

Mitsui & Co. (U.S.A.), Inc.

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



360° business innovation.

MITSUI & CO. (U.S.A.), INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mitsui & Co. (U.S.A.), Inc.:

Opinion

We have audited the financial statements of Mitsui & Co. (U.S.A.), Inc. (the "Company") (an ultimate wholly-owned subsidiary of Mitsui & Co., Ltd.), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Company has extensive transactions with Mitsui & Co., Ltd. and its affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations, or its cash flows which would have been attained by the Company if it had operated without such affiliations. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months (one year) from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 23, 2023

MITSUI & CO. (U.S.A.), INC.

STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2023 AND 2022 (In millions)

	Notes	2023	2022
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 1,284	\$ 707
Short-term loan receivables	4, 5, 16	551	453
Current portion of long-term loan receivables	4, 5, 16	97	48
Trade and other receivables	4, 5, 16	422	710
Inventories		168	198
Advance payments to suppliers		-	32
Other current assets		<u>6</u>	<u>22</u>
Total current assets		<u>2,528</u>	<u>2,170</u>
NON-CURRENT ASSETS:			
Investments in subsidiaries and associates	3	1,083	1,068
Other investments	4, 14	130	136
Long-term loan receivables, less current portion	4, 5, 16	1,318	1,431
Property, plant, and equipment	7	134	142
Deferred tax assets	13	<u>15</u>	<u>27</u>
Total non-current assets		<u>2,680</u>	<u>2,804</u>
TOTAL ASSETS		<u>\$ 5,208</u>	<u>\$ 4,974</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term debt	8, 16	\$ 2,766	\$ 2,376
Current portion of long-term debt and lease liabilities	4, 8, 16	173	147
Trade and other payables	8, 16	261	359
Other current liabilities	13, 16	<u>13</u>	<u>14</u>
Total current liabilities		<u>3,213</u>	<u>2,896</u>
NON-CURRENT LIABILITIES:			
Long-term debt, less current portion	4, 8, 16	1,069	1,148
Lease liabilities, less current portion	6	115	119
Retirement benefit liabilities	9	32	53
Other non-current liabilities	13	<u>18</u>	<u>18</u>
Total non-current liabilities		<u>1,234</u>	<u>1,338</u>
Total liabilities		<u>4,447</u>	<u>4,234</u>
EQUITY:			
Common stock, no par value-authorized 2,000 shares; issued, fully paid, and outstanding 1,050 shares		350	350
Additional paid-in capital		165	119
Retained earnings		248	275
Accumulated other comprehensive loss	10	<u>(2)</u>	<u>(4)</u>
Total equity		<u>761</u>	<u>740</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 5,208</u>	<u>\$ 4,974</u>

See notes to financial statements.

mitsui & co. (u.s.a.), inc.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (In millions)

	Notes	2023	2022
REVENUE	11, 16	\$ 2,056	\$ 1,993
COST		<u>(2,001)</u>	<u>(1,935)</u>
GROSS PROFIT		<u>55</u>	<u>58</u>
OTHER INCOME (EXPENSES):			
Selling, general, and administrative expenses	6, 7, 12	(143)	(143)
Other income	3, 4, 16	70	106
Other expense	3, 4, 5, 14	<u>(22)</u>	<u>(5)</u>
Total other expenses—net		<u>(95)</u>	<u>(42)</u>
FINANCE INCOME (COST):			
Interest income	4, 16	126	35
Dividend income	4	188	116
Interest expense	4, 6, 16	<u>(151)</u>	<u>(35)</u>
Total finance income—net		<u>163</u>	<u>116</u>
PROFIT BEFORE INCOME TAXES		123	132
INCOME TAX BENEFIT (EXPENSE)	13	<u>2</u>	<u>(4)</u>
PROFIT FOR THE YEAR		<u>125</u>	<u>128</u>
OTHER COMPREHENSIVE INCOME (LOSS):			
Items that will not be reclassified to profit or loss:			
Remeasurements of equity instruments	10	2	3
Remeasurements of defined benefit plans	9, 10	13	2
Income tax relating to items not reclassified to profit or loss	10	<u>(4)</u>	<u>(1)</u>
Total other comprehensive income		<u>11</u>	<u>4</u>
COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 136</u>	<u>\$ 132</u>

See notes to financial statements.

MITSUI & CO. (U.S.A.), INC.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED MARCH 31, 2023 AND 2022 (In millions, except number of shares)

		Common Stock		Additional	Retained	Accumulated Other Comprehensive	Total
	Notes	Shares	Amounts	Paid-In Capital	Earnings	Loss	Equity
BALANCE—April 1, 2021		1,050	\$ 350	\$ 119	\$ 215	\$ (2)	\$ 682
Profit for the year		-	-	-	128	-	128
Other comprehensive income for the year	10	-	-	-	-	4	4
Dividends to owner of the Company		-	-	-	(74)	-	(74)
Transfer to retained earnings	10	-	-	-	6	(6)	-
BALANCE—March 31, 2022		1,050	350	119	275	(4)	740
Profit for the year		-	-	-	125	-	125
Other comprehensive income for the year	10	-	-	-	-	11	11
Dividends to owner of the Company		-	-	-	(128)	-	(128)
In-kind dividend to owner of the Company	3, 13	-	-	-	(33)	-	(33)
Capital contribution from owner of the Company	3	-	-	46	-	-	46
Transfer to retained earnings	10	-	-	-	9	(9)	-
BALANCE—March 31, 2023		<u>1,050</u>	<u>\$ 350</u>	<u>\$ 165</u>	<u>\$ 248</u>	<u>\$ (2)</u>	<u>\$ 761</u>

See notes to financial statements.

mitsui & co. (u.s.a.), inc.

STATEMENTS OF CASH FLOWS **FOR THE YEARS ENDED MARCH 31, 2023 AND 2022** (In millions)

	2023	2022
OPERATING ACTIVITIES:		
Profit for the year	\$ 125	\$ 128
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation and amortization	14	14
Provision for receivables	(1)	1
Loss (gain) on investments—net	14	(38)
Finance income—net	(163)	(116)
Income tax (benefit) expense	(2)	4
Changes in operating assets and liabilities:		
Change in trade and other receivables	289	(299)
Change in inventories	30	(63)
Change in advance payments to suppliers	31	(22)
Change in trade and other payables	(98)	61
Other—net	(10)	6
Interest received	123	34
Interest paid	(148)	(35)
Dividends received	188	116
Income taxes paid	(18)	(16)
Net cash provided by (used in) operating activities	<u>374</u>	<u>(225)</u>
INVESTING ACTIVITIES:		
Additional investments in subsidiaries, associates and other	(23)	(52)
Return of capital on investments in subsidiaries, associates and other	8	10
Proceeds from sales of other investments	7	11
Net change in short-term loan receivables	(98)	(147)
Issuance of long-term loan receivables	(306)	(266)
Collections of long-term loan receivables	371	252
Purchases of property, plant, and equipment	(2)	(4)
Net cash used in investing activities	<u>(43)</u>	<u>(196)</u>
FINANCING ACTIVITIES:		
Net change in short-term debt	435	1,007
Proceeds from long term debt	9	51
Repayments of long-term debt	(60)	(106)
Repayments of lease liabilities	(10)	(9)
Dividend paid	(128)	(74)
Net cash provided by financing activities	<u>246</u>	<u>869</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	577	447
CASH AND CASH EQUIVALENTS—Beginning of year	<u>707</u>	<u>260</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 1,284</u>	<u>\$ 707</u>
SUPPLEMENTAL CASH FLOW INFORMATION—		
Non-cash investing and financing activities:		
Capital contribution from owner of the Company (Note 3)	\$ (46)	\$ -
In-kind dividend to owner of the Company (Notes 3 and 13)	(33)	-
Lease liabilities	4	4
Collection and issuance of loan receivables (Note 16)	39	-
Proceeds and repayments of long-term debt (Note 16)	195	300

See notes to financial statements.

MITSUI & CO. (U.S.A.), INC.

NOTES TO FINANCIAL STATEMENTS

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

(In millions, except where otherwise noted)

1. REPORTING ENTITY

Mitsui & Co. (U.S.A.), Inc. (“Mitsui USA” or the “Company”) is a company incorporated in the United States. Mitsui USA is a wholly-owned subsidiary of MBK USA Holdings, Inc. (“MUH”), which is a wholly-owned subsidiary of Mitsui & Co., Ltd. (“Mitsui Japan”). Mitsui USA was directly owned by Mitsui Japan until March 31, 2014.

Mitsui USA as well as Mitsui Japan are general trading companies (*Sogo Shosha*) which engage in business activities such as trading in various commodities, financing for customers and suppliers in relation to such trading activities, and organizing and coordinating industrial projects through its worldwide business networks.

The Company conducts sales, exports, imports, and offshore trades and investments in the areas of Iron & Steel Products, Mineral & Metal Resources, Infrastructure Projects, Mobility, Chemicals, Energy, Foods & Retail, Wellness Business, IT & Communication, and Corporate Development, while providing general services for retailing, information and communications, technical support, transportation and logistics, and financing.

The Company has significant transactions with Mitsui Japan and its affiliates.

2. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance with International Financial Reporting Standards—The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Separate Financial Statements—The financial statements have been prepared in accordance with the International Accounting Standards (“IAS”) 27, *Separate Financial Statements*. The financial statements present information about the Company as an individual entity and do not include accounts of its subsidiaries over which the Company has control. Investments in subsidiaries and associates are accounted for under the cost method. Associates are those over which the Company is able to exercise significant influence. The ultimate parent company of the Company, Mitsui Japan, prepares consolidated financial statements in accordance with IFRS.

The Company’s financial statements are prepared on the historical cost basis, except for certain financial assets or liabilities that are measured at fair value and retirement benefit liabilities that are measured based on the accounting policies described in later sections. The financial statements are presented in U.S. dollars, which is the functional currency of the Company. All financial information presented in U.S. dollars has been rounded to the nearest millions, except as otherwise indicated.

Use of Estimates and Judgments—The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The judgments based on assumptions and estimates are reviewed on an ongoing basis.

Management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

- Impairment loss on investments in subsidiaries and associates—Note 3
- Revaluation of financial instruments—Notes 4, 5, and 14
- Allowance for receivables—Note 5
- Impairment loss on property, plant, and equipment
- Measurement of defined benefit obligations—Note 9
- Recoverability of deferred tax assets—Note 13
- Fair value measurement—Note 14
- Contingent liabilities—Note 15

Impact of Russia-Ukraine War—In February 2022, Russia initiated significant military action against Ukraine and the two countries are currently in an active war. Although various nations imposed economic sanctions against Russia, which have affected the economies of Russia and the world, the Company has not experienced a significant adverse financial impact from the situation.

Impact of Inflation—The U.S. Federal Reserve’s recent actions to increase interest rates in order to control inflation have created further uncertainty for the economy and capital market conditions. Changes to interest rates and inflation may affect the Company’s investment returns, ability to grow the investment portfolio, and financing activities.

The extent of the impact of Russia-Ukraine War and inflation on the Company’s future financial and operational results will depend on developments of the situation and the extent of the war on global economic conditions. The estimates and assumptions underlying the financial statements are based on the information available as of March 31, 2023 and 2022, including judgments about the ultimate adverse impact on the economic conditions and the Company’s market, which may change substantially over time.

Summary of Significant Accounting Policies—The accounting policies described below have been applied consistently to all periods presented in these financial statements.

Foreign Currency Transactions—Foreign currency transactions are translated into U.S. dollars using the spot exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollar amounts using year-end exchange rates and the resulting gains and losses are recognized in earnings. During the years ended March 31, 2023 and 2022, net foreign exchange gain or loss was not material.

Investments in Subsidiaries and Associates—The Company prepares separate financial statements and accounts for investments in subsidiaries and associates at cost less impairment.

Financial Instruments—A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade and other receivables, loan receivables, and debt and equity instruments. Financial liabilities of the Company mainly comprise of notes and loans due to financial institutions and affiliated companies, and trade and other payables.

Financial instruments are recognized in the accompanying statements of financial position when the Company becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to the purchase or sale of the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Cash Equivalents—Cash equivalents are highly-liquid short-term investments with an original maturity of three months or less that are readily convertible into cash and have no significant risk of change in value. Such cash equivalents include time deposits and commercial paper with original maturities of three months or less.

Trade and Other Receivables and Loan Receivables—Trade and other receivables and loan receivables are measured at amortized cost using the effective interest method, less any impairment losses. Impairment losses on receivables are recognized using separate allowance accounts. Gains and losses are recognized in the accompanying statements of comprehensive income when the loans and receivables are derecognized or impaired.

Allowance for Receivables—The Company measures allowance for receivables on the basis of expected credit loss (“ECL”), which is a probability-weighted estimate of credit losses. The Company measures the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial asset has not increased significantly since initial recognition, and measures the loss allowance at an amount equal to lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition for financial assets that are measured at amortized costs. For trade receivables, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance without assessing whether the credit risk on a trade receivable has increased significantly since initial recognition.

When determining significant increases in the credit risk and measuring expected credit losses, the Company evaluates reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings. In addition, the Company determines that the credit risk on a financial asset has increased significantly since initial recognition in principal when contractual payments are more than 30 days past due.

See Note 5 for further analysis of allowance for receivables.

Write-Off of Financial Assets—A financial asset and the related loss allowance are either partially or fully written off when it is reasonably determined that all or part of a financial asset is not collectable. Financial assets that are written off are not subject to enforcement activity.

Debt Instruments—Debt instruments are measured at amortized cost if they meet the following two criteria. They are held for the purpose of collecting contractual cash flows and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Amortized cost is calculated by using the effective interest rate method. Interest income from debt instruments is included in interest income.

Equity Instruments—Equity instruments (except for investments in subsidiaries and associates) are measured at fair value through profit or loss (“FVTPL”). Net gains or net losses on FVTPL items include dividend income. For certain equity instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the Company elects, at initial recognition, to designate these instruments at fair value through other comprehensive income (“FVTOCI”). When equity instruments measured at FVTOCI are derecognized, the accumulated

other comprehensive income (loss) is directly transferred to retained earnings without being recognized in profit or loss. Dividend income received on those measured at FVTOCI is recognized in profit or loss.

Finance Income and Cost—Finance income and cost include interest income, interest expense, and dividend income. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the right of the Company to receive the dividends vest.

Derivative Instruments and Hedging Activities—Derivative financial instruments, such as foreign currency exchange contracts and contingent earnouts are measured at fair value. Changes in the fair value of derivative financial instruments are recognized in profit or loss. Currently, the Company does not hold derivative instruments for hedge purposes.

Trade and Other Payable and Debt—Trade and other payables and debt are measured at amortized cost.

Offsetting Financial Assets and Financial Liabilities—Financial assets and financial liabilities are offset and the net amount is presented in the accompanying statements of financial position when, and only when, the Company currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Lease—At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- i. *As a Lessee*—The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise of fixed payments, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment in the statement of financial position.

Short-Term Leases and Leases of Low-Value Assets—As is permitted under IFRS 16, the Company elected to expense its short-term leases (term of 12 months or less) and leases of low-value assets on a straight-line basis over the lease term.

- ii. *As a Lessor*—When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15, *Revenue from Contracts with Customers*, to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as other income on a straight-line basis over the lease term.

Property, Plant, and Equipment—Property, plant, and equipment are recorded at cost. Depreciation of property, plant, and equipment is provided over the estimated useful lives (ranging from 3 to 33 years) of such assets using the straight-line method. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the underlying lease. Significant renewals and additions are capitalized at cost. Expenditures for improvements and betterments of operating rental properties are capitalized. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

Impairment of Non-Financial Assets and Investments in Subsidiaries and Associates—The Company periodically performs analyses to determine whether there is any indication of impairment of non-financial assets and investments in subsidiaries and associates. If any such indication exists, the recoverable amounts of the non-financial assets and the investments are estimated.

The recoverable amount of an asset or a cash-generating unit (“CGU”) is the higher of its fair value, less costs of disposal, and its value in use and is determined for an individual asset when the asset generates cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount with the impairment loss recognized in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed and included in other income only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized.

Inventories—Inventories, consisting of commodities and materials for sale, are measured at the lower of cost or net realizable value. The costs of inventory of items that are not ordinarily interchangeable are assigned by using specific identification of their individual costs. For those items which are interchangeable, the costs are mainly assigned by using the weighted average cost formula.

The cost of inventories recognized as an expense during the year in respect of continuing operations was \$1,916 and \$1,834, during the years ended March 31, 2023 and 2022, respectively.

Revenue Recognition—In accordance with IFRS 15, *Revenue from Contracts with Customers*, revenue from contracts with customers is recognized at the timing of the satisfaction of the performance obligations, based on the 5 step approach:

1. Identifying the contract with a customer,
2. Identifying the performance obligations of the contract,
3. Determining the transaction price,
4. Allocating the transaction price to performance obligations in the contract and
5. Recognizing the revenue when the entity satisfied a performance obligation.

Upon the identification of the performance obligations of the contract, the Company determines whether the Company is a principal or an agent in the transactions. If the nature of its promise is a performance obligation to provide specified goods or services as a principal, revenue is recognized in gross amounts. If the nature of its promise is a performance obligation as an agent to arrange goods or services provided by another party, revenue is recognized at the amount of any fees or net of sales and purchase prices.

The Company satisfies a performance obligation and recognizes revenue for all of its transactions at a point in time when control of the goods passes to the customers. This can be at the time of dispatch, delivery, or upon customer acceptance, depending on individual customer terms for domestic transactions, or determined by incoterms for international transactions. Invoices are generated at that point in time and are usually due within 30 or 60 days. No discounts or returns are normally offered in the Company's contracts with customers.

Employee Benefits—The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognized immediately as part of the current service cost. When a plan amendment, settlement (eliminating all obligations for benefits already accrued), or a curtailment (reducing future obligations as a result of a significant reduction in the plan membership or a reduction in future entitlement) occurs, the obligations and related plan assets are remeasured using current actuarial assumptions and the resulting gain or loss is recognized in earnings during the period in which the plan amendment, settlement, or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of plan obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligations, taking into account material changes in the obligations during the year. The expected return on plan assets is based on a long-term market return assumption that is automatically set equal to the discount rate used to value the benefit obligations, and then adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. All components of net pension cost are presented as a single net amount and included in selling, general, and administrative expenses in the accompanying statements of comprehensive income. The remeasurements of defined benefit plans are recognized in other comprehensive income (loss) and are transferred immediately to retained earnings.

Retirement benefit liabilities in the accompanying statements of financial position comprise the total of the present value of the defined benefit obligations, less the fair value of plan assets out of which the obligations are to be settled directly.

The Company and certain participating affiliated companies share the costs of the defined benefit pension plan. See Note 9 for further discussion.

The Company also has defined contribution plans. Payments to defined contribution plans are recognized as an expense when employees have rendered service.

Income Taxes—The Company records income taxes based on IAS 12, *Income Taxes*.

Income taxes comprise current taxes and deferred taxes. Income tax expense is calculated based on profit before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards, and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards, or tax credit carryforwards are expected to reverse.

Deferred tax assets are recognized only with respect to unused tax losses, unused tax credits, and deductible temporary differences where it is probable to reduce future taxable income. The recoverability of deferred tax assets is reviewed at the end of each period and the Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax liabilities arising from taxable temporary differences concerning investments in subsidiaries and associates are recognized unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

From April 1, 2014, the Company joined the MUH federal consolidated tax group, and the Company's operations are included in the consolidated federal income tax return of MUH. The Company records its current and deferred income tax provision as if it were a separate taxable entity. The Company includes in its income tax provision the tax effect of profits and losses of partnerships and limited liability companies that do not have a tax sharing agreement with the Company.

The Company recognizes uncertain tax positions in income taxes in the financial statements when it is probable that an economic outflow would occur if the tax positions were examined and challenged by tax authorities.

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 outflows of resources embodying economic benefits will be required to settle the obligation, and the reliable estimates of the amount of the obligation can be made. Provisions are measured as the best estimate of the amount of expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Financial Guarantees—A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognized at fair value and are subsequently measured at the greater of the best estimate of the likely outflow and the amount initially recognized less, where appropriate, cumulative amortization.

New Accounting Standards—On April 1, 2021, the Company adopted *Interest Rate Benchmark Reform-Phase 2*, amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurements*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases*. The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. These amendments had no impact on the financial statements of the Company.

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, Presentation of Financial Statements)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The Company will adopt this amendment on April 1, 2024. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The Company prepares separate financial statements and records investments in subsidiaries and associates at cost less impairment. The changes in the investments in subsidiaries and associates for the years ended March 31, 2023 and 2022 consisted of the following:

	Investments in Subsidiaries	Investments in Associates	Total
Balance—April 1, 2021	\$ 411	\$ 611	\$ 1,022
Additions	5	29	34
Return of capital	-	(4)	(4)
Impairment recovery	<u>16</u>	<u>0</u>	<u>16</u>
Balance—March 31, 2022	432	636	1,068
Additions	54	4	58
Return of capital	(17)	(1)	(18)
Disposals	-	(17)	(17)
Impairment	<u>(6)</u>	<u>(2)</u>	<u>(8)</u>
Balance—March 31, 2023	<u>\$ 463</u>	<u>\$ 620</u>	<u>\$ 1,083</u>

The following are significant activities reflected in the table above:

Additions—Additions to investments in subsidiaries during the year ended March 31, 2023 mainly represent the receipt of shares in UHS Partner's Inc. from MUH as a capital contribution in the amount of \$46.

Additions to investments in associates during the year ended March 31, 2022 mainly represent a new investment made in Capacity LLC for \$22.

Return of capital—Return of capital in investments in subsidiaries during the year ended March 31, 2023 mainly represents the liquidation distribution from dissolution of Mitsui Foods, Inc. ("MFI") in the amount of \$16.

Disposals—Disposal in investment in associate during the year ended March 31, 2023 represents the transfer of all of the Company’s shares in Road Machinery, LLC as an in-kind dividend to MUH in the amount of \$17.

Impairments—During the year ended March 31, 2023, the Company recorded an impairment loss on its investment in The Seasoned Carte, Inc., a subsidiary, for \$6. The impairment was recognized due to the investment’s continuous operating loss. The impairment loss was included in other expense in the accompanying statement of comprehensive income for the year ended March 31, 2023.

During the year ended March 31, 2022, the Company recorded a recovery of impairment loss on its investment in MFI of \$16 in other income in the accompanying statement of comprehensive income.

The fair value of the investment was estimated using the discounted cash flow method and categorized as Level 3 in the fair value hierarchy. The significant unobservable inputs used for these fair value measurements were the discount rate and projected cash flows. See Note 14 regarding the fair value hierarchy.

Details of the significant investments in subsidiaries and associates at March 31, 2023 and 2022 were as follows:

Subsidiaries —

Name of Investees	Principal Place of Business	Proportion of Ownership Interest (%)	
		2023	2022
Intercontinental Terminals Company LLC	United States	100	100
MBK Real Estate Holdings Inc.	United States	80	80
Mitsui de Mexico, S. de R.L. de. C.V.	Mexico	100	100
Mitsui Foods, Inc.	United States	-	100
Mitsui Plastics, Inc.	United States	100	100
UHS Partner’s Inc. ¹	United States	100	-
United Grain Corporation of Oregon	United States	80	80

Associates —

Name of Investees	Principal Place of Business	Proportion of Ownership Interest (%)	
		2023	2022
Android Industries, LLC	United States	33	33
AWC Investments, Inc.	United States	29	29
Capacity LLC	United States	23	23
Capitala Investment Advisors, LLC	United States	20	20
MAG Aliança Automóveis do Brasil SSC	Brazil	50	50
MKU Holdings, Inc.	United States	16	16
Novus International, Inc.	United States	37	37
NuMit LLC	United States	50	50
Penske Automotive Group, Inc.	United States	4	3 ²
Road Machinery LLC	Mexico ³	-	50

¹ UHS Partner’s Inc. changed its company name to MBK Human Capital, Inc. on April 17, 2023.

² Mitsui Japan also owns shares of Penske Automotive Group, Inc. Mitsui USA has significant influence over the entity jointly with Mitsui Japan.

³ Road Machinery LLC is organized in the United States.

4. FINANCIAL INSTRUMENTS AND RELATED MATTERS

Trade and Other Receivables—Trade and other receivables as of March 31, 2023 and 2022 consisted of the following:

	2023	2022
Current:		
Trade and other receivables:		
Unrelated parties	\$ 248	\$ 286
Parent and affiliates	175	426
Allowance for receivables	<u>(1)</u>	<u>(2)</u>
Total	<u>\$ 422</u>	<u>\$ 710</u>

Other Investments—The carrying amounts of other investments as of March 31, 2023 and 2022 were as follows:

	2023	2022
Equity instruments measured at FVTPL	\$ 93	\$ 96
Debt instruments measured at FVTPL	5	6
Equity instruments measured at FVTOCI	<u>32</u>	<u>34</u>
Total	<u>\$ 130</u>	<u>\$ 136</u>

Equity and Debt Instruments Measured at FVTPL—The fair value of equity and debt instruments measured at FVTPL as of March 31, 2023 and 2022 were as follows:

	2023	2022
Publicly listed securities	\$ 1	\$ 3
Unlisted securities	<u>97</u>	<u>99</u>
Total	<u>\$ 98</u>	<u>\$ 102</u>

There were no individually significant equity and debt instruments measured at FVTPL as of March 31, 2023 and 2022.

Gains (Losses) on Equity and Debt Instruments Measured at FVTPL—The Company recorded a net loss of (\$6) and a net gain \$22 on sales and valuation of equity and debt instruments measured at FVTPL for the years ended March 31, 2023 and 2022, respectively. Net gain and loss on equity and debt instruments measured at FVTPL are included in other income (expense) in the accompanying statements of comprehensive income for the years ended March 31, 2023 and 2022.

Equity Instruments Measured at FVTOCI—The fair value of equity instruments measured at FVTOCI as of March 31, 2023 and 2022 were as follows:

	2023	2022
Publicly listed securities	\$ 6	\$ 8
Unlisted securities	<u>26</u>	<u>26</u>
Total	<u>\$ 32</u>	<u>\$ 34</u>

There were no individually significant equity instruments measured at FVTOCI as of March 31, 2023 and 2022.

Derecognized Equity Instruments Measured at FVTOCI—During the years ended March 31, 2023 and 2022, the Company disposed of certain equity instruments measured at FVTOCI because it determined such equity instruments no longer met the Company's business strategies. The fair value at the date of derecognition and cumulative gains on disposal—net related to the equity instruments were as follows:

	2023	2022
Fair value of the equity instruments at the date of derecognition	\$ 7	\$ 11
Cumulative gains on disposition—net	2	6

The Company received no dividends from the disposed equity instruments measured at FVTOCI during the years ended March 31, 2023 and 2022.

Finance Income and Cost—The finance income and finance cost for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Interest income:		
Amortized cost	\$ 126	\$ 35
Debt instruments measured at FVTPL	<u>-</u>	<u>-</u>
Total	<u>\$ 126</u>	<u>\$ 35</u>
Dividend income:		
Subsidiaries and associates	\$ 188	\$ 116
Equity instruments measured at FVTOCI	<u>-</u>	<u>-</u>
Total	<u>\$ 188</u>	<u>\$ 116</u>
Interest expense—amortized cost	<u>\$(151)</u>	<u>\$ (35)</u>

Fee income and expense arising from financial assets measured at amortized cost were immaterial for the years ended March 31, 2023 and 2022.

Fair Value of Long-Term Loan Receivables and Long-Term Debt—The carrying amounts of long-term loan receivables and long-term debt with floating rates approximate their respective fair value. The fair value of long-term loan receivables and long-term debt with fixed rates is estimated by discounted cash flow analysis, using interest rates currently available for similar types of loan receivables and debt with similar terms and remaining maturities. These amounts are classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair value of long-term loan receivables and long-term debt as of March 31, 2023 and 2022 were as follows:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loan receivables, including current portion	\$ 1,415	\$ 1,414	\$ 1,479	\$ 1,480
Long-term debt, including current portion	1,234	1,233	1,285	1,286

Capital Management and Financial Risk Management—

- (1) **Capital Management**—The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Board of Directors manages the level of dividends to the shareholder to maintain an optimal capital structure. No changes were made in the objectives, policies, or processes during the years ended March 31, 2023 and 2022. The capital of the Company consists of equity attributable to MUH.
- (2) **Credit Risk**—Credit risk is the risk of loss resulting from counterparty default arising on all credit exposures. The Company's credit risk is primarily attributable to its trade and loan receivables. The Company manages its credit risk by having and applying a strict credit approval process, with different levels of management having a varying credit approval limit. The Company has an established credit department which controls and monitors credit. Each counterparty is appraised annually and the credit limit and company rating are updated, if appropriate. In addition, certain counterparties are covered by credit insurance policies. See Note 5 for further analysis of allowance for receivables.

The credit risk on liquid funds are limited because the counterparties are financial institutions and other parties with high credit ratings assigned by international credit rating agencies and other counterparties which have to pass through a credit approval process before credit lines are approved.

There were no significant concentration of trade receivables at March 31, 2023 and 2022.

The carrying amounts of financial assets recorded in the financial statements, net of any allowances for losses, and the financial guarantees represent the Company's maximum exposure to credit risk.

- (3) **Liquidity Risk**—Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due because of insufficient financial resources. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring forecast and actual cash flows by the use of the cash management arrangement utilized by various affiliated companies.

In its funding strategy, the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings from third-party financial institutions and an

affiliated company which specializes in financing services. See Note 8 for liquidity risk analysis for each class of financial liabilities and Notes 8 and 16 for information on lines of credit.

- (4) **Interest Rate Risk**—The Company is exposed to interest rate risk arising from floating-rate assets and liabilities. An increase in interest rates may adversely affect its operating results.

The impact on profit before income taxes assuming a 1% rise in interest rates is a lower profit of \$8 and \$10 for the years ended March 31, 2023 and 2022, respectively. This sensitivity analysis is calculated by multiplying the net amounts of floating-rate financial assets and liabilities as of March 31, 2023 and 2022 by 1%, without considering future changes in the balance, the effect of exchange rate fluctuations, or the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts and assuming that all other variables are constant.

The instruments that are included in the sensitivity analysis include floating-rate interest-bearing loan receivables and debt, fixed-rate interest-bearing loan receivables and debt, and cash and cash equivalents.

- (5) **Foreign Currency Exchange Rate Risk**—The Company has limited exposure to foreign currency exchange rate risk as most of its receivables and payables arising from transactions such as purchases and sales of products and services and financial transactions are denominated in U.S. dollars. The Company uses foreign exchange forward contracts to reduce the remaining risks from the receivables and payables which are foreign currency-denominated. The impact on profit before income taxes assuming a 1% rise in exchange rate of any currency was not material for the years ended March 31, 2023 and 2022.

5. RECEIVABLES AND RELATED ALLOWANCES

The Company measures allowance for receivables on the basis of ECL in accordance with IFRS 9. For trade receivables, the Company measures the allowance at the amount of lifetime ECL. For other receivables and loans, the Company measures the allowance according to a three-stage ECL impairment model:

- **Performing Financial Assets**

- Stage 1—If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that asset at an amount equal to 12-month expected credit losses.
- Stage 2—If the credit risk on a financial asset has increased significantly since initial recognition, the Company measures the loss allowance for that loan at an amount equal to lifetime expected credit losses.

- **Impaired Financial Assets**

- Stage 3—The Company measures the loss allowance for credit-impaired financial asset at an amount equal to lifetime expected credit losses. The Company determines that default has occurred and therefore an objective evidence of credit impairment exists when a debtor is under legal reorganization and in financial failure or has granted a concession due to financial difficulty, although it may not yet be in financial failure, or the principal and interest payment are 90 days past due as of the reporting date.

An analysis of receivables as of March 31, 2023 and 2022 were as follows:

	2023	2022
Loan receivables—performing	<u>\$ 1,966</u>	<u>\$ 1,932</u>
Trade receivables:		
Less than 30 days past due (including not past due)	\$ 406	\$ 702
30 to 89 days past due	6	1
90 days or more past due	1	2
Other receivables	<u>10</u>	<u>7</u>
Total	<u>\$ 423</u>	<u>\$ 712</u>

Changes in Allowance for Receivables—The analysis of the changes in allowance for receivables, all of which are provided for trade receivables, for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Balance at April 1,	\$ 2	\$ 1
Provision for receivables	<u>(1)</u>	<u>1</u>
Balance at March 31,	<u>\$ 1</u>	<u>\$ 2</u>

All of loan and other receivables are categorized in Stage 1 and were provided with no allowance for receivables at March 31, 2023 and 2022.

Impaired Receivables—All of the loan receivables are classified as performing and there were no impaired loan receivables at March 31, 2023 and 2022. In addition, there were no past due or non-accrual loan receivables at March 31, 2023 and 2022.

6. LEASES

The Company mainly leases real estate, rolling stock, and storage tanks. Certain storage tanks under leases are subleased to third parties and certain office spaces are subleased to affiliated companies and third parties. Most of the leases include renewal or early termination options and most leases of office space include escalation clauses.

The changes in recognition of cost, accumulated depreciation, and the carrying amount of right-of-use assets during the years ended March 31, 2023 and 2022 are as follows:

Cost —

	Buildings	Equipment and Fixtures	Total
Balance at April 1, 2021	\$ 160	\$ 2	\$ 162
Additions	4	-	4
Dispositions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2022	164	2	166
Additions	4	-	4
Dispositions	<u>(3)</u>	<u>(1)</u>	<u>(4)</u>
Balance at March 31, 2023	<u>\$ 165</u>	<u>\$ 1</u>	<u>\$ 166</u>

Accumulated Depreciation —

	Buildings	Equipment and Fixtures	Total
Balance at April 1, 2021	\$ 49	\$ 2	\$ 51
Depreciation expense	10	-	10
Dispositions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2022	59	2	61
Depreciation expense	10	-	10
Dispositions	<u>(3)</u>	<u>(1)</u>	<u>(4)</u>
Balance at March 31, 2023	<u>\$ 66</u>	<u>\$ 1</u>	<u>\$ 67</u>

Carrying Amount —

	Buildings	Equipment and Fixtures	Total
Balance at March 31, 2022	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 105</u>
Balance at March 31, 2023	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 99</u>

The following is a schedule of contractual maturities of lease liabilities, including interest, as of March 31, 2023 and 2022:

	2023	2022
Contractual cash flows:		
Not later than 1 year	\$ 13	\$ 15
Later than 1 year and not later than 5 years	50	48
Later than 5 years	<u>91</u>	<u>99</u>
Total	154	162
Interest payments	<u>(31)</u>	<u>(33)</u>
Lease liabilities	<u>\$ 123</u>	<u>\$ 129</u>

The following is schedules of future minimum sublease payments to be received under noncancellable operating leases as of March 31, 2023 and 2022:

	2023	2022
Not later than 1 year	\$ 3	\$ 3
1 to 2 years	2	3
2 to 3 years	2	2
3 to 4 years	2	2
4 to 5 years	2	2
Later than 5 years	<u>3</u>	<u>5</u>
Total	<u>\$ 14</u>	<u>\$ 17</u>

The following is a schedule of amounts recognized in profit or loss during the years ended March 31, 2023 and 2022:

	2023	2022
Interest on lease liabilities	\$ (4)	\$ (4)
Income from sub-leasing right-of-use assets	3	3
Expenses relating to short-term leases	(3)	(5)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-

The total cash outflow for leases recognized in the statement of cash flows during the years ended March 31, 2023 and 2022 was \$17 and \$18, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

The changes in acquisition cost, accumulated depreciation, and the carrying amount of property, plant, and equipment for the years ended March 31, 2023 and 2022 were as follows:

Acquisition Cost —

	Land and Buildings	Equipment and Fixtures	Construction in Progress	Software	Total
Balance at April 1, 2021	\$ 202	\$ 10	\$ 2	\$ 7	\$ 221
Additions	5	-	3	-	8
Disposals	-	(1)	-	-	(1)
Reclassification	<u>4</u>	<u>1</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2022	211	10	-	7	228
Additions	4	-	2	-	6
Disposals	(4)	(1)	-	-	(5)
Reclassification	<u>1</u>	<u>1</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2023	<u>\$ 212</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 229</u>

Accumulated Depreciation —

	Land and Buildings	Equipment and Fixtures	Construction in Progress	Software	Total
Balance at April 1, 2021	\$ 61	\$ 6	\$ -	\$ 6	\$ 73
Depreciation/ amortization expense	13	1	-	-	14
Disposals	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Balance at March 31, 2022	73	7	-	6	86
Depreciation/ amortization expense	13	1	-	-	14
Disposals	<u>(4)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(5)</u>
Balance at March 31, 2023	<u>\$ 82</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 95</u>

Carrying Amount —

	Land and Buildings	Equipment and Fixtures	Construction in Progress	Software	Total
Balance at March 31, 2022	<u>\$ 138</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 142</u>
Balance at March 31, 2023	<u>\$ 130</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 134</u>

Depreciation and amortization expense of \$14 is included in selling, general, and administrative expenses in the accompanying statement of comprehensive income for the year ended March 31, 2023. Depreciation and amortization expense of \$13 is included in selling, general, and administrative expenses and the remaining \$1 is included in cost of revenue in the accompanying statement of comprehensive income for the year ended March 31, 2022.

There were no contractual commitments for the acquisition of property, plant and equipment as of March 31, 2023 and 2022.

8. FINANCIAL LIABILITIES

Short-Term Debt—Short-term debts as of March 31, 2023 and 2022 consisted of the following:

	<u>2023</u>		<u>2022</u>	
	Interest Rate		Interest Rate	
Parent and affiliates	<u>\$ 2,766</u>	5.38 %	<u>\$ 2,376</u>	0.71 %

The interest rates represent weighted-average rates in effect as of March 31, 2023 and 2022.

At March 31, 2023 and 2022, unused lines of credit for short-term financing from third-party financial institutions were \$695.

Long-Term Debt—Long-term debts as of March 31, 2023 and 2022 consisted of the following:

	<u>2023</u>		<u>2022</u>	
	Interest Rate		Interest Rate	
Affiliates	\$ 1,234	2.52 % to 6.01 %	\$ 1,285	1.21 % to 3.86 %
Less current portion	<u>(165)</u>	-	<u>(137)</u>	-
Long-term debt, less current portion	<u>\$ 1,069</u>		<u>\$ 1,148</u>	

Trade and Other Payables—Trade and other payables as of March 31, 2023 and 2022 were measured at amortized cost and consisted of the following:

	2023	2022
Current:		
Trade and other payables:		
Trade creditors	\$ 105	\$ 216
Parent and affiliates	141	124
Accrued expenses	<u>15</u>	<u>19</u>
Total	<u>\$ 261</u>	<u>\$ 359</u>

Liquidity Risk Analysis—The contractual maturities of financial liabilities as of March 31, 2023 and 2022 were as follows:

	2023		
	Not Later than 1 year	Later than 1 year and Not Later than 5 years	Total
Short-term debt	\$ 2,766	\$ -	\$ 2,766
Trade and other payables	261	-	261
Long-term debt (including current portion)	165	1,069	1,234
2022			
	Not Later than 1 year	Later than 1 year and Not Later than 5 years	Total
Short-term debt	\$ 2,376	\$ -	\$ 2,376
Trade and other payables	359	-	359
Long-term debt (including current portion)	137	1,148	1,285

9. EMPLOYEE BENEFITS

The Company sponsors a non-contributory defined benefit pension plan covering employees with a vested benefit (except Japanese nationals assigned in the United States by Mitsui Japan) of the Company and certain affiliated companies (collectively, “Group Companies”). The pension plan is classified as a defined benefit plan that shares risks between entities under common control in accordance with IAS 19, *Employee Benefits*. The Company amended the pension plan, effective January 1, 2007, to freeze participation in the pension plan. The Plan is governed by the Mitsui & Co. (U.S.A.), Inc. Pension Committee (the Committee). The Committee, which is comprised of employees of the Company, is mainly responsible for establishing the overall objectives, creating an investment policy and other administrative matters that fall under its fiduciary responsibilities.

In addition to providing pension benefits, the Company provides certain healthcare benefits for retired employees.

Changes in Defined Benefit Obligations and Plan Assets—The following table sets forth the changes in the Company’s defined benefit obligations and plan assets for the years ended March 31, 2023 and 2022:

	Pension Plan		Post-Retirement Welfare Plan	
	2023	2022	2023	2022
Change in defined benefit obligations:				
Defined benefit obligations at beginning of year	\$ 133	\$ 147	\$ 32	\$ 31
Service cost	2	3	1	1
Interest expense	5	4	1	1
Actuarial gain—financial assumption changes	(24)	(5)	(4)	(1)
Actuarial loss—demographic assumption changes	1	-	-	-
Actuarial (gain) loss—experience adjustments	-	1	(1)	1
Plan participants’ contributions	-	-	-	-
Benefits paid from plan assets	(9)	(17)	(1)	(1)
Plan amendments and curtailments	-	-	(7)	0
	<u>108</u>	<u>133</u>	<u>21</u>	<u>32</u>
Defined benefit obligations at end of year				
Change in plan assets:				
Fair value of plan assets at beginning of year	112	122	-	-
Interest income	4	4	-	-
Return on plan assets (excluding interest income)	(15)	(2)	-	-
Contributions by the employer	6	6	1	1
Plan participants’ contributions	-	-	-	-
Benefits paid from plan assets	(9)	(17)	(1)	(1)
Others	(1)	(1)	-	-
	<u>97</u>	<u>112</u>	<u>-</u>	<u>-</u>
Fair value of plan assets at end of year				
Net defined benefit liabilities at end of year	<u>\$ 11</u>	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ 32</u>

Components of Net Defined Benefit Costs—Net defined benefit costs of the Company’s defined benefit plans for the years ended March 31, 2023 and 2022 included the following components:

	Pension Plan		Post-Retirement Welfare Plan	
	2023	2022	2023	2022
Service cost	\$ 2	\$ 3	\$ 1	\$ 1
Interest expense	5	4	1	1
Interest income	(4)	(4)	-	-
Plan amendments and curtailments	-	-	(7)	-
Others	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
Net defined benefit costs	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ (5)</u>	<u>\$ 2</u>

Information about Shared Risks under Common Control—There is no contractual agreement or stated policy for charging to individual Group Companies the net defined benefit costs for the pension plan as a whole measured in accordance with IAS 19. For the years ended March 31, 2023 and 2022, contributions and plan expenses are shared among the participating Group Companies based on their respective headcount. During the years ended March 31, 2023 and 2022, the Company received from Group Companies \$1 for their share of the contributions to the pension plan. The Company recorded such contributions received from Group Companies as a reduction of net defined benefit costs.

Assumptions—The weighted-average assumptions used to determine the Company’s defined benefit obligations as of March 31, 2023 and 2022 were as follows:

	2023	2022
Pension plan:		
Discount rate	4.8 %	3.5 %
Rate of increase in future compensation levels	Graded	3.0
Post-retirement welfare plan—discount rate	4.8	3.5

The Company determines the discount rate each year as of the measurement date, based on a corporate bond spot rate yield curve that matches projected future benefit payments, with the appropriate spot rate applicable to the timing of the projected future benefit payments.

The rate of increase in future compensation levels was graded and 3.0% in determining the defined benefit obligation of the pension plan for the years ended March 31, 2023 and 2022, respectively. The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of the post-retirement welfare plan, because the benefit formula of the post-retirement welfare plan does not contain factors relating to compensation levels.

The following tables illustrate the sensitivity to changes in assumptions for the pension plan and the post retirement welfare plan:

	Impact of Change in Assumption on Defined Benefit Obligations as of March 31, 2023			
	Pension Plan		Post-Retirement Welfare Plan	
0.5% decrease in discount rate	\$ 6	Increase	\$ 2	Increase
0.5% increase in discount rate	6	Decrease	1	Decrease
1.0% decrease in salary increase rate	2	Decrease		
1.0% increase in salary increase rate	3	Increase		
1.0% decrease in health care trend rate			3	Decrease
1.0% increase in health care trend rate			4	Increase

	Impact of Change in Assumption on Defined Benefit Obligations as of March 31, 2022			
	Pension Plan		Post-Retirement Welfare Plan	
0.5% decrease in discount rate	\$ 7	Increase	\$ 3	Increase
0.5% increase in discount rate	7	Decrease	3	Decrease
1.0% decrease in salary increase rate	3	Decrease	-	
1.0% increase in salary increase rate	3	Increase	-	
1.0% decrease in health care trend rate	-		5	Decrease
1.0% increase in health care trend rate	-		7	Increase

The discount rate sensitivity was measured by adjusting the discount rate up and down by 0.5% for the pension plan and the post-retirement welfare plan as of March 31, 2023 and March 31, 2022. The sensitivity due to the salary increase rate was measured by adjusting the salary increase assumption up and down by 1.0% for the pension plan. The sensitivity due to health care trend rate was measured by adjusting the health care trend rate assumption up and down by 1.0% for the post-retirement welfare plan.

Plan Assets—The Company’s investment objective is to meet current and future benefit payment needs while maximizing total investment returns (income and appreciation) after inflation within the constraints of diversification and prudent risk taking. The Company invests primarily in a diversified portfolio of equity and fixed income securities that provide for long-term growth within reasonable and prudent levels of risk. The asset allocation targets established by the Company are strategic and intended to reduce exposure to risk assets in favor of long duration fixed income securities as the funded status of the pension plan improves. The portfolio is maintained to provide adequate liquidity to meet associated liabilities and minimize long-term expense and provide prudent diversification among asset classes. The pension plan employs a diversified mix of actively managed investments around a core of passively managed exposures in each asset class. Assets are rebalanced periodically to their strategic targets to maintain the pension plan’s strategic risk/reward characteristics.

The fair value of the pension plan assets as of March 31, 2023 and 2022 by asset class was as follows:

Asset Class	2023			2022		
	Quoted market price in an active market		Total	Quoted market price in an active market		Total
	Available	Not available		Available	Not available	
Equity instruments (US)	\$ -	\$ 23	\$ 23	\$ -	\$ 33	\$ 33
Equity instruments (Non-US)	-	11	11	-	17	17
Debt securities	-	57	57	-	56	56
Life insurance company						
general accounts	-	6	6	-	6	6
Cash and deposits	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 112</u>

Equity instruments and debt securities above are included in collective trust funds. Collective trust funds are stated at the aggregate market value of units of participation. Such value reflects accumulated contributions, dividends, and realized and unrealized investment gains or losses apportioned to such contributions. The insurance contract is primarily valued at the present value of the future benefit payments owed by the insurance company to the pension plan's participants.

Cash Flows—

Contributions—The Company expects to contribute \$6 million and \$1 million to the pension plan and the post-retirement welfare plan, respectively, for the year ending March 31, 2024. The funding of the pension plan is through a combination of contributions received from the employer and investment income generated by the pension plan's investments. The funding level is designed to comply with requirements of the Employee Retirement Income Security Act of 1974, the 21st Century Act and the Highway and Transportation Funding Act of 2014, the Pension Protection Act of 2006, and the Internal Revenue Code. These requirements include minimum funding levels. The Company creates and implements the funding policy and monitors the funding level with the assistance of the pension plan's enrolled actuary and investment consultant.

Maturity Profile—The weighted average duration of the benefit payments for the pension plan is 10.9 years and 10.6 years as of March 31, 2023 and 2022, respectively. The weighted average duration of the benefit payments for the post-retirement welfare plan is 15.0 years and 17.4 years as of March 31, 2023 and 2022, respectively.

In addition to the above defined pension plan and post-retirement welfare plan, Mitsui USA has a defined contribution plan. The defined contribution plan expense was \$1 for each of the years ended March 31, 2023 and 2022.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss for the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Remeasurements of equity instruments:		
Balance at beginning of year	\$ (4)	\$ (2)
Increase during the year	1	2
Transfer to retained earnings	<u>1</u>	<u>(4)</u>
Balance at end of year	<u>\$ (2)</u>	<u>\$ (4)</u>
Remeasurements of defined benefit plans:		
Balance at beginning of year	\$ -	\$ -
Increase during the year	10	2
Transfer to retained earnings	<u>(10)</u>	<u>(2)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>
Total:		
Balance at beginning of year	\$ (4)	\$ (2)
Increase during the year	11	4
Transfer to retained earnings	<u>(9)</u>	<u>(6)</u>
Balance at end of year	<u>\$ (2)</u>	<u>\$ (4)</u>

Each component of other comprehensive income and related tax expense for the years ended March 31, 2023 and 2022 was as follows:

	2023			2022		
	Pre-Tax	Tax Effect	Net	Pre-Tax	Tax Effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of equity instruments	\$ 2	\$ (1)	\$ 1	\$ 3	\$ (1)	\$ 2
Remeasurements of defined benefit plans	<u>13</u>	<u>(3)</u>	<u>10</u>	<u>2</u>	<u>-</u>	<u>2</u>
Total	<u>\$15</u>	<u>\$ (4)</u>	<u>\$11</u>	<u>\$ 5</u>	<u>\$ (1)</u>	<u>\$ 4</u>

11. REVENUE

The Company generates revenue from contracts with customers, primarily as sale of various products including metals, chemicals, foods, and general consumer merchandise. Revenue from contracts with customers are disaggregated by the nature of contract arrangements, such as the Company acting as a principal or as an agent in the transactions. All revenue is recognized when goods and services are transferred to customers at a point in time.

	2023	2022
Revenues from contracts with customers:		
As principal	\$ 2,050	\$ 1,989
As agent	<u>6</u>	<u>4</u>
Total	<u>\$ 2,056</u>	<u>\$ 1,993</u>

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers.

	2023	2022
Receivables, included in trade and other receivables	\$ 422	\$ 710
Contract assets	-	-
Contract liabilities—included in other current liabilities	-	1

The contract liabilities relate to advance payments received from customer for goods which are scheduled to be delivered in the subsequent year.

The Company's performance obligations related to advance payments received from customers of \$1 at March 31, 2022 was recognized in revenue upon delivery of goods in the year ended March 31, 2023. The Company's performance obligations related to advance payments received from customers is not material at March 31, 2023.

The majority of the Company's revenue is derived from contracts with an original expected duration of one year or less and contracts for which it recognizes revenue at the amount in which it has the right to invoice as goods are delivered. The Company has elected the practical expedient not to disclose the value of remaining performance obligations associated with these types of contracts.

No assets were recognized from the costs to obtain or fulfill a contract with a customer as of March 31, 2023 and 2022.

12. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses for the years ended March 31, 2023 and 2022 consisted of the following:

	2023	2022
Personnel expenses	\$ 80	\$ 90
Professional service expenses	19	15
Depreciation expenses	14	13
Other	<u>30</u>	<u>25</u>
Total	<u>\$ 143</u>	<u>\$ 143</u>

13. INCOME TAXES

Income tax (benefit) expense recognized for the years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Current:		
Federal	\$ 1	\$ (5)
State and local	<u>5</u>	<u>1</u>
Total current	6	(4)
Deferred	<u>(8)</u>	<u>8</u>
Total	<u>\$ (2)</u>	<u>\$ 4</u>

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Statutory U.S. federal tax rate	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:		
State income taxes, net of federal benefit	0.8	0.6
Non-deductible expenses	0.7	0.5
Dividend received deduction	(31.4)	(18.5)
Return to provision true-up	1.6	0.8
Investment basis difference	4.8	1.2
Reserves for tax contingencies	-	(3.4)
Others—net	<u>0.9</u>	<u>0.5</u>
Effective income tax rate	<u>(1.6)%</u>	<u>2.7 %</u>

The tax effects of significant temporary differences and carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	2023	2022
Deferred tax assets:		
Allowance for receivables and other reserves	\$ 1	\$ 1
Inventories	1	-
Investment basis	-	8
Accrued expenses	5	6
Liabilities of defined benefit plans	7	13
Net operating loss carryforward and credit carryforward	28	15
Disallowed Interest Expense	5	-
Transaction costs	2	2
Lease liability	30	30
Other	<u>1</u>	<u>1</u>
Total deferred tax assets	<u>80</u>	<u>76</u>
Deferred tax liabilities:		
Depreciation and amortization	(29)	(21)
Deferred gain	(3)	(3)
Investment basis	(9)	-
Right of use assets	<u>(24)</u>	<u>(25)</u>
Net deferred tax assets	<u>\$ 15</u>	<u>\$ 27</u>

The Company is included in the consolidated federal income tax return of MUH beginning with the year ended March 31, 2015. The Company had filed a consolidated federal income tax return as the Mitsui USA consolidated tax group through the year ended March 31, 2014. Although the Company had federal net operating loss carryforwards, computed on a stand-alone basis, as of March 31, 2014, no deferred tax asset has been recorded since the Company's net operating losses were fully utilized by other members of the Mitsui USA consolidated tax group in prior years. At March 31, 2023 and 2022, the Company has a federal net operating loss of \$87 and \$39, respectively, which will expire between the years ending March 31, 2032 and 2038, except where the net operating loss can be carry forwarded

indefinitely. The Company recorded a deferred tax asset of \$18 and \$8 on the federal net operating loss carryforward at March 31, 2023 and 2022, respectively, as it is probable that the net operating loss carryforward will be realized in the foreseeable future.

The Company files certain state returns on a stand-alone basis and has state net operating loss carryforwards of \$146 and \$112 as of March 31, 2023 and 2022, respectively, which will expire primarily between the years ending March 31, 2024 and 2043, with few exceptions where the net operating loss can be carry forwarded indefinitely. The Company has determined, at March 31, 2023 and 2022, it is probable that state net operating losses will be realized. Accordingly, the Company has recorded deferred tax assets of \$9 and \$7 for the entire state net operating loss carryforwards as of March 31, 2023 and 2022, respectively.

The Company also has foreign tax credit carryforwards of \$15 as of March 31, 2023 and 2022. If not used, these credits will generally expire between the years ending March 31, 2024 and 2033. The Company has determined, at March 31, 2023 and 2022, it is not probable that foreign tax credit will be realized in the foreseeable future. Accordingly, the Company has not recorded the deferred tax assets related to the foreign tax credit carryforwards as of March 31, 2023 and 2022.

On October 1, 2022, the Company transferred all of the Company's shares in Road Machinery, LLC to MUH as an in-kind dividend. The tax effects on the investment basis difference at the time of transfer, amounting \$16, were also recognized as an in-kind dividend to MUH.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Company's assessment that it is probable that all or part of the deferred tax assets will be realized.

The Company had a liability for uncertain tax positions of \$13, including interest and penalties of \$1 as of March 31, 2023 and 2022. These amounts are reported in other non-current liabilities in the accompanying statements of financial position. The Company recognizes unrecognized tax benefits and the related interest and penalties as a component of income tax expense (benefit).

The Company is subject to income taxes in the U.S. and withholding taxes in various foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local, and foreign income tax examinations for years ended before March 31, 2019.

On August 16, 2022, President Joe Biden signed the *Inflation Reduction Act of 2022* ("IRA") into law. The IRA contains provisions focus on providing increased clean energy incentives and several revenue raisers, including a new 15% corporate alternative minimum tax on certain large corporations and a new 1% excise tax on the net value of certain stock buybacks by publicly held corporations. In accordance with IAS 12—*Income Taxes*, the impact of a change in tax law is recorded in the period of enactment or substantial enactment. The IRA had no material impact to the Company's financial statements as of and for the year ended March 31, 2023.

14. FAIR VALUE MEASUREMENT

IFRS 13, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes the fair value hierarchy that may be used to measure fair value, which is provided as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Quoted prices for similar assets or 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
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The Company recognizes transfers of assets or liabilities between levels of the fair value hierarchy when the transfers occur.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and 2022 were as follows:

There were no liabilities measured at fair value on a recurring basis as of March 31, 2023 and 2022. No assets or liabilities were transferred between Levels 1 and 2 during the years ended March 31, 2023 and 2022.

Other Investments—Publicly-listed securities are measured using quoted market prices and classified as Level 1. Unlisted securities are measured at fair value using the income approach, the market approach, the cost approach, and other appropriate valuation techniques considering various assumptions. Under the income approach, fair value is determined by the discounted cash flow method or multiples analysis. Under the market approach, fair value may be determined by reference to a recent transaction involving investee companies or by reference to observable valuation measures for investees that are determined by the Company to be comparable. Under the cost approach, fair value

may be determined by recent rounds of equity financing. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as Level 2 or 3.

Derivative Instruments—Derivative foreign exchange contracts are measured by discounted cash flow analysis using foreign exchange and are classified as Level 2. Contingent earnouts are measured by discounted cash flow analysis using discount rates and the probability of milestone achievement and are classified as Level 3.

The reconciliation of equity and debt instruments measured at FVTPL on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Balance at beginning of year	\$ 99	\$ 73
Net (losses) gains	(4)	21
Purchases	8	13
Capital returns	(6)	(6)
Transfers out of Level 3* and reclassification	-	(2)
Balance at end of year	<u>\$ 97</u>	<u>\$ 99</u>
Net change in unrealized (losses) gains still held at end of year	<u>\$ (4)</u>	<u>\$ 21</u>

* Certain securities that were measured at FVTPL became publicly-traded during the year ended March 31, 2022.

Gains (Losses)—net related to equity and debt instruments measured at FVTPL were included in other income (expense) in the accompanying statements of comprehensive income.

The reconciliation of equity instruments measured at FVTOCI on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Balance at beginning of year	\$ 26	\$ 32
Other comprehensive income	4	10
Sales	(7)	(11)
Purchases	3	5
Transfers out of Level 3*	-	(10)
Balance at end of year	<u>\$ 26</u>	<u>\$ 26</u>

* Certain securities that were measured at FVTOCI became publicly-traded during the year ended March 31, 2022.

Other comprehensive income related to equity instruments measured at FVTOCI was included in remeasurements of equity instruments in the accompanying statements of comprehensive income.

The valuation techniques and significant unobservable inputs used for Level 3 assets measured at fair value on a recurring basis as of March 31, 2023 and 2022 were as follows:

	2023		
	Balance	Unobservable Inputs	Range
Equity and debt instruments measured at FVTPL:			
Income approach/market approach	\$ 97	Revenue multiple	5.0x–12.8x
Cost approach	<u>-</u>	-	
Total FVTPL	<u>\$ 97</u>		
Equity instruments measured at FVTOCI:			
Income approach/market approach	\$ 25	-	
Cost approach	<u>1</u>	-	
Total FVTOCI	<u>\$ 26</u>		
	2022		
	Balance	Unobservable Inputs	Range
Equity and debt instruments measured at FVTPL:			
Income approach/market approach	\$ 96	Revenue multiple	5.7x–9.2x
Cost approach	<u>3</u>	-	
Total FVTPL	<u>\$ 99</u>		
Equity instruments measured at FVTOCI:			
Income approach/market approach	\$ 20	-	
Cost approach	<u>6</u>	-	
Total FVTOCI	<u>\$ 26</u>		

For recurring fair value measurements, increases (decreases) in discount rates and volatility would result in a lower (higher) fair value whereas increases (decreases) in the multiples and probability of milestone achievement would result in a higher (lower) fair value.

15. CONTINGENT LIABILITIES

Guarantees—The Company provides various types of guarantees to the benefit of affiliated companies, and third parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing or trade payable.

The Company evaluates the risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitors outstanding positions and records an adequate allowance to cover losses expected from probable performance under these agreements.

The Company believes that the likelihood to perform guarantees which would materially affect the Company's financial position, results of operations, or cash flows is remote at March 31, 2023 and 2022.

The following table summarizes the maximum potential amounts of future payments and outstanding amounts of the Company's guarantees as of March 31, 2023 and 2022. The maximum potential amounts of future payments represent the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

	2023	
	Maximum Potential Amount of Future Payments	Outstanding Amount
Type of guarantees:		
Guarantees for subsidiaries	\$ 25	\$ 25
Guarantees for associates and other affiliates	<u>16</u>	<u>9</u>
Total	<u>\$ 41</u>	<u>\$ 34</u>
	2022	
	Maximum Potential Amount of Future Payments	Outstanding Amount
Type of guarantees:		
Guarantees for subsidiaries	\$ 25	\$ 25
Guarantees for associates and other affiliates	<u>46</u>	<u>8</u>
Total	<u>\$ 71</u>	<u>\$ 33</u>

The table below summarizes the maximum potential amount of future payments for the Company's guarantees by the remaining contractual periods as of March 31, 2023 and 2022.

	2023	2022
Not later than 1 year	\$ 12	\$ 41
Later than 1 year and not later than 5 years	4	1
Later than 5 years	<u>25</u>	<u>29</u>
Total	<u>\$ 41</u>	<u>\$ 71</u>

Letter of Credit—At March 31, 2023 and 2022, the Company had commercial letters of credit outstanding of \$4 and \$9, respectively.

Litigation—Various claims and legal actions are pending against the Company in respect to contractual obligations and other matters arising out of the conduct of the Company's business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liabilities will not materially affect the financial position, results of operations, or cash flows of the Company.

16. RELATED PARTY TRANSACTIONS

During the year, the Company has various transactions with related parties in the normal course of business. The related party balances and transactions included within the financial statements as of March 31, 2023 and 2022 and for the years ended March 31, 2023 and 2022 are as follows:

Statements of Financial Position—

	2023	2022
Trade and other receivables:		
Parent	\$ 141	\$ 398
Subsidiaries	5	3
Associates	5	9
Other affiliates	24	16
Short-term loan receivables and current portion of long-term loan receivables:		
Subsidiaries	211	198
Associates	184	247
Other affiliates	253	56
Long-term loan receivables, less current portion:		
Subsidiaries	1,009	1,123
Associates	309	308
Trade and other payables:		
Parent	92	86
Subsidiaries	1	2
Associates	-	4
Other affiliates	48	31
Short-term debt and current portion of long-term debt:		
Parent	2,486	1,747
Subsidiaries	1	19
Associates	35	15
Other affiliates	409	732
Long-term debt, less current portion—		
Other affiliates	1,069	1,148
Tax due from MUH*	-	14
Tax due to MUH*	2	4

* The Company files federal consolidated tax returns with MUH. Tax due from and to MUH represents the receivables and payables between the Company and MUH based on a tax sharing agreement. Tax due from MUH is included in other current assets and tax due to MUH is included in other current liabilities in the accompanying statements of financial position.

Statements of Comprehensive Income—

	2023	2022
Revenue from related parties:		
Parent	\$ 446	\$ 259
Subsidiaries	3	2
Other affiliates	54	13
Purchases from related parties:		
Parent	576	516
Other affiliates	198	204
Service income included in other income:		
Parent	46	47
Subsidiaries	4	3
Associates	1	1
Other affiliates	5	6
Interest income:		
Parent	4	3
Subsidiaries	47	16
Associates	27	12
Other affiliates	9	1
Interest expense:		
Parent	77	12
Subsidiaries	1	-
Associates	1	-
Other affiliates	58	17

The Company has trading relationships such as sales and purchase of goods with Mitsui Japan and its subsidiaries and other affiliated companies.

The Company provides short-term and long-term financing to subsidiaries and affiliates. The Company manages a centralized cash management arrangement whereby subsidiaries and affiliates deposit excess cash for overnight investing and borrow funds to meet daily working capital needs. For most of the investing and financing transactions with related parties, interest accrues at a mutually agreed-upon rate, typically the SOFR and LIBOR during the years ended March 31, 2023 and 2022, respectively, plus a margin.

The Company provided approximately \$4,773 and \$3,613 line of credit to subsidiaries and affiliates effective on March 31, 2023 and 2022, respectively. Those lines of credit generally expire within a year.

The Company had available line of credit of \$1,234 and \$1,585 with an affiliate effective on March 31, 2023 and 2022, respectively. The lines of credit expire within a year. See Note 8 for more details on debt with affiliates and other parties.

During the years ended March 31, 2023 and 2022, the Company renewed debt with original maturities of more than three months with a subsidiary of MUH in the amount of \$195 and \$300, respectively, without cash settlement.

The Company provides various types of guarantees to the benefit of subsidiaries and affiliated companies. See Note 15 for more details on guarantees. The Company's loan receivables guaranteed by Mitsui Japan are \$1,022 and \$1,126 at March 31, 2023 and 2022, respectively.

The Company performs certain administrative services for Mitsui Japan, MUH, and other affiliates and receives service fees based on various service agreements. Service fee income is included in other income in the accompanying statements of comprehensive income.

The Company has extensive transactions with Mitsui Japan and its subsidiaries and affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations, or its cash flows which would have been attained by the Company if it had operated without such affiliations.

Remunerations for members of the Board of Directors, who are considered as key management personnel, for the years ended March 31, 2023 and 2022 were \$3 and \$2, respectively.

17. ULTIMATE PARENT AND CONTROLLING PARTY

Mitsui Japan is the Company's ultimate parent and controlling party. Copies of the consolidated financial statements of Mitsui Japan that comply with IFRS are available from:

Mitsui & Co., Ltd.
Investor Relations Division
2-1, Otemachi 1-chome, Chiyoda-ku
Otemachi One
Tokyo 100-8631, Japan

18. AUTHORIZATION OF ISSUANCE OF FINANCIAL STATEMENTS

The issuance of the financial statements was authorized by Sayu Ueno, President and Chief Executive Officer, and Junichi Hagiya, Senior Vice President and Chief Financial Officer, on June 23, 2023.

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Mitsui & Co. (U.S.A.), Inc.
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