
**FINANCIAL RESULTS FOR
THE YEAR ENDED MARCH 2023**

Mitsubishi Corporation

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FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2023

(Based on IFRS) (Consolidated)

1. Consolidated operating results for the year ended March 31, 2023

(1) Revenues and income

Note:
Figures less than one million yen are rounded.
%: change from the previous year

	Revenues		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Parent		Comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the year ended										
March 31, 2023	21,571,973	24.9	1,680,631	30.0	1,271,499	26.6	1,180,694	25.9	1,778,888	13.4
March 31, 2022	17,264,828	34.0	1,293,116	410.1	1,004,459	659.6	937,529	443.3	1,569,186	169.2

	Profit for the year attributable to owners of the Parent per share (basic)		Profit for the year attributable to owners of the Parent per share (diluted)		Return on equity attributable to owners of the Parent		Pre-tax income to total assets ratio	
	Yen	%	Yen	%	Yen	%	Yen	%
For the year ended								
March 31, 2023	809.29		805.69		15.8		7.6	
March 31, 2022	635.06		625.73		15.0		6.4	

Share of profit of investments accounted for using the equity method for the years ended March 31, 2023 and 2022 were ¥500,180 million and ¥393,803 million respectively.

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the Parent	Ratio of equity attributable to owners of the Parent to total assets	Equity per share attributable to owners of the Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of					
March 31, 2023	22,152,882	9,124,417	8,071,021	36.4	5,648.84
March 31, 2022	21,912,012	7,857,172	6,880,232	31.4	4,659.68

(3) Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For the year ended				
March 31, 2023	1,930,138	(177,466)	(1,766,638)	1,556,999
March 31, 2022	1,055,844	(167,550)	(693,396)	1,555,570

2. Dividends

(Record date)	Cash dividends per share (Yen)					Cash dividends (annual)	Payout ratio (consolidated)	Dividends on equity attributable to owners of the Parent (consolidated)
	1Q end	2Q end	3Q end	4Q end	Annual	Millions of Yen	%	%
March 31, 2022	—	71.00	—	79.00	150.00	221,487	23.6	3.5
March 31, 2023	—	77.00	—	103.00	180.00	259,339	22.2	3.5
March 31, 2024 (Forecast)	—	100.00	—	100.00	200.00	—	30.1	—

Scheduled dividends payment date: June 26, 2023.

For the dividend forecast for the fiscal year ending March 31, 2024, please also refer to the Presentation Material.

3. Consolidated forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Note:
%: change from the previous year.

	Profit attributable to owners of the Parent		Profit attributable to owners of the Parent per share	
	Millions of Yen	%	Yen	%
For the year ending				
March 31, 2024	920,000	(22.1)	663.79	

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): Yes

New companies: –

Excluded companies: 2

PETRO-DIAMOND SINGAPORE (PTE) LTD.

DIAMOND GAS SAKHALIN B.V.

From the year ended March 31, 2023, PETRO-DIAMOND SINGAPORE (PTE) LTD. is excluded from the scope of consolidation due to decrease in its materiality as a result of receipt of dividend.

In addition, from the year ended March 31, 2023, DIAMOND GAS SAKHALIN B.V. ("DGS") is excluded from the scope of consolidation due to transfer of the rights and obligations associated with the investment in Sakhalin Energy Investment Company Ltd. Please refer to page 23, LNG-related business in Russia in "(1) Changes in Accounting Policies and Changes in Accounting Estimates" under "2. Notes Concerning Consolidated Financial Statements" of "Consolidated Financial Statements and Notes Concerning Consolidated Financial Statements".

(2) Changes in accounting policies and accounting estimates

-1- Changes in accounting policies required by IFRS : Yes

-2- Changes in accounting policies other than -1-: None

-3- Changes in accounting estimates : Yes

Please refer to page 22, "(1) Changes in Accounting Policies and Changes in Accounting Estimates" under "2. Notes Concerning Consolidated Financial Statements" of "Consolidated Financial Statements and Notes Concerning Consolidated Financial Statements".

(3) Number of shares issued (Common stock)

-1- Number of shares issued at year-end (including treasury stock)	(March 31, 2023)	1,458,302,351	(March 31, 2022)	1,485,723,351
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-2- Number of treasury stock at year-end	(March 31, 2023)	29,509,808	(March 31, 2022)	9,178,013
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-3- Average number of shares during each of the following fiscal years	(March 31, 2023)	1,458,927,659	(March 31, 2022)	1,476,279,440
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Please refer to page 26, "(3) Earnings Per Share" under "2. Notes Concerning Consolidated Financial Statements" of "Consolidated Financial Statements and Notes Concerning Consolidated Financial Statements" regarding the number of shares that serve as the basis for calculating consolidated profit for the year attributable to Mitsubishi Corporation per share.

Disclosure Regarding Audit Procedures

This earnings release is not subject to audit procedures by certified public accountant or audit corporation.

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*Presentation materials are released on Mitsubishi Corporation's website (Investor Relations section).

*Mitsubishi Corporation will hold an earnings conference online for the year ended March 2023, inviting institutional investors and analysts to join.

The live online conference (Japanese) will be available from our website (Investor Relations section) at the following URL:

<https://www.mitsubishicorp.com/jp/en/ir/index.html>

Time and date of the online earnings conference:

From 15:30 to 17:00 on Thursday, May 11, 2023 (JST)

Operating Results and Financial Position

1. Operating Results and Financial Position of the Year Ended March 2023

(Profit for the year, as used hereinafter, refers to profit for the year attributable to owners of the Parent.)

(1) Summary of the Year Ended March 2023 Results

Revenues was ¥21,572.0 billion, an increase of ¥4,307.2 billion, or 25% year over year. This was mainly due to increased market prices and transaction volumes.

Gross profit was ¥2,560.0 billion, an increase of ¥409.2 billion, or 19% year over year, mainly due to increased market prices in the Australian metallurgical coal business, as well as the flexible response to market conditions in the European integrated energy business.

Selling, general and administrative expenses was ¥1,607.5 billion, an increase of ¥175.5 billion, or 12% year over year, mainly due to the depreciation of the Japanese yen in relation to foreign currency translation.

Gains on investments increased ¥121.7 billion, or 162% year over year, to ¥197.0 billion, mainly due to gain on sale of an investment in a real estate management company.

Gains (losses) on disposal and sale of property, plant and equipment and others decreased ¥7.0 billion year over year to a loss of ¥0.3 billion, reflecting gains on sales of offices at overseas regional subsidiaries in the previous fiscal year.

Impairment losses on property, plant and equipment and others amounted to ¥31.6 billion, an improvement of ¥32.9 billion, or 51% year over year, reflecting impairment losses on intangible assets related to investment in Chiyoda Corporation in the previous year.

Other income (expense)-net decreased ¥48.7 billion year over year, to a loss of ¥25.4 billion, mainly due to fluctuations in evaluation profit (loss) on biological assets.

Finance income increased ¥17.1 billion, or 9% year over year, to ¥203.6 billion, mainly due to an increase in interest income resulting from higher U.S. dollar interest rates, despite decreased dividend income from resource-related investments.

Finance costs increased ¥68.7 billion, or 147% year over year, to ¥115.4 billion, mainly due to higher U.S. dollar interest rates.

Share of profit of investments accounted for using the equity method increased ¥106.4 billion, or 27% year over year, to ¥500.2 billion, mainly due to increased equity earnings resulting from higher natural gas and crude oil prices.

As a result, profit before tax increased ¥387.5 billion, or 30% year over year, to ¥1,680.6 billion.

Accordingly, profit for the year increased ¥243.2 billion, or 26% year over year, to ¥1,180.7 billion.

(2) Segment Information

1) Natural Gas Group

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.

The segment recorded profit for the year of ¥170.6 billion, an increase of ¥65.5 billion year over year. The increase in earnings mainly reflected increase in equity earnings in the LNG-related business and the North American shale gas business, despite trading losses in the LNG sales business.

2) Industrial Materials Group

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.

The segment recorded profit for the year of ¥62.0 billion, an increase of ¥25.2 billion year over year. The increase in earnings mainly reflected increase in equity earnings in the North American plastic building materials business and the Steel business.

3) Petroleum & Chemicals Solution Group

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.

The segment recorded profit for the year of ¥45.0 billion, an increase of ¥4.7 billion year over year. The increase in earnings mainly reflected the deduction of deferred tax liabilities in the Chemical manufacturing business.

4) Mineral Resources Group

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.

The segment recorded profit for the year of ¥439.3 billion, an increase of ¥18.6 billion year over year. The increase in earnings mainly reflected increase in market prices in the Australian metallurgical coal business, despite the impairment losses in the Chilean copper business.

5) Industrial Infrastructure Group

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.

The segment recorded profit for the year of ¥31.9 billion, an increase of ¥14.6 billion year over year. The increase in earnings mainly reflected losses related to Chiyoda Corporation in the previous year.

6) Automotive & Mobility Group

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.

The segment recorded profit for the year of ¥127.5 billion, an increase of ¥20.7 billion year over year. The increase in earnings mainly reflected increase in equity earnings in the ASEAN automotive business and Mitsubishi Motors.

7) Food Industry Group

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.

The segment recorded profit for the year of ¥63.4 billion, a decrease of ¥15.9 billion year over year. The decrease in earnings mainly reflected impairment losses on fixed assets in Overseas business.

8) Consumer Industry Group

The Consumer Industry Group engages in supplying products and services across a range of fields, including retail & distribution, logistics, healthcare, apparel and tire etc.

The segment recorded profit for the year of ¥23.0 billion, an increase of ¥2.0 billion year over year. The increase in earnings mainly reflected increase in equity earnings in the CVS business.

9) Power Solution Group

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.

The segment recorded profit for the year of ¥61.9 billion, an increase of ¥11.4 billion year over year. The increase in earnings mainly reflected gains on sale of power generating assets and increase in equity earnings in the Overseas power business, despite losses due to facility defects, etc. and decrease in equity earnings in the Domestic power generating business.

10) Urban Development Group

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 segment recorded profit for the year of ¥123.3 billion, an increase of ¥83.3 billion year over year. The increase in earnings mainly reflected gains on sale of a real estate management company.

(3) Financial Position

Total assets at March 31, 2023 was ¥22,152.9 billion, an increase of ¥240.9 billion, or 1%, from

March 31, 2022.

Current assets was ¥9,109.3 billion, a decrease of ¥421.7 billion, or 4%, from March 31, 2022. This was mainly due to a decrease in other financial assets attributable to a decrease in commodity derivative assets caused by market fluctuations and decreased transaction volumes.

Non-current assets was ¥13,043.6 billion, an increase of ¥662.6 billion, or 5%, from March 31, 2022. This was mainly due to an increase in investments accounted for using the equity method attributable to an increase in equity earnings and the depreciation of the Japanese yen in relation to foreign currency translation.

Total liabilities was ¥13,028.5 billion, a decrease of ¥1,026.3 billion, or 7%, from March 31, 2022.

Current liabilities was ¥6,694.7 billion, a decrease of ¥623.1 billion, or 9%, from March 31, 2022. This was mainly due to a decrease in other financial liabilities attributable to a decrease in commodity derivative liabilities caused by market fluctuations and decreased transaction volumes.

Non-current liabilities was ¥6,333.8 billion, a decrease of ¥403.2 billion, or 6%, from March 31, 2022. This was mainly due to a decrease in bonds and borrowings due to the transfer of long-term borrowings to current liabilities.

Total equity was ¥9,124.4 billion, an increase of ¥1,267.2 billion, or 16%, from March 31, 2022.

Equity attributable to owners of the Parent was ¥8,071.0 billion, an increase of ¥1,190.8 billion, or 17%, from March 31, 2022. This was mainly due to an increase in retained earnings accumulated by profit for the period and exchange differences on translating foreign operations resulting from the depreciation of the Japanese yen.

Non-controlling interests increased ¥76.5 billion, or 8%, from March 31, 2022, to ¥1,053.4 billion.

Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents and time deposits, decreased ¥702.1 billion, or 18%, from March 31, 2022, to ¥3,237.6 billion.

(4) Cash Flows

Cash and cash equivalents at March 31, 2023 was ¥1,557.0 billion, an increase of ¥1.4 billion from March 31, 2022.

(Operating activities)

Net cash provided by operating activities was ¥1,930.1 billion, mainly due to cash flows from operating transactions and dividend income, as well as decreases in working capital requirements, despite the payment of income taxes.

(Investing activities)

Net cash used in investing activities was ¥177.5 billion. The main uses of cash were payments for the purchase of property, plant and equipment and investments and loans to affiliated companies, which exceeded inflows from the sale of an investment in a real estate management company and the sales of investments in affiliated companies.

Main items (Segments) included in investing cash flows were as follows.

New/Sustaining Investments

- European integrated energy business (Power Solution)
- Australian metallurgical coal business (Mineral Resources)
- Copper business (Mineral Resources)
- Overseas power business (Power Solution)
- North American real estate business (Urban Development)

- CVS business (Consumer Industry)
- LNG-related business (Natural Gas)
- Functional material company (Industrial Materials)
- Energy infrastructure company (Industrial Infrastructure)

Sales and Collection

- Investment in a real estate management company (Urban Development)
- North American shale gas business (Natural Gas)
- Aluminum smelting business (Mineral Resources)
- Overseas power business (Power Solution)
- Asian renewable energy business (Power Solution)
- Integrated engineering business (Industrial Infrastructure)

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥1,752.6 billion.

(Financing activities)

Net cash used in financing activities was ¥1,766.6 billion. The main uses of cash were repayments of debts and lease liabilities, payments of dividends, and the acquisition of treasury stock.

The dividends were paid in compliance with the shareholder returns policy of progressive dividends in line with sustained profit growth. The acquisition of treasury stock was carried out in order to optimize total payout ratio, as well as the Company's capital structure. Regarding financing through debt, the policy is to maintain debts at an appropriate level in light of liquidity and financial soundness.

In addition to the aforementioned operating cash flows for financial accounting purpose, in order to present the source of funds for future investments and shareholder returns appropriately, Mitsubishi Corporation defined “Underlying operating cash flows (after repayments of lease liabilities)”, which is operating cash flows excluding changes in working capitals whilst including repayments of lease liabilities which are necessary in the ordinary course of business activities, and “Adjusted free cash flows”, which is the sum of “Underlying operating cash flows (after repayments of lease liabilities)” and investing cash flows.

Underlying operating cash flows (after repayments of lease liabilities) in the year ended March 31, 2023 was positive ¥1,284.7 billion, an increase of ¥48.2 billion, year over year.

As a result, Adjusted free cash flows was positive ¥1,107.2 billion.

2. Forecasts for the Year Ending March 2024

For the year ending March 2024, profit for the year is expected to be ¥920.0 billion. For the segment-specific forecasts and market condition assumptions, please refer to the presentation material for the year ended March 2023 (Results of FY2022 and Forecast for FY2023 Presentation Materials). Please see the “Business Risks” section for principal risks that have the potential to affect the operating performance.

3. Business Risks

(1) Risks of Changes in Global Macroeconomic Conditions

Changes in global and regional macroeconomic conditions are deeply linked to personal consumption and capital expenditure and impact commodity markets. As a result, macroeconomic conditions can cause changes in the prices, volumes and costs of commodities and products handled in our global businesses across diverse industrial sectors, significantly impacting our operating results and financial standing.

In the year ended March 2023, economies in a wide range of areas and countries continued on a recovery trajectory as they returned to normal from the COVID-19 pandemic despite the downward pressure from the Russia-Ukraine situation, persistently high resource prices and soaring inflation. Going forward, the global economy is expected to see gradually building deceleration due to effects on the real economy of tightening monetary policy in the United States, Europe and other regions as well as the continued downward pressure from the aforementioned factors. We will continue to monitor the situation carefully.

(2) Market Risks

(“Profit for the year” refers to profit for the year attributable to owners of the Parent. Unless otherwise stated, effects on future profit for the year are the estimated effects in the year ending March 2024, based on results for the year ended March 2023.)

1) Commodity Market Risk

In the course of our business activities, we are exposed to risks relating to fluctuations of various 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 affiliated companies. These commodity market risks can significantly impact our operating results and financial standing through fluctuation of purchase and sales prices specifically in the mineral and energy trading.

In addition, commodity prices can be the significant input for the valuation of our investment. Especially in the case of long-term projects, as medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations, we formulate a forecast, taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations. If long-term stagnation or increases are forecasted in commodities markets, impairment loss or reversal of impairment loss on our property, plant and equipment and investments accounted for using the equity method could impact our operating results.

For details of our specific investments, please refer to the section entitled “(5) Business Investment Risk (Specific Investments)”.

(Energy Resources)

We engage in the natural gas and oil development and production business 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 Brent crude oil was over US\$80/BBL in this January, partly due to expectations of growing demand in China and other Asian countries. The price remained above US\$80/BBL in February, as Russia announced that it would cut production from March. In March, the price fell into the US\$70–75 range, reflecting concerns about global economic recession sparked by the bankruptcy of Silicon Valley Bank. However, as it came to appear that the economic impact of said bankruptcy would be limited, the price rose to near US\$80/BBL at the end of March. We expect prices to remain highly volatile going forward, reflecting economic conditions and geopolitical risks, including the prolongation of the Russia-Ukraine situation.

Furthermore, while most of our LNG sales are based on long-term contracts, some are on the spot market. LNG spot prices in Asia started 2023 high, at around US\$20 per million British thermal unit (Btu) at the start of January. The European gas prices, which LNG spot prices in Asia are somewhat linked to, continued to fall, being affected by a warm winter, a decrease in gas demand (mainly for industrial use) and an increase in LNG imports, which kept gas inventory levels above target. As a result, LNG spot prices in Asia also fell to below US\$13 as of March 31, 2023.

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, 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. The change from the effect on profit for the year per a US\$1/BBL fluctuation in the price of crude oil for the year ended March 31, 2022 (approximately ¥2.5 billion) is due to a change in the scope of the effect calculation. Because dividend income from other investments in the LNG Business is impacted by affiliates' dividend payout ratios and the timing of their dividend resolutions, etc., the direct impact on this item of crude oil price fluctuations is currently limited. Accordingly, from this fiscal year end, this item has been excluded from the calculation of the effect on profit for the year.

(Mineral Resources)

Through a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), in Brisbane, Australia, we sell metallurgical coal, which is used for steel manufacturing. Fluctuations in the price of metallurgical coal may affect our 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 etc.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. It is estimated that a US\$100 fluctuation in the price per MT of copper would have a ¥2.9 billion effect on our profit for the year (a US\$10 price fluctuation per lb. of copper would have a ¥6.4 billion effect on our profit for the year). However, variables beside price fluctuations may also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings may not be determined by the copper price alone.

2) Foreign Currency Risk

We are exposed to the risk of fluctuations in foreign currency rates against the yen in the course of our trading activities, such as export, import, and offshore trading. While we use forward contracts

and other hedging strategies as needed, there is no assurance that we can completely avoid foreign currency risk.

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

In addition, because shareholders' equity can be fluctuated through exchange differences on translating foreign operations, we implement hedging mainly by forward contracts as needed to prevent foreign currency risk on some large investments.

3) Stock Price Risk

As of March 31, 2023, we owned ¥1,107.6 billion (market value) of marketable securities, mostly equity issued by customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above includes net unrealized gains of ¥149.5 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed as marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

4) Interest Rate Risk

As of March 31, 2023, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥4,889.9 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a timing difference, interest rate risk is offset. 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 as well as other income streams such as dividends that are strongly correlated with economic cycles. Accordingly, even if interest rates increase as the economy improves, leading to higher interest expenses, we believe that these expenses would be offset by an increase in income from the corresponding assets held. However, our operating results may be negatively affected temporarily if there is a rapid rise in interest rates because increased income from commensurate assets held would fail to offset immediately the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond flexibly to market risks, we have established the Asset Liability Management (ALM) Committee. This committee establishes fund procurement strategy and manages the risk of interest rate fluctuations.

(3) Credit Risk

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 this case, we are exposed to the credit risk of the counterparties regarding these 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.

(4) Country Risk

We are exposed to country risks in relation to transactions and investments with overseas companies in the form of possible delays or inability to collect payments or conduct business activities due to political and socioeconomic conditions in the countries where such companies are domiciled.

The Regional Strategy Committee, chaired by the Corporate Functional Officer (CRO), assesses the risk situation in each country and is responsible for establishing and managing the country risk countermeasure system.

The country risk countermeasure system classifies countries into categories based on risk factor type. Country risk is controlled within a certain range through the establishment of risk limits for each category. To address the country risks related to individual projects, we take appropriate risk hedging measures, such as taking out insurance, depending on the nature of the project.

Risks related to Russia and Ukraine are managed and controlled through this system.

However, even with these risk hedging measures, it is difficult to completely avoid risks caused by deterioration in the political, economic, or social conditions in the countries or regions where our customers, portfolio companies or ongoing projects are located. Such eventualities may have an impact on our operating results.

For details about the impacts of Russia-Ukraine situation, please refer to “Change in Accounting Policies and Changes in Accounting Estimates” of “Consolidated Financial Statements and Notes Concerning Consolidated Financial Statements”.

(5) Business Investment Risk

We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of increasing our commercial rights and deriving capital gains. However, we are exposed to various risks related to business investments, such as the possible inability to recover our investments, exit losses, or being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the meaning and purpose of the investment, quantitatively estimate the downside risk of investments, and evaluate whether the return on the investments, based on the characteristics of the business, exceeds the expected rate of return. After investing, we formulate annual business plans for each investment and manage risks to achieve our investment goals. Furthermore, we clarify 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 that the investments are generating lower earnings than indicated in the plan.

Although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and withdrawals from an investment etc. For details of commodity market risks included in business investments, please refer to the section entitled “(2) 1) Commodity Market Risk”.

(Specific Investments)

a. Investments in Australian Metallurgical Coal and Other Mineral Resource Interests

In November 1968, we established MDP to engage in the development of coal (metallurgical coal, which is used for steel manufacturing). In 2001, we acquired through MDP a 50% interest in the BMA metallurgical coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and have been engaging in this business with the partner, BHP Group Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world’s largest metallurgical coal businesses, currently producing 65 million tons per year. As of March 31, 2023, the book value of MDP’s fixed assets is ¥994.6 billion.

b. Investments in Interests in Chilean Copper Assets

We hold shares in Anglo American Sur S.A. (AAS), which holds Chilean copper resource interests, with Anglo American Plc (AAC), headquartered in London, United Kingdom, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd.

AAC holds a 50.1% ownership interest in AAS, the joint venture holds a 29.5% interest, and we hold a 20.4% interest, which we acquired for US\$4.51 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS's total copper production was approximately 310,000 tons in 2022.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, we conduct impairment tests for our investment in AAS. As AAS's production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than short-term price fluctuations. We therefore evaluate risk from a medium- to long-term perspective, including the latest copper price forecasts and development plans.

After an environmental permit for the site was rejected in May 2022, we performed a detailed, comprehensive examination of the project. As a result, we recorded impairment losses of ¥37.1 billion under “Share of profit of investments accounted for using the equity method” for the fiscal year ended March 31, 2023. As such, the book value of the investment in AAS is ¥144.9 billion as of March 31, 2023. The re-application was acknowledged by the Environmental Assessment Service of Chile (SEA) in April 2023.

c. Investments in Interests in Peruvian Copper Assets

Together with AAC, headquartered in London, United Kingdom, we hold a 40% interest in Anglo

American Quellaveco S.A. (AAQ), headquartered in Lima, Peru, which holds the resource interests to the Quellaveco copper mine project (Quellaveco) in Peru.

Quellaveco is a large-scale mine with copper deposits estimated to contain 8.9 million tons (content mineral basis) of copper ore reserves, and is highly cost competitive. Construction on the project commenced in 2018, and production of copper concentrate began in 2022. Copper production attributable to Mitsubishi Corporation is currently more than 200,000 tons per year, among the greatest of Japanese companies. After full-scale production commences, this figure is expected to reach approximately 320,000–370,000 tons per year.

We apply the equity method to the investment in AAQ. We conduct impairment tests for our investment in AAQ as an investment accounted for using the equity method. Quellaveco's production and development plans are long-term. As such, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAQ than short-term price fluctuations. We therefore evaluate this investment from a medium- to long-term perspective that includes the latest copper price forecasts and development plans.

The total of the investment book value and loan to AAQ is ¥492.4 billion as of March 31, 2023.

d. Montney Shale Gas Development Project/LNG Canada Project

We are building a natural gas value chain in Canada, stretching from upstream resource development to LNG production, export and sales. In terms of upstream businesses, we are operating a shale gas development business through our wholly owned consolidated subsidiary CUTBANK DAWSON GAS RESOURCES LTD. with Ovintiv Inc. Our investment stake in the project is 40%, with a book value of ¥225.1 billion as “Investments accounted for using the equity method” as of March 31, 2023.

Also, to export and sell the natural gas as LNG, we took a final investment decision (FID) on LNG Canada, together with our partners, in 2018. This project involves the construction of liquefaction facilities with annual production capacity of 14 million tons to export LNG to customers in Japan and other East Asian countries. Production is expected to commence in the mid-2020s. We are participating in the project through our subsidiary Diamond LNG Canada Partnership and advancing efforts with our partners Shell, Petronas, PetroChina and Korea Gas Corporation. As of March 31, 2023, the book value of Diamond LNG Canada Partnership's fixed assets is ¥281.3 billion.

e. Investment in Lawson Inc.

In 2017, we acquired an additional 16.6% of the issued shares of Lawson Inc. (Lawson) via tender offer. Combined with our existing 33.4% stake, this resulted in a majority shareholding. Accordingly, we made Lawson a consolidated subsidiary. Lawson operates a franchise system and directly managed Lawson convenience stores, an overseas convenience store business, and other peripheral businesses. As of February 28, 2023, Lawson's convenience store network comprised approximately 14,600 stores in Japan and 6,100 stores overseas, for a total of approximately 20,700 stores.

Deterioration in the business environment could affect our operating performance via the performance of Lawson or impairment losses on the goodwill. The book value of this “Goodwill” as of March 31, 2023 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is ¥161.8 billion.

f. Investment in Eneco

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 N.V. Eneco, a company that operates an integrated energy business in Europe, for approximately ¥500.0 billion.

Eneco is an integrated energy company boasting excellent competitiveness and adaptability in the business fields of renewable power generation and supply, power trading, and retail and new services. By taking advantage of Eneco's technological strengths and know-how in renewable energies, we are aiming to accelerate its own renewable developments in Europe and around the world. We are seizing this acquisition as an opportunity to realize its vision of simultaneously generating economic, societal and environmental value through its businesses.

A decline in electricity demand or the European macro economy could impact our operating results via Eneco's operating results or impairment loss on the goodwill recognized when we acquired Eneco. The book value of this "Goodwill" as of March 31, 2023 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is ¥124.7 billion.

(6) Risks Related to Compliance

We are engaged in businesses in all industries through many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, anti-bribery laws, security trade control-related and other international trade-related laws, international sanction-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate. In particular, many countries are imposing or strengthening economic sanctions due to the current Russia-Ukraine situation, and we are following developments closely and, under the leadership of the Chief Compliance Officer, responding appropriately.

We have established a Compliance Committee, which is headed by Chief Compliance Officer, who provides direction and supervision related to compliance with laws and regulations on a consolidated basis. Under his/her direction and supervision, the compliance officers of individual business groups and departments plan and implement specific compliance initiatives and strive to enhance awareness of compliance. We also work to ensure that consolidated subsidiaries and affiliates (excluding listed companies) set up compliance management systems on par with that of ours.

Notwithstanding these initiatives, compliance risks cannot be completely avoided. Failure to fulfill our obligations under related laws and regulations could affect our businesses and operating results.

(7) Risks of Crises that Cause Harm to Human Life, Business Interruption, etc.

A crisis occurring in or outside Japan, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza or COVID-19, or a large-scale accident, acts of terrorism or riots, or incidents arising from geopolitical causes in East Asia, Europe or elsewhere that affect our employees and damage our offices, facilities or systems could hinder sales and production activities.

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 cycle.

In response to COVID-19, we have been taking necessary measures to promptly prevent the infection of employees and halt the spread of infection, in tandem with maintaining appropriate business continuity. Both in Japan and overseas, while maintaining the safety of employees as our highest priority, we are working to respond appropriately to conditions related to the spread of infection, requests from the Japanese national and local governments, and conditions and regulations in other countries. We are implementing thoroughgoing measures to prevent infection and other necessary measures to sufficiently ensure safety as we work to secure appropriate business continuity.

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.

(8) Risks Related to Climate Change

The impact of climate change includes the effects of frequent extreme weather on water resources, effects on human populations and biodiversity in the natural world, as well as the attendant effects on 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 continuity and the operating results.

Risks related to climate change are broadly categorized as transition risks (risks related to government policy and regulations, technology, markets, etc.) and physical risks. Transition risks include risks of increased operational or facility-related costs due to carbon pricing (carbon taxes, etc.), expanded regulations, or the obsolescence of products and services that rely on existing technologies. Physical risks include the impact on operations of drought or flooding. We believe that while climate change poses significant business risks, it also presents us with new business opportunities for innovation, disruption and growth. Accordingly, we have set “Contributing to Decarbonized Societies” as one of its material issues as we strive to achieve sustainable growth.

Specifically, the Sustainability & CSR Committee identifies key risks related to climate change and assesses their potential business impact. For businesses expected to be highly impacted, we implement 1.5°C scenario analyses based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and reflect the results in our strategy for said businesses based on a comprehensive consideration of our policies, the measures of relevant countries, the analyses of external institutions, and the specific conditions of individual businesses. Furthermore, as announced in Midterm Corporate Strategy 2024, we will adopt and promote mechanisms for simultaneously decarbonizing by classifying each business based on climate-related transition risks and opportunities. These efforts are reported to the Board of Directors.

Note:

Earnings forecast and other forward-looking statements in this release are based on data available, as of the end of the current year, to management and certain assumptions that management believes are reasonable. The achievement of said forecasts cannot be promised, and actual results may therefore differ materially from these statements for various reasons.

Basic Concept Regarding the Selection of Accounting Standards

Mitsubishi Corporation has applied IFRS to enhance its financial reporting's international comparability and availability.

Consolidated Financial Statements and Notes Concerning Consolidated Financial Statements

1. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position March 31, 2022 and 2023

ASSETS	Millions of Yen	
	March 31, 2022	March 31, 2023
Current assets		
Cash and cash equivalents	1,555,570	1,556,999
Time deposits	147,878	95,291
Short-term investments	7,000	42,127
Trade and other receivables	4,283,171	4,127,275
Other financial assets	774,833	392,644
Inventories	1,776,616	1,771,382
Biological assets	98,268	109,953
Advance payments to suppliers	99,671	139,140
Assets classified as held for sale	202,157	243,663
Other current assets	585,881	630,829
Total current assets	9,531,045	9,109,303
Non-current assets		
Investments accounted for using the equity method	3,502,881	3,926,875
Other investments	1,957,880	1,816,851
Trade and other receivables	829,686	1,013,428
Other financial assets	218,701	160,892
Property, plant and equipment	2,784,039	2,992,042
Investment property	94,399	81,986
Intangible assets and goodwill	1,221,568	1,207,402
Right-of-use assets	1,520,536	1,590,283
Deferred tax assets	53,548	39,082
Other non-current assets	197,729	214,738
Total non-current assets	12,380,967	13,043,579
Total	21,912,012	22,152,882

LIABILITIES AND EQUITY	Millions of Yen	
	March 31, 2022	March 31, 2023
Current liabilities		
Bonds and borrowings	1,603,420	1,395,890
Trade and other payables	3,382,112	3,369,018
Lease liabilities	253,519	264,083
Other financial liabilities	884,112	354,066
Advances from customers	238,656	296,463
Income tax payables	169,827	185,432
Provisions	92,154	84,618
Liabilities directly associated with assets classified as held for sale	9,585	25,812
Other current liabilities	684,448	719,297
Total current liabilities	7,317,833	6,694,679
Non-current liabilities		
Bonds and borrowings	4,039,749	3,493,991
Trade and other payables	47,814	59,235
Lease liabilities	1,338,788	1,403,606
Other financial liabilities	218,053	177,380
Retirement benefit obligation	127,394	118,470
Provisions	280,633	342,808
Deferred tax liabilities	643,862	679,144
Other non-current liabilities	40,714	59,152
Total non-current liabilities	6,737,007	6,333,786
Total liabilities	14,054,840	13,028,465
Equity		
Common stock	204,447	204,447
Additional paid-in capital	226,483	225,858
Treasury stock	(25,544)	(124,083)
Other components of equity		
Other investments designated as FVTOCI	511,059	405,431
Cash flow hedges	(121,321)	53,044
Exchange differences on translating foreign operations	880,674	1,257,065
Total other components of equity	1,270,412	1,715,540
Retained earnings	5,204,434	6,049,259
Equity attributable to owners of the Parent	6,880,232	8,071,021
Non-controlling interests	976,940	1,053,396
Total equity	7,857,172	9,124,417
Total	21,912,012	22,152,882

(2) Consolidated Statement of Income
Years ended March 31, 2022 and 2023

	Millions of Yen	
	Year ended March 31, 2022	Year ended March 31, 2023
Revenues	17,264,828	21,571,973
Cost of revenues	(15,114,064)	(19,012,011)
Gross profit	2,150,764	2,559,962
Selling, general and administrative expenses	(1,432,039)	(1,607,518)
Gains (losses) on investments	75,254	197,005
Gains (losses) on disposal and sale of property, plant and equipment and others	6,712	(272)
Impairment losses on property, plant and equipment, intangible assets, goodwill and others	(64,517)	(31,638)
Other income (expense)-net	23,289	(25,353)
Finance income	186,532	203,642
Finance costs	(46,682)	(115,377)
Share of profit (loss) of investments accounted for using the equity method	393,803	500,180
Profit (loss) before tax	1,293,116	1,680,631
Income taxes	(288,657)	(409,132)
Profit (loss) for the year	1,004,459	1,271,499
Profit (loss) for the year attributable to:		
Owners of the Parent	937,529	1,180,694
Non-controlling interests	66,930	90,805
	1,004,459	1,271,499
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)		
Basic	635.06	809.29
Diluted	625.73	805.69

(3) Consolidated Statement of Comprehensive Income
Years ended March 31, 2022 and 2023

	Millions of Yen	
	Year ended March 31,2022	Year ended March 31,2023
Profit (loss) for the year	1,004,459	1,271,499
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	82,239	(94,571)
Remeasurement of defined benefit pension plans	20,412	15,602
Share of other comprehensive income (loss) of investments accounted for using the equity method	10,968	595
Total	113,619	(78,374)
Items that may be reclassified to profit or loss for the year:		
Cash flow hedges	(97,950)	103,164
Exchange differences on translating foreign operations	440,530	296,053
Share of other comprehensive income (loss) of investments accounted for using the equity method	108,528	186,546
Total	451,108	585,763
Total other comprehensive income (loss)	564,727	507,389
Total comprehensive income (loss)	1,569,186	1,778,888
Comprehensive income (loss) attributable to:		
Owners of the Parent	1,471,506	1,651,771
Non-controlling interests	97,680	127,117
	1,569,186	1,778,888

(4) Consolidated Statement of Changes in Equity
Years ended March 31, 2022 and 2023

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

(5) Consolidated Statement of Cash Flows
Years ended March 31, 2022 and 2023

	Millions of Yen	
	Year ended March 31,2022	Year ended March 31,2023
Operating activities:		
Profit (loss) for the year	1,004,459	1,271,499
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:		
Depreciation and amortization	545,043	583,294
(Gains) losses on investments	(75,254)	(197,005)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	57,805	31,910
Finance (income) -net of finance costs	(139,850)	(88,265)
Share of (profit) loss of investments accounted for using the equity method	(393,803)	(500,180)
Income taxes	288,657	409,132
Changes in trade receivables	(673,674)	179,318
Changes in inventories	(236,396)	(12,929)
Changes in trade payables	396,298	(108,217)
Changes in margin deposits of derivative transactions and others	(36,149)	144,813
Other-net	(34,370)	79,526
Dividends received	493,860	489,353
Interest received	80,601	121,653
Interest paid	(64,444)	(134,224)
Income taxes paid	(156,939)	(339,540)
Net cash provided by (used in) operating activities	1,055,844	1,930,138
Investing activities:		
Payments for property, plant and equipment and others	(393,833)	(454,954)
Proceeds from disposal of property, plant and equipment and others	27,888	20,276
Payments for investment property	(443)	(611)
Proceeds from disposal of investments property	1,329	395
Purchases of investments accounted for using the equity method	(157,003)	(181,025)
Proceeds from disposal of investments accounted for using the equity method	246,455	284,129
Acquisitions of businesses-net of cash acquired	(45,154)	(25,734)
Proceeds from disposal of businesses-net of cash divested	53,278	173,362
Purchases of other investments	(26,990)	(62,425)
Proceeds from disposal of other investments	142,987	116,835
Increase in loans receivable	(82,953)	(157,096)
Collection of loans receivable	60,809	46,889
Net (increase) decrease in time deposits	6,080	62,493
Net cash provided by (used in) investing activities	(167,550)	(177,466)
Financing activities:		
Net increase (decrease) in short-term debts	(159,572)	(408,701)
Proceeds from long-term debts	864,567	214,020
Repayments of long-term debts	(865,450)	(772,621)
Repayments of lease liabilities	(279,784)	(308,946)
Dividends paid to owners of the Parent	(203,737)	(228,829)
Dividends paid to the non-controlling interests	(54,047)	(56,348)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(20,393)	(14,526)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	25,033	26,420
Net (increase) decrease in treasury stock	(13)	(217,107)
Net cash provided by (used in) financing activities	(693,396)	(1,766,638)
Effect of exchange rate changes on cash and cash equivalents	42,848	15,395
Net increase (decrease) in cash and cash equivalents	237,746	1,429
Cash and cash equivalents at the beginning of the year	1,317,824	1,555,570
Cash and cash equivalents at the end of the year	1,555,570	1,556,999

2. Notes Concerning Consolidated Financial Statements

(1) Changes in Accounting Policies and Changes in Accounting Estimates

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

New standards and interpretations applied

Standards and interpretations	Outline
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amended)	Clarification of costs to consider in assessing whether a contract is onerous

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

The Company has applied IAS 37 (Amended) from the fiscal year ended March 31, 2023. In accordance with transitional provisions, the Company has adopted the method of recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the year ended March 31, 2023.

The amount of retained earnings decreased by ¥17,003 million (the amount of provisions increased by ¥20,486 million, and deferred tax assets increased by ¥3,483 million) as adjustments of the beginning balance of retained earnings on the date of initial application.

Due to the amendment of IAS 37, the cost of fulfilling a contract comprises costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

- (a) the incremental costs of fulfilling that contract such as direct labor and materials; and
- (b) an allocation of other costs that relate directly to fulfilling contracts such as an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The Company is required to recognize provisions when the costs of fulfilling a contract exceed the economic benefits of the contract, in which contract is considered onerous.

Before the amendment of IAS 37, the Company had included only (a) the incremental costs of fulfilling a contract as costs that relate directly to the contract, therefore, a part of contracts in LNG sales business required recording additional provisions along with the initial application of IAS 37 (Amended).

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2023.

The significant changes in accounting estimates in the consolidated financial statements for the year ended March 31, 2023 are as follows.

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 the fiscal year ending March 31, 2024. It is assumed that it will take time to lift financial and economic sanctions, lift restrictions on international remittances, resolve unforeseen supply situation and normalize trade and supply chains. The Company's main business in Russia consist of financial service business in the Automotive & Mobility segment and investment in the LNG-related business in the Natural Gas segment. As of March 31, 2023, the carrying amount of total assets related to the Company's business in Russia amount to ¥180,540 million (of which, the balance of cash and cash equivalents restricted on international remittances was ¥50,546 million).

(LNG-related business in Russia)

The Company holds a 10% ownership interest in Sakhalin Energy Investment Company Ltd. ("SEIC"), which has been engaged in LNG-related business in Russia, and accounts for this investment as other investments (financial asset measured at FVTOCI). Based on the Russian Federation Presidential Decree issued on June 30, 2022 (No. 416) and the Governmental Resolution issued on August 2, 2022 (No. 1369), a new company, Sakhalin Energy LLC ("SELLC") was established to take over the operation of this LNG-related business from SEIC, and the rights and obligations of SEIC were transferred to SELLC. The Company submitted its notice to continue ownership in the LNG-related business to the Russian government and received approval on August 31, 2022. As a result, the Company continues to hold a 10% ownership interest in the LNG-related business. Since there has been no significant change in the economic substance towards the investment in the LNG-related business, the investment in SELLC is accounted for as other investments (financial asset measured at FVTOCI), with no gains or losses recognized in profit (loss) to the initial recognition of the investment in SELLC. In addition, the other components of equity recognized related to the interests in SEIC continue to be recognized as other components of equity under SELLC.

The details related to the operation of SELLC, including the SELLC's Corporate Charter as well as the terms of the LLC Members Agreement, will need to be discussed once the transfer of the ownership interest to the new LLC Member is complete and the LLC Members composition of SELLC is determined. As such, there remains uncertainty surrounding this investment. Under these circumstances, the Company continues to measure the fair value of this investment with the income approach using the probability-weighted average expected present value technique. The discount rate used for the measurement is determined considering the country risk premium for Russia. While the Company anticipates receiving dividends from the investment in SELLC over the project life, taking into account other scenarios, the Company measured the fair value (Level 3) for this investment at ¥83,210 million at March 31, 2023 and consequently recorded decrease of ¥60,185 million (before tax) in other comprehensive income (loss) for the year ended March 31, 2023.

After the end of the fiscal year ended March 31, 2023, the Russian Governmental Resolution issued on April 11, 2023 (No. 890) approved a new LLC Member of SELLC. The Company has determined that this event will not have any impact on the fair value, but it may be necessary to reassess the scenarios used in the probability-weighted average expected present value technique depending on

the future circumstances which may partially resolve uncertainties previously considered in other scenarios. As a result, there is a possibility that the fair value of the investment in SELLC may increase or decrease.

(2) Segment Information

Year ended March 31, 2022

Millions of Yen							
	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

Year ended March 31, 2023

Millions of Yen							
	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

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) Earnings Per Share

Reconciliations of the basic and diluted profit for the year attributable to owners of the Parent per share are as follows:

	Year ended March 31,2022	Year ended March 31,2023
Profit for the year attributable to owners of the Parent per share (Yen)		
Basic	635.06	809.29
Diluted	625.73	805.69
Numerator (Millions of Yen):		
Profit for the year attributable to owners of the Parent	927,261	1,180,694
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

(4) Subsequent Events

Repurchase and cancellation of shares

The Company resolved at a meeting of the Board of Directors held on May 9, 2023 the repurchase of shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, and has resolved to cancel treasury stock pursuant to Article 178 of the Companies Act, as described below.

1. Details of the Share Repurchase;

Class of shares to be repurchased	: Common stock
No. of shares to be repurchased	: Up to 86 million shares (Represents up to 6.0% of the common shares outstanding (excluding treasury stock))
Total value of stock repurchased of shares	: Up to 300 billion yen
Period of repurchase (planned)	: May 10, 2023 to December 31, 2023

2. Details of the Cancellation of Treasury Stock;

Class of shares to be cancelled	: Common Stock
No. of shares to be cancelled	: The entire number of shares repurchased mentioned above
Date of cancellation (planned)	: January 31, 2024

LNG-related business in Russia

Please refer to “(1) Changes in Accounting Policies and Changes in Accounting Estimates” for the impact of the Russian Governmental Resolution issued on April 11, 2023 (No. 890).

The transfer of interests in Browse project in Australia between other partners

Japan Australia LNG (MIMI Browse) Pty Ltd is a wholly owned subsidiary of Japan Australia LNG (MIMI) Pty Ltd and holds 14.4% interests in the Browse project in Australia. The Company holds 50.0% of shares in MIMI and accounts for this investment using the equity method as a joint venture through our UK-based wholly owned subsidiary, Pinnacle Resources Limited. As of April 28, 2023, an agreement to transfer the interests in the Browse project has been signed between other partners. We are 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 the investment accounted for using the equity method as of March 31, 2023.

3. Notes Concerning Going Concern Assumption

None