
ANNUAL FINANCIAL REPORT 2022

FOR THE YEAR ENDED MARCH 31, 2022

Mitsubishi Corporation

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Management’s Discussion and Analysis of Financial Condition and Results of Operations

1. Strategic Issues

1) “Midterm Corporate Strategy 2024 - Creating MC Shared Value (MCSV)”

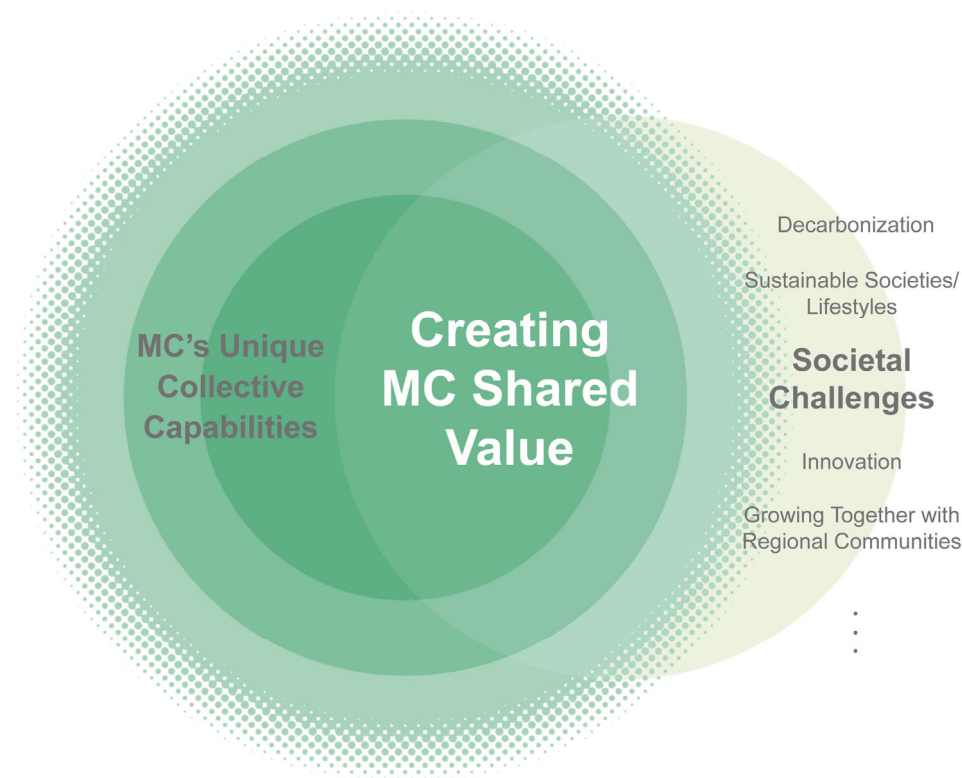
In May 2022, MC announced its new three-year management plan, entitled “Midterm Corporate Strategy 2024 - Creating MC Shared Value.”

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. These 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 the unique and collective capabilities of the MC Group.

(1) Our Goals Under Midterm Corporate Strategy 2024

MC will strive to continuously create significant shared value, MCSV, by enhancing the MC Group’s collective capability to address societal challenges.



(2) Quantitative Targets and Shareholder Returns

■ Quantitative Targets

Under Midterm Corporate Strategy 2024, MC will aim for double-digit ROE and steady earnings growth that is impervious to market fluctuations. This shall be achieved by maintaining a sound profit base while investing in Energy Transformation (EX), Digital Transformation (DX) and other growth areas.

■ Shareholder Returns

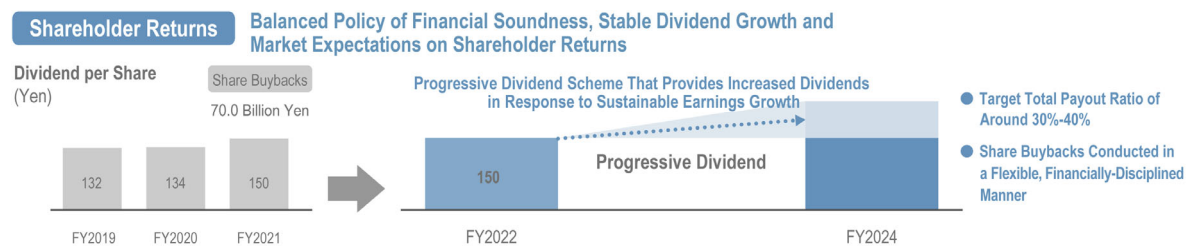
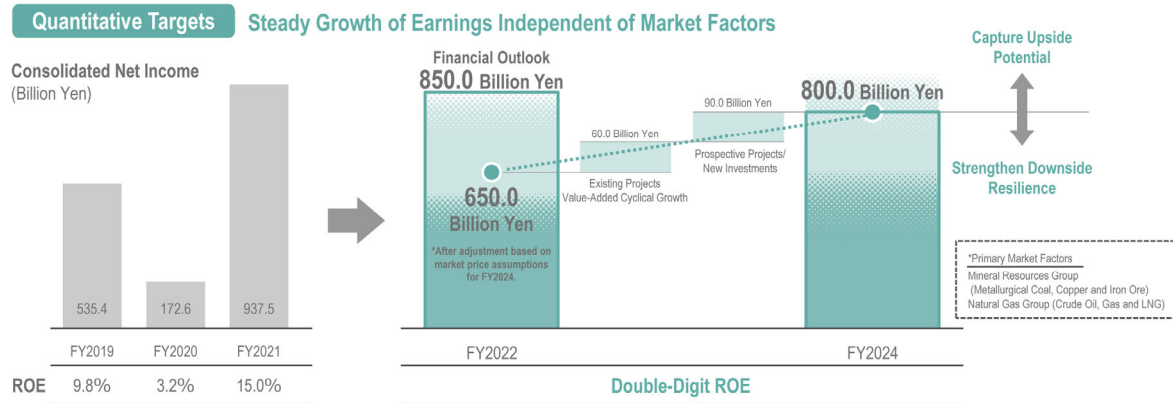
MC’s basic policy on shareholder returns is to maintain a progressive dividend scheme, whereby the Company increases its dividend in response to its sustainable earnings growth. Our policy is designed to balance financial soundness, stable dividend growth and market expectations on shareholder returns.

■ Cash Flow and Capital Allocation

MC will strategically allocate funds to investments and shareholder returns in a manner that both maintains its financial discipline and enhances its enterprise value. MC will also work to lower its cost of capital by enhancing stakeholder confidence through dialogue and expanded disclosure.

■ Investment Plan and Business Portfolio

MC plans to invest ¥3 trillion over the course of Midterm Corporate Strategy 2024 to accelerate investments in EX and steadily expand its earnings base along with investments in both DX and growth fields.



(3) Leveraging Connectivity to Maximize the MC Group’s Collective Capabilities

■ Growth Strategies [Leading Transformations and Connecting them to Growth]

- EX Strategy: MC will work with its partners to help society decarbonize and improve industry competitiveness while maintaining a holistic view of the EX value chain.
- DX Strategy: MC will broadly deploy its DX capabilities across its diverse business operations, thereby connecting industries, enterprises and communities. In this manner, MC will help to raise productivity and create sustainable value throughout society. To facilitate those efforts, we have established a new internal organization called the “Industry DX Group,” which will focus on progressing DX strategies.
- Creating a New Future: MC will work with its partners, the local municipalities and all members of society not only to help create a brighter future for everyone, but also to boost Japan’s self-sufficiency rate of energy through active development of renewable energy and other local energy sources. We will also focus on establishing new carbon neutral industries and developing vibrant communities by helping to resolve regional issues.

■ Business Management [Connecting Our Businesses to the Future with Disciplined Growth]

Under Midterm Corporate Strategy 2024, MC will develop systems that encourage its 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.

■Management Mechanisms [Connecting Diverse Sources of Intelligence]

In addition to the Industry DX Group, MC will newly establish the “Global Intelligence (GI) Committee,” which will focus on making MC even more adaptable to its constantly evolving external operating environment. The GI Committee’s analyses shall be 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 will help to strengthen the business groups’ development capabilities and cross-industry connections.

■HR Policy [Creating a Vibrant Organization by Interconnecting a Diverse and Versatile Talent Pool]

MC’s HR policy under Midterm Corporate Strategy 2024 shall 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.

■Sustainability Policy [Interconnecting with Diverse Stakeholders and Reinforcing Our Presence as a Trusted Member of Society]

MC’s unique definition of “materiality” covers a set of crucial societal issues to be addressed through its 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 line with our reduction targets for greenhouse gas (GHG) emissions.

2) Toward the Realization of a Carbon Neutral Society

In October 2021, MC established new GHG emissions reduction targets and energy-transformation (EX) investment guidelines. In recognition of its multi-industry interests and business activities, MC will continue to simultaneously fulfill its responsibility to provide stable energy supply, such as natural gas, while rising to the global challenge of realizing a carbon neutral society.

(Roadmap to a Carbon Neutral Society)

- GHG emission reduction targets: Halve emissions by FY2030 (from the FY2020 level) & Achieve net zero emissions by 2050
- EX-related investments: Approximately ¥2 trillion by FY2030
- Integrated EX/DX initiatives to “Create a New Future”

The above pursuits are also defined as Companywide themes for business development under the “Midterm Corporate Strategy 2024.”

3) “Operating Environment in the Year Ended March 2022 and Outlook for the Year Ending March 2023 by Segment”

(1) Natural Gas Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to increases in dividend income and equity earnings in the LNG-related business and an increase in equity earnings in the North American shale gas business.

In 2021, global demand for LNG rose, mainly in China and South Korea, climbing 10 million tons year over year to approximately 380 million tons. Spot prices in Asia were impacted by decreases in wind and nuclear power generation in Europe as well as concerns about stagnations or interruptions in the supply of gas via pipelines from Russia, standing at above US\$30 per million British thermal unit (Btu) as of March 31, 2022.

Crude oil prices (Dubai spot price) rose due to global economic recovery from the COVID-19 pandemic as well as concerns over possible decreases or interruptions in crude oil exports from Russia in light of the Russia-Ukraine situation. As of March 31, 2022, crude oil prices stood at over US\$100/BBL.

LNG demand is expected to grow over the medium to long term, reflecting growing energy demand and LNG’s relatively low environmental burden compared with other fossil fuels. As such, LNG is expected to see continued growth as a business area. Although fluctuations in crude oil prices significantly impact the operating results of the Natural Gas Group, such fluctuations in the price of crude oil might not be immediately reflected in our operating results given the time lag between such fluctuations and their impact on our operations.

(2) Industrial Materials Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to increases in equity earnings in the Steel business and the North American plastic building materials business, despite one-off losses such as impairment losses on overseas investment. This increase reflected year-on-year improvement in demand for materials, which suffered significantly in the previous fiscal year due to the COVID-19 pandemic, and rising market prices due to tightening supply in key industries that the group serves, namely automotive and mobility, construction, and infrastructure.

Looking at the group’s business environment, although interest rate hikes in the United States are expected to impact the global economy, demand for materials and market conditions in the industries that the Industrial Materials Group serves are expected to be firm. At the same time, materials industries are facing such urgent issues as transitioning to carbon neutrality, the diversification of needs and stable raw material procurement. By enhancing the efficiency and resilience of supply chains using digital technologies, implementing initiatives in functional materials aimed at decarbonization and promoting materials recycling, the group will help solve the issues facing the industries it serves.

(3) Petroleum & Chemicals Solution Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to an increase in trading profit in the Petrochemicals business and an increase in equity earnings in the LPG-related business.

In the first half of the fiscal year, crude oil prices (Dubai spot price) rose gradually as OPEC-Plus maintained its coordinated production cuts despite rising demand due to global economic recovery from the COVID-19 pandemic. In the second half of the fiscal year, prices reached seven-year highs, reflecting OPEC Plus’s decision not to increase production, shortages of coal and natural gas in China, Europe and elsewhere, and the impact of the Russian-Ukraine situation. Chemical product prices increased, despite new plants in the United States, China and elsewhere, mainly due to demand recovery from the impact of the COVID-19 pandemic, rising prices of crude oil, natural gas and coal, cold weather in the United States, environmental regulations in China and the Russia-Ukraine situation.

The outlook is expected to remain quite uncertain for some time due to such factors as concerns over the prolongation of the Russia-Ukraine situation and changes in the environment surrounding oil-producing nations. Nevertheless, we will work to reinforce our core businesses while carefully monitoring changes in the business environment. At the same time, decarbonization efforts are proceeding rapidly, and the importance of realizing a circular economy continues to grow. Amid these circumstances, the group will work to create new businesses, such as biotechnologies and carbon recycling, that leverage its collective capabilities in petroleum and chemicals to help solve issues facing the industry.

(4) Mineral Resources Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to an increase in market prices in the Australian metallurgical coal business, an increase in dividend income in the Copper business and an increase in equity earnings in the Iron ore business.

Looking at metallurgical coal business, one of the group's core businesses, demand was firm, but supply was affected by temporary production halts due to a series of mining accidents in China, as well as supply and production difficulties due to weather conditions in Australia and North America. The resulting tight supply, as well as growing concerns about supply due to the Russia-Ukraine situation, led to a significant year over year increase in market prices. In the Copper business, the other core business of the group, prices were higher overall than in the previous fiscal year, reflecting expectations of demand growth fueled by the shift toward the use of electronics, which contributes to decarbonization, as well as the influx of capital into the copper futures market, which retains abundant market liquidity, due to economic recovery from the COVID-19 pandemic and monetary easing around the world.

In the year ending March 31, 2023 and beyond, the tightness of supply in the metallurgical coal business is expected to lessen as supply from producing countries recovers, but the outlook for the seaborne trade market is unclear, reflecting rising energy and steel prices due to economic sanctions from many countries related to the Russia-Ukraine situation, as well as restrictions on or the banning of Russian coal imports to Europe, Japan and other countries. Copper market prices may decline somewhat without having a major effect on the industry, given indications of overheating due to the inflow of speculative investment, but are expected to fluctuate significantly in the near term due to the Russia-Ukraine situation, China's COVID-19-related policies and economic trends, and monetary tightening.

In the medium to long term, demand for mineral resources and non-ferrous products is expected to remain firm thanks to global economic growth led by emerging economies, as well as the spread of renewable energy and electric vehicles amid a broader trend toward decarbonization and electrification.

(5) Industrial Infrastructure Group

In the year ended March 31, 2022, earnings decreased year over year, mainly due to one-off losses related to a customer dispute at Chiyoda Corporation and impairment losses on intangible assets related to investment in Chiyoda Corporation.

However, earnings increased year over year in the ships business, reflecting gains on sales of vessels amid favorable market prices and the absence of one-off losses recorded in the previous fiscal year. Earnings also increased in the industrial machinery business, due to recovery in overall demand for capital investment and appetite for investment in manufacturing industries as the impact of the COVID-19 pandemic subsided.

Looking at the year ending March 31, 2023 and beyond, growth in demand in the industrial infrastructure field, in step with the transition to a carbon neutral society, is expected to support the group's plant engineering business. In the industrial machinery business, demand is expected to remain firm in the construction equipment rental, machine tool, elevator, domestic agricultural machinery and other related fields. Looking at the ship business, in the commercial vessel field, the group advanced efforts to build its own fleet portfolio that will be resilient to changes in the chartering market. In the gas carrier field, LNG carrier demand is expected to remain firm, to certain degree, while new energy transportation demand is expected to grow alongside the transition to a carbon neutral society. In addition, the introduction of digital technologies is accelerating across business fields. Aware of this, the group will push ahead with the development of new businesses centered on providing solutions while strengthening existing businesses.

(6) Automotive & Mobility Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to the absence of impairment losses on non-current assets and structural reform expenses incurred by Mitsubishi Motors Corporation in the previous fiscal year, as well as an increase in equity earnings in many markets, including the Thai and Indonesia markets that are mainstays of the group.

The business environment of the automobile market was challenging, reflecting the impact of the prolonged COVID-19 pandemic as well as supply problems with semiconductor and other parts. However, mainly in the ASEAN region, where the group has a robust customer base, the group strove to bolster its automobile sales volume and retain market share by skillfully combining the digital marketing it has stepped up in recent years and other online measures with conventional offline sales measures.

In the year ending March 31, 2023, the outlook for the automobile market will remain unclear due to the ongoing COVID-19 pandemic, semiconductor and other parts supply problems and the impact of geopolitical risks. Amid these circumstances, we aim to further enhance the scale and functions of our automotive value chain, mainly in ASEAN and other emerging markets, including existing

businesses in Thailand and Indonesia. In addition, as the structure of the industry changes, we will promote mobility service businesses that leverage our locally rooted strengths and the robust business foundation and customer base we have built up over the years.

(7) Food Industry Group

In the year ended March 31, 2022, food-related consumption, which had been depressed, got onto a recovery trajectory toward the pre-pandemic level as travel restrictions and other COVID-19 countermeasures were eased. Cermaq, which struggled in the previous fiscal year due to the sudden drop-off in demand for food service mainly in Europe and the United States, achieved a year over year increase in earnings due to a pickup in consumption accompanying the recovery in the movement of people, as well as such internal efforts as production efficiency improvements that were already in progress. Group companies also worked to improve production efficiency and profitability, leading to strong results, mainly in the grain, oilseeds, and feed materials business and food sciences business.

In the year ending March 31, 2023, the Russia-Ukraine situation is expected to cause the costs of fuel and raw materials, including food and packaging materials, to rise around the world. This, along with rising costs due to the sharp depreciation of the yen, are expected to put pressure on revenues in domestic food processing and manufacturing businesses. Amid these challenging conditions, we will continue efforts to improve the productivity and profitability of the entire group and accelerate the proactive use of digital transformation (DX) to improve the efficiency and sophistication of overall supply chains.

(8) Consumer Industry Group

In the year ended March 31, 2022, the COVID-19 pandemic continued in Japan, with state of emergency declarations and other preventive measures implemented intermittently across the country. However, the flow of people gradually recovered, and performance improved in the convenience store business and other businesses. Overseas, the tire business, apparel business and other businesses grew, reflecting recovery in demand in North America and Southeast Asia. Earnings increased year over year, mainly due to an increase in equity earnings and the absence of one-off losses recorded in the previous fiscal year.

The domestic business environment is growing increasingly harsh due to the saturation of the consumer market amid population decline and rising personnel and logistics expenses due to labor shortages. Against this backdrop, we launched a joint initiative with subsidiary Mitsubishi Shokuhin Co., Ltd. to improve logistics efficiency through DX by reducing waste in the supply chain using AI. At the same time, Lawson Inc. is accelerating store openings in China to capture growth in overseas consumer markets, with the number of stores in China surpassing 4,000 in September 2021. We will continue to advance store rollout, including in the Shenzhen and Chengdu areas newly entered during the year ended March 31, 2022.

(9) Power Solution Group

In the year ended March 31, 2022, earnings increased year over year. Although the COVID-19 pandemic continued in Japan and overseas, its impact on upstream businesses associated with power generation and transmission was insignificant thanks to a stable revenue model backed by long-term agreements. Gas and electricity prices steadily rose, particularly climbing even higher near the end of the fiscal year due to the emergence of geopolitical risks associated with the Russia-Ukraine situation. These increases affected the power retailing business in Europe and Japan but were more than offset by an increase in disposal gains on power generating assets.

As the market environment is influenced by a rapid shift toward a carbon neutral society, business opportunities are growing in the field of renewable energy. We are working to further expand the renewable energy business, mainly in Japan, where growth in offshore wind power is forecast, and Europe, where we maintain a platform through N.V. Eneco, as well as in the United States and elsewhere. We are implementing a wide variety of initiatives to build electric power value chains based in renewable energy and ranging from upstream (supplier side) to downstream (consumer side) to meet diversifying utility needs.

(10) Urban Development Group

In the year ended March 31, 2022, earnings increased year over year, mainly due to an increase in disposal gains on assets in the North American real estate development business amid a favorable market and an increase in fund evaluation profit in the corporate investment field reflecting the recovery of global economic activity, despite impairment losses on the sale of an aircraft leasing company and other one-off losses.

In real estate-related operations, the business environment has been recovering, mainly in highly developed countries, with transaction volumes in the United States surpassing the pre-pandemic level in the fourth quarter of the fiscal year, and business was firm.

The corporate investment-related business, especially the North American digital-related firms of our investees, performed strongly, due in part to strong equity and stock markets.

In airport management-related operations, the business environment remained challenging due to the COVID-19 pandemic, profoundly impacting both our airline- and non-airline revenues, but the number of passengers, mainly on domestic routes, steadily recovered.

In the year ending March 31, 2023 and beyond, although the impacts of the COVID-19 pandemic and monetary tightening require close attention, demand for products and services the group provides, such as logistics and data center facilities, is growing thanks to such factors as the expansion of e-commerce and cloud technologies. Taking these factors into account, it is expected that the market will see ongoing growth. The group will continue to reinforce and expand its existing businesses, including those in urban development, infrastructure and asset finance, while combining its businesses in multifaceted ways to meet social and environmental needs, such as urbanization and reducing environmental burden, with high-added-value, large-scale businesses.

2. 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 2022, the global economy as a whole recovered from the economic crisis caused by the COVID-19 pandemic. However, due to additional waves of COVID-19 infection in some areas, albeit with less virulent strains of the virus, and the impact of the Russia-Ukraine situation, the pace of recovery slowed at times. The global economy is expected to continue growing, but there remain many risk factors that could have a negative economic impact, including such geopolitical risks as the Russia-Ukraine situation and U.S.-China tensions; the reduction of U.S. monetary easing; and persistently high resource and energy prices. The situation will require careful monitoring.

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 2023, based on results for the year ended March 2022.)

(1) 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 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 oil and gas prices could have a significant impact on our operating results.

The price of Dubai crude oil approached US\$80/BBL at the end of December 2021 but rose from January onward. Reflecting concerns over possible decreases or interruptions in crude oil exports from Russia in light of the Russia-Ukraine situation, which began in February, and the decision at the March 2 meeting of OPEC-Plus to ignore calls for additional production increases, crude oil prices rose to exceed US\$100/BBL. On March 8, the United States announced a ban on imports of Russian crude oil, and on March 9, the price rose to almost US\$130/BBL. Subsequently, in light of a decision by IEA member countries to release oil reserves, the price settled at around US\$100/BBL as of the end of March. We expect prices to remain highly volatile in the short term.

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 2022 higher than in previous years, at over US\$20 per million British thermal unit (Btu) in early January. Concerns about decreases in the supply of Russian gas due to the Russia-Ukraine situation led to a spike in natural gas prices in Europe, causing spot prices to rise to a record high of US\$84 in early March, but prices have subsequently been below US\$40.

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 approximate ¥2.5 billion effect on profit for the year for LNG and crude oil combined in a 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.

(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 ¥1.6 billion effect on our profit for the year (a US\$10 price fluctuation per lb. of copper would have a ¥3.6 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.

In addition, as production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations. If long-term stagnation or increases are forecast 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.

(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, there is no assurance that we can completely avoid foreign currency risk.

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit for the year. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, 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 ¥4.0 billion effect on profit for the year.

Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders' equity through a negative effect on exchange differences on translating foreign operations. Consequently, as needed we implement various measures to prevent increased exposure to foreign currency risk on investments, such as by hedging foreign currency risks with respect to new large investments. However, there is no assurance that we can completely avoid these risks.

(3) Stock Price Risk

As of March 31, 2022, we owned approximately ¥1,010.0 billion (market value) of marketable securities, mostly equity issues of customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above includes net unrealized gains of approximately ¥160.0 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, 2022, we had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,643.2 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 these risks. 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.

In particular, if additional global waves of COVID-19 accompanying mutations and increased virulence or the emergence of geopolitical risks cause further corporate credit and funding difficulties, a resulting increase in bankruptcy among our customers could impact 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.

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project. Furthermore, we have established a country risk countermeasure system and Regional Strategy Committee to manage country risk.

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.

The Regional Strategy Committee is chaired by the Corporate Functional Officer for Global Strategy. Its responsibilities include assessing the risk situation in various countries, establishing and managing the country risk countermeasure system, and evaluating individual projects. 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 “2. BASIS OF PREPARATION” under “Notes to 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.

Notwithstanding these initiatives, 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.

(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, 2022, the book value of MDP's fixed assets is ¥1,002.9 billion.

The commodity market risks have the potential to affect MDP's profit, in turn affecting our operating performance. For details, please refer to the section entitled "2) (1) Commodity Market Risk (Mineral Resources)."

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. In the fiscal year ended March 31, 2021, we transferred shares of AAS to Chili-based M.C. Inversiones Limitada, our core mineral resource development company in Central and South America, in order to evolve AAS's business management, including flexibly implementing initiatives in Chile with partners, and thereby raise AAS's business value.

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 370,000 tons in 2021.)

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 latest revisions in copper price forecasts and development plan. In relation to copper prices, 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. The book value of the investment in AAS was approximately ¥170.0 billion as of March 31, 2022.

For the status of permitting process related to the investments in AAS, please refer to "41. SUBSEQUENT EVENTS" under "Notes to Consolidated Financial Statements."

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 one of the world's largest undeveloped copper deposits, estimated to contain 8.8 million tons (content mineral basis) of copper ore reserves, and is highly cost competitive. Construction on the project commenced in August 2018 and is advancing toward a planned production start in mid-2022. After full-scale production commences, copper production attributable to Mitsubishi Corporation is estimated to increase by about 120,000 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 is still under development and AAQ'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 latest copper price forecasts and development plan. We formulate these forecasts of copper prices taking into account fundamentals such as the future supply/demand environment and data provided by external financial institutions and other organizations.

The total of the investment book value and loan to AAQ is approximately ¥370.0 billion as of March 31, 2022.

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 ¥207.4 billion as of March 31, 2022.

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 (in which we hold a 96.7% interest and Toho Gas holds a 3.3% interest) and advancing efforts with our partners Shell, Petronas, PetroChina and Korea Gas Corporation. Risks in the commodity market have the potential to affect this project, in turn affecting our operating performance. For details, please refer to the section entitled “2) (1) Commodity Market Risk (Energy Resources).”

In addition to the items mentioned above, we are evaluating our other investments in copper asset interests, as well as investments related to crude oil, gas, and LNG in order to recognize key risks. As production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment than short-term price fluctuations.

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, 2022, Lawson’s convenience store network comprised approximately 14,700 stores in Japan and 4,800 stores overseas, for a total of approximately 19,500 stores.

During the year ended March 31, 2021, we recorded after-tax impairment losses of ¥83.6 billion (the portion attributable to Mitsubishi Corporation) on a portion of the intangible assets and goodwill recognized when Lawson became a subsidiary based on revisions to said subsidiary’s business plans made by Mitsubishi Corporation in light of the weakening of recent financial results and unclear outlook due to the impact of the COVID-19.

Going forward, deterioration in the business environment could affect our operating performance via the performance of Lawson or impairment losses on goodwill. The book value of this goodwill as of March 31, 2022 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is approximately ¥160.0 billion. For details, please refer to “14. INTANGIBLE ASSETS AND GOODWILL” under “Notes to Consolidated Financial Statements.”

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 (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 help reduce greenhouse emissions and 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, 2022 (before calculation to reflect the portion attributable to Mitsubishi Corporation) is approximately ¥120.0 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 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, in the individual business groups and corporate departments, the compliance officers of individual 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 from Natural and Other Types of Disasters and Crises

An unforeseeable crisis, 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 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 the global COVID-19 pandemic, 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 aim to simultaneously generate economic, societal, and environmental value and, as such, have designated “Contributing to Decarbonized Societies” as one of our materiality and regard climate change as one of the key issues for management to address and respond to as the Company strives to achieve sustainable growth. Accordingly, we are working to address risks related to climate change.

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° 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.

In addition, the problems of climate change present new business opportunities related to developing and promoting the use of new technologies and alternative products in such areas as renewable energy, electric vehicles and ethical consumption.

3. Material Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the fiscal year end and the reported amounts of revenues and expenses during the reporting period. 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. 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. Please refer to Note 2, to the consolidated financial statements, “Basis of Preparation” (5) Significant accounting judgments, estimates and assumptions, for the detail of the items which require accounting estimates and judgments and have a significant impact on our financial position and operating results.

4. Year Ended March 2022 vs. Year Ended March 2021

In the year ended March 31, 2022, economic recovery continued in a wide range of regions and countries, including the United States, Europe and China, as economic activity moved closer to returning to normal from the COVID-19 pandemic, although the Russia-Ukraine situation caused an increase in future uncertainty. Japan’s economy began to recover in the second half of the fiscal year, despite the impact of COVID-19, a weaker Japanese yen and rising resource prices. Although emerging economies also stayed on a recovery trajectory overall, some countries experienced a delay in economic recovery due to inflation, rising resource prices and resurgences of COVID-19, including the omicron variant.

Under such circumstances, operating results for the year ended March 31, 2022 were as follows. For details about key initiatives and the operating environment in the year ended March 31, 2022 and after, please refer to 1) “Midterm Corporate Strategy 2024 - Creating MC Shared Value (MCSV),” 2) “Toward the Realization of a Carbon-Neutral Society” and 3) “Operating Environment in the Year Ended March 2022 and Outlook for the Year Ending March 2023 by Segment” under “1. Strategic Issues.”

1) Total Revenues

Revenues for the year ended March 31, 2022 was ¥17,264.8 billion, an increase of ¥4,380.3 billion, or 34% year over year. This was mainly due to rising prices and increased transaction volumes owing to improved market conditions.

2) Gross Profit

Gross profit was ¥2,150.8 billion, an increase of ¥545.7 billion, or 34% year over year, mainly due to improved market conditions in the Australian metallurgical coal business and the Salmon farming business, as well as increased production and sales volumes in the Automotive-related business and increased sales prices in the Steel business.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses was ¥1,432.0 billion, an increase of ¥34.3 billion, or 2% year over year, mainly due to increases arising from the normalization of economic activities, despite a decrease due to deconsolidation of subsidiaries caused by disposal or divestment of shares.

4) Gains (Losses) on Investments

Gains on investments increased ¥13.2 billion, or 21% year over year, to ¥75.3 billion, mainly due to improved fund-related earnings and the sale of overseas power businesses, despite impairment losses on the sale of an aircraft leasing company.

5) Gains (Losses) on Disposal of Property, Plant and Equipment

Gains on disposal and sale of property, plant and equipment and others increased ¥5.2 billion, or 347% year over year, to ¥6.7 billion, mainly due to sales of offices at overseas regional subsidiaries.

6) Impairment Losses on Property, Plant and Equipment, Intangible Assets, Goodwill and Others

Impairment losses on property, plant and equipment, intangible assets, goodwill and others amounted to ¥64.5 billion, an improvement of ¥139.5 billion, or 68% year over year, reflecting impairment losses on goodwill to Lawson and its intangible assets in the previous year.

7) Other Income (Expense)-Net

Other income (expense)-net increased ¥5.3 billion, or 29% year over year, to an income amount of ¥23.3 billion, mainly due to gains related to derivatives.

8) Finance Income

Finance income increased ¥68.7 billion, or 58% year over year, to ¥186.5 billion, mainly due to increased dividend income from resource-related investments.

9) Finance Costs

Finance costs remained nearly the same year over year at ¥46.7 billion.

10) Share of Profit of Investments Accounted for Using the Equity Method

Share of profit of investments accounted for using the equity method increased ¥296.7 billion, or 306% year over year, to ¥393.8 billion, reflecting improved profitability at Mitsubishi Motors Corporation and impairment losses in the previous year as well as increased equity earnings across a wide range of businesses due to improved market conditions.

11) Profit before Tax

Profit before tax increased ¥1,039.6 billion, or 410% year over year, to ¥1,293.1 billion, for the above reasons.

12) Income Taxes

Income taxes increased ¥167.4 billion, or 138% year over year, to ¥288.7 billion, mainly due to increased profit in the Australian metallurgical coal business.

13) Profit (loss) for the Year Attributable to Non-Controlling Interests

Profit (loss) for the year attributable to non-controlling interests improved by ¥107.2 billion year over year to a profit of ¥66.9 billion.

14) Profit for the Year Attributable to Owners of the Parent

As a result of all the above, profit for the year attributable to owners of the Parent increased ¥764.9 billion, or 443% year over year to ¥937.5 billion. Accordingly, ROE was 15.0%.

5. Year Ended March 2022 Segment Information

(Profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”. For details about products and services and operating results of each segment, please refer to Note 6 to the consolidated financial statements.)

1) Natural Gas Group

The group recorded profit for the year of ¥105.1 billion, an increase of ¥83.9 billion, or 396% 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 and increase in dividend income in the LNG-related business.

2) Industrial Materials Group

The group recorded profit for the year of ¥36.8 billion, an increase of ¥32.1 billion, or 683% 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 group recorded profit for the year of ¥40.3 billion, an increase of ¥14.1 billion, or 54% year over year.

The increase in earnings mainly reflected increase in trading profit in the Petrochemicals business and increase in equity earnings in the LPG-related business.

4) Mineral Resources Group

The group recorded profit for the year of ¥420.7 billion, an increase of ¥342.6 billion, or 439% year over year.

The increase in earnings mainly reflected increase in market prices in the Australian metallurgical coal business, increase in dividend income in the Copper business and increase in equity earnings in the Iron ore business.

5) Industrial Infrastructure Group

The group recorded profit for the year of ¥17.3 billion, a decrease of ¥3.9 billion, or 18% year over year.

The decrease in earnings mainly reflected the impairment losses on intangible assets related to investment in Chiyoda Corporation.

6) Automotive & Mobility Group

The group recorded profit for the year of ¥106.8 billion, an increase of ¥134.9 billion year over year.

The increase in earnings mainly reflected the one-off losses at Mitsubishi Motors in the previous year, as well as increase in equity earnings in Mitsubishi Motors and the Asian automotive business.

7) Food Industry Group

The group recorded profit for the year of ¥79.3 billion, an increase of ¥39.9 billion, or 101% year over year.

The increase in earnings mainly reflected improvement in equity earnings in the Salmon farming business.

8) Consumer Industry Group

The group recorded profit for the year of ¥21.0 billion, an increase of ¥94.2 billion year over year.

The increase in earnings mainly reflected impairment losses on goodwill to Lawson and its intangible assets in the previous year.

9) Power Solution Group

The group recorded profit for the year of ¥50.5 billion, an increase of ¥8.2 billion, or 19% year over year.

The increase in earnings mainly reflected increase in disposal gains on overseas power generating assets.

10) Urban Development Group

The group recorded profit for the year of ¥40.0 billion, an increase of ¥14.6 billion, or 57% year over year.

The increase in earnings mainly reflected increase in disposal gains on assets in the North American real estate development business and increase in fund evaluation profit, despite impairment losses on the sale of an aircraft leasing company.

6. Liquidity and Capital Resources

1) 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.

Looking at funding activities in the year ended March 2022, following on from the year ended March 2021, we raised funds through the issuance of foreign currency denominated bonds and other means, in conjunction with efforts to improve financial soundness.

As a result of these funding activities, as of March 31, 2022, gross interest-bearing liabilities (excluding lease liabilities) stood at ¥5,643.2 billion, ¥1.1 billion lower than at March 31, 2021. Of these gross interest-bearing liabilities, 81% represented long-term financing. Hybrid finance accounted for ¥600.0 billion of interest-bearing liabilities. Rating agencies treat 50% of this balance, or ¥300.0 billion, as equity. Gross interest-bearing liabilities at the Parent were ¥4,279.2 billion, of which 78% represented long-term financing, with an average remaining period of approximately 6 years.

For the year ending March 2023, 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 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 overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2022, 82% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance subsidiaries, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated

basis, with a view to refining consolidated management.

The current ratio as of March 31, 2022 was 130% on a consolidated basis. In terms of liquidity, we believe that the Company has a high level of financial soundness. The Parent, Mitsubishi Corporation (Americas) (U.S.A.), Mitsubishi Corporation Finance PLC (U.K.), MC Finance & Consulting Asia Pte. Ltd., and MC Finance Australia Pty Ltd. had ¥416.4 billion in short-term debt as of March 31, 2022, namely commercial paper and bonds scheduled for repayment within a year. However, since the sum of cash and deposits, commitment lines secured on a fee basis, and bond investments due to mature within a year amounted to ¥1,559.4 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,143.0 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion syndicated by major Japanese banks, a commitment line of US\$1.0 billion and a soft currency facility equivalent to US\$0.15 billion syndicated by major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody's Investors Service (Moody's), and Standard and Poor's (S&P). As of March 31, 2022, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook stable) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2022 was ¥21,912.0 billion, an increase of ¥3,277.0 billion, or 18%, from March 31, 2021.

Current assets was ¥9,531.0 billion, an increase of ¥2,428.1 billion, or 34%, from March 31, 2021. This was mainly due to an increase in trade and other receivables attributable to rising prices and increased transaction volumes reflecting recovery in demand.

Non-current assets was ¥12,381.0 billion, an increase of ¥848.9 billion, or 7%, from March 31, 2021. This was mainly due to an increase in property, plant and equipment and investments accounted for using the equity method attributable to the depreciation of the Japanese yen.

Total liabilities was ¥14,054.8 billion, an increase of ¥1,958.2 billion, or 16%, from March 31, 2021.

Current liabilities was ¥7,317.8 billion, an increase of ¥1,947.6 billion, or 36%, from March 31, 2021. This was mainly due to an increase in trade and other payables attributable to rising prices and increased transaction volumes reflecting recovery in demand.

Non-current liabilities was ¥6,737.0 billion, an increase of ¥10.6 billion, or 0%, from March 31, 2021.

Total equity was ¥7,857.2 billion, an increase of ¥1,318.8 billion, or 20%, from March 31, 2021.

Equity attributable to owners of the Parent was ¥6,880.2 billion, an increase of ¥1,266.6 billion, or 23%, from March 31, 2021. 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 ¥52.2 billion, or 6%, from March 31, 2021, to ¥976.9 billion.

Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents and time deposits, decreased ¥238.7 billion, or 6%, from March 31, 2021, to ¥3,939.7 billion.

(March 31,2021)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	580.5	136.5	139.3	475.2	206.2	263.4
Other investments	376.1	77.0	94.4	337.0	46.1	104.6
Property, plant and equipment and Investment property	171.2	107.7	57.4	846.7	127.6	34.2
Intangible assets and goodwill	2.4	11.5	3.3	2.2	129.8	12.2
Total assets	1,579.9	1,128.5	947.5	3,425.0	1,090.2	1,461.4

(March 31,2021)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	318.8	174.0	369.3	562.9	64.4	3,290.5
Other investments	135.7	317.1	16.6	121.0	190.4	1,816.0
Property, plant and equipment and Investment property	298.1	327.2	493.1	55.5	86.9	2,605.6
Intangible assets and goodwill	181.9	539.4	330.9	1.7	33.2	1,248.5
Total assets	1,730.8	3,876.3	1,815.0	996.2	584.2	18,635.0

(March 31,2022)		(Billions of Yen)				
	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility
Investments accounted for using the equity method	599.5	162.1	144.0	523.8	199.4	301.4
Other investments	364.0	52.3	95.7	413.9	52.6	119.1
Property, plant and equipment and Investment property	248.9	107.3	52.5	1,004.2	123.4	38.8
Intangible assets and goodwill	2.2	10.9	3.8	3.4	98.7	10.4
Total assets	2,016.0	1,355.0	1,243.0	4,554.7	1,129.9	1,699.3

(March 31,2022)		(Billions of Yen)				
	Food Industry	Consumer Industry	Power Solution	Urban Development	Others	Total
Investments accounted for using the equity method	350.9	184.8	435.1	602.1	(0.2)	3,502.9
Other investments	156.9	295.8	10.0	121.7	275.9	1,957.9
Property, plant and equipment and Investment property	305.4	345.5	513.6	53.0	85.8	2,878.4
Intangible assets and goodwill	197.5	533.0	331.4	0.4	29.9	1,221.6
Total assets	1,968.6	3,930.3	2,650.1	1,136.2	228.9	21,912.0

3) Cash Flows

Cash and cash equivalents at March 31, 2022 was ¥1,555.6 billion, an increase of ¥237.8 billion from March 31, 2021.

(Operating activities)

Net cash provided by operating activities was ¥1,055.8 billion, mainly due to cash flows from operating transactions and dividend income, despite increases in working capital requirements and the payment of income taxes.

Net cash provided by operating activities increased by ¥38.2 billion year over year, mainly due to the increase of cash flows from operating transactions and dividend income, despite rebound from the decrease in working capital resulting from decreased transactions in the previous year, which were the impact of COVID-19.

(Investing activities)

Net cash used in investing activities was ¥167.6 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 sales of investments in affiliated

companies and other investments.

Net cash used in investing activities decreased by ¥189.7 billion year over year, mainly due to rebound in relation to the payments of investment in HERE Technologies in the previous year, and the proceeds from disposal of interests in the Overseas power business and Aircraft leasing business.

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

New/Sustaining Investments

- Copper business (Mineral Resources)
- Australian metallurgical coal business (Mineral Resources)
- LNG-related business (Natural Gas)
- European integrated energy business (Power Solution)
- North American real estate business (Urban Development)
- Convenience store business (Consumer Industry)
- Overseas power business (Power Solution)
- Asian real estate business (Urban Development)

Sales and Collection

- North American shale gas business (Natural Gas)
- Overseas power business (Power Solution)
- North American real estate business (Urban Development)
- Aircraft leasing business (Urban Development)

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥888.2 billion.

(Financing activities)

Net cash used in financing activities was ¥693.4 billion. The main uses of cash were repayments of lease liabilities, payments of dividends, and repayments of short-term debts.

Net cash used in financing activities was on the same level as the previous year, mainly due to the increase in operating transactions income, which exceeded the demand for funds, despite the increase of demand for working capital.

The dividends were paid in compliance with the shareholder returns policy of progressive dividends in line with sustained profit growth. 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, 2022 was positive ¥1,236.5 billion, an increase of ¥611.3 billion, year over year.

As a result, Adjusted free cash flows was positive ¥1,068.9 billion.

7. Significant Contracts

There were no significant contracts in the year ended March 2022.

8. R&D Activities

There were no material R&D activities in the year ended March 2022.

9. Progress on Corporate Strategy

As for the progress on the corporate strategy, please refer to "1. Strategic Issues".

Note:

Earnings forecasts and other forward-looking statements in this report are based on data currently available to management and certain assumptions that management believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ materially from these statements for various reasons.

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, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting 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 judgement, 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 year 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 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 367,755 million and investments accounted for using the equity method were JPY 385,296 million, respectively, in the consolidated statement of financial position as of March 31, 2022. 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 judgements, 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 potential impacts stemming from 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 this price assumption requires management's significant judgement and a complex determination.

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 which support this assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the potential impact stemming from 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 judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from the COVID-19 pandemic and efforts toward a decarbonized society, 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 326,419 million, investments accounted for using the equity method were JPY 598,459 million (total of JPY 391,031 million in LNG-related business and JPY 207,428 million in Shale gas business), and property, plant and equipment were JPY 210,071 million, respectively, in the consolidated statement of financial position as of March 31, 2022. 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 judgements, estimates and assumptions," to the consolidated financial statements, due to the fact 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 potential impacts stemming from the COVID-19 pandemic and efforts towards a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation. 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 this price assumption requires management's significant judgement and a complex determination.

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 which support this assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the potential impact stemming from the COVID-19 pandemic, efforts towards a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation, 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 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 judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from the COVID-19 pandemic, efforts toward a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation, by testing the consistency with the results of work performed over medium- to long-term crude oil price assumption as discussed 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 International Financial Reporting 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 International Financial Reporting 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.

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 judgement 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 judgement. 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 International Financial Reporting 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 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.

/s/ Deloitte Touche Tohmatsu LLC

June 24, 2022

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan (the "Act") requires management of Japanese public companies to annually evaluate whether internal control over financial reporting ("ICFR") is effective as of each fiscal year-end and to disclose the assessment to investors in a "Management Internal Control Report." The Act also requires that the independent auditor of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditor's Report ("indirect reporting"). Under the Act, these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated our ICFR as of March 31, 2022 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2022, we concluded that our internal control system over financial reporting as of March 31, 2022 was effective and reported as such in the Management Internal Control Report.

Our Independent Auditor, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditor's Report filed under the Act is attached on the following pages.

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

1 [Matters relating to the basic framework for internal control over financial reporting]

Katsuya Nakanishi, President and CEO, and Yuzo Nouchi, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Mitsubishi Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters relating to the scope of assessment, the basic date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2022, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting in a consolidation ("company-level controls"). We appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and companies that are accounted for using the equity method, from the perspective of the materiality that may affect the reliability of the Company's financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and companies that are accounted for using the equity method. We did not include those consolidated subsidiaries and companies that are accounted for using the equity method, which do not have any material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, in principle we accumulated locations and business units in descending order of total assets (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany transactions) for the prior fiscal year, and those locations and business units whose combined amount of total assets reaches approximately 2/3 of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 2/3 of consolidated income before income taxes on a consolidated basis were selected as "significant locations and business units." At the selected significant locations and business units, we included, in the scope of assessment, (i) those business processes leading to revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively-material accounts. Further, not only at selected significant locations and business units, but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

3 [Matters relating to the results of the assessment]

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan (Translation)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act in Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 24, 2022

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yuki Higashikawa

Designated Engagement Partner,
Certified Public Accountant:

Hirofumi Otani

Designated Engagement Partner,
Certified Public Accountant:

Sogo Ito

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Mitsubishi Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2022, 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 fiscal year from April 1, 2021 to March 31, 2022, and notes to consolidated financial statements.

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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

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 judgement, 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 year 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 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 367,755 million and investments accounted for using the equity method were JPY 385,296 million, respectively, in the consolidated statement of financial position as of March 31, 2022. 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 judgements, 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 potential impacts stemming from 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 this price assumption requires management's significant judgement and a complex determination.

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 which support this assumption to evaluate the reasonableness of the Group's medium- to long-term copper price assumption, considering the potential impact stemming from 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 judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from the COVID-19 pandemic and efforts toward a decarbonized society, 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 326,419 million, investments accounted for using the equity method were JPY 598,459 million (total of JPY 391,031 million in LNG-related business and JPY 207,428 million in Shale gas business), and property, plant and equipment were JPY 210,071 million, respectively, in the consolidated statement of financial position as of March 31, 2022. 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 judgements, estimates and assumptions," to the

consolidated financial statements, due to the fact 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 potential impacts stemming from the COVID-19 pandemic, efforts towards a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation. 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 this price assumption requires management's significant judgement and a complex determination.

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 which support this assumption to evaluate the reasonableness of the Group's medium- to long-term crude oil price assumption, considering the potential impact stemming from the COVID-19 pandemic, efforts towards a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation, 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 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 judgements, estimates and assumptions," to the consolidated financial statements, including the uncertainty of potential impacts stemming from the COVID-19 pandemic, efforts toward a decarbonized society, and the geopolitical risk arising from the Russia-Ukraine situation, by testing the consistency with the results of work performed over medium- to long-term crude oil price assumption as discussed above.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon. 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.

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 International Financial Reporting 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 International Financial Reporting Standards.

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. 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 judgement 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 judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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 International Financial Reporting 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 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.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2022.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit 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.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgement, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control 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 internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

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.

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.

Consolidated Financial Statements

Consolidated Statement of Financial Position

March 31, 2021 and 2022

ASSETS	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Current assets			
Cash and cash equivalents (Note 30)	¥1,317,824	¥1,555,570	\$12,751
Time deposits (Note 30)	148,081	147,878	1,212
Short-term investments (Notes 7, 30 and 34)	15,201	7,000	57
Trade and other receivables (Notes 8, 16, 24, 30, 35 and 38)	3,269,390	4,283,171	35,108
Other financial assets (Notes 30, 31 and 32)	209,402	774,833	6,351
Inventories (Notes 9 and 30)	1,348,861	1,776,616	14,562
Biological assets (Note 10)	74,182	98,268	806
Advance payments to suppliers	58,027	99,671	817
Assets classified as held for sale (Note 11)	41,020	202,157	1,657
Other current assets (Note 30)	620,905	585,881	4,802
Total current assets	7,102,893	9,531,045	78,123
Non-current assets			
Investments accounted for using the equity method (Notes 2 and 38)	3,290,508	3,502,881	28,712
Other investments (Notes 2, 7, 16, 30 and 34)	1,816,029	1,957,880	16,048
Trade and other receivables (Notes 8, 16, 30, 34, 35 and 38)	763,124	829,686	6,801
Other financial assets (Notes 30, 31 and 32)	93,102	218,701	1,793
Property, plant and equipment (Notes 12, 15 and 16)	2,510,238	2,784,039	22,820
Investment property (Notes 13 and 16)	95,419	94,399	774
Intangible assets and goodwill (Note 14)	1,248,462	1,221,568	10,013
Right-of-use assets (Note 35)	1,469,700	1,520,536	12,463
Deferred tax assets (Note 28)	42,233	53,548	439
Other non-current assets (Note 10)	203,263	197,729	1,621
Total non-current assets	11,532,078	12,380,967	101,484
Total assets (Note 6)	¥18,634,971	¥21,912,012	\$179,607

See notes to the consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	¥1,262,522	¥1,603,420	\$13,143
Trade and other payables (Notes 18, 30, 33 and 38)	2,665,060	3,382,112	27,722
Lease liabilities (Notes 35 and 36)	235,498	253,519	2,078
Other financial liabilities (Notes 30, 31, 32 and 33)	256,657	884,112	7,247
Advances from customers (Note 24)	133,474	238,656	1,956
Income tax payables	53,178	169,827	1,392
Provisions (Note 20)	89,268	92,154	755
Liabilities directly associated with assets classified as held for sale (Note 11)	12,762	9,585	79
Other current liabilities (Note 30)	661,766	684,448	5,610
Total current liabilities	5,370,185	7,317,833	59,982
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 36 and 38)	4,381,793	4,039,749	33,113
Trade and other payables (Notes 18, 30, 33 and 38)	54,893	47,814	392
Lease liabilities (Notes 35 and 36)	1,304,703	1,338,788	10,974
Other financial liabilities (Notes 30, 31, 32 and 33)	55,817	218,053	1,787
Retirement benefit obligation (Note 19)	129,126	127,394	1,044
Provisions (Note 20)	195,997	280,633	2,300
Deferred tax liabilities (Note 28)	569,641	643,862	5,278
Other non-current liabilities	34,426	40,714	334
Total non-current liabilities	6,726,396	6,737,007	55,222
Total liabilities	12,096,581	14,054,840	115,204
Equity			
Common stock (Note 21)	204,447	204,447	1,676
Additional paid-in capital (Note 21)	228,552	226,483	1,856
Treasury stock (Note 21)	(26,750)	(25,544)	(209)
Other components of equity			
Other investments designated as FVTOCI (Note 22)	457,123	511,059	4,189
Cash flow hedges (Notes 22 and 32)	(52,355)	(121,321)	(994)
Exchange differences on translating foreign operations (Notes 22 and 32)	379,917	880,674	7,218
Total other components of equity	784,685	1,270,412	10,413
Retained earnings (Notes 7 and 21)	4,422,713	5,204,434	42,659
Equity attributable to owners of the Parent	5,613,647	6,880,232	56,395
Non-controlling interests (Note 5)	924,743	976,940	8,008
Total equity	6,538,390	7,857,172	64,403
Total liabilities and equity	¥18,634,971	¥21,912,012	\$179,607

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Revenues (Notes 6, 24, 26, 32 and 35)	¥12,884,521	¥17,264,828	\$141,515
Cost of revenues (Notes 9, 14, 26 and 32)	(11,279,415)	(15,114,064)	(123,886)
Gross profit (Note 6)	1,605,106	2,150,764	17,629
Selling, general and administrative expenses (Notes 14, 25 and 35)	(1,397,707)	(1,432,039)	(11,738)
Gains (losses) on investments (Notes 5, 26, 30, 37 and 38)	62,082	75,254	617
Gains (losses) on disposal and sale of property, plant and equipment and others	1,530	6,712	55
Impairment losses on property, plant and equipment, intangible assets, goodwill and others (Notes 12, 13, 14 and 15)	(204,047)	(64,517)	(529)
Other income (expense)-net (Notes 10, 15, 26, 27, 30, 32 and 34)	17,951	23,289	191
Finance income (Notes 7 and 26)	117,826	186,532	1,529
Finance costs (Notes 26 and 35)	(46,300)	(46,682)	(383)
Share of profit (loss) of investments accounted for using the equity method (Notes 6 and 38)	97,086	393,803	3,228
Profit (loss) before tax	253,527	1,293,116	10,599
Income taxes (Note 28)	(121,286)	(288,657)	(2,366)
Profit (loss) for the year	¥132,241	¥1,004,459	\$8,233
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥172,550	¥937,529	\$7,685
Non-controlling interests	(40,309)	66,930	548
	¥132,241	¥1,004,459	\$8,233
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥116.86	¥635.06	\$5.21
Diluted (Note 29)	116.57	625.73	5.13

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Profit (loss) for the year	¥132,241	¥1,004,459	\$8,233
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)	129,453	82,239	674
Remeasurement of defined benefit pension plans (Notes 19 and 22)	29,813	20,412	167
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	10,719	10,968	90
Total	169,985	113,619	931
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Notes 22 and 32)	(13,882)	(97,950)	(803)
Exchange differences on translating foreign operations (Notes 22 and 32)	306,277	440,530	3,611
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 38)	(11,796)	108,528	890
Total	280,599	451,108	3,698
Total other comprehensive income (loss) (Note 22)	450,584	564,727	4,629
Total comprehensive income (loss)	¥582,825	¥1,569,186	\$12,862
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥604,354	¥1,471,506	\$12,061
Non-controlling interests	(21,529)	97,680	801
	¥582,825	¥1,569,186	\$12,862

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Common stock:			
Balance at the beginning of the year (Note 21)	¥204,447	¥204,447	\$1,676
Balance at the end of the year (Note 21)	204,447	204,447	1,676
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	228,153	228,552	1,873
Compensation costs related to share-based payment (Note 23)	2,049	2,135	17
Sales of treasury stock upon exercise of share-based payment	(1,041)	(636)	(5)
Equity transactions with non-controlling interests and others (Note 37)	(609)	(3,568)	(29)
Balance at the end of the year	228,552	226,483	1,856
Treasury stock:			
Balance at the beginning of the year	(294,580)	(26,750)	(219)
Sales of treasury stock upon exercise of share-based payment	1,652	1,218	10
Purchases and sales—net (Note 21)	(19,784)	(12)	0
Cancellation	285,962	—	—
Balance at the end of the year	(26,750)	(25,544)	(209)
Other components of equity:			
Balance at the beginning of the year (Note 22)	415,186	784,685	6,432
Other comprehensive income (loss) attributable to owners of the Parent (Notes 22 and 32)	431,804	533,977	4,376
Transfer to retained earnings (Note 22)	(62,305)	(48,250)	(395)
Balance at the end of the year (Note 22)	784,685	1,270,412	10,413
Retained earnings: (Note 21)			
Balance at the beginning of the year	4,674,153	4,422,713	36,252
Profit (loss) for the year attributable to owners of the Parent	172,550	937,529	7,685
Cash dividends paid to owners of the Parent (Note 21)	(199,853)	(203,737)	(1,670)
Sales of treasury stock upon exercise of share-based payment	(480)	(321)	(3)
Cancellation of treasury stock	(285,962)	—	—
Transfer from other components of equity	62,305	48,250	395
Balance at the end of the year	4,422,713	5,204,434	42,659
Equity attributable to owners of the Parent	5,613,647	6,880,232	56,395
Non-controlling interests:			
Balance at the beginning of the year	989,535	924,743	7,580
Cash dividends paid to non-controlling interests	(40,866)	(54,047)	(443)
Equity transactions with non-controlling interests and others	(2,397)	8,564	70
Profit (loss) for the year attributable to non-controlling interests	(40,309)	66,930	548
Other comprehensive income (loss) attributable to non-controlling interests (Notes 22 and 32)	18,780	30,750	253
Balance at the end of the year	924,743	976,940	8,008
Total equity	¥6,538,390	¥7,857,172	\$64,403
Comprehensive income (loss) attributable to:			
Owners of the Parent	¥604,354	¥1,471,506	\$12,061
Non-controlling interests	(21,529)	97,680	801
Total comprehensive income (loss)	¥582,825	¥1,569,186	\$12,862

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2021 and 2022

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2021	2022	2022
Operating activities:			
Profit (loss) for the year	¥132,241	¥1,004,459	\$8,233
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	523,830	545,043	4,467
(Gains) losses on investments	(62,082)	(75,254)	(617)
(Gains) losses on property, plant and equipment, intangible assets, goodwill and others	202,517	57,805	474
Finance (income) - net of finance costs	(71,526)	(139,850)	(1,146)
Share of (profit) loss of investments accounted for using the equity method	(97,086)	(393,803)	(3,228)
Income taxes	121,286	288,657	2,366
Changes in trade receivables	26,210	(673,674)	(5,522)
Changes in inventories	41,709	(236,396)	(1,938)
Changes in trade payables	74,680	396,298	3,248
Other - net (Note 19)	(43,217)	(70,519)	(578)
Dividends received	271,204	493,860	4,048
Interest received	80,350	80,601	661
Interest paid	(67,731)	(64,444)	(528)
Income taxes paid	(114,835)	(156,939)	(1,286)
Net cash provided by (used in) operating activities	1,017,550	1,055,844	8,654
Investing activities:			
Payments for property, plant and equipment and others	(388,981)	(393,833)	(3,228)
Proceeds from disposal of property, plant and equipment and others	47,753	27,888	229
Payments for investment property	(425)	(443)	(4)
Proceeds from disposal of investments property	1,344	1,329	11
Purchases of investments accounted for using the equity method	(253,316)	(157,003)	(1,287)
Proceeds from disposal of investments accounted for using the equity method	129,938	246,455	2,020
Acquisitions of businesses - net of cash acquired (Note 36)	502	(45,154)	(370)
Proceeds from disposal of businesses - net of cash divested (Note 36)	28,407	53,278	437
Purchases of other investments	(43,009)	(26,990)	(221)
Proceeds from disposal of other investments	187,756	142,987	1,172
Increase in loans receivable	(80,355)	(82,953)	(680)
Collection of loans receivable	50,948	60,809	498
Net (increase) decrease in time deposits	(37,859)	6,080	50
Net cash provided by (used in) investing activities	(357,297)	(167,550)	(1,373)
Financing activities:			
Net increase (decrease) in short-term debts (Note 36)	(183,322)	(159,572)	(1,308)
Proceeds from long-term debts (Note 36)	795,173	864,567	7,086
Repayments of long-term debts (Note 36)	(759,624)	(865,450)	(7,094)
Repayments of lease liabilities (Notes 35 and 36)	(277,531)	(279,784)	(2,293)
Dividends paid to owners of the Parent (Note 21)	(199,853)	(203,737)	(1,670)
Dividends paid to the non-controlling interests	(40,866)	(54,047)	(443)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(18,325)	(20,393)	(167)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	12,948	25,033	205
Net (increase) decrease in treasury stock (Note 21)	(19,784)	(13)	(0)
Net cash provided by (used in) financing activities	(691,184)	(693,396)	(5,684)
Effect of exchange rate changes on cash and cash equivalents	25,943	42,848	352
Net increase (decrease) in cash and cash equivalents	(4,988)	237,746	1,949
Cash and cash equivalents at the beginning of the year	1,322,812	1,317,824	10,802
Cash and cash equivalents at the end of the year	¥1,317,824	¥1,555,570	\$12,751

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 diverse industrial sectors, including living, mobility and infrastructure, energy and power generation, from upstream natural resource development to midstream trading and manufacturing of a wide range of products and the downstream provision of consumer goods and services, as well as finance, logistics, and other service sectors. Leveraging its ability to take a holistic view across numerous industries, 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 "Segment Information." The consolidated financial statements of the Parent comprise the accounts of the Company, including the 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, 2022 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥122=US\$1, the approximate rate of exchange at March 31, 2022. 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, 2022 are as follows:

Standards and interpretations	Outline
IAS 1 (Amended)	Improvement of the disclosure of accounting policies

In the year ended March 31, 2022, the Company opted for the early application of the IAS 1 (Amended). In line with this amendment, the Company has reviewed its criteria for determining material accounting policies based on the IAS 1 (Amended), thereby reducing a number of criteria while making some additions. For accounting policies to be considered material upon these revisions, refer to Note 3. In addition, the consolidated financial statements for the year ended March 31, 2022 have not been affected by the early application of IAS 1 (Amended) except for matters noted above.

(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. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Impact of the COVID-19 pandemic

Although the impact of the COVID-19 pandemic has yet to be fully contained as of March 31, 2022 progress of vaccination has

continued steadily around the globe, helping number of people receive vaccines. Moreover, the ratio of COVID-19 patients who develop serious symptoms has now grown smaller because of the virus's attenuation in the course of mutation. Taking these and other factors into account, some countries (especially those in Europe, the United States and other developed countries) began to seek ways to maintain their economic activities in a way that coexists with the virus. Under these circumstances, it is assumed that the direct downward pressure on the economy from COVID-19 will recede as a major economic risk factor, as shown in the economic forecasts issued by public institutions.

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 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 as of March 31, 2023. It is assumed that it will take time to 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 production business in the Natural Gas segment. As of March 31, 2022, the carrying amount of total assets related to the Company's business in Russia amount to ¥228,754 million. The Company reflected the assumptions discussed above in the valuation of these assets. For details on the LNG-related business investment's fair value, refer to Notes 30.

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 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. On the other hand, the progress in decarbonization involves a high degree of uncertainty. 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. Regarding medium- to long-term price assumption for copper and crude oil, refer to "Medium- to long-term price assumption for copper and crude oil". Moreover, regarding the impact on provisions, refer to Notes 20.

Medium- to long-term price assumption for copper and crude oil

The Company holds shares in entities that are engaged in copper business in the Mineral Resources segment. The Company also holds shares in entities that engage in LNG-related business and shale gas business in the Natural Gas segment. These shares are included in Other investments, Property, plant and equipment, and Investments accounted for using the equity method in the Consolidated Statement of Financial Position. The fair value of these investments as of March 31, 2021, and March 31, 2022, are as follows.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
(Copper business)			
Other investments (financial assets measured at FVTOCI)	¥294,943	¥367,755	\$3,014
Investments accounted for using the equity method	339,754	385,296	3,158
(LNG-related business)			
Other investments (financial assets measured at FVTOCI)	¥347,679	¥326,419	\$2,676
Investments accounted for using the equity method	366,663	391,031	3,205
Property, plant and equipment	130,695	210,071	1,722
(Shale gas business)			
Investments accounted for using the equity method	¥213,483	¥207,428	\$1,700

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 carrying amount of the investment is adjusted to the recoverable amount, 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.

The FVTOCI financial assets principally included Minera Escondida and Compania Minera Antamina for copper and also included Sakhalin Energy Investment Company and Malaysia LNG Dua for LNG.

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. The Company estimates that the potential impact of the COVID-19 pandemic on the medium- to long-term price assumption of copper is limited. This projection is based on a slight year-on-year increase in copper demand in 2021 reflecting recovery in the world economy, especially in Europe and the United States, as well as China, which represents half of the global demand for copper. On the supply side, despite some restrictions related to COVID-19 countermeasures, mining operations have continued to operate steadily, thus supporting the above projection. Looking ahead, the Company anticipates an increase in demands for copper, 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 2027, which is reviewed every year, is similar to price forecasts disclosed by third parties, excluding inflationary effects (approximately US\$3.6/lb., the mean of the price forecasts as of March 2022 disclosed by analysts in financial institutions). The Company's estimate at the close of the year ended March 31, 2021 for the medium-to long-term price assumption for copper after 2026 was similar to price forecasts disclosed by third parties, excluding inflationary effects (approximately US\$2.9/lb., the mean of the price forecasts as of March 2021 disclosed by analysts in financial institutions). However, the Company revised this estimate upward as it anticipates further growth in

copper demand over the medium-to long-term on the back of the acceleration of collective efforts aimed at decarbonization.

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 Russia-Ukraine situation has caused geographical risks to grow substantially, leading to surges in crude oil prices. Accordingly, the Company estimates that future developments will remain highly volatile despite announcement made by OPEC Plus as well as the members of the International Energy Agency (IEA) of a collective release of oil reserves. From the long-term perspective, the Company forecasts that crude oil demand will peak in the latter half of the 2030s or even earlier, 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 Dubai crude oil, which is reviewed every year, will reach about US\$70/BBL in 2026, excluding inflationary effects, as of March 31, 2022. At the close of the year ended March 31, 2021, the Company similarly estimated that the medium- to long-term price assumptions of Dubai crude oil would reach about US\$70/BBL in 2025, 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, 2023 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, 2022 are included in the following notes:

- Segment information: Note 6
- Intangible assets and goodwill: Note 14
- 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. Where this is the 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 in the financial statements 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 fair value. 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 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.

(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

Due to N.V. Eneco becoming a consolidated subsidiary 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 cost 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.

(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 the fiscal year ended March 31, 2021 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, 2022 are as follows.

With the application of IAS37(Amended), due to clarification of costs to consider in assessing whether a contract is onerous, the Company needs to recognize additional provisions for some contracts.

The Company plans to recognize the cumulative effect of applying IAS37(Amended) in LNG sales business as adjustments of the beginning balance of retained earnings on the date of initial application. As a result, retained earnings (and provisions) of the consolidated financial statement of financial position at the beginning of the year ending March 31, 2023 are expected to decrease (increase) by ¥17,004 Million (¥20,486 Million) respectively.

Except the above impact of the consolidated financial statement of financial position at the beginning of the year ending March 31, 2023, the Company expects no significant impact on the consolidated financial statements.

As of March 31, 2022, potential impacts that application of IFRS17 will have on the consolidated financial statements cannot be reasonably estimated since it is currently under consideration.

Even though the Company stated in the Financial Section of Integrated Report 2021 that IAS1(Amended) would be applied from the reporting period ended June 2021, the reporting period of its application has been changed to the fiscal year ending March 2023 or later (Undecided) since the standard is expected to be further amended.

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
IAS37 (Amended)	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	March 31, 2023	Clarification of costs to consider in assessing whether a contract is onerous
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, 2023	Undecided	Clarification of requirements related to the classification of liabilities as current or non-current

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

Year Ended March 31, 2021

There were no significant business combinations or acquisitions of joint operations for the year ended March 31, 2021.

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). This payment is included in "Acquisitions of businesses - net of cash acquired" on the Consolidated Statement of Cash Flows.

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 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. Note that, for this business combination, the initial measurements of the assets acquired, liabilities assumed and non-controlling interests associated with this business combination have not been completed. As such, the values below are provisional based on currently available information as of the date these financial statements are issued. The payment of the remaining 30% of the consideration for the shares and the acquisition of MV2's shares will be completed in the year ending March 31, 2023. Upon the completion of acquiring these shares, the Company will hold 41.09% of the voting rights to MV2 through MCUDV and 39.08% through MCOP, for a total of 80.17%.

	<u>Millions of Yen</u>	<u>Millions of U.S. Dollars</u>
	2022	2022
Fair value of consideration paid (Note 1)	¥38,066	\$312
Recognized amount of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	¥3	\$0
Trade and other receivables (current)	22,598	185
Inventories (Note 2)	48,919	401
Deferred tax assets	310	3
Trade and other payables (current)	(25,488)	(209)
Total identifiable net assets	<u>¥46,342</u>	<u>\$380</u>
Non-controlling interests	¥(9,512)	\$(78)
Amount of goodwill recognized	1,236	10
Total	<u>¥38,066</u>	<u>\$312</u>

Notes:

1. "Fair value of consideration paid" includes the 30% unpaid as of March 31, 2022.
2. "Inventories" consists of "Real estate held for development and resale" that is expected to be sold after more than 12 months. 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.

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, Russia 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, 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 metallurgical coal, copper, 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 fulfill 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.
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. The Group also engages in lithium-ion battery production, battery service businesses such as distributed power supply 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, 2021 and 2022 was as follows:

As for "Revenues", please refer to Note 24.

Millions of Yen							
2021	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	¥25,016	¥105,027	¥95,524	¥78,592	¥88,197	¥137,067	¥231,313
Share of profit (loss) of investments accounted for using the equity method	29,509	2,970	4,859	36,435	14,084	(61,406)	17,003
Profit (loss) for the year attributable to owners of the Parent	21,202	4,655	26,232	78,130	21,238	(28,104)	39,429
Total assets	1,579,876	1,128,501	947,528	3,425,026	1,090,182	1,461,360	1,730,763

Millions of Yen							
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	¥683,892	¥112,914	¥38,595	¥1,596,137	¥7,231	¥1,738	¥1,605,106
Share of profit (loss) of investments accounted for using the equity method	7,091	19,243	27,580	97,368	(346)	64	97,086
Profit (loss) for the year attributable to owners of the Parent	(73,249)	42,257	25,419	157,209	17,899	(2,558)	172,550
Total assets	3,876,324	1,814,988	996,154	18,050,702	2,710,802	(2,126,533)	18,634,971

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 U.S. Dollars							
2022	Natural Gas	Industrial Materials	Petroleum & Chemicals Solution	Mineral Resources	Industrial Infrastructure	Automotive & Mobility	Food Industry
Gross profit	\$234	\$1,177	\$862	\$3,955	\$909	\$1,469	\$2,203
Share of profit of investments accounted for using the equity method	755	288	117	713	17	395	244
Profit for the year attributable to owners of the Parent	862	302	330	3,448	142	875	650
Total assets	16,524	11,107	10,188	37,334	9,261	13,928	16,136

Millions of U.S. Dollars							
	Consumer Industry	Power Solution	Urban Development	Total	Other	Adjustments and Eliminations	Consolidated
Gross profit	\$5,587	\$947	\$240	\$17,583	\$57	\$(11)	\$17,629
Share of profit of investments accounted for using the equity method	113	123	446	3,211	17	—	3,228
Profit for the year attributable to owners of the Parent	172	414	328	7,523	(5)	167	7,685
Total assets	32,216	21,722	9,313	177,729	24,693	(22,815)	179,607

Notes:

- "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.
- "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
- As for the impairment losses and other losses at Mitsubishi Motors in "Automotive & Mobility" in the year ended March 31, 2021, please refer to Note 38.
- As for the impairment losses on goodwill to Lawson and its intangible assets in "Consumer Industry" in the year ended March 31, 2021, please refer to Note 14.
- As for the reversal of impairment losses related to investment in an aluminum smelting operating company in "Mineral resources", please refer to Note 38.
- As for the impairment losses on intangible assets related to investment in Chiyoda Corporation in "Industrial Infrastructure", please refer to Note 14.
- 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", please refer to Note 38.

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Revenues:			
Japan	¥7,591,828	¥8,948,983	\$73,352
U.S.A	1,612,233	2,680,092	21,968
Singapore	674,324	1,213,203	9,944
Australia	491,880	1,061,888	8,704
Other	2,514,256	3,360,662	27,547
Total	¥12,884,521	¥17,264,828	\$141,515
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥2,789,393	¥2,715,104	\$22,255
Australia	870,711	1,042,453	8,545
Netherlands	619,060	606,926	4,975
Other	1,143,778	1,354,068	11,099
Total	¥5,422,942	¥5,718,551	\$46,874

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, 2021 and 2022.

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, 2021 and 2022.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2021)				
Short-term investments	¥1,304	—	¥13,897	¥15,201
Other investments	161,815	¥1,442,120	212,094	1,816,029
(March 31, 2022)				
Short-term investments	—	—	7,000	7,000
Other investments	181,745	1,562,519	213,616	1,957,880

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2022)				
Short-term investments	—	—	\$57	\$57
Other investments	\$1,490	\$12,807	1,751	16,048

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, 2021 and 2022.

The following is a breakdown of the fair values of “Short-term investments” and “Other investments” measured at FVTOCI at March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Marketable	¥573,199	¥542,647	\$4,448
Non-marketable	868,921	1,019,872	8,359
Total	¥1,442,120	¥1,562,519	\$12,807

The fair values of the marketable securities at March 31, 2021 and 2022 were mainly as follows:

Security name	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
ISUZU MOTORS	¥75,660	¥101,049	\$828
AYALA CORPORATION	64,288	73,764	605
NISSIN FOODS HOLDINGS	68,460	64,915	532
SUMBER ALFARIA TRIJAYA	32,729	49,092	402
CAP	33,431	35,399	290
INPEX CORPORATION	11,055	21,057	173
THAI UNION GROUP	18,096	20,709	170
MITSUBISHI ESTATE	20,270	19,080	156
RYOHIN KEIKAKU	28,230	15,430	126
YAMAZAKI BAKING	17,621	14,765	121

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, 2021 and 2022, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2021 and 2022 that were recognized for the years ended March 31, 2021 and 2022 were ¥83,803 million and ¥149,570 million (\$1,226 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, 2021 and 2022 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Fair value at the time of derecognition	¥111,516	¥87,142	\$714
Accumulated gain or loss on disposal (before tax)	50,344	31,184	256

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2021 and 2022.

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, 2021 and 2022, 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, 2021 and 2022. 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		Millions of U.S. Dollars
	2021	2022	2022
Current trade and other receivables			
Notes receivable-trade	¥225,641	¥235,698	\$1,932
Accounts receivable-trade and other and lease receivables	2,895,546	3,674,618	30,120
Other receivables	184,338	412,145	3,378
Loss allowance	(36,135)	(39,290)	(322)
Total current trade and other receivables	¥3,269,390	¥4,283,171	\$35,108
Non-current trade and other receivables			
Trade and lease receivables	¥531,304	¥515,505	\$4,225
Loans receivable	222,758	313,244	2,568
Other receivables	36,094	29,774	244
Loss allowance	(27,032)	(28,837)	(236)
Total non-current trade and other receivables	¥763,124	¥829,686	\$6,801

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, 2021 and 2022.

(March 31, 2021)

	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	¥3,161,662	¥484,385	¥208,382	¥22,385	¥2,176	¥1,286
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	48,363	38,132	8,150	1,602	1,694	227
Credit-impaired receivables	45,826	15,070	11,307	22,660	2,196	8,941
Total	¥3,255,851	¥537,587	¥227,839	¥46,647	¥6,066	¥10,454

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, 2021 was immaterial.

(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

	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	\$33,064	\$4,124	\$2,451	\$239	\$23	\$21
Lifetime expected credit losses						
Receivables for which there have been significant increases in credit risk	549	345	77	22	15	0
Credit-impaired receivables	310	32	80	175	7	56
Total	\$33,923	\$4,501	\$2,608	\$436	\$45	\$77

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.

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, 2022.

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 ¥9,929 million and ¥11,730 million (\$96 million) at March 31, 2021 and 2022, 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, 2021 and 2022 were as follows.

(Year ended March 31, 2021)

	Millions of Yen			Total
	12-month expected credit losses	Lifetime expected credit losses		
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	¥24,238	¥3,381	¥26,634	¥54,253
Provision for expected credit losses	3,307	1,394	13,123	17,824
Charge-offs	(1,869)	(1,420)	(9,331)	(12,620)
Other	171	168	3,371	3,710
Balance at the end of the year	¥25,847	¥3,523	¥33,797	¥63,167

(Year ended March 31, 2022)

	Millions of Yen			Total
	12-month expected credit losses	Lifetime expected credit losses		
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
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

	Millions of U.S. Dollars			Total
	12-month expected credit losses	Lifetime expected credit losses		
		Receivables for which there have been significant increases in credit risk	Credit impaired receivables	
Balance at the beginning of the year	\$212	\$29	\$277	\$518
Provision for expected credit losses	82	6	75	163
Charge-offs	(20)	—	(96)	(116)
Other	9	2	(18)	(7)
Balance at the end of the year	\$283	\$37	\$238	\$558

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, 2022.

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, 2021 and 2022 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Merchandise and finished goods	¥1,077,889	¥1,354,173	\$11,100
Raw materials, work in progress and supplies	206,220	303,506	2,487
Real estate held for development and resale	64,752	118,937	975
Total	¥1,348,861	¥1,776,616	\$14,562
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥471,201	¥554,556	\$4,546

The amount of "Real estate held for development and resale" includes ¥33,098 million and ¥87,280 million (\$715 million) that were expected to be sold after more than 12 months at March 31, 2021 and 2022, 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, 2021 and 2022.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2021 and 2022.

10. BIOLOGICAL ASSETS

The following is a breakdown of carrying amounts of biological assets at March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Salmon Farming	¥60,561	¥84,985	\$697
Other	14,075	13,722	112
Carrying amounts	¥74,636	¥98,707	\$809

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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Cost of biological assets	¥55,224	¥66,028	\$541
Fair value adjustments	5,337	18,957	156
Carrying amounts	¥60,561	¥84,985	\$697

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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Balance at the beginning of year	¥46,382	¥60,561	\$497
Increase due to production	81,261	101,607	833
Decrease due to sales / harvest / mortality	(75,274)	(97,436)	(799)
Fair value adjustments	1,786	11,309	93
Exchange translations and others	6,406	8,944	73
Balance at the end of year	¥60,561	¥84,985	\$697

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 price risk, the Company enters into financial 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, 2021 and 2022.

	Tonnes	
	2021	2022
Balance at the beginning of year	96,848	111,548
Increase due to production	238,910	257,140
Decrease due to sales/harvest/mortality	(224,210)	(250,375)
Balance at the end of year	111,548	118,313

11. NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

The following disposal groups are classified as held for sale as of March 31, 2022 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year. Amounts related to both non-current assets and disposal groups held for sale were immaterial for the year ended March 31, 2021, and 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 are classified as a disposal group held for sale, and the disposal group was measured at fair value less cost to sell in Level 2, because negotiations regarding the sale of shares in said subsidiary have progressed to a certain level and the loss of control over its assets and liabilities is expected in the year ending March 31, 2023. Impairment losses recorded due to the classification as held for sale are immaterial.

The following is a breakdown of the assets and liabilities classified as a disposal group held for sale at March 31, 2022.

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 (\$13 million) and ¥80,670 million (\$661 million), respectively.

Item	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥2,582	\$21
Trade and other receivables	128,634	1,055
Other	4,787	39
Total assets	¥136,003	\$1,115
Trade and other payables	¥5,669	\$47
Other	2,096	17
Total liabilities	¥7,765	\$64

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 2 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, 2021 and 2022.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2021)							
Gross carrying amount	¥238,100	¥941,905	¥1,301,041	¥206,831	¥1,438,235	¥229,166	¥4,355,278
Accumulated depreciation and accumulated impairment losses	18,720	492,606	652,980	117,727	562,596	411	1,845,040
Carrying amount	¥219,380	¥449,299	¥648,061	¥89,104	¥875,639	¥228,755	¥2,510,238
(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
	Millions of U.S. Dollars						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources -related property	Construction in progress	Total
(March 31, 2022)							
Gross carrying amount	\$1,951	\$8,010	\$11,139	\$1,686	\$13,986	\$2,921	\$39,693
Accumulated depreciation and accumulated impairment losses	178	4,285	5,918	955	5,531	6	16,873
Carrying amount	\$1,773	\$3,725	\$5,221	\$731	\$8,455	\$2,915	\$22,820

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, 2021 and 2022.

Carrying amount	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Vessels and vehicles	Mineral resources-related property	Construction in progress	Total
Balance at April 1, 2020	¥221,441	¥460,460	¥573,026	¥113,945	¥691,302	¥172,767	¥2,232,941
Additions	989	17,310	52,100	12,387	47,288	206,123	336,197
Additions through business combination	978	613	4,343	28	—	—	5,962
Disposal or reclassification to assets held for sale	(4,181)	(8,682)	(6,903)	(22,156)	(458)	(533)	(42,913)
Depreciation	—	(36,210)	(82,149)	(15,782)	(48,954)	—	(183,095)
Impairment losses	(760)	(7,606)	(1,747)	(1,626)	(471)	(51)	(12,261)
Exchange translations	1,503	7,477	37,669	1,240	180,176	(803)	227,262
Other	(590)	15,937	71,722	1,068	6,756	(148,748)	(53,855)
Balance at March 31, 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

Millions of U.S. Dollars

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	\$1,798	\$3,683	\$5,312	\$730	\$7,178	\$1,875	\$20,576
Additions	21	223	419	180	495	1,537	2,875
Additions through business combination	4	8	44	0	—	3	59
Disposal or reclassification to assets held for sale	(32)	(42)	(437)	(106)	(1)	(9)	(627)
Depreciation	—	(315)	(723)	(116)	(463)	—	(1,617)
Impairment losses	(36)	(42)	(30)	(4)	(12)	(3)	(127)
Exchange translations	27	70	271	26	716	214	1,324
Other	(9)	140	365	21	542	(702)	357
Balance at March 31, 2022	\$1,773	\$3,725	\$5,221	\$731	\$8,455	\$2,915	\$22,820

Notes:

- "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. Please refer to Note 20 for provision for decommissioning and restoration.
- "Impairment losses" are mainly recognized in Consumer Industry segment, Petroleum & Chemicals Solution segment and Industrial Infrastructure segment for the year ended March 31, 2021, and in Petroleum & Chemicals Solution segment, Food Industry segment and Consumer Industry segment for the year ended March 31, 2022, 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, 2021 and 2022.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥278,302 million and ¥232,986 million (\$1,910 million) at March 31, 2021 and 2022, respectively. The amount at March 31, 2021 and 2022 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, 2021 and 2022.

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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Gross carrying amount	¥139,387	¥142,123	\$1,165
Accumulated depreciation and accumulated impairment losses	43,968	47,724	391
Carrying amount	¥95,419	¥94,399	\$774

The breakdown of 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, 2021 and 2022.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Fair value	¥122,298	¥122,275	\$1,002

The fair value of investment property is 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, 2021 and 2022.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2021 and 2022.

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, 2021 and 2022.

	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
(March 31, 2021)							
Gross carrying amount	¥343,354	¥307,529	¥257,689	¥91,489	¥78,967	¥75,794	¥1,154,822
Accumulated amortization and accumulated impairment losses	43,169	163,872	67,695	2,546	6,713	54,758	338,753
Carrying amount	¥300,185	¥143,657	¥189,994	¥88,943	¥72,254	¥21,036	¥816,069
(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

	Millions of U.S. Dollars						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
(March 31, 2022)							
Gross carrying amount	\$2,829	\$2,507	\$2,185	\$839	\$636	\$514	\$9,510
Accumulated amortization and accumulated impairment losses	444	1,396	925	24	81	346	3,216
Carrying amount	\$2,385	\$1,111	\$1,260	\$815	\$555	\$168	\$6,294

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2021 and 2022.

Millions of Yen							
Carrying amount	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Sustainable energy subsidy	Other	Total
Beginning of year ended March 31, 2021	¥310,065	¥149,152	¥204,819	¥69,630	¥79,145	¥19,437	¥832,248
Additions	263	33,612	21,768	7,204	—	13,971	76,818
Additions through business combinations	—	1	1,852	—	—	—	1,853
Disposal or reclassification to assets held for sale	(4)	(2,040)	(224)	(5)	(1,766)	(1,640)	(5,679)
Amortization	(10,814)	(34,798)	(16,418)	(80)	(6,552)	(10,990)	(79,652)
Impairment losses	(5)	(2,159)	(30,949)	(1)	—	(267)	(33,381)
Exchange translations	2,549	1,047	5,920	12,038	6,572	2,260	30,386
Other	(1,869)	(1,158)	3,226	157	(5,145)	(1,735)	(6,524)
End of year ended March 31, 2021	¥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

Millions of U.S. Dollars							
Carrying amount	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	\$2,461	\$1,177	\$1,557	\$729	\$593	\$172	\$6,689
Additions	0	225	3	7	—	157	392
Additions through business combinations	—	0	23	—	142	9	174
Disposal or reclassification to assets held for sale	(0)	(15)	—	(1)	(162)	(19)	(197)
Amortization	(92)	(281)	(139)	(1)	(42)	(153)	(708)
Impairment losses	(0)	(11)	(222)	—	—	(0)	(233)
Exchange translations	16	12	34	81	24	13	180
Other	0	4	4	(0)	—	(11)	(3)
End of year ended March 31, 2022	\$2,385	\$1,111	\$1,260	\$815	\$555	\$168	\$6,294

Impairment losses on the intangible assets for the year ended March 31, 2021 include impairment loss of ¥30,949 million on customer-related assets (related to the domestic convenience store business) of Lawson Inc. in the Consumer Industry segment. The carrying amount of the assets was ¥22,711 million as of March 31, 2021.

Impairment losses on the intangible assets for the year ended March 31, 2022 include impairment loss of ¥27,026 million (\$222 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, 2021 and 2022, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Business rights	¥5,705	¥6,012	\$49
Fish farming license and surface rights	87,752	98,205	805
Other	4,718	5,269	43
Total	¥98,175	¥109,486	\$897

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 ¥105,611 million and ¥100,140 million (\$821 million) at March 31, 2021 and 2022, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2021 and 2022.

Research and development costs recognized in net income were immaterial at March 31, 2021 and 2022.

Goodwill

The following is a breakdown of the gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Gross carrying amount	¥589,694	¥611,971	\$5,016
Accumulated impairment losses	(157,301)	(158,265)	(1,297)
Carrying amount	¥432,393	¥453,706	\$3,719

The following is a breakdown of the activity of the carrying amount of goodwill.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Balance at the beginning of the year	¥562,805	¥432,393	\$3,544
Additions	218	11,814	97
Impairment losses	(145,624)	(216)	(2)
Disposal	(209)	(4,021)	(33)
Exchange translations	12,492	14,290	117
Other	2,711	(554)	(4)
Balance at the end of the year	¥432,393	¥453,706	\$3,719

Impairment losses on goodwill are included in "Impairment losses on property, plant and equipment, intangible assets, goodwill and others" 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, 2021 and 2022 was ¥150,043 million and ¥160,194 million (\$1,313 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 value. Value in use was estimated based on the discounted present value of future cash flows based on business plans reflecting the 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 recoverable value 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 was forecast to continue to gradually increase for the purposes of impairment testing in the year ended March 31, 2022. Specifically, with current trends continuing from the year ending March 31, 2023, recovery of average daily store sales to the level of the fiscal year ended March 31, 2020 was forecast by the year ending March 31, 2026, and a sales growth rate of 0.6% was forecast by the year ending March 31, 2027. 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. Note that, due to the need to align these assumptions with other inputs, including the discount rate, certain portion of expected improvements related to such factors as store-related initiatives to be implemented by Lawson Inc. going forward are not included. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average while incorporating the risks specific to the cash-generating unit. For impairment testing in the year ended March 31, 2022, a discount rate of 4.6% (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, 2022, the Company used a 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.

During the year ended March 31, 2021, the Company recorded impairment losses on the intangible assets and goodwill recognized when Lawson Inc. became a subsidiary as impairment losses on property, plant and equipment, intangible assets, goodwill and others based on revisions to said subsidiary's business plans made by the Parent in light of the weakening of recent financial results and unclear outlook due to the impact of the COVID-19 pandemic. This comprised ¥145,325 million in impairment losses on goodwill and ¥30,949 million in impairment losses on intangible assets (customer-related assets in the domestic Consumer Industry business). These losses are included in the consolidated net income (loss) for the Consumer Industry segment (impact on profit for the year attributable to owners of the parent was ¥83.6 billion loss). The business plans used in the impairment test of goodwill covered a period of 5 years, and regarding the growth in sales amount in the domestic Consumer Industry business, demand had gradually recovered from the stagnation caused by the COVID-19 pandemic, and was forecast to continue to gradually increase. Specifically, with those trends continuing from the year ended March 31, 2022, recovery of average daily store sales to the level of the fiscal year ended March 31, 2020 was forecast by the year ending March 31, 2023, and a sales growth rate of 0.6% was forecast by the year ending March 31, 2026. The discount rate of 4.9% (after-tax conversion) was applied and the growth rate for future cash flows exceeding the period of the business plan was a rate of 0%. The calculation of value in use of customer-related assets was consistent with abovementioned assumptions used in the impairment test of goodwill.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2021 was ¥21,598 million and ¥86,710 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2022 was ¥23,908 million (\$196 million) and ¥97,612 million (\$800 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 on-going salmon farming projects.

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 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, 2022, the Company has set the rate at 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, 2021 and 2022 was ¥69,331 million and ¥69,298 million (\$568 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 that incorporates the risks specific to the cash-generating units. For some businesses, future cash flows exceeding the period of the business plan were 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, 2022, the Company has set the rate at 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, 2021 and 2022 was ¥17,906 million and ¥19,898 million (\$163 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 that incorporates 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, 2022, the Company has set the rate at 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, 2021 and 2022 was ¥114,763 million and ¥119,488 million (\$979 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, 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 that incorporates 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, 2022, the Company has set the rate at 0%.

Even when the significant assumptions used in the impairment test change within a reasonably predictable range due to factors currently 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 (\$222 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 (\$52 million) 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 were ¥107,091 and ¥121,631 (\$997 million) as of March 31, 2021 and 2022, 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, 2021 and 2022 were 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, 2021 and 2022 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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Trade and other receivables (current and non-current)	¥127,374	¥245,797	\$2,015
Other investments (current and non-current)	510,247	494,465	4,053
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	193,694	173,062	1,419
Investment property (net of accumulated depreciation and accumulated impairment losses)	45,129	45,129	370
Other	2,806	13,707	112
Total	¥879,250	¥972,160	\$7,969

"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 increase in "Trade and other receivables (current and non-current)" above for the year ended March 31, 2022 is mainly due to an increase in guarantee deposits related to derivative transactions as a result of market fluctuations.

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 ¥62,684 million and ¥91,640 million (\$751 million) of non-financial assets in Precious Metals under repurchase agreements which were not derecognized at March 31, 2021 and 2022, 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, 2021 and 2022.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2021 and 2022 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Bank loans			
—1.2% as of March 31, 2022	¥487,615	¥688,089	\$5,640
Commercial paper			
—0.1% as of March 31, 2022	356,219	363,142	2,977
Bonds and borrowings (non-current liabilities) with current maturities	418,688	552,189	4,526
Total	¥1,262,522	¥1,603,420	\$13,143

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2022 or March 31, 2021.

Bonds and borrowings (non-current liabilities) as of March 31, 2021 and 2022 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Non-current liabilities with collateral maturing through 2038			
—principally 0.2% to 2.9% as of March 31, 2022	¥162,115	¥117,494	\$963
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2081			
—principally 0.0% to 1.9% as of March 31, 2022	2,352,366	2,244,257	18,396
Banks and other financial institutions, maturing through 2037 (payable in foreign currencies)			
—principally 0.4% to 1.9% as of March 31, 2022	1,381,887	1,564,823	12,826
Japanese yen bonds (including commercial paper)			
(floating rate 0.7%, due 2076 as of March 31, 2021)	40,000	—	—
(fixed rate 0.0% to 1.7%, due 2022-2081 as of March 31, 2022)	630,906	400,014	3,279
U.S. dollar bonds			
(floating rate 1.6%, due 2024 as of March 31, 2022)	3,316	3,668	30
(fixed rate 0.4% to 3.4%, due 2022-2026 as of March 31, 2022)	169,634	248,519	2,037
Other	9,325	1,257	10
Sub-total	¥4,587,434	¥4,462,538	\$36,578
Add adjustments to fair value under fair value hedge and other	50,932	11,906	98
Less current maturities	(418,688)	(552,189)	(4,526)
Total	¥4,381,793	¥4,039,749	\$33,113

Non-current liabilities with collateral principally include borrowings from banks and other financial institutions.

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 2075-2081) of ¥400,000 million (\$3,279 million). These loans are callable after the fifth or seventh year from their execution dates (2015-2021) 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 (\$1,639 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 ¥1,705,700 million and ¥1,768,244 million (\$14,494 million) for the years ended March 31, 2021 and 2022, 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 Note 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 ¥982,749 million (\$8,055 million) at March 31, 2022. 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 "Current trade and other payables" at March 31, 2021 and 2022 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, 2021 and 2022:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
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	¥614,535	¥637,640	\$5,227
Service cost	17,304	17,832	146
Interest cost	4,712	5,401	44
Actuarial (gain) loss	29,331	(20,339)	(167)
Benefits paid	(28,627)	(29,576)	(242)
Others	385	(377)	(3)
Present value of obligations under defined benefit pension plans at the end of the year	637,640	610,581	5,005
Change in plan assets:			
Fair value of plan assets at the beginning of the year	561,923	622,772	5,105
Interest income	5,056	5,997	49
Income from plan assets other than interest	68,639	8,872	73
Employer contributions	7,162	8,675	71
Benefits paid	(22,934)	(22,399)	(184)
Return of assets from retirement benefit trusts	—	(32,100)	(263)
Others	2,926	1,289	11
Fair value of plan assets at the end of the year	622,772	593,106	4,862
Effect of the asset ceiling	—	—	—
Net amount of liabilities recorded in Consolidated statement of financial position	¥14,868	¥17,475	\$143

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. 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, 2021 and 2022:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Plan assets that have a quoted market price in an active market			
Equity instruments	¥122,920	¥109,778	\$900
Debt instruments	7,532	9,006	74
Cash and cash equivalents	78,703	70,880	581
Total	209,155	189,664	1,555
Plan assets that do not have a quoted market price in an active market			
Equity instruments	95,516	82,548	677
Debt instruments	199,153	199,594	1,636
Life insurance company accounts	58,555	63,944	524
Other assets	60,393	57,356	470
Total	413,617	403,442	3,307
Total plan assets	¥622,772	¥593,106	\$4,862

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, 2021 and 2022 were as follows:

	2021	2022
Discount rate	0.9%	1.1%
Rate of increase in future compensation levels	2.2	2.3

The assumption of average longevity at pension age of the Parent was 20.4 years for current pensioners, and 22.8 years for employees at March 31, 2021 and 2022.

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 ¥32,781 million (\$269 million) at March 31, 2022. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥28,921 million (\$237 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 approximately ¥5,000 million (\$41 million) to its defined benefit pension plans during the year ending March 31, 2023.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2023	¥27,411	\$225
2024	28,703	235
2025	31,155	255
2026	30,315	249
2027	30,923	253
2028 through 2032	169,092	1,386

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, 2021 and 2022 were ¥9,589 million and ¥10,040 million (\$82 million), respectively.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥674,845 million and ¥710,978 million (\$5,828 million) for the years ended March 31, 2021 and 2022, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2022 were as follows:

(Year ended March 31, 2022)

	Millions of Yen					Balance at the end of the year
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	
Provision for decommissioning and restoration	¥201,763	¥60,842	¥(11,865)	¥5,642	¥22,322	¥278,704
Provision relating to onerous contracts	35,780	20,334	(10,928)	—	557	45,743
Other	36,316	28,033	(21,677)	—	(6,493)	36,179

(Year ended March 31, 2022)

	Millions of U.S. Dollars					Balance at the end of the year
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	
Provision for decommissioning and restoration	\$1,654	\$499	\$(97)	\$46	\$182	\$2,284
Provision relating to onerous contracts	293	167	(90)	—	5	375
Other	298	230	(178)	—	(53)	297

* "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.

"Provision for product warranties", which was described individually for the year ended March 31, 2021, is included in "Other" because its materiality has decreased as of March 31, 2022.

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 48 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

At March 31, 2021, the Company estimated that the cash outflows related to the provision would occur up to 91 years, however, at the end of March 31, 2022, it is expected to be paid over periods of up to 48 years as a result of the following reviews and reassessments.

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. During the year ended March 31, 2022, the Company reviewed its plans for the restoration of such assets' original state by reflecting the most recent external environment, relevant regulations and requirements, and other factors. As a result, the amount of asset retirement obligations increased by ¥83,786 million (\$687 million) to ¥169,064 million (\$1,386 million) as of March 31, 2022. ¥54,360 million (\$446 million) of this increase is included in "Provisions made".

The consolidated subsidiaries conducting decommissioning work in the North Sea oil field project in the Natural Gas segment recorded future decommissioning costs regarding the decommissioning work as a provision for decommissioning, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets".

During the year ended March 31, 2022, provisions for decommissioning amounting to ¥8,506 million (\$70 million) (decrease) was recorded as "Provision used" due to the costs of decommissioning the oil field.

Provision relating to onerous contracts

The Company recognizes provision relating to onerous contracts, consisting primarily of costs associated with construction 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, 2022, provisions for losses on construction contracts of Chiyoda Corporation amounting to ¥11,396 million (\$93 million) (increase) and ¥10,876 million (\$89 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 4 years, but are inherently difficult to predict and affected by future business plans and other circumstances.

Please refer to Note 4 regarding impacts of application of IAS 37 (Revised) "Provisions, Contingent Liabilities and Contingent Assets" which is planned to apply from year ending March 31, 2023.

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, 2021 and 2022 was as follows:

	2021 (Number of shares)	2022 (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, 2021 and 2022 was as follows:

	2021 (Number of shares)	2022 (Number of shares)
Balance, beginning of the year	1,590,076,851	1,485,723,351
Change during the year	(104,353,500)	—
Balance, end of the year	1,485,723,351	1,485,723,351

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 Company's treasury stock by its resolutions.

The number of treasury stock and treasury stock held by subsidiaries and associates was 9,618,263 shares and 9,178,013 shares at March 31, 2021 and 2022, respectively. The number of treasury stock at March 31, 2021 and 2022 includes 3,263,133 shares and 3,172,291 shares of the Company held in the trust account for the ESOP Trust, respectively. 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 10, 2022 and the additional contribution to the ESOP trust which a decision was reached at a meeting of the Executive Committee held on May 9, 2022.

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 ¥2,320,463 million (\$19,020 million) as of March 31, 2022. The distributable amount may change up to the effective date of the distribution of dividends due to the Company'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, 2021 and 2022 were as follows:

Resolution	Class of shares	Millions of Yen	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars
		Amount of dividends	Dividends per share			Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	¥101,182	¥68	March 31, 2020	June 22, 2020		
Board of Directors' meeting held on November 5, 2020	Ordinary shares	99,116	67	September 30, 2020	December 1, 2020		
Ordinary general meeting of shareholders held on June 25, 2021	Ordinary shares	99,127	67	March 31, 2021	June 28, 2021	\$813	\$0.55
Board of Directors' meeting held on November 5, 2021	Ordinary shares	105,055	71	September 30, 2021	December 1, 2021	861	0.58

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	Yen	Record date	Effective date	Millions of U.S. Dollars	U.S. Dollars	
		Amount of dividends	Source of dividends			Dividends per share	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥116,909	Retained earnings	¥79	March 31, 2022	June 27, 2022	\$958	\$0.65

Management of capital

The Company 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, etc. 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, 2021 and 2022.

	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, 2021)				
Other investments designated as FVTOCI	¥359,974	¥126,481	¥(29,332)	¥457,123
Remeasurement of defined benefit pension plans	—	32,973	(32,973)	—
Cash flow hedges	(27,422)	(24,933)	—	(52,355)
Exchange differences on translating foreign operations	82,634	297,283	—	379,917
Total	¥415,186	¥431,804	¥(62,305)	¥784,685
(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

	Millions of U.S. Dollars			
	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	\$3,747	\$662	\$(220)	\$4,189
Remeasurement of defined benefit pension plans	—	175	(175)	—
Cash flow hedges	(429)	(565)	—	(994)
Exchange differences on translating foreign operations	3,114	4,104	—	7,218
Total	\$6,432	\$4,376	\$(395)	\$10,413

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Gains (losses) on other investments designated as FVTOCI	¥8,809	¥11,750	\$96
Remeasurement of defined benefit pension plans	1,722	(317)	(2)
Cash flow hedges	(3,148)	(4,524)	(37)
Exchange differences on translating foreign operations	11,397	23,841	196
Total	¥18,780	¥30,750	\$253

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2021 and 2022.

	Millions of Yen					
	2021			2022		
	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	¥195,031	¥(65,578)	¥129,453	¥129,985	¥(47,746)	¥82,239
Remeasurement of defined benefit pension plans	39,308	(9,495)	29,813	29,211	(8,799)	20,412
Share of other comprehensive income (loss) of investments accounted for using the equity method	12,957	(2,238)	10,719	10,421	547	10,968
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	(17,292)	3,410	(13,882)	(121,687)	23,737	(97,950)
Exchange differences on translating foreign operations	307,014	(737)	306,277	434,231	6,299	440,530
Share of other comprehensive income (loss) of investments accounted for using the equity method	(15,061)	3,265	(11,796)	123,986	(15,458)	108,528
Total	¥521,957	¥(71,373)	¥450,584	¥606,147	¥(41,420)	¥564,727

	Millions of U.S. Dollars		
	2022		
	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	\$1,065	\$(391)	\$674
Remeasurement of defined benefit pension plans	239	(72)	167
Share of other comprehensive income (loss) of investments accounted for using the equity method	86	4	90
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	(997)	194	(803)
Exchange differences on translating foreign operations	3,559	52	3,611
Share of other comprehensive income (loss) of investments accounted for using the equity method	1,017	(127)	890
Total	\$4,969	\$(340)	\$4,629

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, 2021 and 2022.

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, 2021 and 2022, 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 years 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 30 or 29 years. The stock options are vested and exercisable from the earlier of either the day after 2 years from 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 after 3 years, 2 years or 1 year from the grant date. The number of stock options that can be exercised at the end of defined performance period which are set no longer than 3 years, varies depending on the Parent's share performance during such period. 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, 2021 and 2022.

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, 2021 and 2022.

2021	Millions of Yen						
	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	¥217,463	¥1,544,168	¥1,761,661	¥640,285	¥489,112	¥700,851	¥1,403,106
Revenues from other sources of revenue	374,821	27,004	180,163	1,212,865	91,001	52,811	243,843
Total	¥592,284	¥1,571,172	¥1,941,824	¥1,853,150	¥580,113	¥753,662	¥1,646,949

	Millions of Yen						
	Consumer Industry Group	Power Solution Group	Urban Development Group	Total	Other	Adjustments and Eliminations	Consolidated
Revenues recognized from contracts with customers	¥3,221,611	¥581,027	¥67,612	¥10,626,896	¥4,931	—	¥10,631,827
Revenues from other sources of revenue	3,177	45,170	21,839	2,252,694	—	—	2,252,694
Total	¥3,224,788	¥626,197	¥89,451	¥12,879,590	¥4,931	—	¥12,884,521

2022	Millions of Yen						
	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 U.S. Dollars						
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	\$4,702	\$17,599	\$23,142	\$10,829	\$3,979	\$7,034	\$13,006
Revenues from other sources of revenue	4,837	210	5,030	12,594	723	474	2,654
Total	\$9,539	\$17,809	\$28,172	\$23,423	\$4,702	\$7,508	\$15,660

	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	\$26,637	\$7,335	\$329	\$114,592	\$43	—	\$114,635
Revenues from other sources of revenue	6	146	206	26,880	—	—	26,880
Total	\$26,643	\$7,481	\$535	\$141,472	\$43	—	\$141,515

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 ¥288,480 million and ¥291,802 million (\$2,392 million) for the years ended March 31, 2021 and 2022. 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 ¥315,491 million and ¥303,411 million (\$2,487 million) for the year ended March 31, 2021 and 2022.

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, 2021 and 2022. 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 (\$598 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	
	2021		2022		2022	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at the beginning of the year	¥54,510	¥193,586	¥53,456	¥147,307	\$438	\$1,207
Changes during the year	(1,054)	(46,279)	(7,424)	108,322	(61)	888
Balance at the end of the year	¥53,456	¥147,307	¥46,032	¥255,629	\$377	\$2,095

Revenues recognized for the years ended March 31, 2021 and 2022 that were included in the contract liabilities balance at the beginning of the year were ¥155,091 million and ¥101,775 million (\$834 million) respectively. Revenues for the years ended March 31, 2021 and 2022 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, 2021 and 2022 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, 2021 and 2022 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
	2021	2022	2022
Not later than 1 year	¥813,426	¥1,664,722	\$13,645
Later than 1 year and not later than 5 years	2,356,744	3,368,039	27,607
Later than 5 years and not later than 10 years	1,595,280	2,099,094	17,206
Later than 10 years	2,431,989	2,975,192	24,387
Total	¥7,197,439	¥10,107,047	\$82,845

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, 2021 and 2022, the amount of estimated consideration of which was ¥35,590 million and ¥56,178 million (\$460 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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Employee benefit expenses	¥519,100	¥548,264	\$4,494
Equipment expenses	325,231	325,507	2,668
Transportation and warehousing expenses	146,521	123,940	1,016
Outsourcing expenses	92,466	99,047	812
Advertising and sales promotion expenses	74,435	78,057	640
Office expenses	59,095	58,897	483
Others	180,859	198,327	1,625
Total	¥1,397,707	¥1,432,039	\$11,738

Remuneration for the Parent's directors for the years ended March 31, 2021 and 2022 that were included in "Employee benefit expenses" were ¥1,415 million and ¥2,076 million (\$17 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, 2021 and 2022.

Classification	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Gains (losses) on investments			
Financial assets measured at FVTPL	¥8,596	¥36,873	\$302
Subsidiaries, investments accounted for using the equity method and other	53,486	38,381	315
Total gains (losses) on investments	¥62,082	¥75,254	\$617
Finance income			
Interest income	28,676	25,431	208
Dividend income	89,150	161,101	1,321
Total finance income	¥117,826	¥186,532	\$1,529
Finance costs			
Interest expenses	(46,300)	(46,682)	(383)
Total finance costs	¥(46,300)	¥(46,682)	\$(383)

"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, 2021 and 2022.

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, 2021 and 2022.

27. OTHER INCOME (EXPENSE)-NET

The amounts of net foreign exchange gains and losses included in "Other income (expense)-net" in the consolidated statement of income were ¥9,482 million of losses and ¥53,240 million (\$436 million) of losses for the years ended March 31, 2021 and 2022, respectively.

Gains and losses incurred from derivative transactions for hedging foreign exchange risks are also included in "Other income (expense)-net", in which most of these transactions are effectively offset against foreign exchange gains and losses as per Note 33, resulting that the net amount after offsetting is immaterial.

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, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Current tax	¥113,204	¥256,419	\$2,102
Deferred tax	8,082	32,238	264
Income taxes	121,286	288,657	2,366
Income taxes recognized in other comprehensive income	71,373	41,420	340
Total	¥192,659	¥330,077	\$2,706

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2021 and 2022 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2021	2022
Combined statutory income tax rate (Note 1)	30.6%	30.6%
Effect of income from investments accounted for using the equity method	(9.7)	(6.7)
Effect of the recoverability of deferred tax assets	4.4	(0.2)
Tax benefits recognized for accumulated losses of certain subsidiaries	(1.0)	(0.3)
Difference of tax rates for foreign subsidiaries	(4.9)	(2.1)
Impairment losses on goodwill (Note 2)	17.5	—
Other-net (Note 3)	10.9	1.0
Effective income tax rate on income before income taxes in the consolidated statement of income	47.8%	22.3%
Less effect of income from investments accounted for using the equity method	9.7	6.7
Effective income tax rate on income before income taxes of the Parent and subsidiaries (Note 4)	57.5%	29.0%

Notes:

- The reconciliation is rounded to one decimal place.
- As for the effect of the impairment losses on goodwill to Lawson, please refer to Note 14.
- Regarding "Other-net" for the year ended March 31, 2021, the tax effect of undistributed profit related to interests in affiliated companies etc. amounting to 3.9%, the estimated effect upon the assumption of adopting the deduction method rather than crediting the foreign taxes in the Parent's tax return amounting to 2.4%, and the effect of the accumulation of deferred tax liabilities at the consolidated subsidiaries in the Power Solution segment due to the cancellation of a reduction in corporate income tax rates in the Netherlands amounting to 2.1% are included.
- 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, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Assets:			
Loss allowance	¥18,200	¥18,891	\$155
Accrued pension and retirement benefits	30,354	25,414	208
Property, plant and equipment, Investment property and Intangible assets	32,498	32,039	263
Short-term investments and Other investments	24,287	32,874	269
Net operating loss carry forwards	96,594	72,332	593
Provisions and other	72,396	109,034	894
Derivatives	18,049	48,949	401
Other*	83,131	89,214	731
Gross deferred tax assets	375,509	428,747	3,514
Liabilities:			
Short-term investments and Other investments	342,000	383,237	3,141
Property, plant and equipment, Investment property and Intangible assets**	372,319	396,493	3,250
Investments accounted for using the equity method	122,831	150,002	1,230
Other	65,767	89,329	732
Gross deferred tax liabilities	902,917	1,019,061	8,353
Net deferred tax liabilities	¥(527,408)	¥(590,314)	\$(4,839)

* "Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the years ended March 31, 2021 and 2022.

During the year ended March 31, 2021, due to the liquidation of MC Resource Development Ltd., a wholly owned subsidiary, net operating loss carry forwards arose in the Parent's tax consolidation group. However, the Parent still recognizes deferred tax assets corresponding to the national tax in Japan, as the Parent has analyzed and expects to generate a stable taxable income at the tax consolidated subsidiaries and therefore concluded that it was probable that the deferred tax assets will be recovered by future consolidated taxable income. These deferred tax assets are included in "Net operating loss carry forwards" in the table above.

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, 2021 and 2022, 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 ¥1,891,854 million and ¥2,291,260 million (\$18,781 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, 2021 and 2022 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Not later than 5 years	¥150,945	¥155,890	\$1,278
Later than 5 years and not later than 10 years	366,741	330,523	2,709
Later than 10 years	1,246,658	1,210,320	9,921
Total	¥1,764,344	¥1,696,733	\$13,908

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, 2021 and 2022 were ¥590,044 million and ¥551,026 million (\$4,517 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, 2021 and 2022, were ¥702,859 million and ¥619,510 million (\$5,078 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
	2021	2022	2022
Profit for the year attributable to owners of the Parent per share			
Basic	¥116.86	¥635.06	\$5.21
Diluted	116.57	625.73	5.13
			Millions of
			U.S. Dollars
	2021	2022	2022
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥172,550	¥937,529	\$7,685
Reconciliation of profit for the year	—	(10,268)	(84)
Diluted profit for the year attributable to owners of the Parent	¥172,550	¥927,261	\$7,601
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,476,572	1,476,279	
Effect of dilutive securities:			
Share-based remuneration	3,691	5,617	
Diluted outstanding shares	1,480,263	1,481,896	

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, 2021 and 2022, respectively. The presentation has been changed from the year ended March 31, 2022 mainly because some items in the breakdown have become quantitatively material.

(March 31, 2021)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥1,178,702	—	—	—	¥1,178,702
Short-term investments and other investments					
Financial assets measured at FVTPL	13,824	¥379	¥148,916	—	163,119
Financial assets measured at FVTOCI	573,199	110	868,811	—	1,442,120
Trade and other receivables					
Financial assets measured at FVTPL	5	40,519	33,880	—	74,404
Financial assets measured at FVTOCI	—	57,759	—	—	57,759
Derivatives	213,303	973,576	9,982	¥(894,357)	302,504
Inventories and other current assets	23,925	965,865	—	—	989,790
Total assets	¥2,002,958	¥2,038,208	¥1,061,589	¥(894,357)	¥4,208,398
Liabilities					
Derivatives	236,713	967,558	9,293	(893,754)	319,810
Total liabilities	¥236,713	¥967,558	¥9,293	¥(893,754)	¥319,810

Notes:

1. There were no material transfers between different levels during the year ended March 31, 2021.
2. "Derivatives" are recognized in "Other financial assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

(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

(March 31, 2022)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	\$10,535	—	—	—	\$10,535
Short-term investments and other investments					
Financial assets measured at FVTPL	138	\$3	\$1,349	—	1,490
Financial assets measured at FVTOCI					
Marketable securities	4,448	—	—	—	4,448
Non-marketable securities	—	3	8,356	—	8,359
Trade and other receivables					
Financial assets measured at FVTPL	1	1,231	203	—	1,435
Other financial assets (Derivatives)					
Interest rate contracts	—	380	—	\$(2)	378
Foreign exchange contracts	—	778	—	(86)	692
Commodity contracts and others	11,179	24,568	297	(28,970)	7,074
Inventories	81	4,465	—	—	4,546
Other current assets and other non-current assets					
Assets related to commodity loan transactions	—	2,800	—	—	2,800
Total assets	\$26,382	\$34,228	\$10,205	\$(29,058)	\$41,757
Liabilities					
Other financial liabilities (Derivatives)					
Interest rate contracts	—	213	—	(2)	211
Foreign exchange contracts	—	355	—	(86)	269
Commodity contracts and others	11,621	25,356	578	(29,001)	8,554
Other current liabilities and other non-current liabilities					
Liabilities related to commodity loan transactions	—	2,451	—	—	2,451
Total liabilities	\$11,621	\$28,375	\$578	\$(29,089)	\$11,485

Notes:

1. There are 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 Mineral resources segment and LNG -related business in Natural gas business. Please refer to Note 2 for details.
4. For the year ended March 31, 2021, the amount of liabilities related to commodity loan transactions is included in "Derivatives" in "Liabilities". For the year ended March 31, 2022, the amount of liabilities related to commodity loan transactions is separated from "Derivatives" and classified as "Liabilities related to commodity loan transactions" in "Other current liabilities and other non-current liabilities". Please refer to Note 3 for details of the accounting policies.

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, 2021 and 2022, respectively.

(Year ended March 31, 2021)

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	¥151,865	¥4,322	¥2,161	¥11,877	¥(18,979)	¥(2,330)	¥148,916	¥4,186
Financial assets measured at FVTOCI	853,848	—	21,425	1,958	(8,420)	—	868,811	—
Other financial assets (Derivatives)	12,006	9,848	(748)	2,043	—	(13,167)	9,982	5,115
Other financial liabilities (Derivatives)	5,913	6,751	1,512	3,939	—	(8,822)	9,293	2,703

Notes:

- "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.
- There were no material transfers between different levels during the year ended March 31, 2021.

(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

(Year ended March 31, 2022)

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	\$1,221	\$243	\$75	\$84	\$(256)	\$(18)	\$1,349	\$245
Financial assets measured at FVTOCI (Non-marketable securities)	7,120	—	878	555	(196)	(1)	8,356	—
Other financial assets								
(Derivatives)								
Commodity contracts and others	82	253	29	17	—	(84)	297	214
Other financial liabilities								
(Derivatives)								
Commodity contracts and others	76	69	492	—	—	(59)	578	30

Notes:

- "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.
- There are no material transfers between different levels during the year ended March 31, 2022.
- "Increase due to purchases and other" under "Financial assets measured at FVTOCI" includes an increase of ¥66,996 million (\$549 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 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. In the fiscal year ended March 31, 2022, the amount recognized as profit for the year was mainly due to improvements in fund evaluation profit.

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, 2022, the amount recognized as other comprehensive income (loss) included an increase of ¥72,812 million (\$597 million) due to upward price forecast revisions in the copper business as well as a decrease of ¥45,264 million (\$371 million) due to an increase in the discount rate for the LNG-related business in Russia.

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 market, which are valued using quoted market prices. Changes in the balance were mainly due to the rise of market prices of gas and energy, for the year ended March 31, 2022. 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. Changes in the balance were mainly due to the rise of market prices of gas, energy and mineral resources, for the year ended March 31, 2022. Derivatives classified in Level 3 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued by the income approach based on unobservable inputs such as estimated future market prices. Changes in the balance were mainly due to the rise of market prices of energy, for the year ended March 31, 2022. 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 using quoted market 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 using quoted market 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, 2021 and 2022, respectively.

(March 31, 2021)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	8.6%

(March 31, 2022)

Classification	Valuation method	Unobservable input	Weighted average
Non-marketable equity securities	Discounted cash flow	Discount rate	11.8%

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). The main reasons for which discount rates increased year over year primarily consist of the impact of LNG-related business in Russia arising from an increase of the country risk premium for Russia. Please refer to Note 2 for estimates and underlying assumptions.

The nonmarketable equity securities primarily consist of those related to LNG business and copper business. The medium- to long-term crude oil and copper 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 LNG business and copper 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 ¥287,203 million and ¥418,230 million (\$3,428 million) for the year ended March 31, 2021 and 2022, 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 ¥225,991 million and ¥220,616 million (\$1,808 million) for the year ended March 31, 2021 and 2022, 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 ¥3,311,553 million and ¥4,349,801 million (\$35,654 million) for the year ended March 31, 2021 and 2022, 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 are immaterial which could cause significant difference between carrying amounts and fair values.

Bonds and borrowings

The carrying amounts of bonds and borrowings were ¥5,644,315 million and ¥5,643,169 million (\$46,255 million) for the year ended March 31, 2021 and 2022, 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 ¥2,716,549 million and ¥3,426,333 million (\$28,085 million) for the year ended March 31, 2021 and 2022, 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 are immaterial which could cause significant difference between carrying amounts and fair values.

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, 2021 and 2022 were as follows.

(March 31, 2021)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥1,196,861	¥1,213,564
Offset amount	(894,357)	(893,754)
Amount presented in the consolidated statement of financial position	302,504	319,810
Amount not offset in the consolidated statement of financial position	(116,814)	(149,748)
Net	¥185,690	¥170,062

"Offset amount" include a portion of financial collateral that meet the offsetting criteria, as well as derivatives.

(March 31, 2022)

	Millions of Yen		Millions of U.S. Dollars	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Derivatives	Derivatives	Derivatives	Derivatives
Gross amount (before offsetting)	¥4,538,667	¥4,650,975	\$37,202	\$38,123
Offset amount	(3,545,133)	(3,548,810)	(29,058)	(29,089)
Amount presented in the consolidated statement of financial position	993,534	1,102,165	8,144	9,034
Amount not offset in the consolidated statement of financial position	(412,629)	(390,702)	(3,382)	(3,202)
Net	¥580,905	¥711,463	\$4,762	\$5,832

"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, forward 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, 2021 and 2022.

	Millions of Yen				Millions of U.S. Dollars	
	2021		2022		2022	
Hedging instruments	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges	¥76,734	¥13,897	¥45,837	¥25,249	\$376	\$207
Cash flow hedges	19,454	47,523	189,358	364,847	1,551	2,991
Hedge of the net investment in foreign operations	29	52,899	302	55,432	2	454
Total	¥96,217	¥114,319	¥235,497	¥445,528	\$1,929	\$3,652

The derivative instruments above are included in “Other financial assets”, “Other financial liabilities”, and “Bonds and borrowings” in the consolidated statement of financial position.

Fair value hedges primarily consist of Interest rate swap contracts.

Cash flow hedges primarily consist of Commodity contracts.

Hedge of the net investment in foreign operations primarily consist of Foreign-currency-denominated debt.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2021 and 2022. 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, 2021)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,540,000 Million yen	
			1,500,000 Thousand U.S. Dollars	
		Fixed pay / floating receive interest rate swap	648,516 Thousand U.S. Dollars	
	Cash flow hedges	Fixed pay / floating receive interest rate swap	587,961 Thousand Euros	
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	150,000 Thousand U.S. Dollars	
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000 Thousand U.S. Dollars	
		U.S. Dollars buy / British Pounds sell foreign exchange contract	183,467 Thousand U.S. Dollars	
		Euros buy / British Pounds sell foreign exchange contract	247,177 Thousand Euros	
		Norwegian Kroner buy / Euros sell foreign exchange contract	127,175 Thousand Euros	
		Canadian Dollars buy / U.S. Dollars sell foreign exchange contract	1,128,000 Thousand Canadian Dollars	
		Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,670,222 Thousand U.S. Dollars
			Australian Dollars sell / Japanese Yen buy foreign exchange contract	639,200 Thousand Australian Dollars
			U.S. Dollars denominated debt	418,805 Thousand U.S. Dollars
	British Pounds sell / Euros buy foreign exchange contract	117,000 Thousand British Pounds		
Interest rate and Foreign currency risk	Cash flow hedges	U.S. Dollars buy / Indonesia Rupiah sell currency and interest rate swap	310,000 Thousand U.S. Dollars	
Commodity price risk	Fair value hedges	Gold commodity derivative	123,600 TOZ	
		Silver commodity derivative	21,985,000 TOZ	
		Platinum commodity derivative	186,250 TOZ	
	Cash flow hedges	Natural Gas commodity derivative	502,578,618 MMBTU	
		Gas / Power commodity derivative	13,157,484 MWH	

(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 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, 2021 and 2022.

(March 31, 2021)

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	¥1,766,393	¥55,145

(March 31, 2022)

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	¥1,801,722	¥17,229

(March 31, 2022)

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	\$14,768	\$141

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, 2021 and 2022.

(3) Cash flow hedges and Net investment hedges

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2021 and 2022.

(March 31, 2021)

Risk category	Type of hedge	Millions of Yen	
		Other components of equity recognized by continuing hedges	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(40,732)	¥(66)
Foreign currency risk	Cash flow hedges	10,664	—
	Net investment hedges	(26,479)	(94,404)
Commodity price risk	Cash flow hedges	(22,221)	—

(March 31, 2022)

Risk category	Type of hedge	Millions of U.S. Dollars		Millions of U.S. Dollars	
		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
		Other components of equity recognized by continuing hedges		Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	
Interest rate risk	Cash flow hedges	¥(6,426)	\$(52)	¥(62)	\$(1)
Foreign currency risk	Cash flow hedges	23,528	193	—	—
	Net investment hedges	(46,813)	(384)	(94,190)	(772)
Commodity price risk	Cash flow hedges	(138,361)	(1,134)	—	—

The following are the gains or losses related to hedging activities for the years ended March 31, 2021 and 2022.

(Year ended March 31, 2021)

Cash flow hedges

During the year ended March 31, 2021, changes in other components of equity recognized by continuing hedges were mainly due to gain or loss recognized in other comprehensive income, with ¥14,444 million (losses) recorded in the categories of interest rate risk, ¥42,201 million (gains) recorded in the categories of foreign currency risk and ¥27,800 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 ¥20,095 million (gains) in "Other income (expense)-net" in the categories of foreign currency risk, for the year ended March 31, 2021.

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, 2021.

Net investment hedges

The amount of hedge ineffectiveness was immaterial for the year ended March 31, 2021.

Please refer to Note 22 for the breakdown of other components of equity and other comprehensive income (loss).

(Year ended March 31, 2022)

Cash flow hedges

During the year ended March 31, 2022, changes in other components of equity recognized by continuing hedges were mainly due to gain or loss recognized in other comprehensive income, with ¥164,790 million (\$1,351 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 (\$119 million) (losses) in "Other income (expense)-net" in the categories of foreign currency risk and ¥15,227 million (\$125 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 (\$110 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.

Net investment hedges

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.

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 further 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, 2021 and 2022, the Company had gross interest-bearing liabilities (excluding lease liabilities) of ¥5,644.3 billion and ¥5,643.2 billion (\$46.3 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, 2021 and 2022, 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 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. These mainly refer to LIBOR. For the carrying amounts of "Bonds and borrowings (non-current liabilities)" and the nominal amounts related to derivative instruments that refer to LIBOR at the end of March 31, 2022, 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, 2021 and 2022 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2021 (Billion Yen)	2022 (Billion Yen)	2022 (Million U.S. Dollars)
U.S. Dollar	¥19.1	¥19.6	\$161
Australian Dollar	10.6	13.9	114
Euro	4.9	4.2	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 ¥58.2 billion and ¥74.2 billion (\$0.6 billion) for the year ended at March 31, 2021 and 2022, 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, 2021 and 2022, the Company owned ¥587.0 billion and ¥559.5 billion (\$4.6 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, 2021 and 2022, the increase or decrease in total equity would amount to approximately ¥41.0 billion and approximately ¥39.0 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, 2021 and 2022.

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, 2021 and 2022 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, 2021)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,261,848	¥1,885,926	¥2,445,609	¥5,593,383
Trade and other payables	2,649,290	40,828	29,835	2,719,953
Other financial liabilities (derivatives)	256,657	42,051	13,766	312,474
Total	¥4,167,795	¥1,968,805	¥2,489,210	¥8,625,810

(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, 2022)

	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	\$13,134	\$12,948	\$20,076	\$46,158
Trade and other payables	27,662	197	255	28,114
Other financial liabilities (derivatives)	7,247	1,557	230	9,034
Total	\$48,043	\$14,702	\$20,561	\$83,306

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 ¥300,447 million and ¥534,033 million, respectively, at March 31, 2021 and ¥335,232 million (\$2,748 million) and ¥625,875 million (\$5,130 million), respectively, at March 31, 2022. 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, 2021 and 2022 were as follows.

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 400 million (¥54,680 million, or \$448 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 (¥54,680 million, or \$448 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, 2021 and 2022 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Total amount of the loan receivables derecognized	¥35,005	¥9,645	\$79
Total amount of consideration received	34,865	9,607	79

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, 2021 and 2022.

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, 2021 and 2022.

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, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Balance of transferred receivables (the principal amount outstanding)	¥77,919	¥57,063	\$468
Fair value of future interest income	2,474	1,584	13
Maximum amount of exposure to losses	10,494	10,303	84

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2021 and 2022. "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, 2021 and 2022.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2021 and 2022 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, 2021 and 2022.

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 ¥8,345 million as "Short-term investments" at March 31, 2021, and ¥48,936 million and ¥45,903 million (\$376 million) as "Other investments" at March 31, 2021 and 2022, respectively. The liabilities associated with the cash received as collateral were included in "Bonds and borrowings" totaling ¥55,486 million and ¥44,397 million (\$364 million) at March 31, 2021 and 2022, 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, etc. The Company also subsequently remeasures the carrying amount of the above accounts when necessary based on the actual results of exercise, etc.

At March 31, 2021 and 2022, the carrying amounts of "Right-of-use assets" were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Real estate	¥1,152,896	¥1,156,556	\$9,480
Machinery and equipment	179,657	172,334	1,412
Vessels and vehicles	126,671	168,459	1,381
Other	10,476	23,187	190
Total	¥1,469,700	¥1,520,536	\$12,463

Notes:

The additions to "Right-of-use assets", due to new contract and others, were ¥331,786 million and ¥328,964 million (\$2,696 million) for the years ended March 31, 2021 and 2022, respectively.

The depreciation of "Right-of-use assets" for the years ended March 31, 2021 and 2022 were as follows:

Depreciation	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Real estate	¥177,964	¥180,722	\$1,481
Machinery and equipment	46,834	46,438	381
Vessels and vehicles	21,923	23,305	191
Other	8,429	7,856	64
Total	¥255,150	¥258,321	\$2,117

The following are the amounts mainly recognized in the consolidated statement of income related to leases as lessee for the year ended March 31, 2021 and 2022.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2021	2022	2022
Interest expense on lease liabilities	Finance costs	¥(11,518)	¥(17,785)	\$(146)
Expense related to short-term leases	Selling, general and administrative expenses	(22,205)	(28,549)	(234)
Expense related to variable lease payments not included in the measurement of lease liabilities	Selling, general and administrative expenses	(11,191)	(8,903)	(73)
Income from subleasing right-of-use assets	Revenues	46,881	46,782	383

Total cash outflow for leases as lessee for the year ended March 31, 2021 and 2022 were ¥321,209 million and ¥326,856 million (\$2,679 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, 2021 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Not later than 1 year	¥248,834	¥260,104	\$2,132
Later than 1 year and not later than 5 years	696,994	688,715	5,645
Later than 5 years	714,531	790,576	6,480
Sub-total	¥1,660,359	¥1,739,395	\$14,257
Less amount representing interest	(120,158)	(147,088)	(1,205)
Lease liabilities	¥1,540,201	¥1,592,307	\$13,052

The amount of leases not yet commenced to which the lessee is committed at March 31, 2021 and 2022 were ¥186,280 million and ¥158,222 million (\$1,297 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, 2021 and 2022 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
	2021	2022	2022	2021	2022	2022
Lease payments receivable						
Not later than 1 year	¥171,498	¥177,738	\$1,457	¥163,659	¥169,094	\$1,386
Later than 1 year and not later than 2 years	136,182	142,564	1,169	123,967	129,531	1,062
Later than 2 years and not later than 3 years	102,725	102,478	840	89,936	89,566	734
Later than 3 years and not later than 4 years	68,655	72,565	595	57,813	61,367	503
Later than 4 years and not later than 5 years	45,888	51,512	422	37,023	41,822	343
Later than 5 years	91,453	80,210	657	63,220	55,015	451
Sub-total	¥616,401	¥627,067	\$5,140	¥535,618	¥546,395	\$4,479
Estimated unguaranteed residual value of leased assets	2,016	2,754	22			
Gross investment in the lease	¥618,417	¥629,821	\$5,162			
Less unearned income	(80,830)	(80,674)	(661)			
Finance lease receivables	¥537,587	¥549,147	\$4,501			
Less loss allowance	(6,066)	(5,527)	(45)			
Receivables under finance leases (net of loss allowance)	¥531,521	¥543,620	\$4,456			

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, 2021 and 2022.

	Account in the consolidated statement of income	Millions of Yen		Millions of U.S. Dollars
		2021	2022	2022
Finance income on the net investment in the lease	Revenues	¥26,952	¥26,089	\$214

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, 2021 and 2022 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
	2021	2022	2022
Not later than 1 year	¥38,240	¥40,244	\$330
Later than 1 year and not later than 2 years	26,870	27,360	224
Later than 2 years and not later than 3 years	20,435	18,702	153
Later than 3 years and not later than 4 years	12,959	14,442	118
Later than 4 years and not later than 5 years	10,581	10,411	85
Later than 5 years	33,475	18,931	156
Total	¥142,560	¥130,090	\$1,066

The amount of lease income for the year ended March 31, 2021 and 2022 were ¥108,693 million and ¥112,789 million (\$925 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, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Acquisition of businesses:			
Consideration for acquisition			
Total amount of consideration for acquisition	¥8,697	¥56,666	\$464
Amount payable included in consideration for acquisition	—	11,509	94
Cash acquired	9,199	3	0
Acquisitions of businesses - net of cash acquired	(502)	45,154	370

For details of significant assets acquired and liabilities assumed in the acquisitions of businesses, please refer to Note 5.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Disposals of businesses:			
Consideration for sales			
Total amount of consideration for sales	¥32,094	¥64,402	\$528
Cash divested	3,687	11,124	91
Proceeds from disposal of businesses - net of cash divested	28,407	53,278	437
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	10,840	11,629	95
Inventories	2,033	3,072	25
Assets classified as held for sale	7,461	31,126	255
Property, plant and equipment and investment property	39,082	88,448	725
Intangible assets and goodwill	616	22,815	187
Other	4,982	7,579	63
Total sold assets	¥65,014	¥164,669	\$1,350
Liabilities sold			
Bonds and borrowings	21,383	69,451	569
Trade and other payables	10,937	10,319	84
Liabilities directly associated with classified as held for sale	976	12,431	102
Other	3,124	21,800	179
Total sold liabilities	¥36,420	¥114,001	\$934
Non-cash investing and financing activities:			
Assets recognized due to loss of control (net of liabilities)	24,561	32,159	264

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, 2021 and 2022.

(Year ended March 31, 2021)

	Millions of Yen							Balance at March 31, 2021
	Balance at April 1, 2020	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	
Bonds and borrowings	¥5,760,123	¥(147,773)	¥73,379	¥(25,223)	¥(2,895)	—	¥(13,296)	¥5,644,315
Lease liabilities	1,503,310	(277,531)	10,893	—	(4,030)	¥331,786	(24,227)	1,540,201

(Year ended March 31, 2022)

	Millions of Yen							Balance at March 31, 2022
	Balance at April 1, 2021	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	
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, 2022)

	Millions of U.S. Dollars							Balance at March 31, 2022
	Balance at April 1, 2021	Cash flows	Exchange translations	Fair value changes	Acquisitions and disposals of businesses	Additions through Lease contracts and other	Other	
Bonds and borrowings	\$46,265	\$(1,316)	\$2,030	\$(310)	\$(428)	—	\$15	\$46,256
Lease liabilities	12,625	(2,293)	188	—	(15)	\$2,735	(188)	13,052

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, 2021 and 2022 principally includes decreases 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, 2021 and 2022.

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 ¥50,417 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 ¥20,542 million for the year ended March 31, 2021.

The net gain associated with the loss of control of subsidiaries (before tax) was ¥44,009 million (\$361 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 (\$84 million) for the year ended March 31, 2022.

These gains are included in “Gains (losses) on investments” in the consolidated statement of income.

Subsidiaries with material non-controlling interests

<u>Company Name</u>	<u>Voting Rights held by non-controlling interests</u>
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.

(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 14.44% 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 (\$79 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. BMA has grown into one of the world's largest metallurgical coal businesses. As of March 31, 2022, the book value of MDP's fixed assets is ¥1,002.9 billion (\$8.2 billion).

(4) Share of profit for the year and other comprehensive income of joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Profit for the year			
Joint ventures	¥49,541	¥123,842	\$1,015
Associates	47,545	269,961	2,213
Sub-total	97,086	393,803	3,228
Other comprehensive income	(1,077)	119,496	980
Comprehensive income	¥96,009	¥513,299	\$4,208

Impairment losses on investments accounted for using the equity method

In the year ended March 31, 2021, the Company recorded impairment losses on property, plant and equipment and other losses of ¥32,400 million in Mitsubishi Motors Corporation, in which the Company currently holds a 20.02% equity stake, as “Share of profit (loss) of investments accounted for using the equity method.” These impairment losses were attributable to updates to Mitsubishi Motors Corporation’s future vehicle sales forecasts due to revisions to its regional strategies and decisions made about reorganizing its production lines as a result of the formulation of the new medium-term management plan. These losses are included in consolidated net income for the Automotive & Mobility segment.

In the year ended March 31, 2022, the Company recorded an impairment loss of ¥16,070 million (\$132 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.

Mozal SA

During the year ended March 31, 2022, the Company recorded a reversal of impairment loss of ¥5,076 million (\$42 million) as “Share of profit (loss) of investments accounted for using the equity method” and ¥5,894 million (\$48 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 (\$46 million) in dividend income received from Mozal SA was recorded “Finance Income” after being classified as assets held for sale. This profit is included in consolidated net income for the Mineral Resources segment.

The sales of 16.6% of the investment classified as assets held for sale was completed on May 31, 2022, due to fulfilling the condition precedents of the share transfer agreement by obtaining permission for sales by Republic of Mozambique. The sale process is still underway for the existing interests.

(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
	2021	2022	2022
Sale of goods / rendering of service	¥430,118	¥632,729	\$5,186
Goods purchased / service received	816,400	1,106,495	9,070

(6) Assets and liabilities of the Company to joint ventures and associates

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
(Assets)			
Trade receivables	¥129,618	¥157,740	\$1,293
Loans and other	259,746	329,475	2,701
(Liabilities)			
Trade payables	226,186	267,792	2,195
Borrowings and other	321,044	299,844	2,458

In addition to the above, as of March 31, 2021 and 2022, the Company provided ¥386,617 million and ¥280,222 million (\$2,297 million), respectively, of credit guarantees for certain joint ventures and associates.

The Company has also entered into substantial purchase commitments with joint ventures and associates as of March 31, 2021 and 2022. The outstanding purchase commitments amounted to ¥767,473 million and ¥1,008,552 million (\$8,267 million), respectively.

Furthermore, the Company has entered into substantial sales commitments with joint ventures and associates as of March 31, 2021 and 2022. The outstanding sales commitments amounted to ¥233,117 million and ¥252,596 million (\$2,070 million), respectively.

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, 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.

Non-consolidated SEs

The SEs that the Company does not consolidate 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 at March 31, 2021 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2021	2022	2022
Carrying amounts of assets in the Company's consolidated statement of financial position	¥106,475	¥125,588	\$1,029

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, 2021 and 2022.

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, 2021 and 2022 amounting to ¥172,976 million and ¥144,893 million (\$1,188 million), respectively.

N.V. Eneco has energy purchase commitments at March 31, 2021 and 2022 amounting to ¥1,343,567 million and ¥2,701,990 million (\$22,147 million), respectively under long-term energy purchase contracts. The increase in the year ended March 31, 2022 is mainly due to higher 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, 2021 and 2022 were as follows:

	Millions of Yen		Millions of
	2021	2022	U.S. Dollars
Financial guarantees			2022
Outstanding amount	¥420,454	¥489,498	\$4,012
Maximum potential amount of future payments	686,573	757,816	6,212
Performance guarantees			
Outstanding amount	415,215	272,605	2,234
Maximum potential amount of future payments	415,215	272,605	2,234

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, 2022 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 reinsurance as necessary.

At March 31, 2021 and 2022, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥7,099 million and ¥8,722 million (\$71 million), respectively.

At March 31, 2021 and 2022, financial guarantees include ¥52,817 million and ¥86,684 million (\$711 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, 2022, 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 \$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, 2021 and 2022 amounted to \$1,533 million and \$1,064 million, respectively, and are included in "Financial guarantees – Maximum potential amount of future payments" in the table above. At March 31, 2021 and 2022, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to \$1,367 million and \$1,064 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 24, 2022.

Transfer of Shares in Mitsubishi Corp.-UBS Realty Inc.

On March 17, 2022, the Company concluded a share transfer agreement with 76KK, which is an indirect subsidiary of KKR & CO. INC., regarding all the shares the Company holds (51% of all outstanding stock) in Mitsubishi Corp.-UBS Realty Inc. (MC-UBSR), a consolidated subsidiary in the Urban Development segment. As of March 31, 2022, the assets and liabilities owned by MC-UBSR 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.

With this sale of shares, the Company has lost control of MC-UBSR. Therefore, in the fiscal year ending March 31, 2023, the Company expects to record ¥112.0 billion in gains on sales following loss of control and ¥28.0 billion in related income tax expenses under “Gains (losses) on investments” and “Income taxes” in the Consolidated Statement of Income, respectively. In addition, the Company expects to recognize ¥115.7 billion in consideration received in cash as “Proceeds from disposal of businesses-net of cash divested” in the Consolidated Statement of Cash Flows.

Repurchase and cancellation of shares

The Company resolved at a meeting of the Board of Directors held on May 10, 2022 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 23 million shares (Represents up to 1.5% of the common shares outstanding (excluding treasury stock))
Total value of stock repurchased of shares	: Up to ¥70.0 billion
Period of repurchase	: May 11, 2022 to September 11, 2022*

* The planned repurchase period may be changed in accordance with the relevant laws and regulations.

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, excluding the number of shares to be delivered upon exercises of stock options (5 million shares)
Date of cancellation (planned)	: September 30, 2022

Continuation of the Share-Based Compensation Plan

Regarding the share-based compensation plan for employees provided through the Employee Stock Ownership Plan (ESOP) Trust, a decision was reached at a meeting of the Executive Committee, held on May 9, 2022, to continue the plan and make an additional contribution of ¥16.0 billion (this amount includes trust fees and trust expenses). The trust concluded the acquisition of the common stock of the Company in May 2022.

Status of the permitting process related to the investments in Chilean copper assets

The Company holds 20.4% of shares in Anglo American Sur S.A. (AAS) through our Chilean subsidiary M.C. Inversiones Limitada and the Company applies the equity method to the investment in AAS. On May 2, 2022 (local time), AAS received the notice that the Environmental Assessment Service of Chile (SEA) has issued its formal decision (RCA) to reject the environmental permit application for the project of Los Bronces Copper mine owned by AAS that expands the current open pit within Los Bronces' operating site and future development of underground section of the mine.

In the result of examination of the details of the RCA, the Company and other shareholders, including Anglo American Plc (AAC), have agreed to continue following the regulated process to obtain permission to Chile and requested SEA a review to evaluate the full breadth of merits of the project on June 13, 2022 (local time).

The event mentioned above will not have a material impact on the short term business activities of AAS, but might affect the valuation of our investment in AAS, depending on the review process mentioned above.

The book value of the investment in AAS was ¥167.8 billion (\$1.38 billion) as of March 31, 2022.

Dividends

Please refer to Note 21 for the cash dividend resolved at the ordinary general shareholders' meeting held on June 24, 2022.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 24, 2022.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2022 are as follows:

Business Segment	Company Name	Voting Rights (%)
Natural Gas Group	Mitsubishi Corporation Exploration 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)
	Others (29 Companies)	
Industrial Materials Group	ASAHI KIZAI CO., LTD. (Japan)	63.49 (50.26)
	Isuzu Corporation (Japan)	56.60 (56.60)
	M.O.Tec Corporation (Japan)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Mitsubishi Shoji Construction Materials Corporation (Japan)	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)
	PLATEPLUS, INC. (U.S.A.)	100.00 (100.00)
	Others (74 Companies)	
	Petroleum & Chemicals Solution Group	Chuo Kagaku Co., Ltd. (Japan)
Mitsubishi Corporation Energy Co., Ltd. (Japan)		100.00
Mitsubishi Corporation Plastics Ltd. (Japan)		100.00
Mitsubishi Shoji Chemical Corporation (Japan)		100.00
Others (32 Companies)		

Business Segment	Company Name	Voting Rights (%)
Mineral Resources Group	JECO Corporation (Japan)	70.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	M.C. Inversiones Limitada (Chile)	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)	
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 (59 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 (29 Companies)	

Business Segment	Company Name	Voting Rights (%)
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)	59.88
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	65.25
	Nosan Corporation (Japan)	100.00
	Seto Futo Co., Ltd. (Japan)	86.63 (20.00)
	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 (101 Companies)	
	Consumer Industry Group	LAWSON BANK, INC. (Japan)
LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS, INC. (Japan)		100.00 (100.00)
Lawson, Inc. (Japan)		50.12
MC DATA PLUS (Japan)		100.00
MC Healthcare, Inc. (Japan)		80.00
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)		50.12 (0.01)
SEIJO ISHII CO., LTD (Japan)		100.00 (100.00)
Others (59 Companies)		
Power Solution Group		Mitsubishi Corporation Energy Solutions Ltd. (Japan)
	DGA Ho Ping B.V. (The Netherlands)	100.00
	DGA Ilijan 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.)	88.32 (88.32)
	Others (579 Companies)	

Business Segment	Company Name	Voting Rights (%)
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
	JAPAN HIGHWAYS INVESTMENT PARTNERSHIP (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00
	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 CHINA CO., LTD. (China)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00
	DIAMOND REALTY MANAGEMENT AMERICA INC. (U.S.A)	(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)	(8.44)
	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 NORTH AMERICA INVESTMENT LLC (U.S.A)	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
	PT DIAMOND DEVELOPMENT INDONESIA (Indonesia)	(80.17)
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	100.00
	Others (97 Companies)	(0.01)
		53.52

Business Segment	Company Name	Voting Rights (%)
Others	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 (5 Companies)	
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 GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	71.40 (47.40)
	Others (29 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Yuzo Nouchi, Chief Financial Officer, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the assets, liabilities, financial position and profit or loss of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole; and
- to the best of his knowledge, the management report includes a fair review of the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.