currency risk.

Gains (losses) from derivatives also include gains (losses) from interest rate swap contracts entered into to convert fixed-rate financial assets and liabilities into floating-rate, as well as to convert certain floating-rate financial assets and liabilities into fixed-rate basis. Gains (losses) from derivatives which effectively offset the interest rate risks but do not meet the requirement of hedge accounting was 15,294 million yen (gain) for the year ended March 31, 2022, and was immaterial for the year ended March 31, 2023.

Please refer to Note 10, for information on gains and losses from valuation of biological assets.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 30.6%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Current tax	¥256,419	¥386,957	$2,888
Deferred tax	32,238	22,175	165
Income taxes	288,657	409,132	3,053
Income taxes recognized in other comprehensive income	41,420	20,536	154
Total	¥330,077	¥429,668	$3,207

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2022 and 2023 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2022	2023
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(6.7)	(6.8)
Effect of the recoverability of deferred tax assets	(0.5)	(0.6)
Difference of tax rates for foreign subsidiaries	(2.1)	(1.4)
Other-net	1.0	2.5
Effective income tax rate on income before income taxes in the consolidated statement of income	22.3%	24.3%
Less effect of income from investments accounted for using the equity method	6.7	6.8
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 2)	29.0%	31.1%

Notes:
1. The reconciliation is rounded to one decimal place.
2. To exclude the effect of “Share of profit of investments accounted for using the equity method” included in profit before tax in the consolidated statements of income which cause the difference between the effective tax rate and the combined statutory tax rate, “Effective income tax rate on income before income taxes of the Parent and subsidiaries” is disclosed.

Significant components of deferred tax assets and liabilities at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Assets:			
Loss allowance	¥18,891	¥20,322	$152
Accrued pension and retirement benefits	25,414	22,918	171
Property, plant and equipment, Investment property and Intangible assets	32,039	27,885	208
Short-term investments and Other investments	32,874	47,239	353
Net operating loss carry forwards	72,332	27,045	202
Provisions and other	109,034	119,736	894
Derivatives	73,940	55,853	417
Other	89,214	94,078	701
Gross deferred tax assets	453,738	415,076	3,098
Liabilities:			
Short-term investments and Other investments	383,237	360,146	2,688
Property, plant and equipment, Investment property and Intangible assets	396,493	385,346	2,876
Investments accounted for using the equity method	150,002	187,295	1,398
Derivatives	24,991	39,619	296
Other	89,329	82,732	616
Gross deferred tax liabilities	1,044,052	1,055,138	7,874
Net deferred tax liabilities	¥ (590,314)	¥ (640,062)	$(4,776)

No deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements where the Parent considers that the Parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. At March 31, 2022 and 2023, the amount of taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements on which deferred tax liabilities were not recognized in the Company's consolidated financial statements were ¥2,291,260 million and ¥2,562,634 million ($19,124 million), respectively.

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 assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2022 and 2023 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 5 years	¥155,890	¥80,237	$599
Later than 5 years and not later than 10 years	330,523	325,382	2,428
Later than 10 years	1,210,320	1,239,283	9,248
Total	¥1,696,733	¥1,644,902	$12,275

The amounts of deductible temporary differences associated with investments in subsidiaries, on which deferred tax assets were not recognized in the Company's consolidated financial statements at March 31, 2022 and 2023 were ¥551,026 million and ¥450,805 million ($3,364 million), respectively, and are not included in the above.

Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan but did not recognize deferred tax assets on the local tax, considering the recoverability, as of March 31, 2022 and 2023, were ¥619,510 million and ¥573,561 million ($4,280 million), respectively, which are included in the above table and the amount of deductible temporary differences associated with investments in subsidiaries.

29. EARNINGS PER SHARE

Reconciliations of the basic and diluted profit for the years attributable to owners of the Parent per share are as follows:

	Yen		U.S. Dollars
	2022	2023	2023
Profit for the year attributable to owners of the Parent per share			
Basic	¥635.06	¥809.29	$6.04
Diluted	625.73	805.69	6.01

			Millions of U.S. Dollars
	2022	2023	2023
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥937,529	¥1,180,694	$8,811
Reconciliation of profit for the year	(10,268)	—	—
Diluted profit for the year attributable to owners of the Parent	¥927,261	¥1,180,694	$8,811
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,476,279	1,458,928	
Effect of dilutive securities:			
Share-based remuneration	5,617	6,513	
Diluted outstanding shares	1,481,896	1,465,441	

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following tables categorize assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and 2023, respectively.

(March 31, 2022)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,285,218	—	—	—	¥1,285,218
Short-term investments and other investments					
Financial assets measured at FVTPL	16,803	¥344	¥164,598	—	181,745
Financial assets measured at FVTOCI					
Marketable securities	542,647	—	—	—	542,647
Non-marketable securities	—	318	1,019,554	—	1,019,872
Trade and other receivables					
Financial assets measured at FVTPL	193	150,245	24,777	—	175,215
Other financial assets (Derivatives)					
Interest rate contracts	—	46,416	—	¥(306)	46,110
Foreign exchange contracts	38	94,949	—	(10,526)	84,461
Commodity contracts and others	1,363,833	2,997,245	36,186	(3,534,301)	862,963
Inventories	9,867	544,689	—	—	554,556
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	341,631	—	—	341,631
Total assets	¥3,218,599	¥4,175,837	¥1,245,115	¥(3,545,133)	¥5,094,418
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	26,121	—	(305)	25,816
Foreign exchange contracts	—	43,300	—	(10,531)	32,769
Commodity contracts and others	1,417,803	3,093,175	70,576	(3,537,974)	1,043,580
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	298,982	—	—	298,982
Total liabilities	¥1,417,803	¥3,461,578	¥70,576	¥(3,548,810)	¥1,401,147

Notes:
1. There were no material transfers between different levels during the year ended March 31, 2022.
2. Please refer to Note 7 for the main items for “Financial assets measured at FVTOCI (Marketable securities) “ classified in Level 1.
3. The main items for “Financial assets measured at FVTOCI (Non-marketable securities)” classified in Level 3 include investment in copper business in the Mineral Resources segment and LNG -related business in the Natural Gas segment. Please refer to Note 2 for details.

(March 31, 2023)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,319,000	—	—	—	¥1,319,000
Short-term investments and other investments					
Financial assets measured at FVTPL	15,612	¥361	¥209,063	—	225,036
Financial assets measured at FVTOCI					
Marketable securities	558,974	—	—	—	558,974
Non-marketable securities	—	314	858,030	—	858,344
Trade and other receivables					
Financial assets measured at FVTPL	1,945	167,105	23,170	—	192,220
Other financial assets (Derivatives)					
Interest rate contracts	—	51,511	—	¥(306)	51,205
Foreign exchange contracts	—	53,787	—	(5,303)	48,484
Commodity contracts and others	988,240	736,727	35,133	(1,306,253)	453,847
Inventories	57,367	400,196	—	—	457,563
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	346,001	—	—	346,001
Total assets	¥2,941,138	¥1,756,002	¥1,125,396	¥(1,311,862)	¥4,510,674
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	37,903	—	(305)	37,598
Foreign exchange contracts	—	30,332	—	(5,302)	25,030
Commodity contracts and others	871,460	820,055	81,893	(1,304,590)	468,818
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	273,062	—	—	273,062
Total liabilities	¥871,460	¥1,161,352	¥81,893	¥(1,310,197)	¥804,508

(March 31, 2023)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$9,843	—	—	—	$9,843
Short-term investments and other investments					
Financial assets measured at FVTPL	116	$3	$1,560	—	1,679
Financial assets measured at FVTOCI					
Marketable securities	4,172	—	—	—	4,172
Non-marketable securities	—	2	6,403	—	6,405
Trade and other receivables					
Financial assets measured at FVTPL	14	1,247	173	—	1,434
Other financial assets (Derivatives)					
Interest rate contracts	—	384	—	$(2)	382
Foreign exchange contracts	—	402	—	(40)	362
Commodity contracts and others	7,375	5,498	262	(9,748)	3,387
Inventories	428	2,987	—	—	3,415
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	2,582	—	—	2,582
Total assets	$21,948	$13,105	$8,398	$(9,790)	$33,661
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	283	—	(2)	281
Foreign exchange contracts	—	227	—	(40)	187
Commodity contracts and others	6,503	6,120	611	(9,736)	3,498
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	2,038	—	—	2,038
Total liabilities	$6,503	$8,668	$611	$(9,778)	$6,004

Notes:
1. There are no material transfers between different levels during the year ended March 31, 2023.
2. Please refer to Note 7 for the main items for "Financial assets measured at FVTOCI (Marketable securities)" classified in Level 1.

3. The main items for “Financial assets measured at FVTOCI (Non-marketable securities)” classified in Level 3 include investment in copper business in the Mineral Resources segment and LNG -related business in the Natural Gas segment. Please refer to Note 2 for details.

Please refer to Note 10 for the details of biological assets measured at fair value.

The following tables represent the changes in the balance of major Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended March 31, 2022 and 2023, respectively.

(Year ended March 31, 2022)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL	¥148,916	¥29,662	¥9,210	¥10,215	¥(31,186)	¥(2,219)	¥164,598	¥29,866
Financial assets measured at FVTOCI (Non-marketable securities)	868,811	—	107,102	67,706	(23,922)	(143)	1,019,554	—
Other financial assets (Derivatives)								
Commodity contracts and others	9,982	30,888	3,569	2,051	—	(10,304)	36,186	26,106
Other financial liabilities (Derivatives)								
Commodity contracts and others	9,293	8,363	60,086	—	—	(7,166)	70,576	3,720

Notes:

1. “Increase due to purchases and other” and “Decrease due to sales and other” include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There were no material transfers between different levels during the year ended March 31, 2022.
3. “Increase due to purchases and other” under “Financial assets measured at FVTOCI” includes an increase of ¥66,996 million in the fiscal year ended March 31, 2022 due to a change in ownership of the investment in HERE Technologies; from held through the Company’s joint venture COCO TECH HOLDING, to directly held by the Parent.

(Year ended March 31, 2023)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL . .	¥164,598	¥4,451	¥7,990	¥65,360	¥(32,880)	¥(456)	¥209,063	¥2,612
Financial assets measured at FVTOCI (Non-marketable securities)	1,019,554	—	(139,070)	515	(22,968)	(1)	858,030	—
Other financial assets (Derivatives)								
Commodity contracts . . . . and others	36,186	18,470	2,867	443	—	(22,833)	35,133	10,056
Other financial liabilities (Derivatives)								
Commodity contracts and others	70,576	5,882	10,127	6,601	—	(11,293)	81,893	2,300

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) of assets and liabilities still held at the end of the year
Short-term investments and other investments								
Financial assets measured at FVTPL . . .	$1,228	$33	$60	$487	$(245)	$(3)	$1,560	$19
Financial assets measured at FVTOCI (Non-marketable securities)	7,609	—	(1,038)	4	(172)	—	6,403	—
Other financial assets (Derivatives)								
Commodity contracts and others	270	138	21	3	—	(170)	262	75
Other financial liabilities (Derivatives)								
Commodity contracts and others	527	44	75	49	—	(84)	611	17

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2023.
3. "Increase due to purchases and other" under "Financial assets measured at FVTPL" in the fiscal year ended March 31, 2023 includes an increase of ¥24,117 million ($180 million) due to sales of partial interest in electricity and gas retailer company in the United Kingdom accounted for using the equity method and a classification for the remaining interests as financial assets measured at FVTPL, as well as an increase of ¥30,000 million ($224 million) due to a payment of equity in the functional materials specialized company.

Net realized/unrealized gains (losses) on short-term investments and other investments (FVTPL) included in profit for the year are recognized in “Gains (losses) on investments” in the consolidated statement of income. The amount recognized as other comprehensive income (loss) is included in “Exchange differences on translating foreign operations” in the consolidated statement of other comprehensive income.

The amount recognized as other comprehensive income (loss) for short-term investments and other investments (FVTOCI) is included in “Gains (losses) on other investments designated as FVTOCI” and “Exchange differences on translating foreign operations” in the consolidated statement of other comprehensive income. In the fiscal year ended March 31, 2023, the amount recognized as other comprehensive income (loss) included a decrease of ¥60,185 million ($449 million) in the fair value for the investment in the LNG-related business in Russia, a decrease of ¥49,559 million ($370 million) in the fair value of the investment in the LNG-related business in Malaysia due to downward dividend forecast revisions, and a decrease of ¥32,888 million ($245 million) in the fair value for the investment in HERE Technologies due to business plan revisions. Please refer to Note 2 for estimates and underlying assumptions regarding the LNG-related business in Russia.

The amount recognized as profit or loss for other financial assets (derivatives) is included mainly in “Revenues” and “Cost of revenues” in the consolidated statement of income. The amount recognized as other comprehensive income for other financial liabilities (derivatives) is included mainly in “Cash flow hedges” in the consolidated statement of comprehensive income.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents consist of cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments primarily consist of marketable equity securities valued at the quoted market price in an active market. Level 3 short-term investments and other investments primarily consist of non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting department of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables

Trade and other receivables measured at fair value on a recurring basis primarily consist of restricted cash and non-recourse receivables, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating. Trade and other receivables are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting department of the Company who manage the corresponding assets, or personnel in charge of accounting at a subsidiary that possesses such assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchange markets, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by the income approach based on unobservable inputs such as estimated future market prices. For long-term electric power contracts and related derivatives (sales and procurement), which are the primary transactions, future market prices are estimated using such observable inputs as market prices, as well as such unobservable inputs as government energy policy and forecasts of electricity supply and demand. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories

Level 1 and Level 2 inventories primarily consist of inventories of nonferrous metals held for trading purposes, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories include costs to sell, which are immaterial.

Other current assets and other non-current assets (Assets related to commodity loan transactions)

Other current assets and other non-current assets measured at fair value on a recurring basis primarily consist of assets related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2. The fair values include costs to sell, which are immaterial.

Other current liabilities and other non-current liabilities (Liabilities related to commodity loan transactions)

Other current liabilities and other non-current liabilities measured at fair value on a recurring basis primarily consist of liabilities related to commodity loan transactions in the Mineral Resources segment, which are valued mainly by market approach using observable inputs such as commodity prices and classified in Level 2.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

Quantitative information about Level 3 Fair Value Measurements

The following tables represent main information about valuation methods and unobservable inputs used for the major Level 3 assets measured at fair value as of March 31, 2022 and 2023, respectively.

(March 31, 2022)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	11.8%

(March 31, 2023)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	13.9%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Substantial changes in such inputs cause the fair value to substantially fall (rise). Discount rates increased year over year mainly due to a rise in risk-free rates.

The nonmarketable equity securities primarily consist of those related to copper business and LNG business. The medium- to long-term copper and crude oil price forecast is one of the significant unobservable input used in measuring the fair value of these securities. Please refer to Note 2 for the fair values and estimates of those for nonmarketable equity securities related to copper business and LNG business.

Fair value of financial instruments measured at amortized cost

The following is the carrying amounts and information about fair values of financial instruments that are measured at amortized cost.

Cash equivalents and time deposits

The carrying amounts of cash equivalents and time deposits measured at amortized cost were ¥418,230 million and ¥333,290 million ($2,487 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate their fair values due to most of these instruments having relatively short maturities.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost mainly consist of domestic and foreign debt securities and non-marketable assets such as guarantee deposits in domestic business. The carrying amounts were ¥220,616 million and ¥216,624 million ($1,616 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values because debt securities are hedged through fair value hedge with interest rate swap as hedging instruments so that the hedge effect are included in the carrying amounts. The discount rates applied to fair value measurement of guarantee deposits have not changed materially since initial recognition due to domestic interest rate having been staying low.

Trade and other receivables

The carrying amounts of trade and other receivables were ¥4,349,801 million and ¥4,283,129 million ($31,964 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with relatively long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

Bonds and borrowings

The carrying amounts of bonds and borrowings were ¥5,643,169 million and ¥4,889,881 million ($36,492 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values, provided the carrying amounts are measured taking into account the effects of fair value hedges, where the hedging instruments of interest rate swap are applied for fixed-rate debts with long maturities that are vulnerable to interest rate volatilities. Please refer to Note 17 and 32 for fair value hedge and Note 33 for risk management policy.

Trade and other payables

The carrying amounts of trade and other payables were ¥3,426,333 million and ¥3,424,965 million ($25,559 million) for the years ended March 31, 2022 and 2023, respectively. The carrying amounts approximate the fair values due to most of these instruments having relatively short maturities. The amounts of the instruments with long maturities which could cause significant difference between carrying amounts and fair values are immaterial.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offset amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2022 and 2023 were as follows.

(March 31, 2022)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥4,538,667	¥4,650,975
Offset amount	(3,545,133)	(3,548,810)
Amount presented in the consolidated statement of financial position	993,534	1,102,165
Amount not offset in the consolidated statement of financial position	(412,629)	(390,702)
Net	¥580,905	¥711,463

“Offset amount” include a portion of financial collateral that meet the offsetting criteria, as well as derivatives.

(March 31, 2023)

	Millions of Yen			Millions of U.S. Dollars		
	Financial assets		Financial liabilities	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥1,865,398	¥45,000	¥1,841,643	$13,921	$336	$13,744
Offset amount	(1,311,862)	—	(1,310,197)	(9,790)	—	(9,778)
Amount presented in the consolidated statement of financial position	553,536	45,000	531,446	4,131	336	3,966
Amount not offset in the consolidated statement of financial position	(304,458)	(45,000)	(223,528)	(2,272)	(336)	(1,668)
Net	¥249,078	—	¥307,918	$1,859	—	$2,298

"Offset amount" include a portion of financial collateral that meet the offsetting criteria, as well as derivatives.

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and creates a right of set off but the agreement does not automatically grant the right of set off.

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loan in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set off for the Company but do not grant the right of set off automatically.

Also, the Company does not include the amount related to securities lending transactions and sale-and-repurchase transactions in Note 34 (2) "Transferred financial assets that were not derecognized" and in the table above, while these agreements provide a right of set off for the Company in the same way as reverse repurchase transactions.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, foreign exchange contracts, currency swaps, commodity futures contracts and commodity swaps. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and 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. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the 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, but its effect on profit or loss is immaterial.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2022 and 2023.

	Millions of Yen				Millions of U.S. Dollars	
	2022		2023		2023	
Types of hedges	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges	¥45,837	¥25,249	¥38,411	¥47,867	$287	$356
Cash flow hedges	189,358	364,847	88,311	122,920	659	917
Hedge of the net investment in foreign operations	302	55,432	241	38,531	2	288
Total	¥235,497	¥445,528	¥126,963	¥209,318	$948	$1,561

The derivative instruments above are included in “Other financial assets”, “Other financial liabilities”, and “Bonds and borrowings” in the consolidated statement of financial position.

The primary hedging instrument for fair value hedges is Interest rate swap contracts.

The primary hedging instrument for cash flow hedges is Commodity contracts.

The primary hedging instrument for hedge of the net investment in foreign operations is Foreign-currency-denominated debt.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2022 and 2023. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2022)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,524,000	Million yen
		Fixed receive / floating pay interest rate swap (Note 1)	1,634,695	Thousand U.S. Dollars
		Fixed receive / floating pay interest rate swap	500,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap (Note 1)	615,829	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	326,952	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap (Note 1)	100,000	Thousand U.S. Dollars
		U.S. Dollars buy / Japanese Yen sell currency swap	50,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	813,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	1,320,350	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,456,623	Thousand U.S. Dollars
		U.S. Dollars denominated debt	370,485	Thousand U.S. Dollars
		British Pounds sell / Euros buy foreign exchange contract	179,000	Thousand British Pounds
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap (Note 1)	159,833	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	24,895,000	TOZ
		Platinum commodity derivative	191,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	381,328,187	MMBTU
		Gas / Power commodity derivative	13,923,054	MWH

Note:
1. The derivative instruments refer to LIBOR as their interest rate benchmark. Please refer to “Interest rate risk management” at Note 33 for the detail with regards to preparation for the interest rate benchmark reform

(March 31, 2023)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,459,000	Million yen
		Fixed receive / floating pay interest rate swap (Note 1)	1,000,000	Thousand U.S. Dollars
		Fixed receive / floating pay interest rate swap	500,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap (Note 1)	552,236	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	294,557	Thousand Euros
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap (Note 1)	100,000	Thousand U.S. Dollars
		U.S. Dollars buy / Japanese Yen sell currency swap	850,000	Thousand U.S. Dollars
	Cash flow hedges	Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	749,000	Thousand Canadian Dollars
		U.S. Dollars sell / Australian Dollars buy foreign exchange contract	3,538,100	Thousand U.S. Dollars
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,442,401	Thousand U.S. Dollars
		U.S. Dollars denominated debt	268,410	Thousand U.S. Dollars
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap (Note 1)	147,167	Thousand U.S. Dollars
Commodity price risk	Fair value hedges	Silver commodity derivative	23,895,000	TOZ
		Platinum commodity derivative	181,350	TOZ
	Cash flow hedges	Natural Gas commodity derivative	177,907,362	MMBTU
		Gas / Power commodity derivative	16,776,900	MWH

Note:
1. The derivative instruments refer to LIBOR as their interest rate benchmark. Please refer to "Interest rate risk management" at Note 33 for the detail with regards to preparation for the interest rate benchmark reform

(2) Fair value hedges

The following are the carrying amounts of the main hedged items and the accumulated amounts of fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2022 and 2023.

(March 31, 2022)

		Millions of Yen	
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,801,722	¥17,229

(March 31, 2023)

Risk category	Account in the consolidated statement of financial position	Millions of Yen	
		Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	¥1,643,143	¥(9,825)

(March 31, 2023)

Risk category	Account in the consolidated statement of financial position	Millions of U.S. Dollars	
		Carrying amount	Accumulated amount of fair value hedge adjustments
Interest rate risk	Bonds and borrowings	$12,262	$(73)

The amount of hedge ineffectiveness and the accumulated amount of fair value hedge adjustments remaining in the financial position for any hedged items that have ceased to be adjusted for hedging gains and losses were immaterial for the year ended March 31, 2022 and 2023.

(3) Cash flow hedges

The following are the amounts of other components of equity recognized by continuing cash flow hedges at March 31, 2022 and 2023.

Risk category	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Interest rate risk	¥(6,426)	¥74,197	$554
Foreign currency risk	23,528	18,282	136
Commodity price risk	(138,361)	(39,435)	(294)

The amounts recorded as other components of equity recognized by hedging relationships for which hedge accounting is no longer applied was immaterial at March 31, 2022 and 2023.

The following are the gains or losses related to hedging activities for the years ended March 31, 2022 and 2023.

(Year ended March 31, 2022)

During the year ended March 31, 2022, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥164,790 million (losses) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥14,462 million (losses) in "Other income (expense)-net" in the categories of foreign currency risk and ¥15,227 million (losses) in "Revenues" / "Cost of revenues" in the categories of commodity price risk, for the year ended March 31, 2022.

As a result of the closure transaction for purchase agreement prior to the delivery date, cash flows from future sales transaction that were designated as hedged items became no longer expected to occur in the gross amount. Due to such transaction, ¥13,398 million (losses) was reclassified from other components of equity into profit or loss in "Cost of revenues", in which such reclassified loss was effectively offset against closure transaction, resulting that the net amount after offsetting was immaterial.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2022.

(Year ended March 31, 2023)

During the year ended March 31, 2023, changes in other components of equity recognized by continuing hedges (including those attributable to non-controlling interests, before income taxes) were mainly due to gain or loss recognized in other comprehensive income, with ¥68,322 million ($510 million) (losses) recorded in the categories of foreign currency risk and ¥68,456 million ($511 million) (gains) recorded in the categories of commodity price risk. The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) consisted mainly of ¥60,725 million ($453 million) (losses) in "Other income (expense)-net" in the categories of foreign currency risk and ¥65,391 million ($488 million) (losses) in "Revenues" / "Cost of revenues" in the categories of commodity price risk, for the year ended March 31, 2023.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2023.

(4) Net investment hedges

The following are the amounts of other components of equity recognized by net investment hedges at March 31, 2022 and 2023.

		Millions of Yen		Millions of U.S. Dollars
Risk category		2022	2023	2023
Foreign currency risk	Other components of equity recognized by continuing hedges	¥(46,813)	¥(26,233)	$(196)
	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	(94,190)	(112,624)	(840)

The amount of gain or loss reclassified from other components of equity into profit or loss (effective portion) and hedge ineffectiveness were immaterial for the year ended March 31, 2022 and 2023.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for more information regarding hedging activities related to each risk.

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, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2022 and 2023, the Company had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,643.2 billion and ¥4,889.9 billion ($36.5 billion), respectively. Since 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, loans receivable and other operating assets that are positively affected by increases in interest rates. Since a rise in interest rates produces an increase in income from these assets, although 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, 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. To monitor market movements in interest rates and respond flexibly to market risks, the Parent has an ALM (Asset Liability Management) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations. Assuming that the interest rate increased/decreased by 1% at March 31, 2022 and 2023, its impact on net income and total equity would be immaterial.

Stemming from the proposal by the Financial Stability Board in July 2014, a reform of major interest rate benchmarks such as some interbank offered rates (IBORs) including LIBOR is being undertaken with the replacement of IBORs to alternative indices such as risk-free rates. Regards to the publication of LIBOR, with exception of certain tenors for US dollar, it has already been ceased after the end of December 2021, and the remaining US dollar tenors will be ceased after the end of June 2023. The Parent and affiliated companies are evaluating the risks and implementing the transition to risk-free rates from IBORs or introducing the fallback provision to related contracts. The interest rate benchmarks will be replaced in sequence after July 2023, when LIBOR is fully abolished. The Company owns financial assets and liabilities (interest-bearing debt, etc.), and derivative instruments (interest rate swaps, etc.) that refer to interest rate benchmarks subject to the reform. For the carrying amounts of "Bonds and borrowings (non-current liabilities)" and the nominal amounts related to derivative instruments that refer to LIBOR, please refer to Note 17 and 32, respectively.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2022 and 2023 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2022 (Billion Yen)	2023 (Billion Yen)	2023 (Million U.S. Dollars)
U.S. Dollar	¥19.6	¥18.6	$139
Australian Dollar	13.9	11.4	85
Euro	4.2	4.1	31

Commodity price risk management

The Company is exposed to risks related to fluctuations in commodity prices in various trading and other operating activities and enters into derivatives such as commodity futures, options, swaps and contracts to buy or sell non-financial items that can be settled net in cash or other financial instruments in order to hedge or manage such risks. Although some of these derivatives are not designated as hedging relationships such as cash flow hedges or fair value hedges, the Company believes that the impacts derived from fluctuations in commodity prices are effectively managed, as trading positions, which may also include inventories, assets and liability related to commodity loan transactions and others, are integrally managed by each commodity with exposure and loss limit set and monitored in accordance with risk management strategies.

The derivatives held to hedge or manage risks related to changes in commodity prices are measured at fair value and their fluctuations are recognized in "revenues" or "cost of revenues" in the consolidated statement of income, being offset by profits or losses related to inventories or commodity loan contracts measured at fair value if applicable. Such net profits are administrated as transaction profits (gross profit) by each commodity.

Transactions utilizing such derivatives are operated mainly in the Mineral resources trading business and the Overseas power business where the transaction profits (gross profits) were ¥74.2 billion and ¥95.6 billion ($0.7 billion) for the year ended at March 31, 2022 and 2023, respectively.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.

At March 31, 2022 and 2023, the Company owned ¥559.5 billion and ¥574.6 billion ($4.3 billion) of marketable securities. These investments are mostly equity securities of customers and suppliers which are exposed to the risk of fluctuations in share prices. These amounts are based on fair value and not including equity securities of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2022 and 2023, the increase or decrease in total equity would amount to approximately ¥39.0 billion and approximately ¥40.0 billion ($0.3 billion), respectively. As most of the marketable equity securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable equity securities at March 31, 2022 and 2023.

Credit risk management

The Company is exposed 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 to experience credit losses. To manage the credit risk, the Company maintains credit and transaction limits for each customer. 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 using a certain formula that refers to the financial position of the counterparties as an input, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The contract amount of guarantees and financing agreements and the amount of financial assets in Note 8 represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 40 for details of guarantees and financing agreements.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for Lease Liabilities) by due date at March 31, 2022 and 2023 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for Lease Liabilities by due date.

Financial guarantee contracts are not included in the breakdown, since the Company's payment timing can be changed due to condition of the guaranteed liabilities or situation of debtors. Please refer to Note 40 for the exposure related to financial guarantee contracts.

(March 31, 2022)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,602,357	¥1,579,687	¥2,449,219	¥ 5,631,263
Trade and other payables	3,374,766	24,006	31,154	3,429,926
Other financial liabilities (derivatives)	884,112	189,953	28,100	1,102,165
Total	¥5,861,235	¥1,793,646	¥2,508,473	¥10,163,354

(March 31, 2023)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,395,499	¥1,457,493	¥2,051,173	¥4,904,165
Trade and other payables	3,355,895	36,932	35,426	3,428,253
Other financial liabilities (derivatives)	354,066	104,634	72,746	531,446
Total	¥5,105,460	¥1,599,059	¥2,159,345	¥8,863,864

(March 31, 2023)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$10,414	$10,877	$15,307	$36,598
Trade and other payables	25,044	275	265	25,584
Other financial liabilities (derivatives)	2,642	781	543	3,966
Total	$38,100	$11,933	$16,115	$66,148

The Company maintains lines of credit in both bilateral and syndicated structures arranged by various banks. The short-term and long-term portions of unused lines of credit totaled ¥335,232 million and ¥625,875 million, respectively, at March 31, 2022 and ¥334,235 million ($2,494 million) and ¥1,143,320 million ($8,532 million), respectively, at March 31, 2023. The company is required to comply with certain financial covenants to maintain these facilities. These amounts do not include the amounts of overdraft contracts.

The unused lines of credit are maintained sufficiently mainly as a purpose of backup in case of fund shortage for redemption of the commercial paper program, which the Parent has issued to fund working capital and other general corporate requirements, resulting in a sufficient level of liquidity.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2022 and 2023 were as follows.

The consolidated subsidiary in the Automotive & Mobility segment has established a Receivable Purchase Facility with a maximum funding amount of EUR 400 million (¥58,288 million, or $435 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 400 million (¥58,288 million, or $435 million). The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a servicer, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2022 and 2023 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Total amount of the loan receivables derecognized	¥9,645	¥26,571	$198
Total amount of consideration received	9,607	26,464	197

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as current assets. The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2022 and 2023.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2022 and 2023.

The fair value of the assets and liabilities are measured on a recurring basis by the same method mentioned above and the changes in fair value are recognized in "Other income (expense)-net".

The balance of the main accounts related to the facility as of the years ended March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Balance of transferred receivables (the principal amount outstanding)	¥57,063	¥58,285	$435
Fair value of future interest income	1,584	767	6
Maximum amount of exposure to losses	10,303	7,854	59

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2022 and 2023. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2022 and 2023.

Note that the sale of all shares of said subsidiary held by the Company was completed on May 31, 2023. For details, please refer to "The transfer of shares in MCE Bank GmbH (Automobile finance business)" under Note 41. "Subsequent Events."

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2022 and 2023 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default. The amounts of the transferred financial assets and the liabilities associated to the transferred financial assets were immaterial at March 31, 2022 and 2023.

The Company provides some debt securities for securities lending transactions and sale-and-repurchase transactions.

In respect of securities lending transactions, the Company lends securities and receives cash as collateral while the rights to receive interest income from the securities and the risks of price fluctuations are retained. In respect of sale-and-repurchase transaction, the Company sells a security and agrees to repurchase it at a fixed price on a future date and retains the risks of price fluctuations. The Company continues to recognize these securities because they do not qualify for derecognition.

The amounts of these securities were ¥39,112 million ($292 million) as "Short-term investments" at March 31, 2023, and ¥45,903 million and ¥9,428 million ($70 million) as "Other investments" at March 31, 2022 and 2023, respectively. The liabilities associated with the cash received as collateral were included in "Bonds and borrowings" totaling ¥44,397 million and ¥48,667 million ($363 million) at March 31, 2022 and 2023, respectively. The liabilities will be settled at the time of returning back and repurchase and the Company does not have the ability to use these securities until the settlement.

The carrying amount of these securities and the associated liabilities approximate fair value.

35. LEASES

Lessee

Leases as lessee

The Company leases, as lessee, mainly real estates including land, buildings and structures for convenience store business, offices, distribution center, as well as equipment and fixtures for business operation etc., and vessels.

Some of these leases contain options to terminate and/or extend the lease. The Company reflects these options upon initial recognition of "Right-of-use assets" and "Lease liabilities" by evaluating the enforceability of those options as well as the economic incentives such as past practical records of exercise, the importance of underlying assets in the corresponding business. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise.

At March 31, 2022 and 2023, the carrying amounts of "Right-of-use assets" were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Real estate	¥1,156,556	¥1,221,374	$9,115
Machinery and equipment	172,334	172,954	1,291
Vessels and vehicles	168,459	173,499	1,295
Other	23,187	22,456	167
Total	¥1,520,536	¥1,590,283	$11,868

Notes:
The additions to "Right-of-use assets", due to new contract and others, were ¥328,964 million and ¥339,084 million ($2,530 million) for the years ended March 31, 2022 and 2023, respectively.

The depreciation of "Right-of-use assets" for the years ended March 31, 2022 and 2023 were as follows:

Depreciation	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Real estate	¥180,722	¥190,880	$1,424
Machinery and equipment	46,438	44,897	335
Vessels and vehicles	23,305	31,249	233
Other	7,856	7,867	59
Total	¥258,321	¥274,893	$2,051

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2022 and 2023.

		Millions of Yen		Millions of U.S. Dollars
	Account in the consolidated statement of income	2022	2023	2023
Interest expense on lease liabilities	Finance costs	¥(17,785)	¥(20,750)	$(155)
Expense related to short-term leases	Selling, general and administrative expenses	(28,549)	(33,109)	(247)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(8,903)	(10,930)	(82)
Income from subleasing right-of-use assets	Revenues	46,782	54,863	409

Total cash outflow for leases as lessee for the year ended March 31, 2022 and 2023 were ¥326,856 million and ¥362,844 million ($2,708 million), respectively. The cash outflow included in the measurement of "Lease liabilities" are included in Financing activities as "Repayments of lease liabilities", and the cash outflow not included in the measurement of "Lease liabilities" are included in Operating activities.

The breakdown of future lease payments included in the measurement of "Lease liabilities" at March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥260,104	¥276,001	$2,060
Later than 1 year and not later than 5 years	688,715	720,144	5,374
Later than 5 years	790,576	833,817	6,222
Sub-total	¥1,739,395	¥1,829,962	$13,656
Less amount representing interest	(147,088)	(162,273)	(1,211)
Lease liabilities	¥1,592,307	¥1,667,689	$12,445

The amount of leases not yet commenced to which the lessee is committed at March 31, 2022 and 2023 were ¥158,222 million and ¥240,455 million ($1,794 million), respectively.

The amount includes contractual commitments of leases as lessee of real estates for convenience store business, contractual commitments of the LNG Canada Project, a major liquefied natural gas (LNG) project in Kitimat, British Columbia, Canada. The Company holds a 15% interest in the LNG Canada Project.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of lease payments receivable by receipt period and the present value of lease payments receivable, and the components of the outstanding receivables under finance leases at March 31, 2022 and 2023 were as follows:

	Components of receivables under finance lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023	2022	2023	2023
Lease payments receivable						
Not later than 1 year	¥177,738	¥197,565	$1,474	¥169,094	¥188,281	$1,405
Later than 1 year and not later than 2 years	142,564	155,759	1,163	129,531	142,054	1,060
Later than 2 years and not later than 3 years	102,478	120,080	896	89,566	105,396	786
Later than 3 years and not later than 4 years	72,565	91,405	682	61,367	77,269	577
Later than 4 years and not later than 5 years	51,512	62,051	463	41,822	49,980	373
Later than 5 years	80,210	92,364	689	55,015	66,024	493
Sub-total	¥627,067	¥719,224	$5,367	¥546,395	¥629,004	$4,694
Estimated unguaranteed residual value of leased assets	2,754	2,966	22			
Gross investment in the lease	¥629,821	¥722,190	$5,389			
Less unearned income	(80,674)	(90,220)	(673)			
Finance lease receivables	¥549,147	¥631,970	$4,716			
Less loss allowance	(5,527)	(8,163)	(61)			
Receivables under finance leases (net of loss allowance)	¥543,620	¥623,807	$4,655			

The following are the amounts mainly recognized in the consolidated statement of income related to finance leases as lessor for the year ended March 31, 2022 and 2023.

	Account in the consolidated statement of income	Millions of Yen 2022	Millions of Yen 2023	Millions of U.S. Dollars 2023
Finance income on the net investment in the lease	Revenues	¥26,089	¥31,457	$235

Operating leases as lessor

The Company leases, as lessor, vessels, real estates and other industrial machinery under operating leases.

The breakdown of lease payments receivable at March 31, 2022 and 2023 were as follows. Variable lease payments receivable that do not depend on an index or a rate, such as variable lease income included in franchise commissions from franchised stores, are not included.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Not later than 1 year	¥40,244	¥41,779	$312
Later than 1 year and not later than 2 years	27,360	23,598	176
Later than 2 years and not later than 3 years	18,702	18,500	138
Later than 3 years and not later than 4 years	14,442	12,628	94
Later than 4 years and not later than 5 years	10,411	8,159	61
Later than 5 years	18,931	17,362	130
Total	¥130,090	¥122,026	$911

The amount of lease income for the year ended March 31, 2022 and 2023 were ¥112,789 million and ¥127,944 million ($955 million), respectively.

In addition, as for the variable lease income included in franchise commissions from franchised stores which is recognized in "Revenues" in the consolidated statement of income, please refer to Note 24.

As for "Property, plant and equipment" subject to operating leases as a lessor, please refer to Note 12.

36. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Acquisition of businesses:			
Consideration for acquisition			
Total amount of consideration for acquisition	¥56,666	¥25,832	$193
Amount payable included in consideration for acquisition	11,509	–	–
Payment of outstanding balance as of the end of the previous fiscal year	–	11,509	86
Cash acquired	3	98	1
Acquisitions of businesses - net of cash acquired	45,154	14,225	106

Notes:
1. For details of significant assets acquired and liabilities assumed in the acquisitions of businesses, please refer to Note 5.
2. "Acquisition of businesses - net of cash acquired" in consolidated statement of cash flows for the year ended March 31, 2023 includes "Payment of outstanding balance as of the end of the previous fiscal year".

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Disposals of businesses:			
Consideration for sales			
Total amount of consideration for sales	¥64,402	¥209,656	$1,565
Cash divested	11,124	36,294	271
Proceeds from disposal of businesses - net of cash divested	53,278	173,362	1,294
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	11,629	13,272	99
Inventories	3,072	21,566	161
Assets classified as held for sale	31,126	6,429	48
Property, plant and equipment and investment property	88,448	25,122	188
Intangible assets and goodwill	22,815	466	3
Right-of-use assets	–	4,547	34
Investments accounted for using the equity method	–	51,807	387
Other	7,579	11,427	85
Total sold assets	¥164,669	¥134,636	$1,005
Liabilities sold			
Bonds and borrowings	69,451	26,934	201
Trade and other payables	10,319	18,298	136
Liabilities directly associated with classified as held for sale	12,431	1,752	13
Other	21,800	5,067	38
Total sold liabilities	¥114,001	¥52,051	$388
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	32,159	39,586	295

Assets recognized due to loss of control (net of liabilities) principally include Investments accounted for using the equity method.

The following is supplemental information of changes in liabilities related to Financing activities for the years ended March 31, 2022 and 2023.

(Year ended March 31, 2022)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2021	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2022
Bonds and borrowings	¥5,644,315	¥(160,445)	¥247,579	¥(37,871)	¥(52,195)	–	¥1,796	¥5,643,169
Lease liabilities	1,540,201	(279,784)	23,016	–	(1,856)	¥333,654	(22,924)	1,592,307

(Year ended March 31, 2023)

	Millions of Yen							
			Non-cash changes					
	Balance at April 1, 2022	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2023
Bonds and borrowings	¥5,643,169	¥(967,302)	¥263,553	¥(27,136)	¥(23,496)	–	¥1,093	¥4,889,881
Lease liabilities	1,592,307	(308,946)	23,352	–	2,601	¥346,714	11,661	1,667,689

(Year ended March 31, 2023)

	Millions of U.S. Dollars							
			Non-cash changes					
	Balance at April 1, 2022	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	Balance at March 31, 2023
Bonds and borrowings	$42,113	$(7,219)	$1,968	$(203)	$(175)	–	$8	$36,492
Lease liabilities	11,883	(2,305)	174	–	19	$2,588	87	12,446

Notes:

1. Cash flows related to “Bonds and borrowings” are included in “Net increase (decrease) in short-term debts”, “Proceeds from long-term debts” and “Repayments of long-term debts” in the consolidated statement of cash flows.
2. Cash flows related to “Lease liabilities” are included in “Repayments of lease liabilities” in the consolidated statement of cash flows.
3. “Other” in “Lease liabilities” for the year ended 31 March, 2022 and 2023 includes changes due to cancellation of lease contracts and remeasurement of lease liabilities.

37. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control were immaterial for the years ended March 31, 2022 and 2023.

The gains (losses) associated with the loss of control of subsidiaries

The net gain associated with the loss of control of subsidiaries (before tax) was ¥44,009 million and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥10,255 million for the year ended March 31, 2022.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥159,619 million ($1,191 million) and the portions of which attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost (before tax) were ¥11,344 million ($85 million) for the year ended March 31, 2023.

These gains are included in “Gains (losses) on investments” in the consolidated statement of income.

(Mitsubishi Corp.-UBS Realty Inc.)

As of March 31, 2022, the assets and liabilities owned by Mitsubishi Corp.-UBS Realty Inc. (MC-UBSR), a consolidated subsidiary in the Urban Development segment, were classified as a disposal group held for sale. On April 28, 2022, all the shares in MC-UBSR owned by the Company (51% of all outstanding stock) were sold to 76KK, an indirect subsidiary of KKR & CO. INC.

With this sale of shares, the Company has lost control of MC-UBSR. Therefore, the Company recorded ¥112,018 million ($836 million) in gains on sales following loss of control and ¥27,940 million ($209 million) in related income tax expenses under “Gains (losses) on investments” and “Income taxes” in the consolidated statement of income, respectively. In addition, the Company recorded ¥115,652 million ($863 million) in consideration received in cash as “Proceeds from disposal of businesses-net of cash divested” in the consolidated statement of cash flows.

(DGA SEG B.V.)

During the year ended March 31, 2023, the Company sold its 50% shares in DGA SEG B.V. (SEG B.V.), a wholly owned subsidiary in the Power Solution segment, with an investment in the geothermal investment company in Indonesia.

As a result, the Company has lost control of SEG B.V. and accounted for its investment in SEG B.V. using the equity method as a joint venture. The company recorded gains on sales of ¥12,017 million ($90 million) and profit from remeasurement of the remaining shares at fair value by the loss of control of ¥7,618 million ($57 million) in “Gains (losses) on investments” in consolidated statement of income.

(Diamond Generating Europe Investments Limited)

During the year ended March 31, 2023, the Company sold all the shares in Diamond Generating Europe Investments Limited (DGI), a wholly owned subsidiary in the Power Solution segment, which owned 16.7% interest in the offshore wind farm operating off the coast of Scotland in the United Kingdom. With this sale of the shares, the Company has lost control of DGI and recorded gains on sales following loss of control of ¥23,255 million ($174 million) in “Gains (losses) on investments” in consolidated statement of income.

Subsidiaries with material non-controlling interests

Company Name	Voting Rights held by non-controlling interests
Metal One Corporation (Japan)	40.00%
Diamond Chubu Europe B.V. (Netherlands)	20.00%
Lawson, Inc. (Japan)	49.88%

Entity of which the Company has control regardless of the possession of less than half of the voting rights

Chiyoda Corporation

The Company has purchased class A preferred shares issued via third-party allotment by Chiyoda Corporation, an integrated engineering operating company. The Company holds 33.46% of the voting rights to Chiyoda Corporation and if it were to exercise the conversion request rights attached to the class A preferred shares, it would hold 81.99% of the voting rights to Chiyoda Corporation. Regarding these as effective potential voting rights, the Company accounts for Chiyoda Corporation as a consolidated subsidiary.

38. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. (“MI Berau”)

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION (“INPEX”), which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau’s operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. (“Sulawesi LNG Development”)

The Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company with an investment in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation (“KOGAS”) holding a 25% ownership interest. Under the shareholder’s agreement with KOGAS, significant decisions regarding Sulawesi LNG Development’s operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder’s agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method as a joint venture.

DRI-GP2 Co. Ltd.

The Company holds 51% of the voting rights in DRI-GP2 Co. Ltd. (a Japanese company), which invests in an urban development project known as Grand Park Phase 3 in the suburbs of Ho Chi Minh City, Vietnam. Nomura

Real Estate Development Co., Ltd. holds the remaining 49% ownership interest. Under the shareholder's agreement with Nomura Real Estate Development Co., Ltd., significant decisions regarding DRI-GP2 Co. Ltd.'s operations require unanimous consent by the Company and Nomura Real Estate Development Co., Ltd. The rights given to Nomura Real Estate Development Co., Ltd. in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of DRIGP2 Co. Ltd. does not rest with the Company. Accordingly, the Company accounts for its investment in DRI-GP2 Co. Ltd. using the equity method as a joint venture.

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam Group Limited (Olam)

The Company holds a 14.45% ownership interest in Olam, an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam (at the time "Olam International Limited") issued were exercised and the Company's voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

Mitsubishi HC Capital Inc.

As of March 31, 2021, the Company held an approximately 25% stake of Mitsubishi UFJ Lease & Finance Company Ltd. and an approximately 3% stake of Hitachi Capital Corporation. These two companies integrated their operations through an absorption-type merger that took effect on April 1, 2021, with Mitsubishi UFJ Lease & Finance Company Ltd. as the surviving company and Hitachi Capital Corporation as the merged company, forming Mitsubishi HC Capital Inc.

As of April 1, 2021, the Company held approximately 17% of the shares of Mitsubishi HC Capital Inc. and has increased its holdings up to 18% in the year ended March 31, 2022 and continues to collaborate on its future growth and development. Although the Company holds less than 20% of the voting rights to Mitsubishi HC Capital Inc., said company's shareholder composition, excluding Mitsubishi UFJ Financial Group and the Company, is widely distributed, and the Company's voting rights have a relatively high significance. Furthermore, the Company has significant influence (power to participate in financial and operating policy decisions) over Mitsubishi HC Capital Inc. through directors and senior vice presidents of asset finance and other important business domains dispatched by the Company. As such, the Company continues to account for its investment in Mitsubishi HC Capital Inc. using the equity method.

In the year ended March 31, 2022, as a result of the merger described above, equity interests held by the Company were diluted, and the Company recorded a profit of ¥9,612 million as "Gains (losses) on investments" of the difference between the decreased equity interests and the increased equity interests in net asset of the new company held by the Company. This profit is included in consolidated net income for the Urban Development segment.

(3) Material joint arrangements

BMA metallurgical coal business

Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of metallurgical coal which is used for steel manufacturing. The Company holds through MDP a 50% interest in BMA metallurgical coal business in Queensland, Australia, as a joint operation with a partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest metallurgical coal businesses. As of March 31, 2023, the book value of MDP's fixed assets is ¥994,604 million ($7,422 million).

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Profit for the year			
Joint ventures	¥123,842	¥260,500	$1,944
Associates	269,961	239,680	1,789
Sub-total	393,803	500,180	3,733
Other comprehensive income	119,496	187,141	1,397
Comprehensive income	¥513,299	¥687,321	$5,130

Impairment losses on investments accounted for using the equity method

During the year ended March 31, 2022, the Company recorded impairment losses of ¥16,070 million as "Gains (losses) on investments." The impairment is a result of progress on sales negotiations regarding the Company's wholly owned subsidiary MC Aviation Partners Inc.'s 40% stake in an aircraft leasing business, with the sale expected to happen within one year. The Company classified the investment in the disposal group held for sale and estimated the fair value less cost of sales (Level 2). These losses are included in consolidated net income for the Urban Development segment. The sale was completed on November 1, 2021.

During the year ended March 31, 2023, the Company recorded impairment losses of ¥37,095 million ($277 million) in "Share of profit (loss) of investments accounted for using the equity method" on its investment in Anglo American Sur S.A. ("AAS", Head quarter: Santiago, Chile), a Chilean copper resource company, in which the Company holds 20.4% interest; mainly due to delays in development schedule on the mine according to the revised business plan. This loss is included in the consolidated net income of the Mineral Resources segment. As a result, the book value of the Company's investment in AAS at March 31, 2023, is ¥144,863 million ($1,081 million).

Copper is an essential resource for transitioning to decarbonized society in the future, and demand is expected to grow. However, supply constraints are likely to increase mainly due to the declining production volume and degradation of ore at existing mines and the increasing difficulty to develop new mines. The Company forecasts that the copper market will be tightened medium- to long-term. Although the Company believes that the potential for future copper resource in the mine remains high, AAS has been closely examining the impact on its business plans following the rejection in May 2022 of its application for an environmental permit required for its development. As a result of this process, since it became clear that there would be delays in development schedule on the producing and the undeveloped mine site, and that development will be more difficult than previously assumed with regards to economic aspect due to environmental countermeasure etc., the Company revised assumptions for valuation of the mine and recorded impairment losses accordingly.

AAS reapplied to the Environmental Assessment Service of Chile (SEA) for the required environmental permit in June 2022 and received notification that the permit was approved in April 2023. The Company used the business plan based on this reapplication to measure impairment losses.

During the year ended March 31, 2023, the Company identified indications of impairment on the joint venture investments which operate power plants in Japan, due to the suspension of operations in connection with the plant's equipment failure remediation work. The impairment test was performed based on the latest business plan, which incorporates the downtime from the remediation work aimed at stabilizing the power plants' operations. As a result, the Company recorded impairment losses of ¥12,531 million ($94 million) in "Share of profit (loss) of investments accounted for using the equity method" and ¥8,338 million ($62 million) in "Gains (losses) on investments – net," respectively, mainly due to the decrease in revenue from power sales contracts during the downtime period. These losses are included in the consolidated net income of the Power Solution segment. The recoverable amount for the impairment test was estimated based on value in use, which was estimated using the discounted present value of the future cash flows. The differences between the book values and the recoverable amounts of individual assets and investments are recorded as losses.

Mozal SA

During the year ended March 31, 2022, the Company recorded a reversal of impairment loss of ¥5,076 million as "Share of profit (loss) of investments accounted for using the equity method" and ¥5,894 million as "Gains (losses) on investments", respectively. The reversal results from the sale of the Company's wholly owned subsidiary, MCA Metals Holdings GmbH's 25% stake in the aluminum smelting operating company, Mozal SA. The Company has classified the investment as assets held for sale and estimated sales price through the fair value less cost of sales (Level 2). In addition, ¥5,620 million in dividend income received from Mozal SA was recorded "Finance Income" after being classified as assets held for sale.

During the year ended March 31, 2023, the sale of the investment which was classified as assets held for sale was completed by October 31, 2022. The Company recorded profit of ¥12,258 million ($91 million) for the sale as "Gains (losses) on investments." These profits are included in consolidated net income for the Mineral Resources segment.

GAC MITSUBISHI MOTORS

During the year ended March 31, 2023, the Company recorded losses of ¥18,555 million ($138 million) in "Share of profit (loss) of investments accounted for using the equity method" on its investment in GAC MITSUBISHI MOTORS Co., LTD. (GMMC), an automobile manufacturing and sales operating company, in which the Company holds 20% equity interest, mainly due to the fact that GMMC's profitability is expected to decline as its performance continued to fall short of sales plans amid intensifying competition in the Chinese market. This impairment loss includes the Company's share of the related losses at Mitsubishi Motors Corporation, which holds 30% of shares in GMMC. In addition, the Company recorded losses on provisions related to loans to GMMC and unused loan commitments to said company of ¥7,674 million ($57 million) in "Selling, general and administrative expenses" as well as a corresponding tax effect of ¥1,919 million ($14 million) (gain) in "Income taxes", respectively. These losses are included in the consolidated net income for the Automotive & Mobility segment.

Electricity and gas retailer company in the United Kingdom

During the year ended March 31, 2023, the Company sold its 1% equity interest of the Electricity and gas retailer company in the United Kingdom, which was an affiliated company accounted for using the equity method with 20.54% equity interest. As a result of this sale, the Company lost significant influence over this company and discontinued to apply the equity method due to less than 20% of proportion of the voting rights held. The Company classified the remaining 19.54% equity interest as financial assets measured at FVTPL (Level 3). As a result, the Company recorded ¥22,212 million ($166 million) (gain) in "Gains (losses) on investments" as a total of gains from the sale of 1% interest and the difference between the book value of the remaining interests and the fair value measured using the present value of future cash flows based on the latest business plan as of the date of the discontinuation of the equity method.

In addition, the Electricity and gas retailer company in the United Kingdom measures a portion of its power and gas procurement contracts at fair value based on the market value in the U.K. power and gas market as contracts to buy or sell non-financial items under IFRS 9 Financial Instruments. During the year ended March 31, 2023, until the discontinuation of the equity method, due to a decline in transaction prices traded in the market, the Company recorded losses of ¥21,117 million ($158 million) as "Share of profit (loss) of investments accounted for using the equity method" based on the fair value measurement of these contracts.

These gains and losses are included in the consolidated net income for the Power Solution segment.

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Sale of goods / rendering of service	¥632,729	¥720,311	$5,375
Goods purchased / service received	1,106,495	1,457,054	10,874

(6) Assets and liabilities of the Company to joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
(Assets)			
Trade receivables	¥157,740	¥169,446	$1,265
Loans and other	329,475	447,495	3,340
(Liabilities)			
Trade payables	267,792	252,594	1,885
Borrowings and other	299,844	267,909	1,999

In addition to the above, at March 31, 2022 and 2023, the Company provided ¥280,222 million and ¥339,319 million ($2,532 million), respectively, of credit guarantees for certain joint ventures and associates.

The Company has entered into substantial sales commitments with joint ventures and associates at March 31, 2022 and 2023. The outstanding sales commitments amounted to ¥252,596 million and ¥254,807 million ($1,902 million), respectively.

Furthermore, the Company has also entered into substantial purchase commitments with joint ventures and associates at March 31, 2022 and 2023. The outstanding purchase commitments amounted to ¥1,008,552 million and ¥2,064,946 million ($15,410 million), respectively. During the year ended March 31, 2023, the amount of the outstanding purchase commitments increased mainly due to the long-term purchase agreement of copper concentrate produced from Quellaveco copper mine (Peru), which MITSUBISHI CORPORATION RTM INTERNATIONAL PTE. LTD. contracted with Anglo American Quellaveco S.A.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in the U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG from August 2020, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.

In relation to most of the LNG the Company plans to purchase, the Company also entered into long-term LNG sales contracts with customers mainly in Japan.

39. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE as a subsidiary.

Non-consolidated SEs

The SEs that the Company does not consolidate as subsidiaries due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

The following table summarizes the carrying amounts of assets in the Company’s consolidated statement of financial position that relate to the SEs at March 31, 2022 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Carrying amounts of assets in the Company’s consolidated statement of financial position that relate to the SEs	¥125,588	¥115,463	$862

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consist primarily of "Investments accounted for using the equity method" and "Other investments". The carrying amounts of liabilities in the Company's consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2022 and 2023.

The Company provides credit guarantees on some of these SEs. The amounts of these guarantees are immaterial.

40. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2022 and 2023 amounting to ¥144,893 million and ¥143,015 million ($1,067 million), respectively.

N.V. Eneco has energy purchase commitments at March 31, 2022 and 2023 amounting to ¥2,701,990 million and ¥2,961,645 million ($22,102 million), respectively under long-term energy purchase contracts.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2022 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2023	2023
Financial guarantees			
Outstanding amount	¥489,498	¥495,503	$3,698
Maximum potential amount of future payments	757,816	737,347	5,503
Performance guarantees			
Outstanding amount	272,605	258,636	1,930
Maximum potential amount of future payments	272,605	258,636	1,930

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2023 will expire within 10 years, with certain credit guarantees expiring by the end of 2045. Should the customers, suppliers and the companies accounted for using the equity method fail to perform obligations under the terms of the transaction or financing arrangement, the Company would be required to perform obligations on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2022 and 2023, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥8,722 million and ¥14,323 million ($107 million), respectively.At March 31, 2022 and 2023, financial guarantees include ¥86,684 million and ¥64,008 million ($478 million) of letters of credit issued for bills discounted.

For a part of performance guarantees, the Company mitigates the risk through arrangements entered into between partners of a consortium in construction contracts whereby a party attributable to the cause of indemnification shall bear the cost, and/or such as recourse provisions from bank, parent company guarantee.

As of March 31, 2023, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit at March 31, 2022 and 2023 amounted to US$1,064 million and US$966 million, respectively, and are included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2022 and 2023, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$1,064 million and US$966 million, respectively. The amount is included in "Financial guarantees – Outstanding amount" in the table.

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

41. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 23, 2023.

Repurchase and cancellation of shares

The Company resolved at a meeting of the Board of Directors held on May 9, 2023 the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and has resolved to cancel treasury stock pursuant to Article 178 of the Companies Act, as described below.

1. Details of the Share Repurchase;

Class of shares to be repurchased	:	Common stock
No. of shares to be repurchased	:	Up to 86 million shares (Represents up to 6.0% of the common shares outstanding (excluding treasury stock))
Total value of stock repurchased of shares	:	Up to 300 billion yen
Period of repurchase (planned)	:	May 10, 2023 to December 31, 2023

2. Details of the Cancellation of Treasury Stock;

Class of shares to be cancelled	:	Common Stock
No. of shares to be cancelled	:	The entire number of shares repurchased mentioned above
Date of cancellation (planned)	:	January 31, 2024

The transfer of shares regarding the affiliated company in the Food Industry segment

On April 3, 2023, the Company formed a share transfer agreement to transfer all of the Company's shares related to the affiliated company in the Food Industry segment. Reflecting this transfer, the Company classified the affiliated company as disposal groups held for sales as of March 31, 2023. Upon receiving of dividends and the sales of these shares, the Company expects to record gain on sales of shares of ¥39.7 billion in "Gains(losses) on investments", dividend of ¥11.8 billion in "Finance income" and related income tax expenses of ¥12.1 billion in "Income taxes", respectively, in the consolidated statement of income for the year ending March 31, 2024.

The transfer of investment property in the Urban Development segment

On May 31, 2023, the Company formed a transfer agreement to transfer the Company's investment property (office buildings, commercial complexes, etc. held to earn rentals) in the Urban Development segment. Reflecting this transfer, the Company classified the investment property as disposal groups held for sales as of March 31, 2023. With the sale of this investment property, the Company expects to record gain on sale of ¥18.4 billion in "Gains (losses) on disposal and sale of property, plant and equipment and others" and related income tax expenses of ¥4.6 billion in "Income taxes", respectively, in consolidated statement of income for the year ending March 31, 2024. In addition, the Company expects to record ¥63.3 billion in consideration received in cash as "Proceeds from disposal of investments property" in the consolidated statement of cash flows.

LNG-related business in Russia

Please refer to Note 2 "(5) Significant accounting judgements, estimates and assumptions" for the impact of the Russian Governmental Resolution issued on April 11, 2023 (No. 890).

The transfer of interests in Browse project in Australia between other partners

Japan Australia LNG (MIMI Browse) Pty. Ltd. is a wholly owned subsidiary of Japan Australia LNG (MIMI) Pty. Ltd. and holds 14.4% interests in the Browse project in Australia. The Company holds 50.0% of shares in MIMI and accounts for this investment using the equity method as a joint venture through our UK-based wholly owned subsidiary, Pinnacle Resources Limited. As of April 28, 2023, an agreement to transfer the interests in the Browse project has been signed between other partners.

The Company is currently assessing the impact of this agreement on the project. The book value of the interest for the assets indirectly owned by the Company related to the project was ¥82.1 billion and included in "Investments accounted for using the equity method" in the consolidated statement of financial position as of March 31, 2023.

The transfer of shares in MCE Bank GmbH (Automobile finance business)

The Company classified the assets and liabilities owned by MCE Bank GmbH (MCE Bank), a consolidated subsidiary in the Automotive & Mobility segment, as a disposal group held for sale from March 31, 2022. On May 31, 2023, all the shares in MCE Bank owned by the Company (100% of all outstanding shares) were sold to Santander Consumer Bank AG. With this sale of shares, the Company has lost control of MCE Bank. The Company recorded assets of ¥141,382 million in "Assets classified as held for sale" and liabilities of ¥7,714 million in "Liabilities directly associated with assets classified as held for sale", respectively, in the consolidated statement of financial position as of March 31, 2023. In addition, the gains (losses) associated with the loss of control expected to be recorded in the year ending March 31, 2024, are immaterial.

Dividends

Please refer to Note 21 for the cash dividend resolved at the ordinary general shareholders' meeting held on June 23, 2023.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 23, 2023.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2023 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	DGS Japan Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn. Bhd. (Malaysia)	100.00
	Diamond Gas International Pte. Ltd. (Singapore)	100.00
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Partnership (Canada)	96.70 (96.70)
	Tomori E&P Limited (U.K.)	51.00
	Others (27 Companies)	
Industrial Materials Group	M.O. Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Specialty Steel Corporation (Japan)	100.00 (100.00)
	Metal One Tubular Products Inc. (Japan)	100.00 (100.00)
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Seikoh Company Ltd. (Japan)	100.00 (100.00)
	SUS-TECH Corporation (Japan)	75.00 (75.00)
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	Cantak Corporation (Canada)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	COILPLUS, INC. (U.S.A.)	100.00 (100.00)
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One (China) Corporation (China)	100.00 (100.00)
	METAL ONE (THAILAND) COMPANY LIMITED (Thailand)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	METAL ONE STEEL SERVICE DE MEXICO, S.A. DE C.V. (Mexico)	100.00 (100.00)
	MITSUBISHI INTERNATIONAL POLYMERTRADE CORPORATION (U.S.A.)	100.00 (80.00)
	Others (69 Companies)	
Petroleum & Chemicals Solution Group	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (21 Companies)	
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MITSUBISHI CORPORATION RTM CHINA LIMITED (China)	100.00 (100.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (10 Companies)	

Business Segment	Company Name	Voting Rights (%)
Industrial Infrastructure Group	CHIYODA CORPORATION (Japan)	33.46
	CHIYODA KOSHO CO., LTD. (Japan)	100.00 (100.00)
	MC Shipping Ltd. (Japan)	100.00
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	CHIYODA INTERNATIONAL CORPORATION (U.S.A.)	100.00 (100.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	P.T. CHIYODA INTERNATIONAL INDONESIA (Indonesia)	100.00 (100.00)
	Others (56 Companies)	
Automotive & Mobility Group	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Co., Ltd. (Thailand)	88.73 (41.66)
	Others (28 Companies)	
Food Industry Group	Foodlink Corporation (Japan)	99.42
	JAPAN FARM HOLDINGS INC. (Japan)	92.66
	MC Agri Alliance Ltd. (Japan)	70.00
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00 (100.00)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.96
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	65.54
	Nosan Corporation (Japan)	100.00
	Seto Futo Co., Ltd. (Japan)	86.63
	Toyo Reizo Co., Ltd. (Japan)	95.08
	AGREX ASIA PTE. LTD. (Singapore)	100.00
	AGREX DO BRASIL LTDA. (Brazil)	100.00
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	ASIA MODIFIED STARCH CO., LTD (Thailand)	100.00 (100.00)
	Cermaq Group AS (Norway)	100.00 (100.00)
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	MITSUBISHI INTERNATIONAL FOOD INGREDIENTS, INC. (U.S.A.)	100.00 (100.00)
	Princes Limited (U.K.)	100.00
	Riverina (Australia) Pty Ltd (Australia)	100.00
	Others (99 Companies)	
Consumer Industry Group	Lawson Bank, Inc. (Japan)	95.00 (95.00)
	Lawson, Inc. (Japan)	50.12
	MC Healthcare, Inc. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Corporation Packaging Ltd. (Japan)	100.00
	Mitsubishi Shokuhin Co., Ltd. (Japan)	50.14
	SEIJO ISHII CO., LTD (Japan)	100.00 (100.00)
	Others (63 Companies)	

Business Segment	Company Name	Voting Rights (%)
Power Solution Group	Mitsubishi Corporation Clean Energy Ltd. (Japan)	100.00 (100.00)
	Mitsubishi Corporation Energy Solutions Ltd. (Japan)	100.00
	Mitsubishi Corporation Offshore Wind Ltd. (Japan)	100.00 (100.00)
	DGA Ho Ping B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (China)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	N.V. Eneco (The Netherlands)	100.00 (100.00)
	NEXAMP, INC (U.S.A.)	87.95 (87.95)
	Others (683 Companies)	
Urban Development Group	DIAMOND REALTY INVESTMENT OCEAN PARK CO., LTD. (Japan)	100.00
	Diamond Realty Management Inc. (Japan)	100.00
	DRI INDIA CO., LTD. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	TANGERANG REALTY INVESTMENT INC. (Japan)	53.67
	AIGF ADVISORS PTE. LTD. (Singapore)	100.00
	Diamond RC Holding Limited (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	DIAMOND REALTY MANAGEMENT AMERICA INC. (U.S.A)	100.00 (100.00)
	DRIC PERIDOT LIMITED (China)	60.00
	JAPAN AIRPORT MANAGEMENT LLC (Mongolia)	70.00
	JAPAN HIGHWAYS INTERNATIONAL B.V. (The Netherlands)	69.20
	MARUNOUCHI INVESTMENT B.V. (The Netherlands)	100.00
	MC ALABANG, INC. (Philippines)	100.00
	MC DEVELOPMENT ASIA PTE. LTD. (Singapore)	100.00
	MC DIAMOND REALTY INVESTMENT PHILIPPINES, INC. (Philippines)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	100.00
	MC UK Investment Ltd. (U.K.)	100.00
	MC URBAN DEVELOPMENT VIETNAM COMPANY LIMITED (Vietnam)	100.00
	MV2 VIETNAM REAL ESTATE TRADING JOINT STOCK COMPANY (Vietnam)	80.17 (80.17)
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	53.52
	PT. MC URBAN DEVELOPMENT INDONESIA (Indonesia)	100.00 (0.01)
	Others (103 Companies)	
Others	MC DATA PLUS (Japan)	100.00
	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (4 Companies)	

Business Segment	Company Name	Voting Rights (%)
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (China)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00
	Mitsubishi International Corporation (U.S.A.)	100.00 (100.00)
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.40 (47.40)
	Others (27 Companies)	

Note: The percentages in parentheses under “Voting Rights (%)” indicate the indirect ownership out of the total ownership noted above.

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TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
United States of America

$500,000,000

Mitsubishi Corporation

5.125% Senior Notes due 2034

Mitsubishi Corporation

OFFERING MEMORANDUM

July 10, 2024

J.P. Morgan

Citigroup

Morgan Stanley

Goldman Sachs & Co. LLC

BofA Securities