Company Registration No. 02214224

Mitsubishi Corporation International (Europe) Plc

Report and Financial Statements

31 March 2012

Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2012

Contents

Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2012

Officers and professional advisers

Directors

T Terada
T Aiba
S Masuda
T Nambu
J Utsuki
S Kowase
Y Kitagawa

Secretary

H Nasu

Registered Office

Mid City Place
71 High Holborn
London
WC1V 6BA

Principal Bankers

Bank of America Merrill Lynch
5 Canada Square
London
E14 5AQ

Solicitors

Clifford Chance LLP

Auditor

Deloitte LLP
Chartered Accountants and Registered Auditor
London

Mitsubishi Corporation International (Europe) Plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

Principal activities

The company's principal activities are those of trading in a broad range of commodities, industrial and consumer products, and the provision of services, including financing

Business review

Turnover for the year ended 31 March 2012 amounted to £599 million (2011 £705 million) and the gross profit percentage was 3 62% (2011 3 40%) The decrease in turnover was mainly due to the reduction in aluminium transactions and the company's decision to transfer the business covered by the Chemical division in London to the company's subsidiary in Germany effective 1 July 2011 Profit for the year ended 31 March 2012 after taxation amounted to £58 6 million (2011 £14 3 million), this included dividend income of £50 2 million from the company's European subsidiaries The company continued to perform well given the market conditions that continue to be challenging and the profits were primarily driven by the aluminium business within the Metal division and the long-term shipping contracts in the Machinery division

Other operating income and expense for the current year amounted to £13 4 million which is lower than last year (2011 £15 9 million) There was a slight increase in service and management fee income and other income, however the company has recognised foreign exchange losses of £0 2 million (2011 gain £1 million) since exchange movements were less volatile and foreign currency transactions were reduced in the current year This was compensated by a profit on transfer of the chemical business of £2 5 million (2011 £nil)

The stock holding level has increased by approximately £18 million to £150 million as at 31 March 2012 compared to the prior year (2011 £132 million) The amount held in stock at any one time will vary depending upon the timings of deliveries and transactions The proportion of current liabilities to current assets is 79% which has reduced compared with the previous year (2011 89%)

In October 2011, the company invested £1 2 million representing 10% of the share capital in a company called Diamond UK Transmission Corporation Limited (DUTC) The remaining 90% of the share capital is owned by Mitsubishi Corporation in Japan DUTC has invested in offshore wind power transmission projects as part of the company's strategy to invest in renewable energy technology

The total dividend income received during the year amounted to £52 9 million (2011 £5 million)

Overall, the directors are pleased with performance this year and expect that the company will continue to perform well under the prevailing difficult market conditions The directors remain committed to further strengthening internal controls and compliance to manage the risks that the company is exposed to

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the company continues to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements

Mitsubishi Corporation International (Europe) Plc

Directors' report (continued)

Future prospects

While the directors do not anticipate any significant changes in the business in the near future, the current economic environment does present a challenge to the company in maintaining this strong performance This will not be an easy task and it is expected that market conditions and the prevailing economic environment will continue to present the company with new challenges

The transfer of the Chemical business to the company's subsidiary in Germany, which has stronger networks and resources in the Chemical industry will, the company believes, enhance the company's chemical business as a whole This reflects the company's flexibility to adapt to change and it is considered that the company is in a good position to deal with these challenges The company will continue to strengthen its trading groups from the company's as well as the group's perspective as a whole Internal controls that identify and manage risk exposures and good relationships with customers will continue to be fundamental management tools in the day-to-day business operations

Financial risk management objectives and policies

Because of the nature of the company's trading and business model, it is exposed to various risks, all of which are monitored and controlled However these risks could potentially have a material impact on the company's performance The principal areas of risk relate to credit risk, foreign exchange currency risk, interest rate risk, price risk and liquidity risk These are briefly discussed below and in detail under note 20

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss

Credit risk primarily arises since trade in most cases requires extending credit to customers, without which many would not trade with the company

This risk is managed through taking out credit insurance wherever possible and also having rigorous monitoring and investigation carried out by the risk management department

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates

The company trades in many products in many countries in different currencies and is exposed to currency risk

To manage this, the company has established and follows a strict policy of entering into forward exchange contracts to match sales and purchases in different currencies, wherever this risk exists

Interest rate risk
Interest rate risk is split into two different types of risks - cash flow interest rate risk and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates As the company has variable rate bank deposits and loans, it is exposed to cash flow interest rate risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates

A significant proportion of activity centres around funding made available to customers, for which interest is charged at a market rate Funding for this is borrowed and so a potential risk of movements in interest rates arises on both the borrowing and lending side

As a matter of policy, risk is managed by ensuring that lending is on the same basis as borrowing so movements on one side are matched by movements on the other side

Mitsubishi Corporation International (Europe) Plc

Directors' report (continued)

Financial risk management objectives and policies (continued)

Price risk
Price risk is the risk that commodities that are bought at market price will fall in value before the company has been able to sell them

By the nature of its trading, the company is exposed to price risk This risk is managed and controlled in different ways Where possible the company enters into back-to-back transactions so that the buying price and selling price are fixed at the same time Also for some of the commodities that are traded, there is a commodities exchange market In this instance commodity futures are bought and sold to hedge physical trading positions

Liquidity risk
Liquidity risk is the risk that the company will have insufficient short-term assets to finance short-term liabilities The company has significant levels of short-term liabilities so it is open to liquidity risk

The risk is managed by effective cash management and continual monitoring of short-term funding requirements and an enhanced risk management system to identify any potential problems early with the realisation of liquid assets The company also has quick access to short-term funding from group sources

The use of derivatives is governed by the company's policies approved by the board of directors, which provides written principles on the use of financial derivatives The company wishes to strictly control risk positions that are taken All foreign exchange risk should be hedged Where price risk occurs this needs to be within pre applied limits and the company will use futures to hedge that exposure The overall position is constantly monitored to ensure adherence to agreed limits

Dividends

The directors have recommended and paid a final dividend of £7,168,000 at the end of March 2012 Together with the interim dividend of £7,168,000 paid during the year, this gave a total dividend of £14,336,000 (2011 £15,332,000)

Directors

The current directors are shown on page 1 The directors who served throughout the year, except as noted, and up to the date of this report were

T Terada	
Y Kitagawa	
T Aiba	(appointed 14 April 2011)
K Crisp	(resigned 30 June 2011)
K Suzuki	(resigned 1 April 2012)
K Morooka	(resigned 1 April 2012)
K Ishikawa	(resigned 30 September 2011)
T Nambu	(appointed 30 September 2011)
S Masuda	(appointed 11 April 2011)
Y Koike	(resigned 14 April 2012)
J Utsuki	(appointed 1 April 2012)
S Kowase	(appointed 1 April 2012)

Mitsubishi Corporation International (Europe) Plc

Directors' report (continued)

Charitable contributions

Contributions made to charities during the year amounted to approximately £14,000 (2011 £148,000)

Supplier payment policy

The company's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction and then to adhere to these terms During the year average payment terms were 28 days (2011 30 days)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed by order of the Board

T Terada
Managing Director

29 June 2012

Mitsubishi Corporation International (Europe) Plc

Statement of directors' responsibilities

The dırectors are responsıble for preparıng the annual report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons wıth reasonable accuracy at any tıme the financıal posıtıon of the company and to enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

The dırectors are responsıble for the maıntenance and ıntegrıty of the corporate and financıal ınformatıon ıncluded on the company's websıte Legıslatıon ın the Unıted Kıngdom governıng the preparatıon and dıssemınatıon of financıal statements may dıffer from legıslatıon ın other ȷurısdıctıons

Independent auditor's report to the members of Mitsubishi Corporation International (Europe) Plc

We have audited the financial statements of Mitsubishi Corporation International (Europe) Plc for the year ended 31 March 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on matter prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Anthony Morris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 June 2012

Mitsubishi Corporation International (Europe) Plc

Profit and loss account
Year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	1, 2	598,544	704,944
Cost of sales		(576,878)	(680,996)
Gross profit		21,666	23,948
Administrative expenses		(30,955)	(27,867)
Other operating income and expenses	5	13,453	15,862
Operating profit	4	4,164	11,943
Dividend income from shares in group undertakings		52,883	5,072
Profit on transfer of the chemical business	6	2,550	-
Interest receivable and similar income	7	2,049	2,303
Interest payable and similar charges	8	(1,660)	(1,771)
Profit on ordinary activities before taxation		59,986	17,547
Tax charge on profit on ordinary activities	9	(1,436)	(3,211)
Profit on ordinary activities after taxation and profit for the year	17	58,550	14,336

All of the company's operations for both the current and the preceding financial years fall into the category of "Continuing Operations" as defined in Financial Reporting Standard 3

It is not possible to determine the difference between the profit on ordinary activities (before and after taxation) and their historical cost equivalents Given the nature of the business and the use of fair value accounting under the requirements of FRS 26, the historical cost equivalent is not meaningful

Mitsubishi Corporation International (Europe) Plc

Statement of total recognised gains and losses
Year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		58,550	14,336
Actuarial loss on pension scheme	21	(475)	(4,209)
UK deferred tax attributable to actuarial loss	21	114	1,094
Movement on cash flow hedges	20	1	(45)
UK deferred tax attributable to cash flow hedges		-	12
Fair value movement on investment	12	(13)	(198)
Total recognised gains and losses since the last annual report and financial statements		58,177	10,990

Mitsubishi Corporation International (Europe) Plc

Balance sheet
As at 31 March 2012

	Notes	2012 £'000	2011 £'000
Intangible assets	10	814	994
Tangible fixed assets	11	114	180
Investments	12	98,678	97,440
		99,606	98,614
Current assets			
Stocks	13	149,848	132,281
Debtors			
Due within one year	14	276,987	250,337
Due after more than one year	14	2,751	3,046
Cash at bank and in hand		1,511	2,389
		431,097	388,053
Creditors: amounts falling due within one year	15	(341,987)	(344,236)
Net current assets		89,110	43,817
Total assets less current liabilities		188,716	142,431
Creditors: amount falling due after more than one year	15	(6,165)	(3,105)
Net assets excluding pension asset		182,551	139,326
Pension asset	21	1,884	1,268
Net assets		184,435	140,594
Capital and reserves			
Called up share capital	16, 17	120,658	120,658
Hedging reserve	17	1	-
Revaluation reserve	17	462	475
Profit and loss account	17	63,314	19,461
Shareholders' funds	17	184,435	140,594

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 29 June 2012

Signed on behalf of the Board of Directors

T Terada
Managing Director

Notes to the accounts
Year ended 31 March 2012

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards They have all been applied consistently throughout the current year and preceding year

The financial statements have been prepared on the historical basis, except for the revaluation of certain financial instruments and stock The principal accounting policies are set out below

Group accounts

These financial statements present information about the company as an individual undertaking and not about its group Consolidated financial statements have not been prepared as the company is a wholly-owned subsidiary of Mitsubishi Corporation, a company incorporated in Japan and so is therefore exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare and deliver group accounts

Cash flow statement

The company has not prepared a cash flow statement under the FRS 1 exemption on the basis that the ultimate parent company produces publicly available consolidated accounts, which include a cash flow statement, into which the company's accounts are fully consolidated

Going concern

The company has policies in place to ensure the risks mentioned in the directors' report and note 20 are within management's scrutiny The company has strong risk management and treasury functions to oversee the current trading environment to minimise the impact of such risks In addition the company has effective financing sources both from the group as well as third party banks

As discussed in the business review section of the directors' report, the company has continued to perform well during the year ended 31 March 2012

The company has a strong balance sheet with positive net current assets and shareholders' funds Of the total borrowings of the company as at 31 March 2012 of £301 08 million, £298 41 million (2011 £280 09 million, £277 07 million) (bank loans, overdrafts and intergroup balances – see note 15) are short-term facilities These are matched to a significant extent against amounts receivable from other group companies of £196 00 million (2011 £166 95 million) (see note 14) which are on terms similar to the borrowings and stock of £149 85 million (2011 £132 28 million) (see note 13), a large portion of which relates to commodities that are traded on international exchanges and therefore considered to be liquid and easily convertible to cash While the bank borrowings and facilities are current and uncommitted, the directors are of the opinion that these will remain available to the company for the foreseeable future

Based on the above factors, and after making enquiries, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, the company continues to adopt the going concern basis in preparing the annual report and accounts

Intangible fixed assets

Software assets are valued at cost on acquisition and are amortised in equal annual amounts over their useful economic lives estimated to be approximately three years Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation Depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset Office equipment has an estimated useful life of three or four years and all other assets have an estimated useful life of four years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account

Notes to the accounts
Year ended 31 March 2012

1 **Accounting policies (continued)**

Stocks

Stocks except aluminium are stated at the lower of cost and net realisable value Cost represents invoiced price together with, as appropriate, directly related overheads Cost is calculated using the weighted average method Net realisable value represents the estimated selling price less all estimated costs of completion and cost to be incurred in marketing, selling and distribution Provision is made for obsolete, slow-moving or defective items where appropriate

All aluminium stocks are revalued at the quoted price of aluminium at the London Metal Exchange (LME) at the balance sheet date, plus the approximate market premium/discount published by the Metal Bulletin at that date less costs to sell

This is a departure from the requirement of SSAP 9 '*Stocks and long-term contracts*' and the directors believe that this is necessary to give a true and fair view Under SSAP 9 stock would normally be valued at the lower of cost and net realisable value This prescribed treatment would not give a true and fair view as aluminium is a traded commodity in a liquid market so is easily convertible into cash In addition the company holds futures contracts with the London Metal Exchange against this aluminium stock These contracts are held at fair value so if the aluminium price rises between contract date and balance sheet date, a loss is recorded through the profit and loss account Under the prescribed treatment a corresponding profit on the physical stock held could not be recorded, thus creating a mismatch in the accounts and causing profits to fluctuate significantly from period to period The impact of this departure is disclosed under note 13 to the financial statements

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes

Turnover is recognised at the point where delivery of goods is made For those transactions where the company takes significant risk in terms of stock, pricing or credit, turnover is recognised as principal Where no significant risk passes to the company and the company acts as either agent or broker then only the commission receivable is recorded as turnover

Interest income is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount

Other operating income consists mainly of fees charged for non-trading services and are recognised on an accruals basis

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

Foreign exchange

The company's financial statements are presented in pounds sterling which is the currency of the primary economic environment in which it operates and is deemed to be its functional currency

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date Transactions denominated in foreign currencies are translated at the rates prevailing on the dates of the transactions Resulting differences on translation are charged or credited to the profit and loss account

In order to hedge its exposure to certain foreign exchange risks the company enters into forward contracts See below for details of the company policy on such derivatives and financial instruments

Notes to the accounts
Year ended 31 March 2012

1 **Accounting policies (continued)**

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases For operating leases where the company acts as lessor, rental income is credited to the profit and loss account in equal instalments over the period of the lease

Pension costs

The company operates both a defined benefit and a defined contribution pension scheme

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at the amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Notes to the accounts
Year ended 31 March 2012

1. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when it becomes a principal party to the contractual provisions of the instrument

Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate

Investments

Investments are stated at cost less any provision for impairment in all cases where the ultimate holding company holds a majority stake, as the company has no control of the cash flows or the eventual selling price All other investments, including investments held as current assets, are classified as available for sale and are stated at fair value unless this cannot be measured reliably in which case the investment is stated at cost less provisions for impairment Changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period Provisions for impairment are recognised in the profit and loss account

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Trade payables

Trade payables are measured at amortised cost, using the effective interest rate method

Equity instruments

Equity instruments issued by the company are recorded when the proceeds are received net of direct issue costs

1. **Accounting policies (continued)**

Financial instruments (continued)

Derivative financial instruments and hedge accounting

The company's activities expose it primarily to the financial risks of changes in price and changes in foreign currency exchange rates The company uses foreign exchange forward contracts to hedge its foreign exchange exposure and uses futures as traded on the London Metal Exchange to hedge against any price risk exposure on its aluminium trading operations The company only uses derivative financial instruments for speculative purposes to a limited extent with board approval

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship The company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges)

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months Other derivatives are presented as current assets or current liabilities

Hedge accounting

The company designates certain hedging instruments, which include derivatives, as cash flow hedges Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the various hedge transactions Furthermore, at the inception of the hedge and on an ongoing basis the company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item

Note 20 sets out the details of the fair values of the derivative instruments used for hedging purposes Movements in the hedging reserve in equity are also detailed in the statement of total recognised gains and losses and note 17

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability

1. **Accounting policies (continued)**

Financial instruments (continued)

Hedge accounting (continued)

The company also hedges the foreign currency exchange risks on certain long-term investments (the 'hedged item') that are denominated in US $ Such investments are hedged against loans in the same foreign currency of the same value and similar maturity profile (the 'hedging instrument')

Fair value hedges that meet the hedge accounting criteria are accounted for as follows

- The gain or loss from re-measuring the hedging instrument at fair value is recognised in the profit or loss account, and
- The carrying amount of the hedged item is adjusted through the profit or loss account for the gain or loss on the hedged item attributable to the hedged risk

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year

2 **Turnover**

Turnover represents

- gross sales with respect to transactions in which the company is named as principal,
- commission receivable for transactions in which the company acts as a disclosed settlement agent, and
- brokerage commission receivable

Turnover comprises

	2012 £'000	2011 £'000
Principal	587,131	693,065
Agency	3,476	4,036
Brokerage	7,937	7,843
	598,544	704,944

In the opinion of the directors it is seriously prejudicial to the interests of the company to give an analysis of turnover, profit or net assets by geographical area The directors are also of the opinion that the company's trading business constitutes one class of activity

Notes to the accounts
Year ended 31 March 2012

3. Information regarding directors and employees

	2012 £'000	2011 £'000
Directors' emoluments:		
Emoluments	2,170	1,894
Company contributions to money purchase pension scheme	3	14
	2,173	1,908

The number of directors who	No.	No.
Are members of a money purchase pension scheme	-	1

	£'000	£'000
Remuneration of the highest paid director	992	797

	No	No.
Average number of persons employed		
Trading and administration	164	163

	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	7,046	7,049
Social security costs	912	794
Pension costs	654	561
Cost in respect of parent company's employees on secondment	6,331	6,648
	14,943	15,052

4 Operating profit

Operating profit is stated after charging the following amounts

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets	123	155
Amortisation of intangible fixed assets	374	295
Net rentals payable under operating leases - property	1,660	1,672
Fees payable to the company's auditor for the audit of the company's annual accounts	176	172
Fee payable to the company's auditor and their associates for services to the company		
– other services pursuant to legislation	98	96
– services relating to tax	194	297
– Japanese SOX audit	115	112

Notes to the accounts
Year ended 31 March 2012

5. Other operating income and expenses

	2012 £'000	2011 £'000
Other operating income and expenses		
Service and management fees and other income	13,978	13,233
Net foreign exchange (losses)/gains	(226)	984
Various other operating income and expense	(299)	1,645
	13,453	15,862

Service and management fees include management and IT recharges to various group companies for services provided

6 Profit on transfer of the chemical business

The profit on sale of the chemical business resulted in a current tax charge of £663,000 at a tax rate of 26%

7. Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable from group undertakings	971	1,263
Interest receivable from associates	449	604
Bank and other interest receivable	629	436
	2,049	2,303

8. Interest payable and similar charges

	2012 £'000	2011 £'000
Interest on bank loans and overdrafts	81	97
Interest payable to group undertakings	1,510	1,541
Net interest on pension liabilities less expected return on pension assets	36	133
Other interest payable	33	-
	1,660	1,771

9. Tax charge on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	2012 £'000	2011 £'000
United Kingdom corporation tax at 26% (2011 28%)	1,678	2,933
Adjustment in respect of prior years	(221)	(650)
Group taxation relief	(269)	-
	1,188	2,283
Deferred tax		
Timing differences origination and disposal	248	928
	1,436	3,211

(ii) Factors affecting tax charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK 26% (2011 28%) The differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	59,986	17,547
Tax at 26% (2011 28%) thereon	(15,596)	(4,913)
Effects of		
Expenses not taxable/income not deductible for tax purposes	(142)	(340)
Pension adjustment	323	945
Capital allowances in excess of depreciation	20	26
Foreign tax suffered	(33)	(71)
United Kingdom dividend income	13,750	1,420
Group relief for prior year	269	-
Prior year adjustments	221	650
Current tax charge for the year	(1,188)	(2,283)

Notes to the accounts
Year ended 31 March 2012

9 Tax charge on profit on ordinary activities (continued)

(iii) Factors that may affect the future tax charge

The company has recognised deferred tax assets in respect of accelerated capital allowances, pension deficit under FRS 17 (see note 21) and the cash flow hedges deferred to equity

Deferred tax

	£'000
Deferred tax liabilities	-
Deferred tax assets	345
	345

Deferred tax is provided as follows

	At 1 April 2011 £'000	**Recognised in income £'000**	**Recognised in equity £'000**	**At 31 March 2012 £'000**
Accelerated tax depreciation and timing differences	344	1	-	345
Others	-	-	-	-
	344	1	-	345

Under UK GAAP, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date The 2012 budget (delivered on 21 March 2012) announced a reduction of 1% in the UK corporation tax rate to 24% effective 1 April 2012 A resolution was passed by the UK Parliament to substantively enact the 24% rate on 26 March 2012 The 24% rate has been reflected in the calculation of deferred tax

The Government has announced that it intends to introduce further reductions to the corporation tax rate, with the rate falling by 1% each year down to 22% by 1 April 2014 These further reductions to the tax rate have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements

Notes to the accounts
Year ended 31 March 2012

10 Intangible assets

	Software cost £'000	Total £'000
Cost		
At 1 April 2011	1,995	1,995
Additions	210	210
Disposals	(102)	(102)
At 31 March 2012	2,103	2,103
Accumulated amortisation		
At 1 April 2011	1,001	1,001
Charge for the year	374	374
Disposals	(86)	(86)
At 31 March 2012	1,289	1,289
Net book value		
At 31 March 2012	814	814
At 31 March 2011	994	994

11 Tangible fixed assets

	Vehicles '£000	Furniture, fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2011	20	2,043	415	2,478
Additions	-	5	52	57
Disposals	-	-	(1)	(1)
At 31 March 2012	20	2,048	466	2,534
Accumulated depreciation				
At 1 April 2011	1	1,971	326	2,298
Charge for the year	5	53	65	123
Disposals	-	-	(1)	(1)
At 31 March 2012	6	2,024	390	2,420
Net book value				
At 31 March 2012	14	24	76	114
At 31 March 2011	19	72	89	180

Notes to the accounts
Year ended 31 March 2012

12. Investments

	Shares in subsidiary undertakings £'000	Shares in other group undertakings £'000	Investment in associate £'000	Other investments £'000	Total £'000
Cost					
At 1 April 2011	87,010	2,805	3,442	5,379	98,636
Additions	-	1,224	-	-	1,224
Disposals	-	-	-	(563)	(563)
Transfer	-	(451)	-	451	-
Fair value movement	-	-	-	(13)	(13)
Foreign currency revaluation	-	-	27	-	27
At 31 March 2012	87,010	3,578	3,469	5,254	99,311
Provision					
At 1 April 2011	-	451	-	745	1,196
Disposals	-	-	-	(563)	(563)
Transfer	-	(451)	-	451	-
At 31 March 2012	-	-	-	633	633
Net book value					
At 31 March 2012	87,010	3,578	3,469	4,621	98,678
At 31 March 2011	87,010	2,354	3,442	4,634	97,440

Shares in subsidiary undertaking

The shares in subsidiary undertakings represents the 5 Western European subsidiaries of Mitsubishi Corporation located in Germany, Spain, Italy, The Netherlands and France The subsidiaries' principal activities relate to general trading of commodities and the provision of services

Shareholdings in subsidiaries are as follows

Company name	Country of incorporation	Shareholding %	£'000
Mitsubishi International G m b H	Germany	100	59,312
Mitsubishi France S A	France	100	15,072
Mitsubishi Italia S p A	Italy	100	1,468
Mitsubishi Nederland B V	Netherlands	100	7,292
Mitsubishi Espana S A	Spain	100	3,866
Total			**87,010**

In the opinion of the directors, there is no impairment to the carrying value of the subsidiaries

12. Investments (continued)

Shares in other group undertakings

Company name	Country of Incorporation	Shareholding %	£	Class	Principal business activity
Princes Limited	United Kingdom	10	700,000	Ordinary	Trading in canned foods
Triland Metals Limited	United Kingdom	9 09	1,431,764	Ordinary	Metal brokerage
Green Power Development	Netherlands	0 12	82,787		Development of wind power projects
Mitsubishi Corporation LT Europe G m B H	Germany	21 67	156,282	Ordinary	Logistic services
Diamond UK Transmission Corporation Limited	United Kingdom	10	1,208,120	Ordinary	Offshore wind power transmission
			3,578,953		

During the year the company has invested £1 2 million representing 10% of the share capital in a company called Diamond UK Transmission Corporation Limited (DUTC) The remaining 90% of the share capital is owned by Mitsubishi Corporation in Japan DUTC will invest in offshore wind power transmission projects

The investment in ERB Autokredit AG has been reclassified to 'other investments' because this company is currently under liquidation and Mitsubishi group has excluded this investment from 'group undertakings' This investment was already fully impaired

In the opinion of the directors, the fair value of the shares held in other group companies cannot be reliably measured because these investments do not have an active market The company holds a minority share in these companies with the majority being held within the wider Mitsubishi group and as a result the company does not have any control over the cash flows or eventual selling price of these investments The directors are of the opinion that it is not reasonable to assume a willing buyer exists for these investments given the above ownership circumstances As a result it is not possible to determine fair value or a range of possible estimates within which fair value is expected to lie and as such the directors approximate the fair value to be equal to the carrying value

12. Investments (continued)

Investment in associates

This represents an investment of £3 5 million (US$5 5million) in an Irish joint venture, Deucalion MC Engine Leasing Ltd (DMCELL), specialising in aircraft engine leasing in which the company has 40% shareholding To avoid foreign currency movement, the company has a designated loan of the same amount as a fair value hedge of this investment

The company has given a charge over its investment in DMCELL in conjunction with a third party bank facility provided to DMCELL The total value of this facility is approximately US$15m of which US$10 6m is drawn down at year end

All the above investments are unlisted

Other investments

The majority of other investments relate to the £3 5 million (US$5 5 million) investment in the hedge fund management companies – Capula Management Ltd ('CML') and Capula Investment Management LLP ('CIM') The investment in CML is treated as an available for sale investment and it is fair valued with fair value changes recognised in equity while the investment in the CIM is accounted for in a manner similar to equity accounting

The company has also invested £1 03 million representing 1 46% of the share capital of a Swedish company called Seabased AB which is developing 'sea wave' technology for power generation As this is an innovative renewable energy technology which is currently at a developing stage, the company will monitor and review the performance and development of the investment on quarterly basis This investment is treated as an available for sale investment and it is fair valued with fair value changes recognised in equity

During the year the company has written off of its investment in Trade Ranger, an investment for procurement of materials and equipment through internet auction However Trade Ranger's performance was below expectations for many years and in 2011 it was found that its liquidation had been completed This investment had been fully impaired in 2002

All other investments represent minority shareholdings in a number of companies ranging from food and internet companies that the company invested in to augment its trading activities Certain investments have performed below expectations and provisions for impairment have been made The directors estimate the carrying amount of these investments to be a fair approximation of the fair value

13. Stocks

	2012 £'000	2011 £'000
Finished goods and goods for resale	149,848	132,281

As stated in the accounting policies, certain items of stock are carried at fair value on the balance sheet date The lower of cost and net realisable value of the total stock at 31 March 2012 would have been £149,848 (2011 £120,930)

Notes to the accounts
Year ended 31 March 2012

14. Debtors

	2012 £'000	2011 £'000
Amounts due within one year:		
Trade debtors	58,621	66,749
Less allowance for doubtful receivables	(1,818)	(1,771)
	56,803	64,978
Amounts owed by parent company and fellow subsidiary undertakings	196,001	166,947
Amount owed by associates	4,139	5,777
Loans to third parties	7,403	8,328
Corporation tax receivable	2,207	-
Deferred tax assets (note 9)	345	344
Prepayments and accrued income	1,049	2,270
Derivative assets (note 20)	9,040	1,693
	276,987	250,337
Amounts due after more than one year.		
Amount owed by associates	2,671	3,028
Derivative assets – non current (note 20)	62	-
Other receivables	18	18
	2,751	3,046
Total debtors	279,738	253,383

All trade debtors that are due within one year have a maturity of nine months or less and are non-interest bearing and therefore do not expose the company to interest rate risk

The loans to fellow subsidiary undertakings have no fixed repayment terms The loans carry interest at LIBOR plus an appropriate margin for group finance In the opinion of the directors the carrying amount is a reasonable approximation of fair value The long-term loan to the associated company carries interest at the company's borrowing rate plus an appropriate margin The longest term of the loan expires in December 2014

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company

Credit risk also arises from trade receivables due to the fact that trading in most cases requires extending of credit to customers which otherwise may not trade with the company The company's principal customers, suppliers and financial institutions with which it conducts business are spread across diverse geographical areas

The company has stringent policies in place, managed by a specialist risk management team, which govern the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals in line with the company's delegation of authority The company limits the credit risk by evaluating the potential counterparties before entering into transactions with them and continues to monitor and assess their creditworthiness after transactions have been initiated Creditworthiness is assessed using information from various sources, an internal credit rating system and qualitative and quantitative data The system of internal credit rating is based on complex statistical analysis, with customers being individually rated

Notes to the accounts
Year ended 31 March 2012

14. Debtors (continued)

The company attempts to mitigate credit risk by using credit insurance wherever possible and rigorous monitoring of receivables Depending on the creditworthiness of the counterparty the company may require collateral in the form of guarantees, letters of credit and cash As at 31 March 2012 the company has credit exposure of £5 4 million (31 March 2011 £9 7 million) covered by parent and third party guarantees in relation to its trade receivables Credit exposure to any low rated single non-related counterparty or any group of counterparties having similar characteristics is not considered to be significant The company defines counterparties as having similar characteristics if they are connected entities

Included in the company's trade receivables balance are debtors with a carrying amount of £ 0 14 million (31 March 2011 £0 36 million) which are more than 30 days overdue at the reporting date for which the company has not provided since there has not been a significant change in credit quality and the company believes that the amounts are still recoverable

Below is the table showing the movement in doubtful provision against receivables which aged from current to over one year Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely

Movement in the allowance for doubtful receivables

	2012 £'000	2011 £'000
Balance at the beginning of the year	1,771	2,062
Exchange difference	23	(98)
Provision charged during the year	188	150
Provision used during the year	(27)	-
Provision reversed during the year	(137)	(343)
Balance as at end of the year	1,818	1,771

Notes to the accounts
Year ended 31 March 2012

15. Creditors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Bank loans and overdrafts (unsecured)	12,551	19,065
Trade creditors	40,408	40,063
Amounts owed to parent company and fellow subsidiary undertakings	285,860	258,000
Corporation tax	-	541
Other taxation and social security	923	2,969
Derivative liabilities (note 20)	2,121	23,465
Accruals and deferred income	124	133
	341,987	344,236
Amounts falling due after more than one year		
Amount owed to fellow subsidiary undertakings	2,672	3,028
Deferred Income	49	77
Derivative liabilities (note 20)	74	-
Other payable	3,370	-
	6,165	3,105
Total creditors	348,152	347,341

All trade creditors and amounts owed to the parent for trading transactions are due within one year and are non-interest bearing and therefore do not expose the company to interest rate risk The long-term payable to fellow subsidiary undertakings has a matching long-term receivable from the associate (see note 14) The payable carries interest rate based on interest swap rates + approximately 1%

	2012 £'000	2011 £'000
Bank loans and overdrafts (Unsecured)		
The borrowings are repayable as follows		
On demand or within one year	12,551	19,065

Analysis of borrowings by currency

	GBP £'000	EUR £'000	US$ £'000
31 March 2012			
Bank loans	-	2,880	9,671
31 March 2011			
Bank loans	26	1,365	17,674

In the opinion of the directors the contracted interest rates for borrowings are not different from the effective interest rates and accordingly the carrying amount of bank loans and overdrafts and amounts owed to parent company and fellow subsidiary undertakings is a reasonable approximation of fair value Further information in respect of interest rate risk is presented in note 20 to the financial statements

Notes to the accounts
Year ended 31 March 2012

16. Called up share capital

	2012 £'000	2011 £'000
Called up, allotted and fully paid		
120,658,154 (2011 120,658,154) ordinary shares of £1 each	120,658	120,658

17. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Hedging reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2011	120,658	19,461	-	475	140,594
Aggregated gains on cash flow hedges (note 20)	-	-	1	-	1
Actuarial loss on pension scheme (note 21)	-	(475)	-	-	(475)
Fair value movement on investment (note 12)	-	-	-	(13)	(13)
Profit retained for the year	-	58,550	-	-	58,550
Dividend paid (note 24)	-	(14,336)	-	-	(14,336)
Deferred tax on items recognised in equity (notes 21 and 9)	-	114	-	-	114
At 31 March 2012	120,658	63,314	1	462	184,435

18. Contingent liabilities

1 Contingent liabilities at the year end incurred in the ordinary course of business are as follows

	2012 £'000	2011 £'000
Commitments to honour the repayment of loan obligations	56	55

2 As disclosed in note 20, the company acts as agent for other group companies in contracting foreign exchange forward contracts Please refer to note 20 for further details

Notes to the accounts
Year ended 31 March 2012

19. Operating lease commitments

At 31 March 2012, the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings	
	2012	2011
	£'000	£'000
Leases which expire		
after more than five years	2,455	2,455

20. Derivatives and financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

Financial risk management objectives

The company's treasury function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyse exposures by degree and magnitude of risk These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments Compliance with policies and exposure limits is reviewed by management on a continuous basis It is not the policy of the company to enter into these derivative positions on a speculative basis except to a very limited extent with board approval, and firm rules and procedures are in place to ensure that the company follows these policies and that the company risk position is properly managed

The company has entered into a number of financial instruments as part of its trading portfolio, which are used as hedging tools to match the risks that the company is exposed to It is the company policy to use these financial instruments and derivatives to hedge outstanding assets and liabilities or transactions that have not yet been undertaken but to which there is a firm commitment or highly probable forecast transaction

The company is exposed to certain risks and applies the appropriate hedge to match that risk Where trading exposes the company to foreign exchange risk, forward exchange contracts are entered into to hedge the risk If the company is exposed to credit risk it will, where appropriate, take out credit insurance to help manage that risk Where it trades in commodities physically that are also traded on terminal markets it will use futures contracts to hedge any exposure that it may have

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts
Year ended 31 March 2012

20. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

A summary of the financial instruments of the company, by category, including the estimate of fair value is as follows

At 31 March 2012

	Loans and receivables £'000	Available for sale £'000	Amortised cost £'000	Designated hedging relationships £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets							
Trade and other receivables							
Non-derivative assets	267,035	-	-	-	-	267,035	267,035
Derivative assets	-	-	-	1	9,101	9,102	9,102
Available for sale investments	-	8,199	-	-	-	8,199	8,199
Cash and cash equivalents	1,511	-	-	-	-	1,511	1,511
Financial liabilities							
Trade and other payables							
Non-derivative liabilities	-	-	(112,121)	-	-	(112,121)	(112,121)
Derivative liabilities	-	-	-	-	(2,195)	(2,195)	(2,195)
Bank overdrafts and other loans							
Current	-	-	(230,241)	-	-	(230,241)	(230,241))
Non current	-	-	(2,672)	-	-	(2,672)	(2,672)

At 31 March 2011

	Loans and receivables £'000	Available for sale £'000	Amortised cost £'000	Designated hedging relationships £'000	Held for trading £'000	Total carrying value £'000	Fair value £'000
Financial assets							
Trade and other receivables							
Non-derivative assets	249,076	-	-	-	-	249,076	249,076
Derivative assets	-	-	-	-	1,693	1,693	1,693
Available for sale investments	-	6,988	-	-	-	6,988	6,988
Cash and cash equivalents	2,389	-	-	-	-	2,389	2,389
Financial liabilities							
Trade and other payables							
Non-derivative liabilities	-	-	(136,033)	-	-	(136,033)	(136,033)
Derivative liabilities	-	-	-	-	(23,465)	(23,465)	(23,465)
Bank overdrafts and other loans							
Current	-	-	(181,305)	-	-	(181,305)	(181,305)
Non current	-	-	(3,028)	-	-	(3,028)	(3,028)

Please refer to note 12 for further disclosure on the fair value on available for sale investments In the opinion of the directors, the carrying values of the financial instruments above approximate to the fair values

20. Derivatives and financial instruments (continued)

Financial risk management objectives (continued)

The fair value of the derivative financial instruments at the balance sheet date was as follows

	2012 £'000	2011 £'000
Assets		
Current derivative assets		
- Currency derivatives	810	98
- Aluminium commodity futures	8,230	1,595
	9,040	1,693
Non-current derivative assets		
- Currency derivatives	22	-
- Aluminium commodity futures	40	-
	62	-
Liabilities		
Current derivative liabilities		
- Currency derivatives	277	1,583
- Aluminium commodity futures	1,844	21,882
	2,121	23,465
Non-current derivative liabilities		
- Currency derivatives	1	-
- Aluminium commodity futures	73	-
	74	-

The fair values for currency derivatives were calculated using the closing price published in The Financial Times on the second last working day of the month The fair values for commodity futures were calculated using the applicable closing rates on the London Metal Exchange

Hedge accounting

The hedging transactions the company undertakes that are not recognised through the profit and loss account are cash flow hedges in respect of foreign exchange forward contracts and other financial instruments used to hedge variations in cash flows likely to arise out of changes in foreign currency exchange rates and commodity prices for highly probable forecast future transactions and firm commitments

In addition, the company also fair value hedge accounts for its investment in associate The only risk hedged is foreign currency risk as this investment is US$ denominated and is hedged by equivalent borrowings also denominated in US$ The total exchange gain recognised in the profit and loss account on this investment during the year as a result of this fair value hedge was £27,000 (2011 £228,000), offset by a loss of a similar amount on the loan

Notes to the accounts
Year ended 31 March 2012

20. Derivatives and financial instruments (continued)

Hedge accounting (continued)

Below is a summary of the aggregate gains and losses that are recognised directly in equity

	2012 £'000	2011 £'000
Aggregated gains on foreign exchange hedges	1	-
Aggregated losses on foreign exchange hedges	-	-
Net gain on foreign exchange hedges	1	-
Gains for the year deferred to equity	1	-
Recycling of amounts from hedging reserve to profit and loss	-	(45)
Net gain/(loss) for the year (note 17)	1	(45)

As at 31 March 2012, there were two designated and effective cash flow hedges which have been deferred in equity

The following table details the forward foreign currency contracts outstanding as at the year end designated for cash flow hedges

Outstanding contracts	Foreign currency		Contract value		Fair value	
	2012	2011	2012	2011	2012	2011
Cash flow hedges						
Buy US dollars	$'000	$'000	£'000	£'000	£'000	£'000
Less than 3 months	578	63	364	40	1	-
More than 3 months	-	-	-	-	-	-
Sell US dollars						
Less than 3 months	-	10	-	6	-	-
			364	46	1	-

Effectiveness testing is carried out on each cash flow hedge on inception and at the reporting dates Management have assessed the above hedges to be highly effective

20. Derivatives and financial instruments (continued)

Market risk

The company's activities expose it to the financial risks of changes in commodity price and foreign currency exchange rates The company enters into a variety of derivative financial instruments to manage its exposure to commodity price and foreign currency risk, including

- forward foreign exchange contracts to hedge the exchange rate risk, and
- futures as traded on the exchanges to hedge against any price risk exposure on its aluminum and sugar trading operations

The major commodity traded in the current year was aluminium The company's risk management objective and strategy for undertaking the hedge is to eliminate any commodity price risk within a transaction in line with the company and departmental guidelines and rules concerning the internal risk position

Market risk exposures are measured using sensitivity analysis, disclosed below There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk over the last financial year

Commodity price risk exposure

The company utilises derivative contracts to hedge price fluctuation on aluminium The company buys and sells commodity futures on the commodity exchanges as a means to hedge its price risk exposure The futures are traded on a back-to-back basis with each physical contract and as a result very few speculative positions are held

At the balance sheet date, total notional amount of outstanding future commodity contracts was as follows

	Aluminium	
	£'000	£'000
	Long	Short
31 March 2012	186,481	321,784
31 March 2011	228,796	313,672

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in October 2013

The ranges that have been used in the fair value of the material commodity derivatives are as follows

Aluminium US$2,094 – US$2,260 per metric ton (2011 US$2,625 – US$2,693 per metric ton)

20 Derivatives and financial instruments (continued)

Commodity price risk exposure (continued)

The sensitivity analysis demonstrates the difference and risk that could affect the company's profit due to the market and price risk associated with aluminium trading The following sensitivity analysis has been carried out on the fair values of the commodity derivatives

	2012 Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	3,836	1,410
Total	3,836	1,410

	2011 Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £ '000
Aluminium futures	2,164	675
Total	2,164	675

The highest and lowest cases were picked up from the highest and lowest monthly average premium, contango/backwardation and published market price data from the last 3 years This is consistent with the data and calculations used by management in their internal risk management process

20. Derivatives and financial instruments (continued)

Foreign currency risk management

The company's treasury department will undertake cash management to ensure the foreign currency cash balances are maintained as working capital based on the estimate of future needs When a transaction results in a foreign exchange exposure in any currency then this exposure is hedged by the treasury department Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts

A significant portion of the company's earnings are denominated in foreign currencies Consequently the company has significant risk in the translation of these earnings to its functional currency in GBP The foreign currency profits before tax by major currency (other than GBP) for the company are

	2012 £'000	2011 £'000
US Dollar	15,603	19,667
EUR	466	2,001
JPY	4,772	4,729

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to GBP Additionally any changes to budgeted earnings figures are also taken into account Where required, hedging action is undertaken and a report on the outstanding positions and valuations is presented to the management at each month end

Monetary assets and liabilities by major foreign currency at the balance sheet date

	Monetary liabilities		Monetary assets	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
US Dollar	270,776	202,889	189,995	214,660
Euro	12,682	53,162	56,650	11,521
Japanese Yen	1,094	723	3,249	2,873

(i) Foreign currency sensitivity analysis

The following table shows the company's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies The sensitivity analysis demonstrates the impact to the company profit and loss as the result of the change in foreign currency exchange rate based on the earnings and the value of foreign currency monetary assets and liabilities shown above

Notes to the accounts
Year ended 31 March 2012

20. Derivatives and financial instruments (continued)

Foreign currency risk management (continued)

(i) Foreign currency sensitivity analysis (continued)

Sensitivity analysis profit/(loss) impact

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(8,976)	1,734	1,308	2,185
Euro	4,397	52	(4,164)	222
Japanese Yen	239	530	239	525
Total impact (loss)/profit	(4,340)	2,316	(2,617)	2,932

For a 10% strengthening of Sterling against the relevant currency, there would be an almost equal and opposite impact on the earnings

(ii) Currency risk exposure

The company utilises currency derivatives to hedge significant future transactions and cash flows The company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposure The instruments purchased are primarily denominated in the currencies of the commodity or the market place that the physical transaction takes place in

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the company has committed to are as below

	GBP	USD	EUR
	£'000	£'000	£'000
31 March 2012	154,629	83,628	22,783
31 March 2011	95,757	76,622	57,806

These arrangements are designed to address significant exchange exposures that the company has for contracted commitments The vast majority are due to mature within one to six months of the balance sheet date A very small number extend beyond then, the latest one maturing in November 2013

20. Derivatives and financial instruments (continued)

Foreign currency risk management (continued)

(ii) Currency risk exposure (continued)

At 31 March 2012 the fair value of the company's currency derivatives is estimated to be a net asset of £554,000 (2011 net liability of £1,485,000) These amounts are based on market values of equivalent instruments at the balance sheet date comprising £554,000 (2011 £1,485,000) relating to booked transactions, being accounts receivable and short-term borrowing and this year the amount of effective cash flow hedges which have been deferred in equity was £1,000 (2011 minimal) as discussed above under hedge accounting

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2012 for the key currencies held as derivatives

US Dollars – Euro	1 3289 – 1 3339	(2011 1 3955 – 1 4069)
US Dollars – Sterling	1 5843 – 1 5851	(2011 1 5964 – 1 5974)
Sterling – Euro	0 8384 – 0 8387	(2011 0 8806 – 0 8807)

The company also acts as agent for its fellow subsidiaries and parent company in contracting foreign exchange forward contracts These foreign exchange contracts are not included on the company's balance sheet on the basis that the company is only acting as agent and does not carry any risk or reward in such instruments other than the fixed agency commission that is recognised as income as earned The fair value of such contracts as at 31 March 2012 was a gain of £40,878,240 (2011 loss of £20,649,000)

Interest rate risk management

The company is exposed to interest rate risk given its underlying financing requirements There are two aspects of interest rate risk

1 risk arising from possible mismatch of fixed interest rate bearing assets and liabilities, and

2 risk arising from possible mismatch of floating interest versus fixed rate assets and liabilities

The company's treasury policy sets out operational guidelines with respect to interest rate risk management Interest rate gaps are monitored on a regular basis and hedging action is undertaken if the gaps conflict with the company's interest rate view and is material Longer-term material assets over one year are normally systematically hedged either by matched funding or interest rate swaps

(i) Interest rate swaps

From time to time the company uses interest rate swaps to manage its exposure to interest rate movements on it borrowings As at 31 March 2012 the company has no outstanding interest rate swaps contracts (2011 £Nil)

Notes to the accounts
Year ended 31 March 2012

20. Derivatives and financial instruments (continued)

Interest rate risk management (continued)

(ii) Interest rate risk

Interest rate risk is split into two different types of risks – cash flow interest rate risk and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates As the company has variable rate bank deposits and debt, it is exposed to cash flow interest rate risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates Most of the financial assets and liabilities carry interest at variable rates and as a result management is of the opinion that fair value interest rate risk is not significant

The only significant interest bearing receivables or payables that the company has are loans In order to manage cash flow interest rate risk and fair value cash flow risk the company has a policy to ensure that where fixed or floating rate loans are made the funding for them is secured on the same basis The company does not use derivative instruments to hedge against interest rate risk

The table below summarises the contractual maturity dates of the company's financial instruments, from the year end, which are exposed to cash flow interest rate risk

As at 31 March 2012	Less than one year	Between one and two years	Between two and five years	More than five years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Cash at bank and in hand	1,511	-	-	-	-	1,511
Loans to third parties	7,403	-	-	-	-	7,403
Amounts owed by parent company and fellow subsidiary undertakings	87,821	-	-	-	108,180	196,001
Amount owed by associates	4,040	-	2,671	-	99	6,810
Liabilities						
Bank loans and overdrafts	12,551	-	-	-	-	12,551
Amounts owed to parent company and fellow subsidiary undertakings	217,690	-	2,672	-	68,170	288,532

20. **Derivatives and financial instruments (continued)**

Interest rate risk management (continued)

(ii) Interest rate risk (continued)

As at 31 March 2011	Less than one year	Between one and two years	Between two and five years	More than five years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Cash at bank and in hand	2,389	-	-	-	-	2,389
Loans to third parties	8,328	-	-	-	-	8,328
Amounts owed by parent company and fellow subsidiary undertakings	21,346	-	-	-	145,601	166,947
Amount owed by associates	5,669	-	3,028	-	108	8,805
Liabilities						
Bank loans and overdrafts	19,065	-	-	-	-	19,065
Amounts owed to parent company and fellow subsidiary undertakings	162,240	-	3,028	-	95,760	261,028

Contracted interest rates on cash at bank and deposit placed range from nil% to 0 50%

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0 50% to Libor + 0 60%

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0 25% to Libor +1 00%

The directors are of the opinion that the above contracted interest rates are a fair approximation of the effective interest rates as at 31 March 2012

20. Derivatives and financial instruments (continued)

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2012			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	9,102	-	9,102
Available-for-sale financial assets				
Unquoted equities	-	-	8,199	8,199
Total	-	9,102	8,199	17,301
Financial liabilities at FVTPL				
Derivative financial liabilities	-	2,195	-	2,195
Total	-	2,195	-	2,195

	2011			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at FVTPL				
Derivative financial assets	-	1,693	-	1,693
Available-for-sale financial assets				
Unquoted equities	-	-	6,988	6,988
Total	-	1,693	6,988	8,681
Financial liabilities at FVTPL				
Derivative financial liabilities	-	23,465	-	23,465
Total	-	23,465	-	23,465

20. Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale Unquoted equities	
	2012	**2011**
	£'000	**£'000**
Opening balance	6,988	5,998
Total gains or losses		
- fair value movement in statement of total recognised gains and losses	(13)	(198)
- purchases less disposals	1,224	1,188
Closing balance	8,199	6,988

The table above only includes financial assets There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases All gains and losses included in statement of total recognised gains and losses relate to unquoted equities held at the balance sheet date and are reported as fair value movement in investment (note 12)

Liquidity risk management

The financing requirements of the company are predominantly short-term in nature and therefore liquidity management is one of the key risks that the company faces The company manages its financing requirement and hence its liquidity risk with the aid of a cash-flow forecast that is continuously updated to reflect the actual requirement in each currency Where appropriate the company seeks to match the duration of liabilities to the underlying assets so as to minimise liquidity risk

The company meets its financing requirements mainly through a combination of inter-group loans and reserves The company also has access to uncommitted facilities from a range of banks

20. Derivatives and financial instruments (continued)

Liquidity risk management (continued)

An analysis of the liquidity profile of the company's financial liabilities is as follows

2012	Within one year £000	Between one and two years £000	Between two and five years £000	Total £000
Bank loans and overdrafts	(12,551)	-	-	(12,551)
Other loans	(217,690)	-	(2,672)	(220,362)
Related interest	(350)	-	(15)	(365)
Trade and other payables	(108,702)	(3,300)	(119)	(112,121)
Derivative liabilities	(2,121)	(74)	-	(2,195)
Total	(341,414)	(3,374)	(2,806)	(347,594)

2011	Within one year £000	Between one and two years £000	Between two and five years £000	Total £000
Bank loans and overdrafts	(19,065)	-	-	(19,065)
Other loans	(162,240)	-	(3,028)	(165,268)
Related interest	(166)	-	(19)	(185)
Trade and other payables	(136,033)	-	-	(136,033)
Derivative liabilities	(23,465)	-	-	(23,465)
Total	(340,969)	-	(3,047)	(344,016)

21. Pension scheme

Defined benefit scheme

The Mitsubishi Corporation Retirement Benefits Scheme ("the defined benefit scheme") is a funded defined benefit pension scheme operated for the benefit of the employees of Mitsubishi Corporation International (Europe) Plc

The charge for the year in the profit and loss account represents the current service cost, interest cost and expected return on assets as measured through the actuarial valuation for the year

An actuarial valuation is performed every three years, the latest as at 1 April 2009 This revealed a funding deficit versus the Technical Provision that was covered by a Recovery Plan that resulted in company contributions to the Scheme as follows "special contributions" in a fixed amount of £101,000 per month from 1 June 2007 to 31 March 2009, £97,422 from 1 April 2009 to 30 November 2010 and £95,593 from 1 December 2010 to 31 March 2012 In addition "one-off" contributions of £2,250,000 were made in April 2010 and £34,000 in December 2010 The Recovery Plan completed in March 2012 and from April 2012 the company is only paying the standard contribution rate

The "Standard Contribution Rate" was 29 3% of basic salary from 1 June 2007 to 30 November 2010 and 25 8% from 1 December 2010 onwards

A new actuarial valuation will be performed as at 1 April 2012

The pension charge for the period in respect of employees was £1,496,156

An interim valuations for this reporting period (for accounting purposes) was carried out by a qualified actuary The major assumptions used for this valuation were

			2012	2011
Discount rate (pre and post retirement)			4 85%	5 45%
Rate of increase in salaries			4 50%	3 25%
RPI price inflation			3 50%	3 25%
CPI price inflation			2 30%	-
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)			3 35%	3 40%
Rate of increase for pensions in deferment			2 30%	2 50%
Expected Return on scheme assets			2 97%	4 04%
Life expectancy at age 60				
Current pensioners	-	Men	28 0	28 0
	-	Women	29 4	29 4
Future pensioners now aged 40	-	Men	29 2	29 1
	-	Women	30 5	30 5

Notes to the accounts
Year ended 31 March 2012

21 Pension scheme (contınued)

Defined benefit scheme (contınued)

Based on the above assumptıons the surplus/(deficıt) ın the scheme at each assessment date was

	2012 £'000	2011 £'000
Faır value of scheme assets	47,166	39,427
Value of Insured annuıtıes	326	481
Total Value of scheme assets	47,492	39,908
Present value of funded oblıgatıons (ıncludıng ınsured annuıtıes)	(35,929)	(30,775)
Surplus ın the scheme	11,563	9,133
FRS 17 lımıt on surplus recognıtıon	(9,084)	(7,420)
Pensıon asset recognısed	2,479	1,713
Related deferred tax lıabılıty	(595)	(445)
Net pensıon asset	1,884	1,268

The faır value of the scheme's ınvested assets at the begınnıng and at the end of the perıod are set out below along wıth the expected rate of return for each class at each assessment date

	Value at 31 March 2012 £'000	Expected return % p.a.	Value at 31 March 2011 £'000	Expected return % p.a.
Bonds	43,024	3 15	35,359	4 35
Cash	4,142	0 95	4,068	1 35
Total	47,166	2 96	39,427	4 04

Total expense recognısed ın profit and loss

	2012 £'000	2011 £'000
Current servıce cost	234	287
Interest on pensıon scheme lıabılıtıes	1,664	1,718
Expected return on pensıon scheme assets	(1,628)	(1,585)
Total expense	270	420

Notes to the accounts
Year ended 31 March 2012

21. Pension scheme (continued)

Defined benefit scheme (continued)

Annual return on scheme assets

	2012 £'000	2011 £'000
Actual return on scheme assets	7,115	2,034

Changes in the present value of the defined benefit obligation are as follows

	2012 £'000	2011 £'000
Opening defined benefit obligation	30,775	30,799
Current service cost	234	287
Employee contributions	81	81
Interest cost	1,664	1,718
Actuarial losses/(gains)	4,298	(1,143)
Benefits paid	(1,123)	(967)
Closing defined benefit obligation	35,929	30,775

Changes in the fair value of scheme assets are as follows

	2012 £'000	2011 £'000
Opening fair value of Scheme assets	39,908	34,966
Expected return	1,628	1,585
Sponsor contributions	1,511	3,794
Employee contribution	81	81
Actuarial gains	5,487	449
Benefits paid	(1,123)	(967)
Closing fair value of scheme assets	47,492	39,908

Notes to the accounts
Year ended 31 March 2012

21. **Pension scheme (continued)**

Defined benefit scheme (continued)

Analysis of recognised loss in statement of total recognised gains and losses (STRGL)

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	5,487	449
Experience gains and losses arising on the scheme liabilities	(123)	391
Changes in assumptions underlying the present value of the scheme liabilities	(4,175)	752
FRS 17 limit on surplus recognition	(1,664)	(5,801)
	(475)	(4,209)
Deferred tax	114	1,094
Actuarial loss recognised in STRGL	(361)	(3,115)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a loss of £3,626,000 (2011 loss of £3,265,000)

The company's best estimate of the contributions to be paid in respect of the scheme during the financial year ending 31 March 2013 is £370,000

History of experience gains and losses

Details of experience gains and losses for the year to

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008* £'000
Experience gains and losses on scheme liabilities					
Amount (£'000)	(123)	391	(1,075)	(162)	189
Percentage of the present value of the scheme liabilities	(0 3%)	1 3%	(3 5%)	(0 7%)	0 7%
Difference between the expected and actual return on scheme assets					
Amount (£'000)	5,487	449	1,466	(560)	(389)
Percentage of scheme assets	11 6%	1 1%	4 2%	(1 8%)	(1 3%)
Total amount recognised in statement of total recognised gains or losses					
Amount (£'000)	(475)	(4,209)	(2,078)	(239)	2,108
Percentage of the present value of the scheme liabilities	(1 3%)	(13 7%)	(6 7%)	(1 0%)	7 6%

* This relates to the period from 31 October 2007 to 31 March 2008

The company also operates a defined contribution scheme which began on 1 April 2002 The charge for the year (being the contributions made by the company) was £423,310 (2011 £374,845) No amounts were accrued or prepaid as at 31 March 2012

Notes to the accounts
Year ended 31 March 2012

22. Immediate and ultimate parent company

In the opinion of the directors, the company's ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan This is the smallest and largest group in which the company is consolidated The immediate parent company is MC Europe Holdings NV

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department PC-B, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan and are also available on Mitsubishi Corporation's website (www mitsubishicorp com) The immediate parent company does not prepare group financial statements

23. Related party transactions

At 31 March 2012 £4,139,000 and £2,671,000 were owed by Deucalion MC Engine Leasing Ltd (DMCELL), the company's associated company (note 12) as short-term and long-term receivables (note 14) The company has recognised interest income of £449,000 (note 7)

The company has taken advantage of the exemption from other related party disclosures available in Financial Reporting Standard No 8 - Related Party Disclosures, as the consolidated financial statements of the ultimate parent company are publicly available as noted above

24. Equity dividends

Amounts recognised as distributions to equity holders in the year

	2012 £'000	2011 £'000
Interim dividend for year ended 31 March 2011 of £7 17m (2010 £7 67m)	7,168	7,666
Final dividend for year ended 31 March 2011 of £7 17m (2010 £7 67m)	7,168	7,666
	14,336	15,332

Mitsubishi Corporation (Mitsubishi Shoji Kabushiki Kaisha) and Subsidiaries

Consolidated Balance Sheets as of March 31, 2011 and 2012, and Related Consolidated Statements of Income, Comprehensive Income, Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2012, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Mitsubishi Corporation
(Mitsubishi Shoji Kabushiki Kaisha)

We have audited the accompanying consolidated balance sheets of Mitsubishi Corporation (Mitsubishi Shoji Kabushiki Kaisha) and subsidiaries (collectively, the "Company") as of March 31, 2011 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2012 (all expressed in Japanese yen) These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mitsubishi Corporation and subsidiaries as of March 31, 2011 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 2 to the consolidated financial statements, the Company adopted the reporting and disclosure requirements of a new accounting standard regarding oil and gas reserves for the year ended March 31, 2010

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts included in the consolidated financial statements with respect to the year ended March 31, 2012 and, in our opinion, such translation has been made in conformity with the basis stated in Note 1 Such United States dollar amounts are presented solely for the convenience of readers outside Japan

Deloitte Touche Tohmatsu LLC

June 26, 2012

NOTE TO READERS

Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has 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 DTT's report is included within this annual report as information for readers

SUPPLEMENTARY EXPLANATION

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are 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 internal controls over financial reporting as of March 31, 2012 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 Business Accounting Council on March 30, 2011

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2012, we concluded that our internal control system over financial reporting as of March 31, 2012 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

There are differences between the management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In the management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection In the management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets and income before income taxes for the selection of significant locations and business units

(TRANSLATION)

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

Ken Kobayashi, President and CEO, and Ryoichi Ueda, Director and Senior Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Misubishi 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 on March 30, 2011

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, 2012, 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 equity-method affiliated companies, 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 equity-method affiliated companies We did not include those consolidated subsidiaries and equity-method affiliated companies 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, 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 70% of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 70% 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 sales or 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 OF 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

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA")

In an audit of ICFR under FIEA, the auditor expresses an opinion on management's report on ICFR, and does not express an opinion on the company's ICFR directly In an audit of ICFR under the attestation standards established by the AICPA, the auditor expresses an opinion on the company's ICFR directly Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of approximately 70% of total assets and income before income taxes for the selection of significant locations and business units

(TRANSLATION)

Independent Auditor's Report

(filed under the Financial Instruments and Exchange Act in Japan)

June 26, 2012

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant Shigeo Ogi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant Michio Fujii

Designated Unlimited Liability Partner,
Engagement Partner.
Certified Public Accountant Ineko Iwashita

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant Masayuki Yamada

< Audit of Financial Statements >

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of Mitsubishi Corporation (the "Company") and its consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the fiscal year from April 1, 2011 to March 31, 2012, and the related notes

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, pursuant to the provisions of Article 95 of the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, 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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in Japan Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2012, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

< Audit of Internal Control >

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 the Company as of March 31, 2012

Management's Responsibility for the Report on Internal Control

The Company's 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 conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement

An internal control audit involves performing procedures to obtain audit evidence about 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 judgment, including the significance of effects on reliability of financial reporting An internal control audit includes examining 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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Audit Opinion

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act

(The above represents a translation, for convenience only, of the original report issued in the Japanese language)

Consolidated Balance Sheets

Mitsubishi Corporation and Subsidiaries
March 31, 2011 and 2012

ASSETS	Millions of Yen 2011	Millions of Yen 2012	Millions of U S Dollars (Note 1) 2012
Current assets			
Cash and cash equivalents (Notes 4 and 11)	¥1,208,742	¥1,252,951	$15,280
Time deposits	101,513	116,024	1,415
Short-term investments (Notes 4 and 11)	42,641	19,327	236
Notes receivable—trade	329,216	363,130	4,428
Accounts receivable—trade	2,133,395	2,379,899	29,023
Loans and other receivables	450,040	389,678	4,752
Receivables from Affiliated companies	230,809	250,469	3,054
Inventories	970,675	965,057	11,769
Advance payments to suppliers	164,937	157,817	1,925
Deferred income taxes (Note 14)	58,759	45,780	558
Other current assets (Notes 10, 11 and 15)	326,503	258,953	3,158
Allowance for doubtful receivables (Note 6)	(23,835)	(23,809)	(290)
Total current assets	5,993,395	6,175,276	75,308
Investments and noncurrent receivables			
Investments in and advances to Affiliated companies (Notes 5 and 11)	1,336,288	1,660,383	20,249
Joint investments in real estates		62,290	759
Other investments (Notes 4, 8 and 11)	1,431,362	1,854,619	22,617
Noncurrent notes, loans and accounts receivable—trade (Notes 8 and 22)	511,107	549,712	6,704
Allowance for doubtful receivables (Note 6)	(30,474)	(30,508)	(372)
Total investments and noncurrent receivables	3,248,283	4,096,496	49,957
Property and equipment (Notes 7, 8 and 22)			
Real estate held for development and resale	69,396	90,004	1,098
Land	321,929	335,731	4,094
Buildings, including leasehold improvements	780,305	794,497	9,689
Machinery and equipment	918,695	964,503	11,762
Aircraft and vessels	433,446	475,285	5,796
Mineral rights	343,721	394,206	4,808
Projects in progress	111,124	211,154	2,575
Total	2,978,616	3,265,380	39,822
Less accumulated depreciation	(1,242,808)	(1,294,466)	(15,786)
Property and equipment—net	1,735,808	1,970,914	24,036
Goodwill (Note 9)	49,206	60,498	738
Other intangible assets—net (Note 9)	77,068	107,086	1,306
Other assets (Notes 10, 11, 14 and 15)	169,015	178,243	2,173
Total assets	¥11,272,775	¥12,588,513	$153,518

See notes to consolidated financial statements

(Continued)

LIABILITIES AND EQUITY	Millions of Yen 2011	Millions of Yen 2012	Millions of U S Dollars (Note 1) 2012
Current liabilities			
Short-term debt (Notes 8 and 13)	¥656,873	¥886,431	$10,810
Current maturities of long-term debt (Notes 8 and 13)	468,675	435,221	5,307
Notes and acceptances payable—trade	165,481	206,049	2,513
Accounts payable—trade	1,879,958	2,108,171	25,709
Payables to Affiliates companies	139,141	186,094	2,270
Advances from customers	162,733	160,795	1,961
Accrued income taxes	64,290	32,360	395
Other accrued expenses (Note 15)	110,591	118,877	1,450
Other current liabilities (Notes 10, 11, 14 ,16 and 22)	333,555	331,968	4,048
Total current liabilities	3,981,297	4,465,966	54,463
Noncurrent liabilities			
Long-term debt, less current maturities (Notes 8 and 13)	3,188,749	3,760,101	45,855
Accrued pension and severance liabilities (Note 15)	48,657	51,345	626
Deferred income taxes (Note 14)	191,894	197,734	2,411
Other noncurrent liabilities (Notes 10, 11,16 and 22)	312,233	285,080	3,477
Total noncurrent liabilities	3,741,533	4,294,260	52,369
Total liabilities	7,722,830	8,760,226	106,832
Commitments and contingencies (Note 25)			
Mitsubishi Corporation shareholders' equity (Notes 17, 18 and 27)			
Common stock—authorized, 2,500,000,000 shares, issued, 2011— 1,697,268,271 shares and 2012— 1,653,505,751 shares, outstanding, 2011— 1,644,073,790 shares and 2012— 1,646,172,919 shares	203,598	204,447	2,493
Additional paid-in capital	256,501	262,039	3,196
Retained earnings			
Appropriated for legal reserve	43,670	44,133	538
Unappropriated	3,095,348	3,302,093	40,269
Accumulated other comprehensive income (loss)			
Net unrealized gains on securities available-for-sale	236,792	230,362	2,809
Net unrealized gains (losses) on derivatives	24,354	(8,421)	(103)
Defined benefit pension plans	(79,554)	(78,318)	(955)
Foreign currency translation adjustments	(395,717)	(426,442)	(5,200)
Subtotal	(214,125)	(282,819)	(3,449)
Less treasury stock—at cost, 53,194,481 shares in 2011 and 7,332,832 shares in 2012	(151,650)	(20,565)	(251)
Total Mitsubishi Corporation shareholders' equity	3,233,342	3,509,328	42,796
Noncontrolling interest	316,603	318,959	3,890
Total equity	3,549,945	3,828,287	46,686
Total liabilities and equity	¥11,272,775	¥12,588,513	$153,518

(Concluded)

Consolidated Statements of Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2010	2011	2012	2012
Revenues (Notes 10, 11 and 20)				
Revenues from trading, manufacturing and other activities	¥3,967,714	¥4,590,888	¥4,944,801	$60,302
Trading margins and commissions on trading transactions	573,079	615,985	621,031	7,574
Total revenues	4,540,793	5,206,873	5,565,832	67,876
Operating transactions (Notes 1 and 20) 2010—¥17,102,782 million, 2011—¥19,233,443 million, 2012—¥20,126,321 million—$245,443 million				
Cost of revenues from trading, manufacturing and other activities (Notes 10 and 11)	3,524,196	4,056,971	4,437,972	54,122
Gross profit (Note 20)	1,016,597	1,149,902	1,127,860	13,754
Other expenses (income)				
Selling, general and administrative (Note 15)	829,451	824,622	850,214	10,368
Provision for doubtful receivables (Note 6)	4,893	9,139	6,524	80
Interest expense (net of interest income of 2010—¥37,719 million, 2011—¥33,077 million, 2012—¥38,633 million—$471 million) (Note 10)	12,647	6,699	3,202	39
Dividend income	(87,969)	(120,601)	(115,498)	(1,409)
Gain on marketable securities and investments—net (Notes 3, 4, 10, 11 and 20)	(212)	(53,439)	(21,968)	(268)
Loss on property and equipment—net (Notes 7 and 9)	15,829	2,557	7,085	86
Other income—net (Notes 3, 9, 10 and 21)	(52,361)	(49,180)	(60,669)	(739)
Total	722,278	619,797	668,890	8,157
Income before income taxes and equity in earnings of Affiliated companies and other	294,319	530,105	458,970	5,597
Income taxes (Note 14)				
Current	112,474	168,581	130,551	1,592
Deferred	5,797	30,099	38,627	471
Total	118,271	198,680	169,178	2,063
Income before equity in earnings of Affiliated companies and other	176,048	331,425	289,792	3,534
Equity in earnings of Affiliated companies and other (Notes 5 and 20)	117,857	167,002	190,509	2,323
Net income	293,905	498,427	480,301	5,857
Less net income attributable to the noncontrolling interest	(18,118)	(33,884)	(26,452)	(322)
Net income attributable to Mitsubishi Corporation	¥275,787	¥464,543	¥453,849	$5,535

	Yen			U.S. Dollars (Note 1)
Net income attributable to Mitsubishi Corporation per share (Note 19)				
Basic	¥167.85	¥282.62	¥275.83	$3.36
Diluted	167.46	281.87	275.22	3.36

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U S Dollars (Note 1)
	2010	2011	2012	2012
Net income	¥293,905	¥498,427	¥480,301	$5,857
Other comprehensive income (loss), net of tax				
Net unrealized gains (losses) on securities available for sale (Notes 4 and 18)	145,276	(25,558)	(8,176)	(100)
Net unrealized gains (losses) on derivatives (Notes 10 and 18)	35,714	12,493	(33,337)	(406)
Defined benefit pension plans (Notes 15 and 18)	21,934	910	1,210	15
Foreign currency translation adjustments (Note 18)	162,759	(77,648)	(32,714)	(399)
Total other comprehensive income (loss), net of tax	365,683	(89,803)	(73,017)	(890)
Comprehensive income	659,588	408,624	407,284	4,967
Comprehensive income attributable to the noncontrolling interest	(31,362)	(26,770)	(22,129)	(270)
Comprehensive income attributable to Mitsubishi Corporation	¥628,226	¥381,854	¥385,155	$4,697

See notes to consolidated financial statements

Consolidated Statements of Equity

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U S Dollars (Note 1)
	2010	2011	2012	2012
Common stock				
Balance, beginning of year—shares issued				
2010—1,696,046 684 shares				
2011—1,696,686,871 shares				
2012—1,697,268,271 shares	¥202,817	¥203,228	¥203,598	$2,483
Issuance of common stock and reclassification adjustment from additional paid-in capital upon exercise of stock options				
2010—598,100 shares				
2011—581,400 shares				
2012—475,700 shares (Note 23)	387	370	396	5
Issuance of common stock upon conversion of convertible bond				
2010—42,087 shares				
2011—0 shares				
2012—761,780 shares (Notes 13 and 26)	24		453	5
Balance, end of year—shares issued				
2010—1,696,686 871 shares				
2011—1,697,268,271 shares				
2012—1,653,505,751 shares (Note 17)	¥203,228	¥203,598	¥204,447	$2,493
Additional paid-in capital				
Balance, beginning of year	¥261,828	¥254,138	¥256,501	$3,128
Compensation costs related to stock options (Note 23)	1,617	1 240	1,256	15
Issuance of common stock and reclassification adjustment to common stock upon exercise of stock options (Note 23)	233	122	(116)	(1)
Sales of treasury stock upon exercise of stock options (Note 23)			(636)	(8)
Issuance of common stock upon conversion of convertible bond (Notes 13 and 26)	25		452	6
Losses on sales of treasury stock (Note 17)	(1)	(1)		
Retirement of treasury stock			(9)	
Equity transactions with the noncontrolling interest and others	(9,564)	1,002	4,591	56
Balance, end of year	¥254,138	¥256,501	¥262,039	$3,196
Retained earnings appropriated for legal reserve				
Balance, beginning of year	¥42 142	¥43,189	¥43,670	$532
Transfer from unappropriated retained earnings	1,047	481	463	6
Balance, end of year	¥43,189	¥43,670	¥44,133	$538

(Continued)

	Millions of Yen			Millions of U S Dollars (Note 1)
	2010	2011	2012	2012
Unappropriated retained earnings				
Balance, beginning of year	¥2,488,033	¥2,708,547	¥3,095,348	$37,747
Net income attributable to Mitsubishi Corporation	275,787	464,543	453,849	5,535
Total	2,763,820	3,173,090	3,549,197	43,282
Deduct				
Cash dividends paid to Mitsubishi Corporation's shareholders (annual rate per share of 2010—¥33 0 2011—¥47 0 2012—¥71 0—$ 0 87)	(54,226)	(77,261)	(116,802)	(1,424)
Transfer to retained earnings appropriated for legal reserve	(1,047)	(481)	(463)	(6)
Sales of treasury stock upon exercise of stock options (Note 23)			(1,237)	(15)
Losses on sales of treasury stock			(1)	
Retirement of treasury stock (Note 17)			(128,601)	(1,568)
Total	(55,273)	(77,742)	(247,104)	(3,013)
Balance, end of year	¥2,708,547	¥3,095,348	¥3,302,093	$40,269
Accumulated other comprehensive income (loss), net of tax				
Balance, beginning of year	¥(483,875)	¥(131,436)	¥(214,125)	$(2,611)
Net unrealized gains (losses) on securities available for sale (Notes 4 and 18)	138,700	(24,505)	(6,430)	(79)
Net unrealized gains (losses) on derivatives (Notes 10 and 18)	35,691	12,445	(32,775)	(399)
Defined benefit pension plans (Notes 15 and 18)	21,121	833	1,236	15
Foreign currency translation adjustments (Note 18)	156,927	(71,462)	(30,725)	(375)
Balance, end of year	¥(131,436)	¥(214,125)	¥(282,819)	$(3,449)
Treasury stock				
Balance, beginning of year	¥(151,548)	¥(151,572)	¥(151,650)	$(1,849)
Sales of treasury stock upon exercise of stock options (Note 23)			2,491	30
Purchases and sales—net (Note 17)	(24)	(78)	(16)	
Retirement (Note 17)			128,610	1,568
Balance, end of year	¥(151,572)	¥(151,650)	¥(20,565)	$(251)
Total Mitsubishi Corporation shareholders' equity	¥2,926,094	¥3,233,342	¥3,509,328	$42,796
Noncontrolling interest				
Balance, beginning of year	¥304,565	¥306,174	¥316,603	$3,862
Cash dividends paid to the noncontrolling interest	(13,815)	(21,050)	(20,870)	(255)
Equity transactions with the noncontrolling interest and others	(15,938)	4,709	1,097	13
Net income attributable to the noncontrolling interest	18,118	33,884	26,452	322
Net unrealized gains (losses) on securities available for sale, net of tax	6,576	(1,053)	(1,746)	(21)
Net unrealized gains (losses) on derivatives, net of tax	23	48	(562)	(7)
Defined benefit pension plans, net of tax	813	77	(26)	
Foreign currency translation adjustments, net of tax	5,832	(6,186)	(1,989)	(24)
Balance, end of year	¥306,174	¥316,603	¥318,959	$3,890

(Continued)

	Millions of Yen			Millions of U S Dollars (Note 1)
	2010	2011	2012	2012
Total equity				
Balance, beginning of year	¥2,663,962	¥3,232,268	¥3,549,945	$43,292
Issuance of common stock upon exercise of stock options	620	492	280	4
Sales of treasury stock upon exercise of stock options			618	7
Compensation costs related to stock options	1,617	1,240	1,256	15
Issuance of common stock upon conversion of convertible bond	49		905	11
Losses on sales of treasury stock	(1)	(1)	(1)	
Net income	293,905	498,427	480,301	5,857
Cash dividends paid to Mitsubishi Corporations' shareholders	(54,226)	(77,261)	(116,802)	(1,424)
Cash dividends paid to the noncontrolling interest	(13,815)	(21,050)	(20,870)	(255)
Net unrealized gains (losses) on securities available for sale, net of tax	145,276	(25,558)	(8,176)	(100)
Net unrealized gains (losses) on derivatives, net of tax	35,714	12,493	(33,337)	(406)
Defined benefit pension plans, net of tax	21,934	910	1,210	15
Foreign currency translation adjustments, net of tax	162,759	(77,648)	(32,714)	(399)
Purchases and sales—net of treasury stock	(24)	(78)	(16)	
Equity transactions with the noncontrolling interest and others	(25,502)	5,711	5,688	69
Balance, end of year	¥3,232,268	¥3,549,945	¥3,828,287	$46,686

See notes to consolidated financial statements

(Concluded)

Consolidated Statements of Cash Flows

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U S Dollars (Note 1)
	2010	2011	2012	2012
Operating activities				
Net income	¥293,905	¥498,427	¥480,301	$5,857
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	138,777	143,819	145,428	1,774
Provision for doubtful receivables	4,893	9,139	6,524	80
Accrued pension and severance costs, less payments	(2,751)	(3,746)	5,955	73
Gain on marketable securities and investments—net	(212)	(53,439)	(21,968)	(268)
Loss on property and equipment—net	15,829	2,557	7,085	86
Equity in earnings of Affiliated companies and other, less dividends received	(18,584)	(19,979)	(54,290)	(662)
Deferred income taxes	5,797	30,099	38,627	471
Changes in operating assets and liabilities				
Short-term investments—trading securities	15,032	(127)	(360)	(4)
Notes and accounts receivable—trade	(15,795)	(164,364)	(285,469)	(3,481)
Inventories	155,713	(163,488)	(95,387)	(1,163)
Notes, acceptances and accounts payable—trade	137,267	74,431	255,880	3,120
Advance payments to suppliers	504	27,012	40,420	493
Advances from customers	(15,249)	(40,272)	(38,644)	(471)
Other receivables	(51,707)	10,865	(6,188)	(75)
Other payables	(21,270)	(15,765)	57,593	702
Other accrued expenses	2,731	11,046	8,722	106
Other current assets	112,523	24,628	23,151	282
Other current liabilities	(15,300)	22,803	31,389	383
Other noncurrent liabilities	20,479	600	12,271	149
Other—net	(1,009)	(63,042)	(60,346)	(736)
Net cash provided by operating activities	761,573	331,204	550,694	6,716

(Continued)

Investing activities				
Expenditures for property and equipment	(182,448)	(228,654)	(412,991)	(5,036)
Proceeds from sales of property and equipment	20,317	44,366	49,038	598
Investments in and advanced to Affiliated companies	(110,908)	(106,214)	(415,788)	(5,071)
Proceeds from sales of investments in and collection of advanced to Affiliated companies	45,826	38,686	87,122	1,062
Acquisitions of businesses, net of cash acquired	(1,557)	(35,548)	(57,076)	(696)
Proceeds from sales of businesses, net of cash divested	3,841	3,844	21,546	263
Purchases of available-for-sale securities	(183,806)	(242,201)	(34,273)	(418)
Proceeds from sales of available-for-sale securities	96,804	50,068	20,831	254
Proceeds from maturities of available-for-sale securities	169,095	263,738	55,263	674
Purchases of other investments	(59,829)	(48,510)	(536,892)	(6,547)
Proceeds from sales of other investments	102,636	65,481	95,494	1,165
Increase in loans receivable	(243,357)	(277,529)	(118,644)	(1,447)
Collection of loans receivable	197,955	206,397	162,888	1,986
Net decrease (increase) in time deposits	6,929	3,475	(17,431)	(213)
Net cash used in investing activities	(138,502)	(262,601)	(1,100,913)	(13,426)
Financing activities				
Net (decrease) increase in short-term debt	(728,733)	127,216	257,898	3,145
Proceeds from long-term debt—net of issuance cost	517,647	574,254	995,932	12,146
Repayment of long-term debt	(457,372)	(526,435)	(532,937)	(6,499)
Payment of dividends	(54,226)	(77,261)	(116,802)	(1,424)
Payment of dividends to the noncontrolling interest	(13,815)	(21,050)	(20,870)	(255)
Payment for acquisition of subsidiary's interests from the noncontrolling interest	(19,445)	(6,620)	(2,440)	(30)
Proceeds from sales of subsidiary's interests to the noncontrolling interest		6,172	17,385	212
Proceeds from issuing common stock upon exercise of stock options	620	492	280	4
Net (increase) decrease in treasury stock	(23)	(19)	613	7
Net cash (used in) provided by financing activities	(755,347)	76,749	599,059	7,306
Effect of exchange rate changes on cash and cash equivalents	14,085	(17,154)	(4,631)	(57)
Net (decrease) increase in cash and cash equivalents	(118,191)	128,198	44,209	539
Cash and cash equivalents, beginning of year	1,198,735	1,080,544	1,208,742	14,741
Cash and cash equivalents, end of year	¥1,080,544	¥1,208,742	¥1,252,951	$15,280

See notes to consolidated financial statements

(Concluded)

Notes to Consolidated Financial Statements

Mitsubishi Corporation and Subsidiaries

1 NATURE OF OPERATIONS AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

Nature of Operations—

Mitsubishi Corporation (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, providing various types of products and services on a global basis Through the Company's domestic and overseas network, the Company is engaged in general trading, including the purchasing, supplying and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials, in addition to natural resources development, infrastructure-related businesses and financial businesses The Company is also engaged in the development of new business models in the new energy, environmental and new technology fields

Basis of Consolidated Financial Statements—

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Parent is incorporated and principally operates The translation of Japanese yen amounts into United States ("U S ") dollar amounts with respect to the year ended March 31, 2012 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82=$1, the rate of exchange as of March 31, 2012 Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U S dollars at this or any other rate

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U S GAAP") Because the Parent and its subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in the countries of their respective domiciles, certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements in order to conform with U S GAAP These adjustments have not been recorded in the statutory books of account

"Operating transactions," as presented in the consolidated statements of income, is a voluntary disclosure commonly made by Japanese trading companies It represents the gross transaction value of sales contracts in which the Company acts as a principal and as an agent Transactions in which the Company's role is limited to that of broker are recorded net and included in operating transactions Operating transactions are not meant to represent revenues in accordance with U S GAAP and should not be construed as equivalent to, or a substitute or proxy for, revenues However, as management believes operating transaction information is useful to users of the consolidated financial statements, a voluntary disclosure is made in the consolidated statements of income

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below

Consolidation and Investments in Subsidiaries and Affiliated Companies—
The consolidated financial statements include the accounts of the Parent and its majority-owned domestic and foreign subsidiaries that the Parent controls In addition, the Company consolidates variable interest entities ("VIEs") for which the Company is the primary beneficiary Unincorporated joint ventures, in which the Company holds an undivided interest in the assets and is proportionately liable for the liabilities, are proportionately consolidated by the Company All significant intercompany accounts and transactions have been eliminated

Investments in companies and corporate joint ventures over which the Company is able to exert significant influence over the operating and financial decisions ("Affiliated companies") are accounted for using the equity method of accounting If a decline in fair value of investments in Affiliated companies accounted for using the equity method is determined to be other-than-temporary, an impairment loss is recognized equal to the difference between the investments' carrying amount and their fair value Certain majority-owned entities are also accounted for using the equity method where the minority shareholder or shareholders have substantive participating rights All significant intercompany profits have been eliminated in proportion to interests in Affiliated companies

The accounts of certain subsidiaries with a fiscal year-end on or after December 31, but prior to the Parent's fiscal year-end of March 31, are consolidated on the basis of the subsidiaries' respective fiscal year-end There were no significant events that occurred during the intervening period that would require adjustment to or disclosure in the accompanying consolidated financial statements in the years ended March 31, 2011 and 2012

Foreign Currency Translation—

The assets and liabilities of foreign subsidiaries and Affiliated companies are translated into Japanese yen at the respective year-end exchange rates All income and expense accounts are translated at average rates of exchange The resulting translation adjustments are included in accumulated other comprehensive income (loss) ("AOCI") Monetary assets and liabilities denominated in a foreign currency are translated into Japanese yen at year-end exchange rates with the resulting exchange gains or losses recognized in "Other income—net" in the consolidated statements of income

Cash Equivalents—
Cash equivalents are defined as short term with original maturities of three months or less, highly liquid investments, including short-term time deposits, commercial paper, debt securities and certificates of deposit which are readily convertible into cash and have no significant risk of changes in value

Investment in Marketable and Nonmarketable Securities—
Investments in debt and marketable equity securities are classified as either trading securities or available-for-sale securities Trading securities are accounted for at fair value with unrealized gains and losses included in earnings Available-for-sale securities are accounted for at fair value with unrealized gains and losses excluded from earnings and reported, net of tax, in AOCI until realized

Investments in nonmarketable securities include investments in unaffiliated customers, suppliers and certain financial institutions, as well as investments in preferred stock, and are carried at cost ("cost method investments") as their fair value is not readily determinable Investments in nonmarketable securities are included in "Other Investments" in the consolidated balance sheets

The appropriateness of the classification is reassessed at each balance sheet date The cost of marketable securities sold is determined based on the moving-average cost method

The Company reviews investments in marketable and nonmarketable securities for impairment on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other-than-temporary

For investments in marketable equity securities classified as available-for-sale securities, other-than-temporary declines in fair value are evaluated based on various factors, such as the length of the time and the extent to which the market value is less than cost, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value If the decline in fair value is determined to be other-than-temporary, the cost basis of the investment is written down to fair value The resulting impairment loss is included in earnings in the period in which the decline was deemed to be other-than-temporary

For investments in debt securities classified as available-for-sale securities, other-than-temporary impairment is recognized in its entirety in earnings when the fair value has declined below cost and (1) the Company has the intent to sell the security, (2) it is more-likely-than-not that the Company will be required to sell the security before recovery, or (3) the Company does not expect to recover its entire amortized cost basis of the security However, if the Company does not intend to sell the security and it is not more-likely-than-not that it will be required to sell the security before recovery, but the security is considered to have suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remainder of the impairment charge, which is recorded in other comprehensive income

For investments in nonmarketable equity securities, if there are identified events or circumstances that have a significant adverse effect on the fair value of an investment, the fair value is presumed to have declined If such decline is considered to be other-than-temporary, the investment is written down to its estimated fair value The resulting impairment loss is included in earnings in the period in which the decline was deemed to be other-than-temporary

Allowance for Doubtful Receivables—

An allowance for doubtful receivables is established based primarily upon the Company's past credit loss experience and an evaluation of potential losses For loans receivable, an allowance for doubtful receivables is recognized when it is probable that the Company will be unable to collect amounts due according to the contractual terms of the agreement The impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, alternatively, at the observable market price of the receivable or the fair value of the underlying collateral

Inventories—

Inventories, which mainly consist of commodities and materials, are stated at the lower of cost (based, principally, on a moving-average basis or a specific-identification basis) or market (based on current replacement cost)

Investments in real estates subject to joint control—

Investments in real estates that are subject to joint control by the owners are accounted for using equity method Such investments are presented as "Joint investments in real estates" on the consolidated balance sheet

Property and Equipment—

Property and equipment are stated at cost Depreciation of property and equipment other than mineral rights are calculated principally using the straight-line method for buildings, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for aircraft and vessels mainly over the following estimated useful lives

Buildings	5 to 40 years
Machinery and equipment	5 to 40 years
Aircraft and vessels	13 to 25 years

Mineral rights are amortized using the unit-of-production method based on the proven or probable reserves Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease Significant renewals and additions are capitalized at cost Maintenance repairs, minor renewals and betterments are charged to earnings as incurred

Leases—

The Company leases as a lessor properties under arrangements which are classified as direct financing leases and operating leases For direct financing leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment Operating lease income is recognized over the term of underlying leases on a straight-line basis

The Company is also a lessee of various assets For capital leases, leased assets and capital lease obligations are recognized by the present value of net minimum lease payments Rental expenses under operating leases are recognized over the respective lease terms using a straight-line method

Impairment of Long-lived Assets—

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset If the carrying amount of an asset exceeds its estimated discounted future cash flows, an impairment loss is recognized in the amount by which the carrying amount of the assets exceeds the fair value of the assets These impairment losses are included in "Loss on property and equipment—net" in the accompanying consolidated statements of income A long-lived asset to be disposed of by sale is reported at the lower of the carrying amount or fair value less costs to sell and is no longer depreciated A long-lived asset to be disposed of other than by sale is considered as held and used until disposed of

Business Combinations—

Business combinations are accounted for by the acquisition method The Company separately recognizes and reports acquired intangible assets as goodwill or intangible assets

Goodwill and Other Intangible Assets—

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist

The Company tests goodwill for impairment by first comparing the carrying value of net assets to the fair value of the related operations If the fair value is determined to be less than carrying value, a second step is performed to compute the amount of the impairment In this process, a fair value for goodwill is estimated based, in part, on the fair value of the operations, and is compared to its carrying value The shortfall of the fair value below carrying value represents the amount of the impairment

Intangible assets with indefinite useful lives consist of trade names, rights to use land and customer relationships The Company tests these intangible assets for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the trade names, rights to use land and customer relationships Any excess carrying value over the amount of discounted cash flows represents the amount of the impairment

Intangible assets with definite useful lives consist of software and manufacturing, sales and service licenses These assets are amortized over their respective estimated useful lives using the straight-line method

Oil and Gas Exploration and Development—
Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting The costs of acquiring properties, drilling and equipping exploratory wells, and development wells and related plant and equipment are capitalized and amortized using the unit-of-production method Should the efforts to produce commercial reserves be determined unsuccessful, the exploratory well costs are charged to expense Other exploration costs such as geological and geophysical costs are expensed as incurred Proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value Unproved properties are assessed at least annually for impairment with any impairment charged to expense Effective March 31, 2010, the Company adopted Accounting Standards Update ("ASU") No 2010-03, "Oil and Gas Estimation and Disclosures " This update aligns the current oil and natural gas reserve estimation and disclosure requirements of the extractive industries oil and gas topic ASC topic 932

Mining Operations—
Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study Once established as commercially viable, costs are capitalized as mineral rights 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

Employee Benefit Plans—
The Company has defined benefit pension plans, defined contribution pension plans and unfunded severance indemnity plans The costs of defined benefit pension plans and unfunded severance indemnity plans are accrued based on amounts determined using actuarial methods
The Company amortizes the prior service cost principally over the average remaining service period of employees expected to receive related benefits
The Company amortizes the net actuarial loss principally over the average remaining service period of active employees expected to receive benefits

Asset Retirement Obligations—
The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred in case the fair value is reasonably estimable When a liability is initially recorded, the Company capitalizes the related costs by increasing the carrying amount of the long-lived asset Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related assets

Stock-based Compensation—
Stock-based compensation cost is measured at the grant date, based on the estimated fair value of stock-based awards made to employees, net of an estimated forfeiture rate and is recognized on a straight-line basis over the employee's requisite service period The fair values of stock options are estimated using the Black-Scholes option pricing model

Revenue Recognition—
The Company recognizes revenues when there is persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured

The Company manufactures a wide variety of products, such as metals, machinery, chemicals and general consumer merchandise and develops natural resources The Company also trades a wide variety of commodities and may take ownership risk of such inventory or merely facilitate the Company's customer's purchase and sale of commodities and other products, where it earns a commission for this service

The Company acts as a principal or agent in its activities for earning revenues The Company presents revenue transactions with corresponding cost of revenues on a gross basis as "Revenues from trading, manufacturing and other activities" in the consolidated statements of income for transactions traded as a primary obligor in manufacturing, processing and service rendering for sales with general inventory risk before customer orders For transactions traded as agent, the revenues are presented as "Trading margins and commissions on trading transactions" in the consolidated statements of income on a net basis

The Company acts as a principal seller in manufacturing and other activities It also acts as a principal in various trading transactions where the Company carries commodity inventory and generates a profit or loss on the spread between bid and asked prices for commodities Delivery in these transactions is considered to have occurred at the point in time when the delivery conditions as agreed to by customers have been met. This is generally when the goods have been delivered to and accepted by the customer, title to the goods has been transferred, or the implementation testing has been duly completed

The Company also enters into long-term construction contracts as part of its manufacturing business Revenues from long-term construction projects are accounted for using the percentage-of-completion method in cases where the estimated costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable and there is an enforceable agreement between the parties who can fulfill the obligations, otherwise, the completed contract method is used

The Company also performs other activities, which consist of services and rental or leasing activities Service-related activities include performance of various services such as financial and logistics services, information and communications, technical support and other service-related activities The Company is engaged in certain rental activities or leasing of properties, including office buildings, aircraft and other industrial assets Revenues from service-related activities are recognized when the contracted services have been rendered to third-party customers pursuant to the agreement. For revenues from rental or leasing activities, please refer to the accounting policy of leases described before

The Company acts as an agent and records revenues earned from margins and commissions related to various trading transactions in which it acts as an agent. Through these trading activities, the Company facilitates its customers' purchases and sales of commodities and other products and earns a commission for this service The trading margins and commissions are recognized when all other revenue recognition criteria have been met

Advertising Costs—
Advertising costs are expensed when incurred Advertising costs for the years ended March 31, 2010, 2011 and 2012 were ¥14,136 million, ¥14,153 million and ¥13,762 million ($168 million), respectively

Research and Development Costs—
Research and development costs are charged to expense when incurred Research and development costs for the years ended March 31, 2010, 2011 and 2012 were ¥3,659 million, ¥4,542 million and ¥4,980 million ($61 million), respectively

Income Taxes—
The provision for income taxes is computed based on "Income before income taxes and equity in earnings of Affiliated companies" in the accompanying consolidated statements of income The tax effects of temporary differences between the financial statement and income tax bases of assets and liabilities, as well as operating loss carryforwards, are recognized using enacted tax rates applicable to the periods in which the differences are expected to affect taxable income A valuation allowance is provided for any portion of the deferred tax assets where it is considered more-likely-than-not that they will not be realized

The Company recognizes the financial statement effects of tax positions when they are more-likely-than-not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of income

The Parent and its wholly owned domestic subsidiaries started to file a consolidated corporate income tax return as a consolidation group from the year ended March 31, 2012

Derivatives—
The Company utilizes derivative instruments primarily to manage interest rate risks, to reduce exposure to movements in foreign exchange rates, and to hedge various inventory and trading commitments All derivative instruments are reported on the balance sheet at fair value as assets or liabilities

Generally, on the date on which the derivative contract is executed, the Company designates such derivative as either a fair value hedge or a cash flow hedge to the extent that hedging criteria are met

Fair Value Hedge—
Derivative instruments designated as fair value hedges primarily consist of interest rate swaps used to convert fixed-rate assets or debt obligations to floating-rate assets or debt Changes in fair values of hedging derivative instruments are recognized in earnings, offset against the changes in the fair value of the related assets, liabilities and firm commitment, and are included in "Other income—net"

Cash Flow Hedge—
Derivative instruments designated as cash flow hedges include interest rate swaps to convert floating-rate liabilities to fixed-rate liabilities, and forward exchange contracts to eliminate variability in functional-currency-equivalent cash flows on forecasted sales transactions Additionally, commodity swaps and futures contracts which qualify as cash flow hedges are utilized Changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recorded as a component of AOCI Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions affect the income statement.

Hedge of the Net Investment in Foreign Operations—
The Company uses foreign exchange contracts and nonderivative financial instruments such as foreign-currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation Changes in fair values of hedging instruments are included in foreign currency translation adjustments within AOCI

Derivative Instruments Used for Other than Hedging Activities—
The Company enters into derivative instruments as part of its brokerage services in commodity futures markets and its trading activities The Company clearly distinguishes derivatives used for brokerage services and trading activities from derivatives used for risk management purposes As part of its internal control policies, the Company has set strict limits on the positions which can be taken in order to manage potential losses for these derivative transactions, and periodically monitors the open positions for compliance

Changes in fair value of derivatives not designated as hedging instruments and held or issued for trading purposes are recorded in earnings The Company offsets the fair value amounts recognized for cash collateral against the fair value of amounts recognized for derivative instruments that are executed with the same counterparty under the same master netting arrangement

Use of Estimates in the Preparation of the Financial Statements—
The preparation of consolidated financial statements in conformity with U S GAAP requires management to make estimates and assumptions that affect amounts reported therein Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates Significant estimates underlying the accompanying consolidated financial statements include the allowance for doubtful accounts, valuation of investments, valuation of long-lived assets, pension, asset retirement obligations and uncertain tax positions

Earnings per Share (“EPS”)—
Basic EPS is computed by dividing net income attributable to the Company by the weighted-average number of common shares outstanding during each year Diluted EPS is computed by using the weighted-average number of common shares outstanding adjusted to include the potentially dilutive effect of stock options and convertible bonds that were outstanding during the year

Guarantees—
The Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee

Fair Value Measurements—
Certain assets and liabilities are required to be recorded at fair value The estimated fair values of those assets and liabilities have been determined using market information and valuation methodologies There are three levels of inputs that may be used to measure fair value

Level 1—Quoted prices for identical assets and liabilities in active markets,

Level 2—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, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets, and

Level 3—Valuation derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable

Fair Value Option—
The Company has not adopted the option to measure certain financial assets and financial liabilities at fair value which were not required to be measured at fair value

Acquisition of additional interests in Affiliated companies—

For the year ended March 31, 2012, the Company acquired additional interests in Coal & Allied Industries Limited, former available-for-sale securities, which increased its shareholding ratio up to 20 00% As the Company has had the ability to exert significant influence over the operations of Coal & Allied Industries Limited since acquiring the additional interests, the Company applies the equity method to the investments for the year ended March 31, 2012 The equity method is applied in a manner consistent with the accounting for a step-by-step acquisition Accordingly, the investment in Coal & Allied Industries Limited and retained earnings of the Company in prior years have been adjusted retrospectively The effect of the retrospective application is as follows

	Millions of Yen			
	2010		2011	
	As Originally Reported	As Adjusted	As Originally Reported	As Adjusted
Consolidated Balance Sheets				
Investments in and advances to Affiliated companies	¥1,238,569	¥1,253,157	¥1,320,102	¥1,336,288
Other investments	1,631,381	1,563,645	1,522,215	1,431,362
Noncurrent liabilities-Deferred income taxes	202,412	185,691	215,516	191,894
Retained earning-Unappropriated	2,706,086	2,708,547	3,091,532	3,095,348
Net unrealized gains on securities available-for-sale	300,313	261,297	291,911	236,792
Consolidated Statements of Income				
Dividend income	91,522	87,969	124,793	120,601
Equity in earnings of Affiliated companies	113,363	117,857	161,455	167,002
Net income	292,964	293,905	497,072	498,427
Net income attributable to Mitsubishi Corporation	274,846	275,787	463,188	464,543
	Yen			
Earnings per share				
Net income attributable to Mitsubishi Corporation				
Basic	¥167 28	¥167 85	¥281 80	¥282 62
Diluted	166 89	167 46	281 05	281 87

Reclassification of Prior Year's Consolidated Financial Statements—

For the purpose of clarity, the Company has made reclassifications of amounts in the consolidated balance sheets and consolidated statements of equity and cash flows for the year ended March 31, 2012 In order to conform with the presentation for the year ended March 31, 2012, the Company has reclassified the related amounts in the consolidated balance sheets and the consolidated statements of equity for the year ended March 31, 2011, and the related amounts in the consolidated statements of cash flows for the years ended March 31, 2010 and 2011, respectively, as stated below

The Company has separately reclassified the "Property and equipment—net" in the consolidated balance sheets for the year ended March 31, 2011 to "Real estate held for development and resale", "Land", "Buildings, including leasehold improvements", "Machinery and equipment", "Aircraft and vessels", "Mineral rights", "Projects in progress", and "Less accumulated depreciation"

The Company has separately reclassified the "Other comprehensive (loss) income attributable to Mitsubishi Corporation", "Other comprehensive (loss) income attributable to the noncontrolling interest (net of tax)" and "Other comprehensive (loss) income (net of tax)" lines in the consolidated statements of equity for the year ended March 31, 2011 to "Net unrealized gains (losses) on securities available for sale", "Net unrealized gains (losses) on derivatives", "Defined benefit pension plans" and "Foreign currency translation adjustments", respectively

The Company has reclassified payments to acquire businesses which were included in "Investments in and advances to Affiliated companies" in the investing activities section of the consolidated statements of cash flows for the year ended March 31, 2010 and 2011 to "Acquisitions of businesses, net of cash acquired", and has reclassified proceed from sales of businesses which were included in "Collection of advances to Affiliated companies" in the investing activities section of the consolidated statements of cash flows for the year ended March 31, 2010 and 2011 to "Proceeds from sales of businesses, net of cash divested", respectively In addition, the Company has reclassified the "Proceeds from sales and maturities of available-for-sale securities" in the investing activities section of the consolidated statements of cash flows for the year ended March 31, 2010 and 2011 to "Proceeds from sales of available-for-sale securities" and "Proceeds from maturities of available-for-sale securities"

Subsequent Events—

The Company assesses the necessity of accounting for and disclosures of events that occur after the consolidated balance sheet date but before consolidated financial statements are issued

New Accounting Standards—

Recently adopted accounting pronouncements

Effective April 1, 2011, the Company adopted ASU No 2009-13, "Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force " This guidance modifies the criteria for separating consideration under multiple-deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of the selling price for deliverables As a result, the residual method of allocating arrangement consideration will no longer be permitted The guidance also requires additional disclosures about how a vendor allocates revenue in its arrangements and about the significant judgments made and their impact on revenue recognition The adoption of ASU No 2009-13 did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2012

Effective April 1, 2011, the Company adopted ASU No 2010-17, "Milestone Method of Revenue Recognition, a consensus of the FASB Emerging Issues Task Force " ASU No 2010-17 establishes a revenue recognition model for contingent consideration that is payable upon the achievement of an uncertain future event, referred to as a milestone The scope of ASU No 2010-17 is limited to research or development arrangements The adoption of ASU No 2010-17 did not have impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2012

Effective July 1, 2011, the Company adopted ASU No 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring " ASU No 2011-02 provides guidance for determining whether a restructuring constitutes a troubled debt restructuring for the purpose of measuring an impairment loss and disclosure of troubled debt restructurings In determining whether a restructuring constitutes a troubled debt restructuring, creditors must separately conclude whether the restructuring constitutes a concession and whether a debtor is experiencing financial difficulties The adoption of ASU No 2011-02 did not have impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2012

Effective January 1, 2012, the Company adopted ASU No 2011-04, "Fair Value Measurement Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U S GAAP and IFRSs " ASU No 2011-04 is the result of joint efforts by the FASB and International Accounting Standards Board ("IASB") to develop a single, converged fair value framework, that is, converged guidance on how to measure fair value and on what disclosures to provide about fair value measurements The adoption of ASU No 2011-04 did not have impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2012

Recent accounting pronouncements not yet adopted

In September 2011, the FASB issued ASU No 2011-08,"Testing Goodwill for impairment " ASU No 2011-08 provides entities with the option of performing a qualitative assessment before performing the quantitative goodwill impairment test. Only if an entity determines in the qualitative assessment that it is more likely than not that the fair value of the reporting unit is less than carrying amount including goodwill, an entity is required to perform the two-step quantitative goodwill impairment test ASU No 2011-08 does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill at least annually for impairment ASU No 2011-08 is effective for fiscal years beginning on or after December 15, 2011 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2012 The Company is currently evaluating ASU No 2011-08 to determine whether or not to exercise the option of performing a qualitative assessment

In December 2011, the FASB issued ASU No 2011-10, "Property, Plant, and Equipment-Derecognition of in-substance Real Estate a Scope Clarification " Under the ASU No 2011-10, the reporting entity should apply the guidance in ASC Subtopic 360-20 "Property, Plant, and Equipment - Real Estate Sales" to determine whether it should derecognize the in-substance real estate when the reporting entity ceases to have a controlling financial interest in the subsidiary that is in-substance real estate as a result of default on the subsidiary's nonrecourse debt. ASU No 2011-10 doesn't revise ASC Subtopic 360-20 itself but clarifies the scope it covers ASU No 2011-10 is effective for fiscal years beginning on or after June 15, 2012 and is required to be adopted prospectively by the Company no later than the first quarter beginning April 1, 2013 The adoption of ASU No 2011-10 is not expected to materially impact the Company's consolidated financial position and results in current business

3 BUSINESS COMBINATIONS

There were no significant business combinations for the year ended March 31, 2011

Significant business combinations for the year ended March 31, 2012 were as follows

Acquisition of Chuo Kagaku Co , Ltd

On October 26, 2011 (the acquisition date), the Company acquired through a tender offer an additional 46 25% of voting rights in Chuo Kagaku Co , Ltd ("Chuo Kagaku") whose business involves the manufacture and sale of plastic food packaging products

These rights, added to its previously held equity interest, raised the Company's ownership of Chuo Kagaku to 60 59% of voting rights As a result, Chuo Kagaku became a subsidiary of the Company as the Company obtained control of Chuo Kagaku The acquisition of Chuo Kagaku is to expand the earnings power in the plastics business and the scope of business in China

The following table summarizes the estimated fair values of consideration paid, previously held equity interest and noncontrolling interest, as well as the assets acquired and liabilities assumed at the date of the acquisition

	Millions of Yen	Millions of U S Dollars
	2012	2012
Fair value of consideration paid	¥3,597	$44
Fair value of previously held equity interest	1,115	14
Fair value of noncontrolling interest	3,064	37
Total	¥7,776	$95
Fair value of assets acquired and liabilities assumed		
Current assets	¥27,721	$338
Investments and noncurrent receivables	1,712	21
Property and equipment	17,759	217
Other assets	2,072	25
Current liabilities	(32,079)	(391)
Noncurrent liabilities	(3,500)	(43)
Net assets	¥13,685	$167

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a gain of ¥75 million ($1 million) in "Gain on marketable securities and investments-net" for the year ended March 31, 2012

This business combination resulted in a bargain purchase transaction because the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥5,909 million ($72 million) The Company has recognized the amount as a gain for the year ended March 31, 2012 and recorded the amount in "Other income-net"

The fair value of the previously held equity interest and noncontrolling interest in Chuo Kagaku, a listed entity, are determined by quoted market price

Pro forma results of operations for the above business combination have not been presented because the effects are not material to the consolidated financial statements

The results of operations of Chuo Kagaku since the acquisition date included in the consolidated statements of income for the year ended March 31, 2012 were as follows

	Millions of Yen	Millions of U S Dollars
	2012	2012
Revenues	¥16,026	$195
Net income attributable to Mitsubishi Corporation	¥681	$8

Acquisition of Crosslands Resources Ltd and Oakajee Port and Rail

On February 20, 2012 (the acquisition date), from Murchison Metals Ltd, the Company acquired an additional 50% of interests in Crosslands Resources Ltd ("CRL"), which is the owner of the Jack Hills iron ore deposit, and Oakajee Port and Rail ("OPR") which is engaged in the associated rail and port infrastructure project in the Mid West region of Western Australia.

These interests, added to its previously held equity interest, raised the Company's ownership of CRL and OPR to 100% of interests As a result, CRL and OPR were wholly owned by the Company as the Company obtained control of them

Following completion of the transaction, the Company will support CRL and OPR in recommencing key activities, including finalization of feasibility studies and obtaining necessary approvals for various projects When appropriate and in due course, the Company intends to introduce a suitably capitalized partner(s) or investor(s) to take up the interests acquired through the transaction The introduction of such partner(s) will assist funding of the projects and re-engagement with OPR Foundation Customers

The following table summarizes the estimated fair values of consideration paid, previously held equity interest, as well as the assets acquired and liabilities assumed at the date of the acquisition As the initial measurement for the business combination is still not completed, the Company reported provisional amounts for the items in the consolidated financial statements

	Millions of Yen	Millions of U S Dollars
	2012	2012
Fair value of consideration paid	¥27,830	$340
Fair value of previously held equity interest	23,224	283
Total	¥51,054	$623
Fair value of assets acquired and liabilities assumed		
Current assets	¥3,268	$40
Property and equipment	40,521	494
Other intangible assets-net	14,895	182
Current liabilities	(3,176)	(39)
Noncurrent liabilities	(9,068)	(110)
Net assets	¥46,440	$567
Goodwill	4,614	56
Total	¥51,054	$623

Upon remeasuring the fair value of its previously held equity interest, the Company provisionally recorded a gain of ¥12,542 million ($153 million) in "Gain on marketable securities and investments-net" for the year ended March 31, 2012, based on the best information available to the Company

The fair value of the previously held equity interest are determined on a comprehensive basis, taking into account the acquisition value and the valuation, by a third party, of assets and liabilities which are held by CRL and OPR

The goodwill is included in the Metals segment

Pro forma results of operations for the above business combination have not been presented because the effects are not material to the consolidated financial statements

4 INVESTMENTS IN MARKETABLE AND NONMARKETABLE SECURITIES

Investments in marketable and nonmarketable securities at March 31, 2011 and 2012 were as follows

(Short-term investments)	Millions of Yen 2011	Millions of Yen 2012	Millions of U S Dollars 2012
Trading	¥9,183	¥9,021	$110
Available-for-sale (excluding cash and cash equivalents)	33,458	10,306	126
Total	¥42,641	¥19,327	$236

(Other investments)	Millions of Yen 2011	Millions of Yen 2012	Millions of U S Dollars 2012
Available-for-sale	¥1,007,090	¥973,879	$11,877
Investments in Other than Debt and Marketable Equity Securities	424,272	880,740	10,740
Total	¥1,431,362	¥1,854,619	$22,617

Debt and Marketable Equity Securities—Investments in debt and marketable equity securities are classified as either trading securities or available-for-sale securities Fair values of debt and marketable equity securities are estimated using the valuation methodology set forth in Note 11 Information regarding each category of securities classified as trading and available-for-sale at March 31, 2011 and 2012 was as follows

	Millions of Yen			
March 31, 2011	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as				
Trading				¥9,183
Available-for-sale				
Marketable equity securities	¥484,792	¥462,500	¥(9,902)	937,390
Debt securities	121,894	1,251	(3,390)	119,755
Total	¥606,686	¥463,751	¥(13,292)	¥1,057,145

	Millions of Yen			
March 31, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as				
Trading				¥9,021
Available-for-sale				
Marketable equity securities				
Domestic	¥369,584	¥282,195	¥(16,374)	635,405
Foreign	118,099	165,333	(1,032)	282,400
Total marketable equity securities	487,683	447,528	(17,406)	917,805
Debt securities				
Domestic	19,317	12	(10)	19,319
Foreign	55,325	288	(5,403)	50,210
Total debt securities	74,642	300	(5,413)	69,529
Total available-for-sale	¥562,325	¥447,828	¥(22,819)	¥987,334

March 31, 2012	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	Millions of U S Dollars			
Securities classified as				
Trading				$110
Available-for-sale				
Marketable equity securities				
Domestic	$4,507	$3,442	$(200)	7,749
Foreign	1,440	2,016	(12)	3,444
Total marketable equity securities	5,947	5,458	(212)	11,193
Debt securities				
Domestic	236			236
Foreign	675	3	(66)	612
Total debt securities	911	3	(66)	848
Total available-for-sale	$6,858	$5,461	$(278)	$12,041

Marketable equity securities classified as available-for-sale primarily consist of domestic stocks and debt securities primarily consist of commercial paper and corporate bonds, as of March 31, 2011 and 2012

The carrying amounts of debt securities classified as available-for-sale securities with original maturities of three months or less included in cash and cash equivalents in the consolidated balance sheets were ¥16,597 million and ¥3,149 million ($38 million) at March 31, 2011 and 2012, respectively

The carrying values of debt securities classified as available-for-sale at March 31, 2011 and 2012, by contractual maturity, were as follows

	Millions of Yen 2011
Due in one year or less	¥50,056
Due after one year through five years	53,325
Due after five years through ten years	16,374
Total	¥119,755

	Millions of Yen 2012	Millions of U S Dollars 2012
Due in one year or less		
Domestic	¥7,097	$86
Foreign	6,358	78
Total due in one year or less	13,455	164
Due after one year through five years		
Domestic	12,182	149
Foreign	36,759	448
Total due after one year through five years	48,941	597
Due after five years through ten years		
Domestic	40	
Foreign	7,093	87
Total due after five years through ten years	7,133	87
Total	¥69,529	$848

Certain debt securities, such as mortgage-backed securities, are not due at a single maturity date since issuers of the securities may have the right to redeem the securities prior to their contractual final maturity date Such securities are grouped in the table above based on their anticipated maturity date as of March 31, 2012

Proceeds and gross realized gains and losses from sales of investments in debt and marketable equity securities classified as available-for-sale securities for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Proceeds from sales	¥96,804	¥50,068	¥20,831	$254
Gross realized gains	¥46,539	¥31,774	¥11,399	$139
Gross realized losses	(629)	(485)	(989)	(12)
Net realized gains	¥45,910	¥31,289	¥10,410	$127

The amounts of trading gains and losses for the period that relate to trading securities still held at the reporting date were gains of ¥828 million, losses of ¥316 million and losses of ¥967 million ($12 million), for the years ended March 31, 2010, 2011 and 2012, respectively

For the years ended March 31, 2010, 2011 and 2012, impairment losses of ¥6,415 million, ¥12,073 million and ¥3,314 million ($40 million), respectively, were recognized on the investments in debt and marketable equity securities classified as available-for-sale securities as the decline in the fair value was considered to be other-than-temporary

With respect to the foreign debt securities, the Company recognized impairment losses in earnings as the impairments were deemed to be attributable to credit losses No impairment loss has been recognized on domestic bond The following table sets forth a 12-month roll forward of such credit losses for debt securities held as of March 31, 2011 and 2012

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Balance at beginning of year	¥8,296	¥8,310	$101
Additions for debt securities that have been previously impaired	14		
Additions for debt securities that have not been previously impaired			
Reductions due to sales or redemptions			
Balance at end of year	¥8,310	¥8,310	$101

The Company considers the investment rating, the contractual nature of the investments, the underlying collateral, the rights to and priority of the investment's cash flows and the condition of the issuers, when recognizing and measuring the amount related to credit losses

The following table sets forth gross unrealized losses and the fair value of the Company's investments in debt and marketable securities classified as available-for-sale securities with unrealized losses that are not deemed to be other-than-temporary, aggregated by investment category and by the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2011 and 2012

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
March 31, 2011	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities	¥146,987	¥(7,458)	¥13,726	¥(2,444)	¥160,713	¥(9,902)
Debt securities	7,663	(12)	39,431	(3,378)	47,094	(3,390)
Total	¥154,650	¥(7,470)	¥53,157	¥(5,822)	¥207,807	¥(13,292)

March 31, 2012	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities						
Domestic	¥95,070	¥(14,155)	¥13,441	¥(2,219)	¥108,511	¥(16,374)
Foreign	10,422	(835)	389	(197)	10,811	(1,032)
Total marketable equity securities	105,492	(14,990)	13,830	(2,416)	119,322	(17,406)
Debt securities						
Domestic			2,990	(10)	2,990	(10)
Foreign	21,890	(1,190)	20,231	(4,213)	42,121	(5,403)
Total debt securities	21,890	(1,190)	23,221	(4,223)	45,111	(5,413)
Total	¥127,382	¥(16,180)	¥37,051	¥(6,639)	¥164,433	¥(22,819)

March 31, 2012	Millions of U S Dollars					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Marketable equity securities						
Domestic	$1,159	$(173)	$164	$(27)	$1,323	$(200)
Foreign	127	(10)	5	(2)	132	(12)
Total marketable equity securities	1,286	(183)	169	(29)	1,455	(212)
Debt securities						
Domestic			36		36	
Foreign	267	(14)	247	(52)	514	(66)
Total debt securities	267	(14)	283	(52)	550	(66)
Total	$1,553	$(197)	$452	$(81)	$2,005	$(278)

Marketable equity securities—The Company's unrealized losses on investments in marketable equity securities mainly relate to investments in the common stock of approximately 170 customers and suppliers of the Company The unrealized losses were due to decline in market prices The fair value of individual investments is approximately 1% to 40% less than cost The Company determines whether the decrease in fair value of the investments in marketable domestic and foreign stocks categorized as "Available-for-sale" is other than temporary by taking into consideration the period and the extend of the fair value is less than the book value, and the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value The Company does not consider these investments to be other-than-temporarily impaired at March 31, 2012

Debt securities—The Company's unrealized losses on investments in debt securities, mainly relate to approximately 30 corporate bonds and so on, with individual fair value of approximately 1% to 49% less than cost. The Company asserts that it has no intent to sell, and it is not more-likely-than-not the Company will be required to sell these investments before recovery of fair value The Company has its ongoing review process which includes consideration of the investment rating, the contractual nature of the investments, the underlying collateral, the rights to and priority of the investment's cash flows, and the condition of the issuers The Company currently believes that all amounts will be redeemed when due according to the contractual terms of these investments Therefore, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2012

Investments in Other than Debt and Marketable Equity Securities— Other investments include investments in nonmarketable equity securities of unaffiliated customers, suppliers and certain financial institutions, which include certain preferred stocks, amounting to ¥340,254 million and ¥804,610 million ($9,812 million) at March 31, 2011 and 2012, respectively Other investments also include guarantee deposits, investments in noncurrent time deposits, and others, amounting to ¥84,018 million and ¥76,130 million ($928 million) at March 31, 2011 and 2012, respectively

The Company acquired a 24 5% ownership interest of Anglo American Sur S A ("Anglo Sur", Headquarters Santiago, Chile) which owns copper interests in Chile for U S $5 39 billion (approximately 420 billion yen) in November 2011
As the result, the Company owns a 24 5% voting rights of Anglo Sur and the remaining 75 5%voting rights are held by Anglo American plc ("Anglo", Headquarters London, United Kingdom) at the year ended March 2012
Anglo exclusively holds decision-making rights in the decision-making body of Anglo Sur and it is considered to be difficult for the Company to exercise significant influence on the management of Anglo Sur Therefore, the Company applies cost method for the investment in Anglo Sur and the amount of the investment is included in "other investments" on the consolidated balance sheets at March 31, 2012

Investments in nonmarketable equity securities of unaffiliated companies are carried at cost ("cost method investments"), as fair value is not determinable However, if there are identified events or circumstances that have a significant adverse effect on the fair value of an investment, the Company determines the fair value of the investment The fair values of nonmarketable equity securities are estimated using the valuation methodology set forth in Note 11 If the carrying value of the investment exceeds the estimated fair value and the decline in the fair value is considered to be other-than-temporary, the investment is written down to its estimated fair value

Cost method investments of ¥337,238 million and ¥802,863 million ($9,791 million) at March 31, 2011 and 2012, respectively, were not evaluated for impairment since there were no identified events or circumstances that could have had a significant adverse effect on the fair values of the investments, and the Company determined that it was not practicable to estimate the fair values of the investments

Impairment losses recognized for cost method investments totaled ¥54,867 million, ¥5,261 million and ¥3,188 million ($39 million) for the years ended March 31, 2010, 2011 and 2012, respectively

5 INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to Affiliated companies at March 31, 2011 and 2012 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Investments in Affiliated companies	¥1,281,438	¥1,550,643	$18,910
Advances	54,850	109,740	1,338
Total	¥1,336,288	¥1,660,383	$20,248

Affiliated companies include, among others, LAWSON, INC ("LAWSON," 32 44%), Japan Australia LNG (MIMI) Pty, Ltd (50 00%), MI Berau B V ("MI Berau," 56 00%), Hokuetsu Kishu Paper Co , Ltd (25 35%), SPDC Ltd (30 39%), Mozal S A R L (25 00%), ENCORE ENERGY PTE LTD (39 40%), Chiyoda Corporation (33 74%), Mitsubishi UFJ Lease & Finance Company Ltd (20 00%), Coal & Allied Industries Limited (20 00%), Cutbank Ridge Partnership (40 00%), Compania Minera del Pacifico S A. (25 00%) and Iron Ore Company of Canada (26 18%)

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, established with INPEX CORPORATION ("INPEX"), a minority shareholder holding 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

The Affiliated companies operate mainly in the manufacturing, resource development and service industries, and significantly participate in the Company's operating transactions as either purchasers or suppliers They principally operate in Japan, Asia, Oceania, Europe and North America

The difference between the carrying value of the investments in Affiliated companies and the Company's equity in the underlying net assets of such Affiliated companies was ¥202,378 million and ¥196,046 million ($2,391 million) at March 31, 2011 and 2012, respectively The amounts represent the difference between the cost of the investments and the carrying amount of the underlying net assets of the Affiliated companies at the time of initial and subsequent investments and were allocated to the identifiable assets and liabilities The unallocated residual amounts were recognized as equity method goodwill The amounts allocated to the identifiable assets and liabilities of the Affiliated companies are generally attributed to property and equipment which consist primarily of mining rights and are subject to depreciation

Investments in Affiliated companies included investments in marketable equity securities with carrying amounts of ¥406,184 million and ¥399,647 million ($4,874 million) at March 31, 2011 and 2012, respectively Corresponding aggregate quoted market values (Level 1 at the fair value measurement) were ¥470,250 million and ¥458,331 million ($5,589 million), respectively Included in such amounts was the investment in LAWSON of ¥138,211 million and ¥142,394 million ($1,737 million) with quoted market values of ¥129,921 million and ¥168,800 million ($2,059 million) at March 31, 2011 and 2012, respectively

Summarized financial information with respect to the Affiliated companies accounted for using the equity method as of and for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Current assets	¥6,972,115	¥6,587,017	$80,330
Property and equipment—net	3,439,889	3,905,287	47,625
Other assets	1,926,334	2,219,003	27,061
Total assets	¥12,338,338	¥12,711,307	$155,016
Current liabilities	¥4,745,332	¥5,019,404	$61,212
Noncurrent liabilities	4,026,524	3,233,994	39,439
Affiliated companies' shareholders' equity	3,809,670	4,313,370	52,602
Noncontrolling interest	(243,188)	144,539	1,763
Total liabilities and equity	¥12,338,338	¥12,711,307	$155,016

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Revenues	¥6,300,446	¥6,930,557	¥6,973,338	$85,041
Gross profit	¥1,739,170	¥2,101,288	¥2,131,483	$25,994
Net income attributable to Affiliated companies	¥406,395	¥588,380	¥636,201	$7,759

The Companies' revenues and purchases from the Affiliated companies for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Revenues	¥310,792	¥392,117	¥280,770	$3,424
Purchases	444,207	560,171	532,399	6,493

Dividends received from the Affiliated companies for the years ended March 31, 2010, 2011 and 2012 were ¥99,273 million, ¥147,023 million and ¥136,219 million ($1,661 million), respectively

In connection with certain business combinations and reorganizations undertaken by the Company's Affiliated companies, the Company recognized exchange gains of ¥8,799 million and ¥35,444 million for the years ended March 31, 2010 and 2011 respectively The gains were the result of the difference between the carrying amount and fair value of the shares exchanged The gains are recorded in "Gain on marketable securities and investments—net" in the consolidated statements of income

6 ALLOWANCE FOR DOUBTFUL RECEIVABLES

The Company conducts various transactions where it extends credit to its customers in the form of trade credit, including accounts receivable, advance payments and financings The Company is exposed to credit risk from losses arising from the deterioration in the credit or bankruptcy of its customers

The Company engages in transactions with customers in various businesses and industries However, the Company, regardless of the type of business and industry, evaluates the nature and characteristics of the credit risk using a consistent method Regardless of the business or industry, the customers' financial position is factored into the calculation The Company does not manage its credit risk using various categories of credit risk, based on the business or industry of the customer, because the Company views credit risk as a lower risk than market and foreign currency risks

Therefore, the Company manages credit risk and evaluates the necessity of its allowance for credit losses based on a single in-house policy

However, the Company manages credit risk for consumers separately from corporate customers because the Company is not able to obtain information of consumers and there are limitations in evaluating the consumer's financial condition Receivables from consumers are primarily loans in the automobile sales finance business

Short-term or long-term receivables are contractual rights to receive money When it is probable that, based on current conditions, the Company will not be able to collect all amounts, including amounts with interest added according to the contractual terms of the receivables agreement, the receivables are considered to be impaired receivables

The Company does not consider receivables that are past due as an impaired receivable if the Company expects to collect all amounts due, including interest accrued, during the period the receivable is past due In principle the Company recognizes interest income on impaired receivables on a cash basis The Company also does not accrue interest on past due receivables Interest income on impaired receivables recognized in the period ended March 31,2012 was not material

The Company determines an appropriate amount of allowance for financing receivables that are past the due date based on terms of the contract, and the receivables are charged-off when the Company's rights to collect are lost as a result of a legal liquidation of its customer In principle the Company recognizes interest income on past due receivables on a cash basis Interest income on past due receivables recognized in the period ended March 31,2012 was not material

The credit risk management policy and the accounting policy for the allowance for credit losses for Corporate customers and Consumers are described in the following paragraphs

Corporate customers—

The Company establishes credit and transaction limits for each Corporate customer and applies an internal rating system The internal rating system is determined based on the Corporate customers' financial information, credit ratings from applicable agencies and other credit indicators These internal ratings are updated once a year

The Company evaluates receivables from Corporate customers for impairment based on changes in the internal ratings and the financial condition of Corporate customers

The Company determines an allowance for credit losses to be recorded for impaired receivables based upon factors surrounding the collection history, past credit loss experience, credit ratings from applicable agencies and other information For the valuation of long-term receivables, the Company uses the discounted cash flow method based on assumptions such as an estimate of the future repayment plan and the discount rates, or evaluates based on the observable market price of the receivable or the fair value of the underlying collateral The Company also collectively evaluates receivables which are not considered to be impaired receivables and determines an amount of allowance for credit losses

Consumers—

The Company performs ongoing credit valuations of Consumers and establishes credit limits based upon the length of the current credit-worthiness using the Consumer's payment history

The Company evaluates receivables with Consumers for impairment based on any delay in collection

The Company evaluates an allowance for credit losses to be recorded for impaired receivables with Consumers based upon the length of the period past due, the collection status and other information

The Company also collectively evaluates Consumer receivables which are not considered impaired receivables and determines an amount of allowance for credit losses

Impaired receivables—

Impaired receivables and the related allowance for credit losses at March 31, 2011 and 2012 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Recorded investment			
Corporate customers	¥52,573	¥50,725	$619
Consumers	7,392	7,910	96
Total	¥59,965	¥58,635	$715
Related allowance			
Corporate customers	¥33,966	¥31,106	$380
Consumers	3,908	3,705	45
Total	¥37,874	¥34,811	$425

The average recorded investments in the impaired receivables from Corporate customers and Consumers for the year ended March 31, 2012 were ¥53,155 million ($648 million) and ¥7,287 million ($89 million), respectively

The average recorded investments in the impaired receivables from Corporate customers and Consumers for the quarter ended March 31, 2011 were ¥54,973 million and ¥12,266 million , respectively

The average recorded investment in the impaired receivables for the year ended March 31, 2010 was ¥45,757 million

The allowance for credit losses related to financing receivables—

Financing receivables include loans and noncurrent accounts receivable—trade that have the characteristics of financings, and do not include the receivables without the characteristics of financings such as current accounts receivable—trade

Financing receivables are mainly included in "Loans and other" and "Noncurrent notes, loans and accounts receivable—trade" line items in the consolidated balance sheets

The following table presents the balance of financing receivables and the allowance for credit losses related to financing receivables And the activity of the allowance for credit losses related to financing receivables for the quater ended March 31, 2011 is as follows

	Millions of Yen	
	2011	
	Corporate customers	Consumers
Balance at January 1, 2011	¥27,266	¥6,395
Provision for credit losses	1,429	387
Charge-offs	(2,675)	(284)
Other*	4,373	388
Balance at end of year	¥30,393	¥6,886
Ending balance of allowance for credit losses		
Collective impairment allowance		
(higher credit quality financing receivables)	2,005	2,978
Individual impairment allowance**		
(lower credit quality financing receivables)	28,388	3,908
Ending balance of financing receivables		
Higher credit quality receivables	¥598,702	¥292,645
Lower credit quality receivables	41,304	7,392
Total	¥640,006	¥300,037

* "Other" principally includes allowances that were recorded on trade receivables where the trade receivables have been modified during the quarter and are now classified as financing receivables as of March 31, 2011 Other also includes the effect of changes in foreign currency exchange rates

**Finance receivables are individually evaluated for impairment and the related allowance is included in impaired receivables

The following table presents the balance of financing receivables and the allowance for credit losses related to financing receivables And the activity of the allowance for credit losses related to financing receivables for the year ended March 31, 2012 is as follows

	Millions of Yen		Millions of U S Dollars	
	2012		2012	
	Corporate customers	Consumers	Corporate customers	Consumers
Balance at beginning of year	¥30,393	¥6,886	$371	$83
Provision for credit losses	2,650	1,718	32	21
Charge-offs	(11,636)	(410)	(142)	(5)
Other*	7,936	(368)	97	(4)
Balance at end of year	¥29,343	¥7,826	$358	$95
Ending balance of allowance for credit losses				
Collective impairment allowance				
(higher credit quality financing receivables)	4,139	4,121	51	50
Individual impairment allowance**				
(lower credit quality financing receivables)	25,204	3,705	307	45
Ending balance of financing receivables				
Higher credit quality receivables	¥608,731	¥329,552	$7,424	$4,019
Lower credit quality receivables	38,623	7,910	471	96
Total	¥647,354	¥337,462	$7,895	$4,115

* "Other" principally includes the effect of consolidation and deconsolidation of certain subsidiaries and the effect of changes in foreign currency exchange rates

**Finance receivables are individually evaluated for impairment and the related allowance is included in impaired receivables

The activity of the allowance for doubtful receivables, including financing receivables and other-than-financing receivables, is presented for the year ended March 31, 2010 as follow

	Millions of Yen
	2010
Balance at beginning of year	¥62,632
Provision for credit losses	4,893
Charge-offs	(4,961)
Other*	599
Balance at end of year	¥63,163

* "Other" principally includes the effect of consolidation and deconsolidation of certain subsidiaries and the effect of changes in foreign currency exchange rates

Age analysis of past due financing receivables—

Age analysis of past due financing receivables as of March 31, 2011 is as follows

	Millions of Yen
	2011
Corporate customers	
Past due in one year or less	¥8,775
Past due after one year through two years	473
Past due after two years through three years	755
Past due after three years through four years	1,563
Past due after four years through five years	2,046
Past due greater than five years	13,946
Total	¥27,558

	Millions of Yen
	2011
Consumers	
Past due in three months or less	¥10,701
Past due after three months through six months	949
Past due after six months through one year	440
Past due greater than one year	2,312
Total	¥14,402

Age analysis of past due financing receivables as of March 31, 2012 is as follows

	Millions of Yen	Millions of U S Dollars
	2012	2012
Corporate customers		
Past due in one year or less	¥10,878	$133
Past due after one year through two years	6,018	73
Past due after two years through three years	774	10
Past due after three years through four years	192	2
Past due after four years through five years	1,099	13
Past due greater than five years	19,166	234
Total	¥38,127	$465

	Millions of Yen	Millions of U S Dollars
	2012	2012
Consumers		
Past due in three months or less	¥27,124	$331
Past due after three months through six months	2,280	28
Past due after six months through one year	518	6
Past due greater than one year	2,341	28
Total	¥32,263	$393

Troubled Debt Restructuring("TDR")—

A restructuring of a debt constitutes a TDR if the Company for economic or legal reasons related to the debtor's financial difficulties grants concession to the debtor Concession is granted, for example, by modifying contractual terms to reduce the face amount or maturity amount of the debt or to extend the maturity dates more than three months The Company determines an amount of allowance for credit losses by considering the modified contractual terms

Corporate customers—

The TDRs for the year ended March 31, 2012 were as follows

The Company modified the terms of sales contracts of ¥23,920 million ($292 million) and lease agreements of ¥10,632 million ($130 million) whereby the Company reacquired the goods, leased them for five to fifteen years to separate third parties, and will resell the goods to its initial customers after the end of the lease periods As a result, for the initial customers, the maturity amounts of the original debts were reduced and the maturity dates of them were extended as well

The Company retains the titles of the leased goods and intends to sell them at fair value if the lease payments are not expected to be made Therefore, the Company has determined the allowance for doubtful receivables by taking into consideration the amount expected to be collected by selling them at fair values or by leasing and reselling them according to the modified terms This modification of terms did not have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended March 31, 2012

With respect to the financing receivables of ¥4,982 million ($61 million) held by the Company, a resolution has been reached for a rehabilitation plan of a debtor under the Civil Rehabilitation Act Under the rehabilitation plan, approximately 90% of the amount of the financing receivables excluding the amount covered by collateral has been forgiven and the remaining 10% will be paid to creditors on an installment basis until the year 2017 As a result, the maturity amount of the financing receivables was reduced and its maturity date was also extended

The Company determined the allowance for financing receivables by taking into consideration the amount expected to be collected according to the rehabilitation plan. The modification of the term did not have a material impact on the Company's consolidated financial position and results of operations for the fiscal year ended March 31, 2012

Consumers—

There were no material TDRs for consumers during the year ended March 31, 2012

For the amount of the financing receivables held by the Company which TDRs occurred after April 1, 2011, the defaults in payment have been immaterial for during the year ended March 31, 2012

7 PROPERTY AND EQUIPMENT

Depreciation expense for the years ended March 31, 2010, 2011 and 2012 was ¥119,576 million, ¥123,223 million and ¥125,184 million ($1,527 million), respectively

The impairment loss on long-lived assets for the year ended March 31, 2012 was principally attributable to a decline of land price and profitability related to real estate properties in Japan, which are included in the Industrial Finance, Logistics & Development segment, and abandonment of exploration and developing right for a certain oil and gas property owned by a subsidiary in the Energy Business segment

The impairment loss on long-lived assets for the year ended March 31, 2011 was principally attributable to a decline of profitability related to certain logistics properties owned by a subsidiary in the Living Essentials segment and certain oil and gas properties owned by a subsidiary in the Energy Business segment

The impairment loss on long-lived assets for the year ended March 31, 2010 related principally to real estate properties owned by certain subsidiaries in North America, which are included in the Industrial Finance, Logistics & Development segment, and were attributable to a depression in the real estate markets The impairment loss also includes impairments recorded on certain oil and gas properties, plants and other long-lived assets

Impairment losses recognized for the years ended March 31, 2010, 2011 and 2012 were applicable to the following segments

	Millions of Yen			Millions of U S Dollars
Segment	2010	2011	2012	2012
Industrial Finance, Logistics & Development	¥4,446	¥248	¥2,412	$30
Energy Business	3,933	2,920	1,315	16
Metals	2,059	1,005	533	7
Machinery	390	60	27	0
Chemicals	673	96	367	4
Living Essentials	2,798	2,878	1,145	14
Other*	4,039	38	20	0
Total	¥18,338	¥7,245	¥5,819	$71

* "Other" represents impairment losses attributable to the assets for corporate use which have not been allocated to specific operating segments

These impairment losses were included in "Loss on property and equipment—net" in the accompanying consolidated statements of income The Company assesses whether the carrying amount of long-lived assets are recoverable by using undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable Estimated fair values of assets were primarily determined based on independent appraisals and discounted cash flows

Capitalized interest was ¥205 million, ¥138 million and ¥161 million ($2 million) for the years ended March 31, 2010, 2011 and 2012, respectively

8 PLEDGED ASSETS

At March 31, 2011 and 2012, assets pledged as collateral for short-term debt, long-term debt and guarantees of contracts and others of the Company were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Notes, accounts receivable—trade, loans and others (current and noncurrent)	¥32,328	¥38,077	$464
Noncurrent investment securities and others (carrying value)	94,478	100,824	1,230
Property and equipment (net of accumulated depreciation)	236,221	197,221	2,405
Other	25,166	4,287	52
Total	¥388,193	¥340,409	$4,151

The above pledged assets were classified by type of liabilities to which they relate as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Short-term debt	¥17,203	¥26,632	$325
Long-term debt	235,291	229,998	2,805
Guarantees of contracts and others	135,699	83,779	1,021
Total	¥388,193	¥340,409	$4,151

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

The Company may be required by the lending banks to provide collateral (or additional collateral) under certain conditions Please refer to Note 13

9 GOODWILL AND OTHER INTANGIBLE ASSETS

Other Intangible Assets

The following tables present information regarding carrying amounts and accumulated amortization balances of other intangible assets by major asset class at March 31, 2011 and 2012

	Millions of Yen		
March 31, 2011	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization			
Software	¥104,061	¥(60,563)	¥43,498
Manufacturing, sales and service licenses and trademarks	46,544	(37,471)	9,073
Customer relationships	7,953	(1,000)	6,953
Other	11,526	(6,099)	5,427
Total	¥170,084	¥(105,133)	¥64,951
Intangible assets not subject to amortization			
Trade names			¥3,233
Rights to use land			2,634
Customer relationships			2,365
Other			3,885
Total			12,117
Intangible assets total			¥77,068

	Millions of Yen			Millions of U S Dollars		
March 31, 2012	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization						
Software	¥122,029	¥(69,773)	¥52,256	$1,488	$(851)	$637
Manufacturing, sales and service licenses and trademarks	18,990	(11,028)	7,962	232	(134)	98
Intellectual properties related to feasibility studies	14,895		14,895	182		182
Customer relationships	11,143	(1,549)	9,594	136	(19)	117
Other	15,385	(7,366)	8,019	187	(90)	97
Total	¥182,442	¥(89,716)	¥92,726	$2,225	$(1,094)	$1,131
Intangible assets not subject to amortization						
Trade names			¥4,473			$54
Rights to use land			4,295			52
Customer relationships			2,266			28
Other			3,326			41
Total			14,360			175
Intangible assets total			¥107,086			$1,306

Intangible assets subject to amortization acquired during the year ended March 31, 2011 were ¥23,100 million, which primarily consisted of ¥16,533 million of software The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended March 31, 2011 is 8 years The weighted-average amortization period for software is 5 years

Intangible assets subject to amortization acquired during the year ended March 31, 2012 were ¥47,700 million ($582 million), which primarily consisted of ¥23,094 million ($282 million) of software and ¥14,895 million ($182 million) of intellectual properties related to feasibility studies Intellectual properties related to feasibility studies consist of engineering related know-how and knowledge that provide us a competitive advantage in advancing projects The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended March 31, 2012 is 13 years The weighted-average amortization period for software and intellectual properties related to feasibility studies is 5 years and 25 years, respectively

Intangible assets not subject to amortization acquired during the years ended March 31, 2011 and 2012 were ¥161 million and ¥4,345 million ($53 million), respectively

Amortization expense for intangible assets subject to amortization was ¥16,257 million, ¥16,852 million and ¥16,247 million ($198 million) for the years ended March 31, 2010, 2011 and 2012, respectively

As of March 31, 2012, estimated amortization expense for each of the five succeeding fiscal years is as follows

	Millions of Yen	Millions of U S Dollars
Year ending March 31		
2013	¥15,930	$194
2014	12,340	151
2015	9,581	117
2016	6,880	84
2017	4,137	50

Based on the results of impairment testing, impairment losses of ¥510 million, ¥204 million and ¥3,224 million ($39 million) were recorded for the years ended March 31, 2010, 2011 and 2012, respectively

These impairment losses are included in "Loss on property and equipment—net" in the consolidated statements of income

Goodwill

The following tables show changes in the carrying amount of goodwill by reportable operating segment for the years ended March 31, 2011 and 2012

	March 31, 2011										
	Millions of Yen										
	Beginning of Year			Changes During Year					End of Year		
Segment	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other*	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development	¥7,229	¥(934)	¥6,295	¥473			¥(458)		¥7,244	¥(934)	¥6,310
Energy Business	296		296						296		296
Metals	13,467	(1,446)	12,021				4	¥ (6)	13,465	(1,446)	12,019
Machinery	2,856		2,856	175				(48)	2,983		2,983
Chemicals	371		371					3	374		374
Living Essentials	26,926	(404)	26,522	89	¥ (891)	¥ (34)	(154)	53	26,880	(1,295)	25,585
Other				1,638				1	1,639		1,639
Total	¥51,145	¥(2,784)	¥48,361	¥2,375	¥(891)	¥(34)	¥(608)	¥3	¥52,881	¥(3,675)	¥49 206

	March 31, 2012										
	Millions of Yen										
	Beginning of Year			Changes During Year					End of Year		
Segment	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other*	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development	¥7,244	¥(934)	¥6,310	¥3,002	¥(312)	¥(934)	¥(156)		¥7,910		¥7,910
Energy Business	296		296					¥2	298		298
Metals	13,465	(1,446)	12,019	4,465			148	(328)	17,750	¥ (1,446)	16,304
Machinery	2,983		2,983		(428)		(12)		2,971	(428)	2,543
Chemicals	374		374					3	377		377
Living Essentials	26,880	(1,295)	25,585	7,356			21	(123)	34,134	(1,295)	32,839
Other	1,639		1,639	341	(130)		(1,622)	(1)	357	(130)	227
Total	¥52,881	¥(3,675)	¥49,206	¥15,164	¥(870)	¥(934)	¥(1,621)	¥(447)	¥63,797	¥(3,299)	¥60,498

	March 31, 2012										
	Millions of U.S. Dollars										
	Beginning of Year			Changes During Year					End of Year		
Segment	Gross Carrying Amount	Accumulated Impairment Losses	Net	Goodwill Additions	Impairment Losses	Divestitures	Currency Exchange	Other*	Gross Carrying Amount	Accumulated Impairment Losses	Net
Industrial Finance, Logistics & Development	$88	$(11)	$77	$37	$(4)	$(11)	$(2)		$97		$97
Energy Business	4		4						4		4
Metals	164	(18)	146	54			2	$(4)	216	$ (18)	198
Machinery	36		36		(5)				36	(5)	31
Chemicals	5		5						5		5
Living Essentials	328	(16)	312	90				(2)	416	(16)	400
Other	20		20	4	(1)		(20)		4	(1)	3
Total	$645	$(45)	$600	$185	$(10)	$(11)	$(20)	$(6)	$778	$(40)	$738

* "Other" shown in "Changes During Year" includes transfers between reportable operating segments

During the years ended March 31, 2010, 2011 and 2012, the Company recognized impairment losses of ¥7 million, ¥891 million and ¥870 million ($10 million), respectively, which are included in "Other income—net" in the consolidated statements of income

10 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Overall Risk Management—

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 takes advantage of natural offsets Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks

The types of derivatives used by the Company are primarily interest rate swaps, forward exchange contracts, currency swaps and commodity futures contracts The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged Whenever practical, designation is performed on a specific exposure basis to qualify for hedge accounting In these circumstances, the Company assesses, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives are highly effective in offsetting changes in fair values or cash flows of hedged items Should it be determined that a derivative is not highly effective as a hedge, the Company will discontinue hedge accounting

The Company does not enter into material derivative instruments that contain credit risk-related contingent features

The notional amounts of the Company's derivative instruments as of March 31, 2011 and 2012 are as follows

	Billions of Yen		Millions of U S Dollars
	2011	2012	2012
Interest rate contracts	¥2,799	¥2,729	$33,276
Foreign exchange contracts	2,246	2,484	30,297
Commodity contracts	6,864	6,801	82,934
Total derivative notional amounts	¥11,909	¥12,014	$146,507

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 has entered into interest rate swap contracts Interest rate swaps are used, in most instances, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as 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

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 taking advantage of natural offsets, and purchase forward exchange contracts and other contracts to preserve the economic value of cash flows in nonfunctional currencies 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 the U S dollar, the Euro and the Australian dollar

Commodity Price Risk Management—

The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities The Company enters into commodity futures, forwards, options and swaps contracts to hedge the variability in commodity prices in accordance with its risk management procedures Except in certain cases where these contracts have been designated as fair value or cash flow hedges, these contracts are generally not designated as hedging instruments

Fair Value Hedge—

Derivative instruments designated as fair value hedges primarily consist of interest rate swaps used to convert fixed-rate assets or debt obligations to floating-rate assets or debts, currency swaps used to hedge foreign currency risks of loans or debts and commodity forwards used to hedge commodity price risks of inventories

Cash Flow Hedge—

Derivative instruments designated as cash flow hedges include interest rate swaps to convert floating-rate liabilities to fixed-rate liabilities, and forward exchange contracts to eliminate variability in functional-currency-equivalent cash flows on forecasted sales transactions Additionally, commodity swaps and futures contracts which qualify as cash flow hedges are utilized Current open contracts hedge the Company's exposure to the variability in future cash flows for forecasted transactions through 2020

Hedge of the Net Investment in Foreign Operations—

The Parent uses foreign exchange contracts and nonderivative 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 amount included in the foreign currency translation adjustments was net gains of ¥32,461 million, ¥38,180 million and ¥17,108 million ($209 million) for the years ended March 31, 2010, 2011 and 2012, respectively

Derivative Instruments Used for Other than Hedging Activities—

The Company enters into derivative instruments as part of its brokerage services in commodity futures markets and its trading activities The Company clearly distinguishes derivatives used for brokerage services and trading activities from derivatives used for risk management purposes As part of its internal control policies, the Company has set strict limits on the positions which can be taken in order to minimize potential losses for these derivative transactions, and periodically monitors the open positions for compliance

Impact of Derivatives and Hedging on the Consolidated Balance Sheets—

The following are the fair values of derivative instruments designated and not designated as accounting hedges by type of derivative contract on a gross basis as of March 31, 2011 and 2012

	Millions of Yen			
	Asset Derivatives		Liability Derivatives	
As of March 31, 2011	Balance Sheet Line Item	Fair Value	Balance Sheet Line Item	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	¥838	Other current liabilities	¥25
	Other assets	59,720	Other noncurrent liabilities	7,841
Foreign exchange contracts	Other current assets	46,956	Other current liabilities	2,549
	Other assets	2,047	Other noncurrent liabilities	2,306
Commodity contracts	Other current assets	2,717	Other current liabilities	7,042
	Other assets	6,286	Other noncurrent liabilities	103
	Total	¥118,564		¥19,866
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	¥201	Other current liabilities	¥412
	Other assets	11,772	Other noncurrent liabilities	12,996
Foreign exchange contracts	Other current assets	46,563	Other current liabilities	18,378
	Other assets	17,408	Other noncurrent liabilities	3,889
Commodity contracts	Other current assets	210,384	Other current liabilities	217,468
	Other assets	24,433	Other noncurrent liabilities	25,653
	Total	¥310,761		¥278,796
Total Derivatives (gross basis)		¥429,325		¥ 298,662
Netting		¥(232,976)		¥(231,792)
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	¥117,707	Other current liabilities	¥48,243
	Other assets	78,642	Other noncurrent liabilities	18,627
Total Net Derivatives on Consolidated Balance Sheets		¥196,349		¥66,870

* The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivables or cash collateral payables arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists At March 31, 2011, the cash collateral receivables and payables that were offset were ¥41,935 million and ¥43,119 million, respectively The cash collateral receivables and payables that were not offset were ¥17,019 million and ¥20,285 million, respectively

Nonderivatives designated as hedging instruments	Balance Sheet Line Item	Carrying Amount Millions of Yen
Foreign-currency-denominated debt	Current maturities of long-term debt	¥3,991
	Long-term debt	39,912
	Total	¥43,903

As of March 31, 2012	Millions of Yen Asset Derivatives Balance Sheet Line Item	Fair Value	Liability Derivatives Balance Sheet Line Item	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	¥356	Other current liabilities	¥19
	Other assets	68,949	Other noncurrent liabilities	6,907
Foreign exchange contracts	Other current assets	7,856	Other current liabilities	22,738
	Other assets	1,975	Other noncurrent liabilities	3,278
Commodity contracts	Other current assets	3,611	Other current liabilities	830
	Other assets	1,094	Other noncurrent liabilities	1,668
	Total	¥83,841		¥35,440
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	¥495	Other current liabilities	¥904
	Other assets	8,354	Other noncurrent liabilities	11,269
Foreign exchange contracts	Other current assets	26,269	Other current liabilities	21,389
	Other assets	7,065	Other noncurrent liabilities	7,691
Commodity contracts	Other current assets	142,285	Other current liabilities	135,360
	Other assets	24,986	Other noncurrent liabilities	25,185
	Total	¥209,454		¥201,798
Total Derivatives (gross basis)		¥293,295		¥237,238
Netting		¥(187,796)		¥(188,066)
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	¥38,051	Other current liabilities	¥32,569
	Other assets	67,448	Other noncurrent liabilities	16,603
Total Net Derivatives on Consolidated Balance Sheets		¥105,499		¥49,172

As of March 31, 2012	Millions of U S Dollars			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Line Item	Fair Value	Balance Sheet Line Item	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other current assets	$4	Other current liabilities	
	Other assets	841	Other noncurrent liabilities	$84
Foreign exchange contracts	Other current assets	96	Other current liabilities	277
	Other assets	24	Other noncurrent liabilities	40
Commodity contracts	Other current assets	45	Other current liabilities	10
	Other assets	13	Other noncurrent liabilities	21
	Total	$1,023		$432
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	$6	Other current liabilities	$11
	Other assets	102	Other noncurrent liabilities	137
Foreign exchange contracts	Other current assets	320	Other current liabilities	261
	Other assets	86	Other noncurrent liabilities	94
Commodity contracts	Other current assets	1,735	Other current liabilities	1,651
	Other assets	305	Other noncurrent liabilities	307
	Total	$2,554		$2,461
Total Derivatives (gross basis)		$3,577		$2,893
Netting		$(2,290)		$(2,293)
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	$464	Other current liabilities	$397
	Other assets	823	Other noncurrent liabilities	203
Total Net Derivatives on Consolidated Balance Sheets		$1,287		$600

* The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivables or cash collateral payables arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists At March 31, 2012, the cash collateral receivables and payables that were offset were ¥8,023 million ($98 million) and ¥7,753 million ($95 million), respectively The cash collateral receivables and payables that were not offset were ¥7,993 million ($97 million) and ¥3,376 million ($41 million), respectively

Nonderivatives designated as hedging instruments	Balance Sheet Line Item	Carrying Amount	
		Millions of Yen	Millions of U S Dollars
Foreign-currency-denominated debt	Current maturities of long-term debt	¥3,945	$48
	Long-term debt	35,506	433
	Total	¥39,451	$481

Impact of Derivatives and Hedged Items on the Consolidated Statements of Income and on Other Comprehensive Income—The following are the pretax effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012

During the year ended March 31, 2010

Derivatives Designated as Fair Value Hedge

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative/Hedged Item	Amount of Gain or Loss Recognized in Earnings on Derivative	Amount of Gain or Loss Recognized in Earnings on Hedged Item
		Millions of Yen	Millions of Yen
Interest rate contracts	Other income—net	¥550	¥(569)
Foreign exchange contracts	Other income—net	(4,294)	4,457
Commodity contracts	Revenues/(cost of revenues)	(8,025)	8,025

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2010

*2 There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2010

*3 The line items in the Consolidated Statements of Income corresponding to "Revenues/(cost of revenues)" are "Total revenues" and "Cost of revenues from trading, manufacturing and other activities " The same applies to the succeeding tables

Derivatives Designated as Cash Flow Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)	Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)
	Millions of Yen		Millions of Yen
Interest rate contracts	¥763	Interest expense	¥467
Foreign exchange contracts	58,446	Other income—net	(22,344)
Commodity contracts	14,913	Revenues/(cost of revenues)	(3,189)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2010

*2 During the year ended March 31, 2010, there were no gains or losses reclassified from AOCI into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period

Derivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)	Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)
	Millions of Yen		Millions of Yen
Foreign exchange contracts	¥(25,894)	Gain on marketable securities and investments—net	¥(17,698)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2010

Derivatives Not Designated as Hedging Instruments

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative Item	Amount of Gain or Loss Recognized in Earnings
		Millions of Yen
Interest rate contracts	Interest expense	¥428
	Other income—net	5,624
Foreign exchange contracts	Interest expense	6,016
	Other income—net	(40,329)
Commodity contracts	Revenues/(cost of revenues)	(18,707)

During the year ended March 31, 2011

Derivatives Designated as Fair Value Hedge

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative/Hedged Item	Amount of Gain or Loss Recognized in Earnings on Derivative	Amount of Gain or Loss Recognized in Earnings on Hedged Item
		Millions of Yen	Millions of Yen
Interest rate contracts	Other income—net	¥(2,700)	¥2,722
Foreign exchange contracts	Other income—net	5,348	(5,378)
Commodity contracts	Revenues/(cost of revenues)	989	(989)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011

*2 There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2011

*3 The line items in the Consolidated Statements of Income corresponding to "Revenues/(cost of revenues)" are "Total revenues" and "Cost of revenues from trading, manufacturing and other activities " The same applies to the succeeding tables

Derivatives Designated as Cash Flow Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)	Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)
	Millions of Yen		Millions of Yen
Interest rate contracts	¥(2,947)	Interest expense	¥309
Foreign exchange contracts	52,038	Other income—net	(31,410)
Commodity contracts	(5,073)	Revenues/(cost of revenues)	(2,440)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011

*2 During the year ended March 31, 2011, there were no gains or losses reclassified from AOCI into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period

Derivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)	Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)
	Millions of Yen		Millions of Yen
Foreign exchange contracts	¥2,277	Gain on marketable securities and investments—net	¥(1,115)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011

Nonderivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)
	Millions of Yen
Foreign-currency-denominated debt	¥6,028

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011

*2 During the year ended March 31, 2011, there were no gains or losses reclassified from AOCI into earnings

Derivatives Not Designated as Hedging Instruments

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative Item	Amount of Gain or Loss Recognized in Earnings
		Millions of Yen
Interest rate contracts	Interest expense	¥(2,101)
	Other income—net	(214)
Foreign exchange contracts	Interest expense	1,532
	Other income—net	(18,121)
Commodity contracts	Revenues/(cost of revenues)	(220)

During the year ended March 31, 2012

Derivatives Designated as Fair Value Hedge

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative/Hedged Item	Amount of Gain or Loss Recognized in Earnings on Derivative		Amount of Gain or Loss Recognized in Earnings on Hedged Item	
		Millions of Yen	Millions of U S Dollars	Millions of Yen	Millions of U S Dollars
Interest rate contracts	Other income—net	¥(10,427)	$(127)	¥10,429	$127
Foreign exchange contracts	Other income—net	6,932	85	(6,922)	(84)
Commodity contracts	Revenues/(cost of revenues)	8,828	108	(9,283)	(113)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of the hedge effectiveness are immaterial for the year ended March 31, 2012

*2 There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2012

*3 The line items in the Consolidated Statements of Income corresponding to "Revenues/(cost of revenues)" are "Total revenues" and "Cost of revenues from trading, manufacturing and other activities " The same applies to the succeeding tables

Derivatives Designated as Cash Flow Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)		Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)	
	Millions of Yen	Millions of U S Dollars		Millions of Yen	Millions of U S Dollars
Interest rate contracts	¥(6,852)	$(84)	Interest expense	¥223	$3
Foreign exchange contracts	4,691	57	Other income—net	(39,316)	(479)
Commodity contracts	(8,544)	(104)	Revenues/(cost of revenues)	(1,376)	(17)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2012

*2 Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact earnings Approximately ¥500 million ($6 million) of net unrealized gains, net of tax, included in AOCI at March 31, 2012, will be reclassified into earnings within 12 months from that date

*3 During the year ended March 31, 2012, there were no gains or losses reclassified from AOCI into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period

Derivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)		Line Item of Gain or Loss Reclassified from AOCI into Earnings	Amount of Gain or Loss Reclassified from AOCI into Earnings (effective portion)	
	Millions of Yen	Millions of U S Dollars		Millions of Yen	Millions of U S Dollars
Foreign exchange contracts	¥(19,206)	$(234)	Gain on marketable securities and investments—net	¥(3,770)	$(46)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2012

Nonderivatives Designated as Net Investment Hedge

Derivative type	Amount of Gain or (Loss) Recognized in OCI (effective portion)	
	Millions of Yen	Millions of U S Dollars
Foreign-currency-denominated debt	¥1,904	$23

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2012

*2 During the year ended March 31, 2012, there were no gains or losses reclassified from AOCI into earnings

Derivatives Not Designated as Hedging Instruments

Derivative type	Line Item of Gain or Loss Recognized in Earnings on Derivative Item	Amount of Gain or Loss Recognized in Earnings	
		Millions of Yen	Millions of U S Dollars
Interest rate contracts	Interest expense	¥(1,057)	$(13)
	Other income—net	984	12
Foreign exchange contracts	Interest expense	1,210	15
	Other income—net	23,957	292
Commodity contracts	Revenues/(cost of revenues)	23,500	287

11 FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present information regarding assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011 and 2012

	Millions of Yen				
March 31, 2011	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash equivalents		¥16,597			¥16,597
Investments					
Trading securities	¥23		¥9,160		9,183
Available-for-sale					
Equity securities	937,034	356			937,390
Debt securities	6,357	96,801			103,158
Total investments	¥943,414	¥97,157	¥9,160		¥1,049,731
Derivative assets					
Interest rate contracts	164	72,367			
Foreign exchange contracts	76	112,898			
Commodity contracts	20,125	222,344	1,351		
Total derivative assets	¥20,365	¥407,609	¥1,351	¥(232,976)	¥196,349
Total assets	¥963,779	¥521,363	¥10,511	¥(232,976)	¥1,262,677
Liabilities					
Derivative liabilities					
Interest rate contracts	¥217	¥21,057			
Foreign exchange contracts	87	27,035			
Commodity contracts	22,739	226,199	¥1,328		
Total derivative liabilities	¥23,043	¥274,291	¥1,328	¥(231,792)	¥66,870
Total liabilities	¥23,043	¥274,291	¥1,328	¥(231,792)	¥66,870

March 31, 2012	Millions of Yen					Millions of U S Dollars				
	Level 1	Level 2	Level 3	Netting	Total	Level 1	Level 2	Level 3	Netting	Total
Assets										
Cash equivalents										
Domestic		¥3,098			¥3,098		$37			$37
Overseas		51			51		1			1
Investments										
Trading securities			¥9,021		9,021			$110		110
Available-for-sale										
Equity securities										
Domestic	¥635,405				635,405	$7,749				7,749
Overseas	280,228	2,172			282,400	3,418	26			3,444
Debt securities										
Domestic		16,221			16,221		199			199
Overseas	10,784	39,375			50,159	132	479			611
Total investments	¥926,417	¥57,768	¥9,021		¥993,206	$11,299	$704	$110		$12,113
Derivative assets										
Interest rate contracts	12	78,142					953			
Foreign exchange contracts	1	43,164					526			
Commodity contracts	11,400	159,108	1,468			139	1,941	18		
Total derivative assets	¥11,413	¥280,414	¥1,468	¥(187,796)	¥105,499	$139	$3,420	$18	$(2,290)	$1,287
Total assets	¥937,830	¥341,331	¥10,489	¥(187,796)	¥1,101,854	$11,438	$4,162	$128	$(2,290)	$13,438
Liabilities										
Derivative liabilities										
Interest rate contracts	¥11	¥19,088					$233			
Foreign exchange contracts	4	55,092					672			
Commodity contracts	12,024	149,575	¥1,444			$147	1,823	$18		
Total derivative liabilities	¥12,039	¥223,755	¥1,444	¥(188,066)	¥49,172	$147	$2,728	$18	$(2,293)	$600
Total liabilities	¥12,039	¥223,755	¥1,444	¥(188,066)	¥49,172	$147	$2,728	$18	$(2,293)	$600

*1 The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivables or cash collateral payables arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists

*2 There were no transfers between Level 1 and Level 2

The majority of investments in marketable equity securities and debt securities classified as available-for-sale securities are designated as Level 1 and are valued using quoted market prices in active markets Debt securities, including those classified as cash equivalents, which include investments in corporate bonds and commercial paper are designated as Level 2 and are valued using quoted market prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active Investments in securities classified as trading securities, comprised principally of investments in hedge funds ("alternative investments") are designated as Level 3 and are valued based on net asset value per share of investees

The fair value of the alternative investments at March 31, 2011 and 2012 was ¥9,160 million and ¥9,021 million ($110 million), respectively The investment strategies of investees are mainly arbitrage and multi-strategy Redemption frequencies of these investments are mainly monthly or quarterly These investments can be redeemable with 30–90 days notice Redemption dates of these investments are undetermined at March 31, 2012

Derivatives are comprised of interest rate derivative contracts, foreign exchange derivative contracts and commodity derivative contracts Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded either on exchanges or liquid over-the-counter markets, which are valued using quoted prices Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued by pricing models using observable market inputs such as interest rates, foreign exchange rates and commodity prices Derivatives classified in Level 3 are comprised principally of more structured commodity derivatives, which are valued based on unobservable inputs

Credit risks are adjusted for the net balance of derivative assets and liabilities allocated on derivative contracts with master netting agreements

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value using unobservable inputs for the years ended March 31, 2011 and 2012

	Millions of Yen					
March 31, 2011	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases, Issuances and Settlements	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Instruments Still Held at End of Year
Investments						
Trading securities	¥14,438	¥461	¥(764)	¥(4,975)	¥9,160	¥(316)
Derivatives, net						
Commodity contracts	24	564		(565)	23	23
Total	¥14,462	¥1,025	¥(764)	¥(5,540)	¥9,183	¥(293)

	Millions of Yen							
March 31, 2012	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Redemptions and Settlements	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Instruments Still Held at End of Year
Investments								
Trading securities	¥9,160	¥(325)	¥(174)	¥790	¥(430)		¥9,021	¥(967)
Derivatives, net								
Commodity contracts	23	478				¥(477)	24	23
Total	¥9,183	¥153	¥(174)	¥790	¥(430)	¥(477)	¥9,045	¥(944)

	Millions of U S Dollars							
March 31, 2012	Balance at Beginning of Year	Net Realized/ Unrealized Gains (Losses) Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Redemptions and Settlements	Balance at End of Year	Net Change in Unrealized Gains (Losses) Related to Instruments Still Held at End of Year
Investments								
Trading securities	$112	$(5)	$(2)	$10	$(5)		$110	$(12)
Derivatives, net								
Commodity contracts		6				$(6)		
Total	$112	$1	$(2)	$10	$(5)	$(6)	$110	$(12)

* Certain Level 3 derivative assets and liabilities are netted in these tables for presentation purposes only

The fair value of the investments and derivatives classified as Level 3 are valued based on the judgment on whether pricing information valued by the appropriate evaluation organization is valid in reference to available information in appropriate divisions

All gains and losses included in earnings are reported in “Gain on marketable securities and investments—net” for investments and “Revenues” and “Cost of revenues from trading, manufacturing and other activities” for derivative assets and liabilities in the consolidated statements of income

Other comprehensive income (loss) related to investments are included in the “Foreign currency translation adjustments” in the Consolidated Statements of Comprehensive Income

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following tables present information regarding assets measured at fair value on nonrecurring basis as a result of other-than-temporary impairments for the years ended March 31, 2011 and 2012

	Millions of Yen				
March 31, 2011	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
Investments					
investments in Affiliated companies	¥5,426	¥4,126		¥1,300	¥(2,953)
cost method investments	3,016			3,016	(5,261)
other investments	151		¥61	90	(87)
Total Investments	¥8,593	¥4,126	¥61	¥4,406	¥(8,301)
Fixed assets	¥14,741			¥14,741	¥(7,449)

	Millions of Yen				
March 31, 2012	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
Investments					
Investments in Affiliated companies	¥29,543	¥13,518		¥16,025	¥(19,008)
Cost method investments	3,440			3,440	(3,188)
Other investments	92		¥3	89	(103)
Total Investments	¥33,075	¥13,518	¥3	¥19,554	¥(22,299)
Fixed assets	¥11,162			¥11,162	¥(9,043)

	Millions of U S Dollars				
March 31, 2012	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
Investments					
Investments in Affiliated companies	$360	$165		$195	$(232)
Cost method investments	42			42	(39)
Other investments	1			1	(1)
Total Investments	$403	$165		$238	$(272)
Fixed assets	$136			$136	$(110)

The fair value of the investments classified as Level 1 instruments above are determined using quoted prices in active markets The fair value of the investments classified as Level 3 instruments above are valued based on the judgment mainly on whether the net asset values of investees or the discounted future cash flow method using unobservable inputs, such as estimated cash flows is valid in reference to available information in appropriate divisions The fair value of the fixed assets classified as Level 3 instruments above are valued based on the judgment mainly on whether the independent appraisals or the discounted future cash flow method using unobservable inputs, such as estimated cash flows is valid in reference to available information in appropriate divisions

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company, in the normal course of its business, deals with various financial instruments The Company engages in operating transactions with a significant number of customers in a wide variety of industries all over the world, and its receivables from and guarantees to such parties are broadly diversified Consequently, in management's opinion, no significant concentration of credit risk exists for the Company The Company manages credit risk of these financial instruments through credit line approvals by management and by periodically monitoring the counterparties based on the Company's risk management policy The Company requires collateral to the extent considered necessary

The valuation methodology used to determine fair value is discussed in Note 11 The following methods and assumptions were used to estimate the fair value of each class of financial instruments

Current Financial Assets other than Short-term Investments and Current Financial Liabilities—
The carrying amounts of these items approximate their fair values due to the relatively short maturities of these instruments See Note 11 for the valuation methodology of the fair value of debt securities classified as available-for-sale securities with original maturities within three months included in "Cash and cash equivalents"

Short-term Investments and Other Investments—
"Short-term investments" and "Other investments" include investments in marketable securities See Note 11 for the valuation methodology of the fair value of these investments "Other investments" also includes nonmarketable investments which are composed of nonmarketable equity securities, guarantee deposits and other miscellaneous investments It is not practicable to estimate their fair values as there are a large number of investments of which the information to measure fair value is not readily available However, the fair values of nonmarketable investments measured on a nonrecurring basis as a result of other-than-temporary impairments are estimated using the valuation methodology set forth in Note 11

Noncurrent Notes, Loans, Accounts Receivable and Advances to Affiliated Companies—
The fair values of these items are determined using a discounted cash flow model based on estimated future cash flows which incorporate the characteristics of the assets, including principal and contractual interest rates, and discount rates reflecting the Company's assumptions related to credit spreads

Long-term Debt—
The fair values of the Company's debt are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities

Derivative Instruments—
The fair values of derivative instruments are estimated using the valuation methodology set forth in Note 11

The following table presents the carrying amounts and fair values of financial instruments at March 31, 2011 and 2012 The fair values of derivative instruments are excluded from the table below as they are disclosed in Note 10

	Millions of Yen				Millions of U S Dollars	
	2011		2012		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Current financial assets other than short-term investments, net of allowance for doubtful receivables	¥4,429,880	¥4,429,880	¥4,605,840	¥4,605,840	$56,169	$56,169
Short-term investments and other investments, for which it is						
Practicable to estimate fair value	1,052,747	1,052,747	995,268	995,268	12,137	12,317
Not practicable to estimate fair value	421,256		878,678		10,716	
Noncurrent notes, loans and accounts receivable and advances to Affiliated companies, net of allowance for doubtful receivables	462,150	453,458	279,936	301,085	3,414	3,672
Financial liabilities						
Current financial liabilities	2,952,044	2,952,044	3,412,778	3,412,778	41,619	41,619
Long-term debt, including current maturities, and noncurrent trade payables, included in "Other noncurrent liabilities"	3,801,767	3,782,313	4,275,535	4,274,363	52,141	52,126

The fair values of each class of financial instruments are designated as Levels 1 through 3 based on the below

Current Financial Assets other than Short-term Investments and Current Financial Liabilities—
The carrying amounts of these items approximate their fair values due to the relatively short maturities of these instruments If measured at fair value, cash on hand and deposits would be designated as Level 1, and substantially all other items can be determined based primarily on observable inputs and thus would be designated as Level 2

Short-term Investments and Other Investments—
Investments in marketable equity securities and debt securities classified as available-for-sale securities valued using quoted market prices in active markets are designated as Level 1, investments valued using quoted prices for identical or similar assets in nonactive markets are designated as Level 2, and investments classified as trading securities valued based on net asset value per share of investees and nonmarketable investments measured on a nonrecurring basis as a result of other-than-temporary impairments are designated as Level 3
The fair values designated as Level 1, Level 2, and Level 3 related to these items at March 31, 2012 are ¥926,417 million ($11,298 million), ¥58,083 million ($708 million), and ¥10,768 million ($131 million), respectively

Noncurrent Notes, Loans, Accounts Receivable and Advances to Affiliated Companies—
The fair values to which unobservable inputs are significant to the entire measurement are designated as Level 3, and the fair values to which unobservable inputs are not significant to the entire measurement are designated as Level 2
The fair values designated as Level 2, and Level 3 related to these items at March 31, 2012 are ¥54,068 million ($659 million), and ¥247,017 million ($3,013 million), respectively

Long-term Debt—
The interest rates which are used in computing the present value of estimated future cash flow are based primarily on observable inputs and thus the fair values of these items are designated as Level 2

13 SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2011 and 2012 consisted of the following

	2011		2012		2012
	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U S Dollars
Bank loans	¥542,013	1 3%	¥731,329	1 7%	$8,919
Commercial paper	114,860	0 4	155,102	0 8	1,891
Total	¥656,873		¥886,431		$10,810

The interest rates represent weighted average rates on outstanding balances at March 31, 2011 and 2012

Assets pledged as collateral for short-term debt are disclosed in Note 8

Long-term debt at March 31, 2011 and 2012 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Long-term debt with collateral (Note 8)			
Banks and insurance companies, maturing serially through 2034—principally 0% to 1 9%	¥110,879	¥108,700	$1,325
Government-owned banks and government agencies, maturing serially through 2023—principally 0% to 2 9%	13,114	5,893	72
Banks and insurance companies, maturing serially through 2017 (payable in foreign currencies)—principally 1% to 6 9%	8,005	15,481	189
Government-owned banks and government agencies, maturing serially through 2013 (payable in foreign currency)—principally 6% to 6 9%	3,384	1,849	23
Japanese yen bonds (floating rate 0 49% to 2 44% as of March 31, 2012, due 2013)	560	580	7
U S dollar bonds (fixed rate 6 08%, due 2021)	5,067	4,513	55
Total	141,009	137,016	1,671

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Long-term debt without collateral			
Banks and insurance companies, maturing serially through 2032—principally 0% to 1 9%	¥1,978,333	¥2,133,577	$26,020
Government-owned banks and government agencies, maturing serially through 2024—principally 0% to 1 9%	222,119	231,357	2,821
Banks and insurance companies, maturing serially through 2024 (payable in foreign currencies)—principally 0% to 1 9%	236,691	437,572	5,336
Government-owned banks and government agencies, maturing serially through 2026 (payable in foreign currency)—principally 0% to 1 9%	83,292	91,876	1,120
Japanese yen callable bonds (adjustable fixed rate 1 5%, due 2015)	10,000	10,000	122
Japanese yen bonds (floating rate 0 230% to 1 967% as of March 31, 2012, due 2013-2021)	200,000	200,000	2,439
Japanese yen bonds (fixed rate 0 56% to 3 18%, due 2012-2022)	554,040	624,000	7,610
U S dollar bonds (fixed rate 2 25% to 2 75%, due 2015-2016)	83,150	123,285	1,503
Japanese yen convertible bond (zero coupon, due 2011)	905		
Medium-term notes (payable in Japanese yen), 0 04% to 3 05% as of March 31, 2011, due 2012-2022 0 05% to 2 01 % as of March 31, 2012, due 2012-2022	64,200	64,420	786
Medium-term notes (payable in U S dollars), 3 10% as of March 31, 2011, due 2014 3 10% as of March 31, 2012, due 2014	832	821	10
Medium-term notes (payable in Australian dollars), 6 00% as of March 31, 2011, due 2013 6 00% as of March 31, 2012, due 2013	1,722	1,705	21
Commercial paper (payable in Japanese yen), with average interest rate of 0 11%	25,000	75,000	915
Total	3,460,284	3,993,613	48,703
Total long-term debt	3,601,293	4,130,629	50,374
Less unamortized issue discount	(604)	(672)	(9)
Add adjustments to fair value under fair value hedge accounting	56,735	65,365	797
Total	3,657,424	4,195,322	51,162
Less current maturities	(465,422)	(435,349)	(5,309)
Less adjustments to fair value under fair value hedge accounting related to "current maturities"	(3,253)	128	2
Long-term debt, less current maturities	¥3,188,749	¥3,760,101	$45,855

On June 17, 2002, the Parent completed an offering of ¥150,000 million zero coupon convertible bonds with stock acquisition rights due 2011 (the "Convertible Bonds"), receiving net proceeds of approximately ¥149,910 million The bonds were convertible, at the option of the holder, into the Parent's common stock at a conversion price of ¥1,188 per share, exercisable on or after July 1, 2002, subject to computational provisions in the related indenture All of the bonds were converted into common stock by the end of convertible period During the year ended March 31, 2011, no Convertible Bonds were converted into common stock During the year ended March 31, 2012, ¥905 million ($11 million) of the Convertible Bonds were converted into common stock, at a conversion price of ¥1,188 per share

The bonds were sold at a premium of ¥3,750 million which had been recorded as part of the bonds payable and amortized over the term of the bonds The Parent paid ¥3,750 million for debt issuance costs related to the bonds The debt issuance costs were included in other assets and have been amortized to interest expense over the term of the bonds

Annual maturities of long-term debt as of March 31, 2012, based on their contractual terms, are as follows, excluding the effect of adjustments to fair value under fair value hedge accounting

	Millions of Yen	Millions of U S Dollars
Year ending March 31		
2013 (included in current liabilities)	¥435,349	$5,310
2014	555,898	6,779
2015	448,425	5,469
2016	501,911	6,121
2017	782,222	9,539
2018 and thereafter	1,406,824	17,156
Total	¥4,130,629	$50,374

The Company enters into interest rate swap and currency swap contracts for certain short-term and long-term debt to manage interest rate and foreign currency exposure The effective interest rates taking the effect of such swap agreements into consideration are principally based on the three month LIBOR (London Interbank Offered Rate)

The Company maintains lines of credit with various banks The short-term and long-term portions of unused lines of credit, including overdraft contracts and facilities discussed below, totaled ¥833,371 million and ¥447,256 million, respectively, at March 31, 2011, and ¥891,523 million ($10,872 million) and ¥408,812 million ($4,986 million), respectively, at March 31, 2012

The lines of credit include Japanese yen facilities of ¥410,000 million ($5,000 million) held by the Parent and ¥90,000 million ($1,098 million) held by a domestic subsidiary, and foreign currency facilities for major currencies of $1,000 million and for soft currencies of $300 million held by the Parent and foreign subsidiaries at March 31, 2012 The Parent and the subsidiaries compensate banks for these facilities in the form of commitment fees, which were insignificant in each of the past three years Certain commitment fees on these facilities are based on the Parent's credit rating The Parent and the subsidiaries are required to comply with certain financial covenants to maintain these facilities

The Parent utilizes its long-term portions of unused lines of credit, discussed above, totaling ¥310,000 million which terminate in December 2016, to support the Parent's commercial paper program The commercial paper program is used to fund working capital and other general corporate requirements as needed The outstanding commercial paper of ¥25,000 million at March 31, 2011 and ¥75,000 million ($915 million) at March 31, 2012 was classified as long-term debt on the consolidated balance sheets since the Parent has the intent and ability to refinance these borrowings on a long-term basis through continued commercial paper borrowings, supported by the available lines of credit

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 short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank Certain agreements relating to long-term bank loans allow the banks to require the Company to submit proposals as to the payment of dividends and other appropriations of earnings for the banks' review and approval before presentation to the shareholders Default provisions of certain loan agreements grant certain priority rights of assets to the banks Under certain agreements, principally with government-owned financial institutions, the borrower is required, upon request of the lender, to reduce outstanding loans before scheduled maturity dates when the lender considers that the Company is able to reduce such loans through increased earnings or by additional cash flow raised through stock issuances or bond offerings During the years ended March 31, 2011 and 2012, the Company did not receive any request of the kind described above and does not expect that any such request will be received

14 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 41% for the years ended March 31, 2010, 2011 and 2012 New corporate tax laws of "Partial revision of income tax law, etc in response to the changing economic structure" and "Special measures to reconstruction funding after the Great East Japan Earthquake" were enacted on November 30, 2011 As a result, the statutory income tax rate of 41% as of March 31, 2012 was reduced to 38% effective April 1, 2012 through the end of the fiscal year 2014 and will be reduced further to 36% thereafter Adjustment of deferred tax assets and liabilities in relation to enacted tax laws decreased income taxes and increased net income attributable to Mitsubishi Corpration by ¥2,919 million ($36 million) for the year ended March 31, 2012 Foreign subsidiaries are subject to income taxes of the countries in which they operate

On March 29, 2012, Minerals Resource Rent Tax Act 2012 (MRRT) was enacted in Australia. Under the MRRT, the Company is liable to pay taxes equal to the sum of its MRRT liabilities on mining profits made from extractive taxable resources for a mining project interest for a year Mining profit consists of mining revenue less mining expenditure, and is also reduced by allowances One of the allowances is starting base allowance MRRT allows entities to elect market value approach and remeasure the tax basis of the starting base assets at fair value and depreciate or amortize the excess of market value over carrying value as deductible allowance from mining profit in the future years as starting base allowance Starting base assets consist of property or a legal or equitable right relating to a mining project interest To determine the amount of starting base assets the Company plans to elect market value approach, resulting in a temporary difference between accounting and tax basis of the relative assets The Company recognized deferred tax assets for the temporary difference On the other hand, because the royalty allowance and other various allowances under the MRRT are prescribed to be preferentially applied rather than the starting base allowance, it is more likely than not that the starting base allowance will not be used in the future at present forecast and valuation allowance was provided against the deferred tax assets recognized upon enactment of the MRRT Therefore, impact of the MRRT is not included in a reconciliation of the combined statutory income tax rates to the effective income tax rates as net impact on income taxes was zero

A reconciliation of the combined statutory income tax rates applied to income before income taxes and equity in earnings of Affiliated companies and other for the years ended March 31, 2010, 2011 and 2012 to the effective income tax rates on income before income taxes and equity in earnings of Affiliated companies and other reflected in the accompanying consolidated statements was as follows

	2010	2011	2012
Combined statutory income tax rate applied to income before income taxes and equity in earnings of Affiliated companies and other	41 0%	41 0%	41 0%
Expenses not deductible for income tax purposes	1 1	0 8	0 9
Changes in valuation allowance	7 6	1 5	0 5
Tax benefits recognized for accumulated losses of certain subsidiaries	(4 1)	(1 0)	(0 7)
Lower income tax rates in certain foreign countries	(7 9)	(7 0)	(7 0)
Tax effects on undistributed earnings of Affiliated companies	1 0	0 4	2 0
Effect of taxation on dividends	2 2	1 3	(0 4)
Tax assessments	0 3	0 6	0 6
Other—net	(1 0)	(0 1)	
Effective income tax rate on income before income taxes and equity in earnings of Affiliated companies and other	40 2%	37 5%	36 9%

Amounts provided for income taxes for the years ended March 31, 2010, 2011 and 2012 were allocated as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Income taxes	¥118,271	¥198,680	¥169,178	$2,063
Other comprehensive income (loss)	148,627	(26,787)	(40,336)	(492)
Total income tax expense	¥266,898	¥171,893	¥128,842	$1,571

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Assets			
Allowance for doubtful receivables	¥10,160	¥12,583	$154
Pension and severance	30,669	25,456	310
Property and equipment	12,656	185,738	2,265
Investments	93,943	83,843	1,023
Net operating loss carryforwards	57,022	49,701	606
Other accrued expenses	27,926	22,637	276
Other	46,803	53,249	649
Gross deferred tax assets	279,179	433,207	5,283
Less valuation allowance	(45,792)	(216,592)	(2,641)
Deferred tax assets—less valuation allowance	233,387	216,615	2,642
Liabilities			
Depreciation	84,561	103,489	1,262
Investments	203,985	169,630	2,069
Property and equipment	33,627	38,528	470
Pension and severance	1,336	1,833	22
Other	28,467	29,357	358
Gross deferred tax liabilities	351,976	342,837	4,181
Net deferred tax liabilities	¥(118,589)	¥(126,222)	$(1,539)

A valuation allowance is established to reduce certain deferred tax assets related to deductible temporary differences and net operating loss carryforwards where it is more-likely-than-not that they will not be realized The total valuation allowance increased by ¥3,889 million for the year ended March 31, 2010, decreased by ¥2,135 million for the year ended March 31, 2011, and increased by ¥170,800 million ($2,083 million) for the year ended March 31, 2012 The increase by ¥161,993 million in deferred tax assets (Property and equipment) and valuation allowance for the year ended March 31, 2012 was due to MRRT as described above

Net deferred tax liabilities included in the consolidated balance sheets at March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Current assets—Deferred income taxes	¥58,759	¥45,780	$558
Other assets	27,101	28,301	345
Other current liabilities	(12,555)	(2,569)	(31)
Noncurrent liabilities—Deferred income taxes	(191,894)	(197,734)	(2,411)
Net deferred tax liabilities	¥(118,589)	¥(126,222)	$(1,539)

No provision for income taxes is recognized for the undistributed earnings of subsidiaries where the Parent considers that such earnings are not expected to be remitted in the foreseeable future At March 31, 2011 and 2012, the amount of undistributed earnings of subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated ¥1,041,096 million and ¥1,133,918 million ($13,828 million), respectively Determination of the deferred tax liability related to the undistributed earnings of foreign subsidiaries is not practicable

At March 31, 2012, the Company had aggregate operating loss carryforwards of approximately ¥189,293 million ($2,308 million) which may be used as a deduction in the determination of taxable income in future periods If not utilized, such loss carryforwards expire as follows

	Millions of Yen	Millions of U S Dollars
Year ending March 31		
2013	¥2,060	$25
2014	4,400	54
2015	4,258	52
2016	8,953	109
2017	10,789	131
2018 through 2022	50,437	615
2023 through 2027	2,780	34
2028 and thereafter	105,616	1,288
Total	¥189,293	$2,308

The following table presents components of income before income taxes and equity in earnings of Affiliated companies and other and income taxes for the years ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U S Dollars		
	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total	The Parent and Its Domestic Subsidiaries	Foreign Subsidiaries	Total
Year ended March 31, 2010						
Income before income taxes and equity in earnings of Affiliated companies and other	¥54,401	¥239,918	¥294,319			
Income taxes—Current	(50,838)	(61,636)	(112,474)			
Income taxes—Deferred	(831)	(4,966)	(5,797)			
Income taxes—Total	¥(51,669)	¥(66,602)	¥(118,271)			
Year ended March 31, 2011						
Income before income taxes and equity in earnings of Affiliated companies and other	¥153,481	¥376,624	¥530,105			
Income taxes—Current	(77,324)	(91,257)	(168,581)			
Income taxes—Deferred	(20,423)	(9,676)	(30,099)			
Income taxes—Total	¥(97,747)	¥(100,933)	¥(198,680)			
Year ended March 31, 2012						
Income before income taxes and equity in earnings of Affiliated companies and other	¥180,291	¥278,679	¥458,970	$2,199	$3,398	$5,597
Income taxes—Current	(56,226)	(74,325)	(130,551)	(686)	(906)	(1,592)
Income taxes—Deferred	(41,388)	2,761	(38,627)	(504)	33	(471)
Income taxes—Total	¥(97,614)	¥(71,564)	¥(169,178)	$(1,190)	$(873)	$(2,063)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Balance at beginning of year	¥4,736	¥7,268	$89
Additions for tax positions of the current year			
Additions for tax positions of prior years	3,906	1,431	17
Reductions for tax positions of prior years		(315)	(4)
Settlements	(1,353)	(3,895)	(47)
Other	(21)	(8)	
Balance at end of year	¥7,268	¥4,481	$55

The amounts of unrecognized tax benefits at March 31, 2011 and 2012 that would affect the effective tax rate, if recognized, were ¥7,198 million and ¥4,481 million ($55 million), respectively

The Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next twelve months

The Company recognizes interest and penalties associated with uncertain tax positions as a component of income taxes in the consolidated statements of income For the years ended March 31, 2011 and 2012, interest and penalties recognized as a component of accrued income taxes and other long-term liabilities in the consolidated balance sheets and as a component of income taxes in the consolidated statements of income were not material

The Company files income tax returns in Japan and various foreign tax jurisdictions In Japan, regular examinations by tax authorities have been substantially completed for years before 2009 As of March 31, 2012, the earliest tax years that remain subject to examination by major tax jurisdictions in which the companies operate are the year ended March 31, 2006 for Japan and the year ended March 31, 2008 for Australia.

15 ACCRUED PENSION AND SEVERANCE LIABILITIES

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 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

From April 2006, the Parent company has started to convert certain portions of the Corporate Pension Funds into a defined contribution plan in phases

In addition to the pension plans, 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 a March 31 measurement date for the pension plans

The following table sets forth the reconciliation of benefit obligation, plan assets and the funded status of the plans

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Change in benefit obligation			
Benefit obligation at beginning of year	¥439,296	¥438,153	$5,343
Service cost	12,227	12,418	151
Interest cost	11,041	10,840	132
Employee contributions	174	190	2
Plan amendments	222		
Actuarial loss	1,639	8,717	106
Benefits paid	(19,918)	(20,825)	(254)
Settlements and curtailments	(3,165)	(3,016)	(36)
Acquisitions/divestitures and other—net	(796)	2,347	29
Change in foreign currency exchange rates	(2,567)	(576)	(7)
Benefit obligation at end of year	438,153	448,248	5,466
Change in plan assets			
Fair value of plan assets at beginning of year	408,397	415,910	5,072
Actual gain on plan assets	1,178	11,104	135
Employer contributions	27,760	18,132	221
Employee contributions	174	190	2
Benefits paid	(16,060)	(16,417)	(200)
Settlements	(3,165)	(2,931)	(35)
Acquisitions/divestitures and other—net	(107)	2,051	25
Change in foreign currency exchange rates	(2,267)	(552)	(7)
Fair value of plan assets at end of year	415,910	427,487	5,213
Funded status at end of year	¥(22,243)	¥(20,761)	$(253)
Amounts recognized in the consolidated balance sheets consist of			
Prepaid pension cost included in other current assets and other assets	¥24,730	¥29,354	$358
Other accrued expenses	(1,023)	(956)	(12)
Accrued pension liability	(45,950)	(49,159)	(599)
Net amount recognized	¥(22,243)	¥(20,761)	$(253)

The following table presents the pre-tax net loss and prior service cost recognized in AOCI for the years ended March 31, 2010, 2011 and 2012

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Net loss	¥(127,300)	¥(125,693)	¥(122,175)	$(1,490)
Prior service cost	(3,613)	(3,465)	(3,067)	(37)
Accumulated other comprehensive loss	¥(130,913)	¥(129,158)	¥(125,242)	$(1,527)

Net periodic pension costs related to the Company's pension and indemnity plans for the years ended March 31, 2010, 2011 and 2012 include the following components

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Service cost—benefits earned during the period	¥11,465	¥12,227	¥12,418	$151
Interest cost on projected benefit obligation	11,769	11,041	10,840	132
Expected return on plan assets	(4,798)	(7,228)	(7,489)	(91)
Recognized net actuarial loss	10,562	7,566	7,903	96
Amortization of unrecognized prior service cost	371	369	391	5
Settlement and curtailment loss	814	1,006	1,034	13
Net periodic pension cost	¥30,183	¥24,981	¥25,097	$306

Other changes in plan assets and benefit obligation recognized in other comprehensive income for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Current year actuarial (gain) loss	¥(24,691)	¥6,965	¥5,419	$66
Recognized net actuarial loss	(10,562)	(7,566)	(7,903)	(96)
Settlement and curtailment loss	(814)	(1,006)	(1,034)	(13)
Prior service cost due to amendments	(572)	221	(7)	
Amortization of unrecognized prior service cost	(371)	(369)	(391)	(5)
Total recognized in other comprehensive income	¥(37,010)	¥(1,755)	¥(3,916)	$(48)

The following table presents the estimated net loss and prior service cost that will be amortized from AOCI into net periodic cost for the year ending March 31, 2013

	Millions of Yen	Millions of U S Dollars
	2013	2013
Net loss	¥7,081	$86
Prior service cost	399	5
Total	¥7,480	$91

The total accumulated benefit obligation for the Company's defined benefit pension plans was ¥408,653 million and ¥415,296 million ($5,065 million) as of March 31, 2011 and 2012, respectively

The aggregate projected benefit obligation, aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligations exceeded plan assets as of March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Aggregate projected benefit obligation	¥88,198	¥93,362	$1,139
Aggregate accumulated benefit obligation	80,960	82,631	1,008
Aggregate fair value of plan assets	44,452	47,124	575

Plan Assets

The Company's investment policy for their 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 such as equity securities, 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 of strategies and investment managers for the purpose of risk control and thereby pursues efficient risk management

Recognizing the strong uncertainty of the market environment continuing from the previous year, the Parent's investment policy for the year ending March 31, 2013 is to invest in a conservative portfolio The Parent's target asset allocations as of March 31, 2012, excluding the employee pension trust which primarily consists of equity securities, are 20% equity securities, 50% debt securities, 20% alternative investments and 10% cash and cash equivalents

The fair values of the benefit pension plan assets of the Company for the years ended March 31, 2011 and 2012, by asset category are as follows The three levels of input used to measure fair value are described in Note 2

	Millions of Yen			
March 31, 2011	Level 1	Level 2	Level 3	Total
Equity securities*1				
Japanese equity securities	¥113,628	¥15,417		¥129,045
Global equity securities	23,022	22,537		45,559
Debt securities*2				
Japanese debt securities		81,989		81,989
Global debt securities	7,244	70,939	¥2,604	80,787
Hedge funds			4,507	4,507
Private equity funds			4,744	4,744
Real estate funds	14		1,191	1,205
Life insurance company accounts*3		12,502	2,444	14,946
Cash and cash equivalents		45,011		45,011
Other assets*4		154	7,963	8,117
Total	¥143,908	¥248,549	¥23,453	¥415,910

March 31, 2012	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Equity securities*1				
Japanese equity securities	¥110,507	¥16,942		¥127,449
Global equity securities	13,285	32,265		45,550
Debt securities*2				
Japanese debt securities		84,706		84,706
Global debt securities	6,169	78,118	¥4,249	88,536
Hedge funds		14	16,312	16,326
Private equity funds			5,192	5,192
Real estate funds			3,424	3,424
Life insurance company accounts*3		14,901	2,615	17,516
Cash and cash equivalents		31,814		31,814
Other assets*4		207	6,767	6,974
Total	¥129,961	¥258,967	¥38,559	¥427,487

March 31, 2012	Millions of U S Dollars			
	Level 1	Level 2	Level 3	Total
Equity securities*1				
Japanese equity securities	$1,348	$206		$1,554
Global equity securities	162	393		555
Debt securities*2				
Japanese debt securities		1,033		1,033
Global debt securities	75	953	$52	1,080
Hedge funds			199	199
Private equity funds			63	63
Real estate funds			42	42
Life insurance company accounts*3		182	32	214
Cash and cash equivalents		388		388
Other assets*4		3	82	85
Total	$1,585	$3,158	$470	$5,213

*1 Both Japanese equities and Global equities include the form of fund units Global equities include a mixture of Japanese and non-Japanese equities which are held in the form of fund units

*2 Both Japanese debt securities and Global debt securities include the form of fund units Global debt securities include a mixture of Japanese and non-Japanese debt securities which are held in the form of fund units

*3 Life insurance company accounts consist of investments in life insurance company general accounts and special accounts General accounts are guaranteed for principal amount and interest rate by life insurance companies while special accounts are not guaranteed for their investment return

*4 Other assets principally include Collateralized Loan Obligation Funds and Infrastructure Funds

Level 1 assets are comprised principally of equity securities, which are valued using quoted market prices in active markets

Level 2 assets are comprised principally of equity securities and debt securities which are held in the form of fund units These assets are valued using their net asset values (NAV) per share that are calculated by the administrator of the fund The NAV per share is based on the value of the underlying assets that are traded principally in the active market, minus liabilities and dividends by the number of shares Investment in life insurance company accounts are valued by aggregation of their underlying assets that are traded in the active market

Level 3 assets, consisting principally of hedge funds and private equity funds are valued based on the NAV per share using unobservable inputs

The changes in Level 3 assets for the years ended March 31, 2011 and 2012 were as follows

	Millions of Yen					
March 31, 2011	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	Balance, End of Year
Debt securities						
Global debt securities	¥1,251	¥58	¥693	¥633	¥(31)	¥2,604
Hedge funds	4,728	(152)	(58)	(11)		4,507
Private equity funds	4,402	(20)	364	(2)		4,744
Real estate funds	2,655	(442)	(1,001)	(19)	(2)	1,191
Life insurance company accounts	1,240	154	356	884	(190)	2,444
Cash and cash equivalents						
Other assets	5,437	3,099	(547)	(35)	9	7,963
Total	¥19,713	¥2,697	¥(193)	¥1,450	¥(214)	¥23,453

	Millions of Yen					
March 31, 2012	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	Balance, End of Year
Debt securities						
Global debt securities	¥2,604	¥364	¥1,047		¥234	¥4,249
Hedge funds	4,507	59	11,746			16,312
Private equity funds	4,744	428	20			5,192
Real estate funds	1,191	233	2,000			3,424
Life insurance company accounts	2,444	130	126		(85)	2,615
Cash and cash equivalents						
Other assets	7,963	343	(1,664)		125	6,767
Total	¥23,453	¥1,557	¥13,275		¥274	¥38,559

	Millions of U S Dollars					
March 31, 2012	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	Balance, End of Year
Debt securities						
Global debt securities	$32	$4	$13		$3	$52
Hedge funds	55	1	143			199
Private equity funds	58	5				63
Real estate funds	15	3	24			42
Life insurance company accounts	30	2	2		(2)	32
Cash and cash equivalents						
Other assets	97	4	(20)		1	82
Total	$287	$19	$162		$2	$470

* "Other" includes the effect of changes in foreign currency exchange rates

Assumptions

The weighted average assumptions used to determine benefit obligations at March 31, 2011 and 2012 were as follows

	2011	2012
Weighted average discount rate	2 7%	2 6%
Average rate of increase in future compensation levels	2 5	2 6

The weighted average assumptions used to determine net periodic benefit cost for the years ended March 31, 2010, 2011 and 2012 were as follows

	2010	2011	2012
Weighted average discount rate	3 1%	2 7%	2 7%
Average rate of increase in future compensation levels	2 6	2 6	2 5
Expected long-term rate of return on plan assets	2 1	2 6	2 5

The Company determines assumptions for the expected long-term return on plan assets considering the investment policy, the historical returns, asset allocation and future estimates of long-term investment returns

Contributions

The Company's funding policy is mainly to contribute an amount deductible for income tax purposes Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future

The Company expects to contribute approximately ¥24,000 million ($293 million) to its defined benefit pension plans during the year ending March 31, 2013

Estimated Future Benefit Payments

Estimated future benefit payments are as follows

	Millions of Yen	Millions of U S Dollars
Years ending March 31		
2013	¥22,925	$280
2014	22,572	275
2015	23,137	282
2016	22,524	275
2017	23,712	289
2018 through 2022	117,667	1,435

Defined Contribution Plans

The Parent and certain subsidiaries have defined contribution plans The expenses related to these defined contribution plans were ¥2,179 million, ¥2,307 million and ¥2,419 million ($30 million) for the years ended March 31, 2010, 2011 and 2012, respectively

Early Retirement Program

The Parent has offered an early retirement program to its employees At March 31, 2011 and 2012, the liability for applicants to the program, discounted to reflect the present value of the expected cash flows, was ¥4,315 million and ¥3,305 million ($40 million), respectively Current and noncurrent portion of such liability is included in "Other accrued expenses" and in "Accrued pension and severance liabilities" in the accompanying consolidated balance sheets, respectively, depending on when the additional benefit payment is expected to be made Related expenses recognized by the Parent for the years ended March 31, 2010, 2011 and 2012, included in "Selling, general and administrative expenses" in the accompanying consolidated statements of income, were ¥796 million, ¥1,079 million and ¥658 million ($8 million), respectively

16 ASSET RETIREMENT OBLIGATIONS

The Company accounts for asset retirement obligations ("AROs"), 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 and oil and gas facilities

These liabilities are included in "Other current liabilities" and "Other noncurrent liabilities" in the consolidated balance sheets

The changes in the carrying amount of AROs for the years ended March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Balance at beginning of year	¥49,643	¥63,941	$780
Accretion expense	3,281	4,416	54
Liabilities settled	(2,342)	(4,875)	(60)
Liabilities incurred	9,102	8,463	103
Revisions in estimated cash flow	6,542	(267)	(3)
Change in foreign currency exchange rates	(2,285)	(897)	(11)
Balance at end of year	¥63,941	¥70,781	$863

17 SHAREHOLDERS' 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 amount of payment and assets is able to be incorporated into additional paid-in capital

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 legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock amount

The Companies Act provides that subject to certain conditions, such as a resolution at a shareholders' meeting, a company may transfer amounts between common stock, reserves and surplus

The effects of changes in the Parent's ownership interest in its subsidiary on the Parent's equity for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Net income attributable to Mitsubishi Corporation	¥275,787	¥464,543	¥453,849	$5,535
(Decrease) increase in additional paid-in capital for purchases or sales of certain subsidiaries' common shares	(9,564)	1,002	4,591	56
Change from net income attributable to Mitsubishi Corporation and transfers to noncontrolling interest	¥266,223	¥465,545	¥458,440	$5,591

Dividends—

Under the Companies Act, the total amount for 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 general books of accounts maintained in accordance with accounting principles generally accepted in Japan The adjustments to the consolidated financial statements to conform with U S GAAP have no effect on the determination of the distributable amount under the Companies Act The distributable amount under the Companies Act was ¥1,305,731 million ($15,923 million) as of March 31, 2012 The distributable amount may fluctuate until the effective date for the distribution of dividends as a result of, for example, subsequent purchases of treasury stocks

The Companies Act allows for 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 semiannual interim dividend by resolution of the Board of Directors

In the accompanying consolidated statements of shareholders' equity, dividends and appropriations to the legal reserve shown for each year represent dividends paid out during the year and the appropriation to the legal reserve made in relation to the respective dividends

Purchase of Treasury Stock—

The Companies Act allows Japanese companies to purchase and hold treasury stock Japanese companies are allowed to decide the number, amount and others of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting The Companies Act allows the Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed 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, it was approved that the Parent amended the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions

In the year ended March 2012, the Parent retired treasury stock (45 million shares) subject to approval of the Board of Directors As a result, additional paid-in capital decreased by ¥9 million ($0 1 million), unappropriated retained earnings decreased by ¥128,601 million ($1,568 million) and treasury stock decreased by ¥128,610 million ($1,568 million) The retirement of treasury stock does not affect total Mitsubishi Corporation shareholders' equity

18 COMPREHENSIVE INCOME

Comprehensive income attributable to Mitsubishi Corporation for the years ended March 31, 2010, 2011 and 2012 consisted of the following

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Net income attributable to Mitsubishi Corporation	¥275,787	¥464,543	¥453,849	$5,535
Other comprehensive income (loss) attributable to Mitsubishi Corporation				
Net unrealized gains (losses) on securities available-for-sale (Note 4)				
Net unrealized holding gains (losses) during the year	271,236	(23,769)	(16,345)	(199)
Reclassification adjustments for net gains included in net income attributable to Mitsubishi Corporation	(39,551)	(19,763)	(7,246)	(89)
Net change during the year	231,685	(43,532)	(23,591)	(288)
Income tax (expense) benefit (Note 14)	(92,985)	19,027	17,161	210
Total	138,700	(24,505)	(6,430)	(78)
Net unrealized gains (losses) on derivatives (Note 10)				
Net unrealized gains (losses) during the year	74,122	44,018	(10,705)	(131)
Reclassification adjustments for net gains included in net income attributable to Mitsubishi Corporation	(19,584)	(27,054)	(36,821)	(449)
Net change during the year	54,538	16,964	(47,526)	(580)
Income tax (expense) benefit (Note 14)	(18,847)	(4,519)	14,751	180
Total	35,691	12,445	(32,775)	(400)
Defined benefit pension plans (Note 15)				
Net unrealized gains (losses) during the year	25,250	(7,081)	(6,031)	(74)
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	11,618	8,892	9,236	113
Net change during the year	36,868	1,811	3,205	39
Income tax expense (Note 14)	(15,747)	(978)	(1,969)	(24)
Total	21,121	833	1,236	15
Foreign currency translation adjustments				
Translation adjustments during the year	175,335	(87,853)	(45,314)	(552)
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	2,640	3,134	4,196	51
Net change during the year	177,975	(84,719)	(41,118)	(501)
Income tax (expense) benefit (Note 14)	(21,048)	13,257	10,393	126
Total	156,927	(71,462)	(30,725)	(375)
Total other comprehensive income (loss) attributable to Mitsubishi Corporation	352,439	(82,689)	(68,694)	(838)
Comprehensive income attributable to Mitsubishi Corporation	¥628,226	¥381,854	¥385,155	$4,697

19 EARNINGS PER SHARE

Reconcılıatıons of the basıc and dıluted net ıncome attrıbutable to Mıtsubıshı Corporatıon per share are as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Numerator				
Net income attributable to Mitsubishi Corporation	¥275,787	¥464,543	¥453,849	$5,535

	Thousands of Shares		
	2010	2011	2012
Denominator			
Basic weighted average common shares outstanding	1,643,073	1,643,687	1,645,406
Effect of dilutive securities			
Stock options	2,971	3,610	3,527
Japanese yen convertible bond	804	762	134
Diluted outstanding shares	1,646,848	1,648,059	1,649,068

	Yen			U S Dollars
	2010	2011	2012	2012
Per share amount				
Basic	¥167 85	¥282 62	¥275 83	$3 36
Diluted	167 46	281 87	275 22	3 36

20 SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engages in business activities from which revenue may be earned and expenses incurred for which discrete financial information is available that is evaluated regularly by the chief operating decision maker 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 six business groups

Industrial Finance, Logistics & Development—
The Industrial Finance, Logistics & Development Group is developing *shosha*-type industrial finance businesses These include asset management businesses, buyout investment businesses, leasing businesses, real estate development and finance businesses, logistics services, and insurance businesses

Energy Business—
The Energy Business Group conducts oil and gas exploration, development and production (E&P) business, investment in liquefied natural gas (LNG) liquefaction projects, and trading of crude oil, petroleum products, carbon materials and products, LNG, and liquefied petroleum gas (LPG) and so forth

Metals—
The Metals Group trades, develops businesses and invests in a range of fields These include steel products such as steel sheets and thick plates, steel raw materials such as coking coal and iron ore, and non-ferrous raw materials and products such as copper and aluminum

Machinery—
The Machinery Group engages in sales, finance and logistics for machinery across many different sectors, in which it also develops businesses and invests These fields range from large-scale plants for production of natural gas, petroleum, chemicals or steel, to marine, automotive and other transport equipment, as well as aerospace-related equipment, mining equipment, construction machinery, industrial equipment and elevators and escalators

Chemicals—
The Chemicals Group trades chemical products in a broad range of fields, in which it also develops businesses and invests These fields extend from raw materials used in industrial products such as ethylene, methanol and salt produced from crude oil, natural gas, minerals, plants, marine resources and so forth, to plastics, electronic materials, food ingredients, fertilizer and fine chemicals

Living Essentials—
The Living Essentials Group provides products and services, develops businesses and invests in various fields closely linked with people's lives, including food products and food, textiles, essential supplies, healthcare, distribution and retail These fields extend from the procurement of raw materials to the consumer market

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the disaggregated financial information has been prepared using a management approach, in which management internally disaggregates financial information for the purpose of assisting in making internal operating decisions Management evaluates segment performance based on several factors, of which the primary financial measure is net income (loss) attributable to Mitsubishi Corporation

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties

The Company's operating segment information at and for the years ended March 31, 2010, 2011 and 2012 was as follows

2010 (Millions of Yen)	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥97,773	¥969,171	¥672,402	¥565,151	¥715,549	¥1,494,161	¥4,514,207	¥28,684	¥(2,098)	¥4,540,793
Gross profit	44,703	39,845	231,832	155,133	77,830	457,083	1,006,426	12,269	(2,098)	1,016,597
Equity in earnings of Affiliated companies and other	10,727	39,731	10,695	10,965	17,231	19,482	108,831	10,889	(1,863)	117,857
Net (loss) income attributable to Mitsubishi Corporation	(7,571)	71,947	138,869	18,049	32,357	46,757	300,408	(26,834)	2,213	275,787
Segment assets	798,006	1,322,918	2,813,201	1,913,455	732,834	2,183,877	9,764,291	1,933,495	(894,084)	10,803,702
Investments in Affiliated companies	128,479	213,863	161,774	152,070	108,699	327,767	1,092,652	97,711	1,333	1,191,696
Depreciation and amortization	19,137	13,685	34,697	21,539	3,987	27,309	120,354	18,423		138,777
Capital expenditures for long-lived assets	19,890	31,703	55,084	18,819	2,203	24,627	152,326	11,036		163,362
Operating transactions										
External customers	¥171,222	¥3,212,434	¥3,631,561	¥3,112,928	¥1,784,159	¥5,111,257	¥17,023,561	¥81,453	¥(2,232)	¥17,102,782
Intersegment	17,833	16,258	2,724	7,374	7,440	7,420	59,049	30,791	(89,840)	
Total	¥189,055	¥3,228,692	¥3,634,285	¥3,120,302	¥1,791,599	¥5,118,677	¥17,082,610	¥112,244	¥(92,072)	¥17,102,782

2011 (Millions of Yen)	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥92,617	¥1,248,912	¥834,812	¥677,748	¥803,702	¥1,525,834	¥5,183,625	¥33,873	¥(10,625)	¥5,206,873
Gross profit	47,112	43,798	326,281	182,019	84,180	456,783	1,140,173	20,354	(10,625)	1,149,902
Equity in earnings of Affiliated companies and other	8,892	55,720	41,880	18,441	14,688	23,308	162,929	6,483	(2,410)	167,002
Net income (loss)attributable to Mitsubishi Corporation	11,553	94,007	231,468	61,369	29,117	46,260	473,774	(14,157)	4,926	464,543
Segment assets	793,265	1,279,639	3,030,266	1,848,878	708,598	2,183,855	9,844,501	2,287,373	(859,099)	11,272,775
Investments in Affiliated companies	132,400	194,843	244,398	159,784	105,098	337,389	1,173,912	105,973	1,553	1,281,438
Depreciation and amortization	19,505	18,732	37,681	19,126	3,651	28,273	126,968	16,851		143,819
Capital expenditures for long-lived assets	41,731	38,418	68,086	22,600	4,483	25,839	201,157	9,118		210,275
Operating transactions										
External customers	¥149,809	¥3,860,109	¥4,407,057	¥3,519,053	¥2,019,272	¥5,306,156	¥19,261,456	¥98,497	¥(126,510)	¥19,233,443
Intersegment	21,714	14,047	1,760	5,259	8,096	7,451	58,327	28,260	(86,587)	
Total	¥171,523	¥3,874,156	¥4,408,817	¥3,524,312	¥2,027,368	¥5,313,607	¥19,319,783	¥126,757	¥(213,097)	¥19,233,443

Millions of Yen

2012	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥97,445	¥1,406,407	¥856,356	¥584,212	¥1,009,410	¥1,571,720	¥5,525,550	¥42,173	¥(1,891)	¥5,565,832
Gross profit	48,224	61,828	267,553	178,877	86,564	462,996	1,106,042	23,709	(1,891)	1,127,860
Equity in earnings of Affiliated companies and other	9,157	71,939	36,415	22,634	17,968	25,792	183,905	7,160	(556)	190,509
Net income (loss) attributable to Mitsubishi Corporation	14,911	120,639	172,141	54,462	37,085	56,642	455,880	(1,837)	(194)	453,849
Segment assets	868,456	1,594,140	3,571,196	1,932,941	806,218	2,383,577	11,156,528	2,439,084	(1,007,099)	12,588,513
Investments in Affiliated companies	146,533	334,281	337,569	157,954	106,725	346,172	1,429,234	113,553	7,856	1,550,643
Depreciation and amortization	20,490	15,991	41,357	18,715	4,346	28,801	129,700	15,728		145,428
Capital expenditures for long-lived assets	104,537	41,763	143,919	39,246	5,298	25,478	360,241	26,075		386,316

Operating transactions										
External customers	¥173,368	¥4,554,997	¥4,396,774	¥3,236,821	¥2,207,119	¥5,442,466	¥20,011,545	¥117,479	¥(2,703)	¥20,126,321
Intersegment	19,739	9,473	2,779	14,849	11,468	8,223	66,531	36,084	(102,615)	
Total	¥193,107	¥4,564,470	¥4,399,553	¥3,251,670	¥2,218,587	¥5,450,689	¥20,078,076	¥153,563	¥(105,318)	¥20,126,321

2012	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
	Millions of U S Dollars									
Revenues	$1,188	$17,151	$10,443	$7,125	$12,310	$19,167	$67,384	$514	$(22)	$67,876
Gross profit	588	754	3,263	2,181	1,056	5,646	13,488	289	(23)	13,754
Equity in earnings of Affiliated companies and other	112	877	444	276	219	315	2,243	87	(7)	2,323
Net income (loss) attributable to Mitsubishi Corporation	182	1,471	2,099	664	452	691	5,559	(22)	(2)	5,535
Segment assets	10,591	19,441	43,551	23,572	9,832	29,068	136,055	29,745	(12,282)	153,518
Investments in Affiliated companies	1,787	4,077	4,117	1,926	1,302	4,222	17,431	1,385	94	18,910
Depreciation and amortization	250	195	504	228	53	351	1,581	193		1,774
Capital expenditures for long-lived assets	1,275	509	1,755	479	65	311	4,394	317		4,711
Operating transactions										
External customers	$2,114	$55,549	$53,619	$39,473	$26,916	$66,372	$244,043	$1,433	$(33)	$245,443
Intersegment	241	116	34	181	140	100	812	440	(1,252)	
Total	$2,355	$55,665	$53,653	$39,654	$27,056	$66,472	$244,855	$1,873	$(1,285)	$245,443

*1 "Operating transactions" is a voluntary disclosure commonly made by Japanese trading companies, and is not meant to represent sales or revenues in accordance with U S GAAP See Note 1

*2 "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

*3 "Adjustments and Eliminations" include certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations

*4 For the year ended March 31, 2010, the amount of "Net (loss) income attributable to Mitsubishi Corporation" includes other-than-temporary impairment losses for certain investments in equity and debt securities held by "Industrial Finance, Logistics & Development" and "Machinery" of ¥24,735 million and ¥28,974 million (before tax), respectively For the year ended March 31, 2011, the amount of "Net income (loss) attributable to Mitsubishi Corporation" includes gains on a share exchange held by "Metals" of ¥36,619 million (before tax) For the year ended March 31, 2012, the amount of "Net income (loss) attributable to Mitsubishi Corporation" on "Metals" line includes gains of ¥12,542 million (before tax) on remeasurement at fair value of the previously held equity interests in Crosslands Resources Ltd and Oakajee Port and Rail which were wholly owned by the Company as a result of acquiring additional interests in them

Geographic Information

Revenues, gross profit, long-lived assets and operating transactions at and for the years ended March 31, 2010, 2011 and 2012 were as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Revenues				
Japan	¥3,388,811	¥3,812,066	¥4,229,907	$51,584
Australia	388,289	493,399	494,353	6,029
Thailand	297,288	380,969	295,829	3,608
Other	466,405	520,439	545,743	6,655
Total	¥4,540,793	¥5,206,873	¥5,565,832	$67,876
Gross profit				
Japan	¥710,343	¥735,109	¥767,423	$9,359
Australia	125,347	175,844	127,442	1,554
United Kingdom	19,242	42,753	47,631	581
Other	161,665	196,196	185,364	2,260
Total	¥1,016,597	¥1,149,902	¥1,127,860	$13,754
Long-lived assets				
Japan	¥660,154	¥703,255	¥674,152	$8,221
Australia	450,777	494,690	648,475	7,908
Canada	60,238	75,547	85,511	1,043
U S A	118,735	80,350	83,138	1,014
Other	299,954	312,570	389,634	4,752
Total	¥1,589,858	¥1,666,412	¥1,880,910	$22,938
Operating transactions				
Japan	¥14,132,828	¥15,667,224	¥16,400,378	$200,005
U S A	752,055	886,257	951,260	11,601
Thailand	492,750	634,555	541,892	6,608
Other	1,725,149	2,045,407	2,232,791	27,229
Total	¥17,102,782	¥19,233,443	¥20,126,321	$245,443

*1 Revenues, gross profit and operating transactions are attributed to geographic areas based on the location of the assets producing such revenues, gross profit and operating transactions

*2 "Operating transactions" is a voluntary disclosure commonly made by Japanese trading companies, and is not meant to represent sales or revenues in accordance with U S GAAP See Note 1

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, 2010, 2011 and 2012, respectively

21 OTHER INCOME—NET

"Other income—net" for the years ended March 31, 2010, 2011 and 2012 consisted of the following

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Net foreign exchange gains	¥(45,600)	¥(45,205)	¥(42,877)	$(523)
Bargain purchase gains from the acquisition of Chuo Kagaku (Note 3)			(5,909)	(72)
Impairment loss of goodwill (Note 9)	7	891	870	10
Miscellaneous	(6,768)	(4,866)	(12,753)	(154)
Total	¥(52,361)	¥(49,180)	¥(60,669)	$(739)

22 LEASES

Lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under arrangements which are classified as direct financing leases

Current portion, included in "Accounts receivable—trade" and "Loans and other receivables" and noncurrent portion, included in "Noncurrent notes, loans and accounts receivable—trade" of net investments in direct financing leases at March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Total minimum lease payments to be received	¥339,858	¥479,605	$5,849
Estimated unguaranteed residual value of leased assets	1,579	1,402	17
Less—unearned income	(53,980)	(87,885)	(1,072)
Investment in direct financing leases	287,457	393,122	4,794
Less—allowance for doubtful receivables	(3,127)	(6,152)	(75)
Net investment in direct financing leases	¥284,330	¥386,970	$4,719

The Company also leases, as lessor, aircraft, vessels and other industrial assets under operating leases

The following provides the Company's investment in property on operating leases and property held for lease by classes at March 31, 2012

	Millions of Yen			Millions of U S Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	¥78,855		¥78,855	$962		$962
Buildings	58,972	¥(26,119)	32,853	719	$(319)	400
Machinery and equipment	76,683	(52,828)	23,855	935	(644)	291
Aircraft	296,366	(93,172)	203,194	3,615	(1,136)	2,479
Vessels and vehicles	119,335	(68,629)	50,706	1,455	(837)	618
Total	¥630,211	¥(240,748)	¥389,463	$7,686	$(2,936)	$4,750

Future minimum lease payments to be received as of March 31, 2012 are as follows

	Millions of Yen			Millions of U S Dollars
	Direct Financing Leases	Noncancelable Operating Leases	Total	Total
Years Ending March 31				
2013	¥128,144	¥48,016	¥176,160	$2,148
2014	101,294	39,530	140,824	1,717
2015	64,979	31,826	96,805	1,181
2016	44,983	26,835	71,818	876
2017	24,746	22,532	47,278	577
2018 and thereafter	115,459	60,850	176,309	2,150
Total	¥479,605	¥229,589	¥709,194	$8,649

This amount does not include contingent rentals that may be received under certain lease contracts

Contingent rentals for the years ended March 31, 2010, 2011 and 2012 were ¥2,488 million, ¥45 million and ¥57 million ($1 million), respectively

Lessee

The Company leases, as lessee, machinery and equipment, real estate and others under capital leases Certain of these leases have renewal and purchase options

Current portion of obligations under capital leases is included in "Other current liabilities" and noncurrent portion of obligations under capital leases is included in "Other noncurrent liabilities" on the Consolidated Balance Sheets

The following provides the Company's leased assets recorded under capital leases as of March 31, 2011 and 2012

	Millions of Yen		
2011	Cost	Accumulated Depreciation	Net
Buildings	¥11,863	¥(5,904)	¥5,959
Machinery and equipment	43,562	(23,545)	20,017
Vessels and vehicles	4,346	(2,294)	2,052
Total	¥59,771	¥(31,743)	¥28,028

	Millions of Yen			Millions of U S Dollars		
2012	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	¥11,025	¥(6,185)	¥4,840	$135	$(76)	$59
Machinery and equipment	42,261	(22,330)	19,931	515	(272)	243
Vessels and vehicles	4,365	(2,457)	1,908	53	(30)	23
Total	¥57,651	¥(30,972)	¥26,679	$703	$(378)	$325

Future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2012 are as follows

Years Ending March 31	Millions of Yen	Millions of U S Dollars
2013	¥12,136	$148
2014	10,271	125
2015	8,503	104
2016	6,323	77
2017	4,434	54
2018 and thereafter	17,304	211
Total minimum lease payments	58,971	719
Less amount representing interest	(4,063)	(49)
Present value of net minimum lease payments	54,908	670
Current capital lease obligations	11,422	140
Long-term capital lease obligations	¥43,486	$530

Minimum payments have not been reduced by minimum sublease revenues of ¥28,496 million ($348 million) due in the future under subleases

The Company leases, as lessee, office space and certain other assets under operating leases Certain of these leases have renewal and purchase options

Total rental expenses under operating leases for the years ended March 31,2010, 2011 and 2012 were ¥51,616 million, ¥56,554 million and ¥67,543 million ($824 million), respectively Sublease rental income for the years ended March 31, 2010, 2011 and 2012 were ¥4,607 million, ¥6,608 million and ¥11,702 million ($143 million), respectively

Future minimum lease payments under noncancelable leases as of March 31, 2012 are as follows

Years Ending March 31	Millions of Yen	Millions of U S Dollars
2013	¥50,679	$618
2014	33,697	411
2015	25,293	308
2016	23,522	287
2017	21,544	263
2018 and thereafter	79,223	966
Total	¥233,958	$2,853

Minimum payments have not been reduced by minimum sublease rentals of ¥21,293 million ($260 million) due in the future under noncancelable subleases

23 STOCK-BASED COMPENSATION

The Parent had two types of stock option plans, stock option Class A and Class B, for certain directors and executive officers, however, the Parent resolved to unify the plans at the Board of Directors' meeting held on July 20, 2007

The stock option plans resolved by the Board of Directors' meetings held in and before June 2007

Under the Class A plan, the right to purchase the shares of the Parent is granted at an exercise price determined based on the greater of the quoted price of the shares on the Tokyo Stock Exchange on the grant date or the average quoted price for a month prior to the grant date The stock options are vested and immediately exercisable after 23 months from the grant date, and exercisable periods are 8 years from the vested day

Under the Class B plan, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share The contractual term of the Class B 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 period from the grant date

The stock option plans resolved by the Board of Directors' meetings held in and after July 2007

Under the unified plan, 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 years The stock options are vested and exercisable from the earlier of either the day after 23 months from the grant date or the day after leaving their position as both director and executive officer 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 both director and executive officer of the Parent 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 period from the grant date

The total stock-based compensation cost recognized for the years ended March 31, 2010, 2011 and 2012 was ¥1,617 million, ¥1,240 million and ¥1,256 million ($15 million), respectively The total tax benefit recognized related thereto for the years ended March 31, 2010, 2011 and 2012 was ¥663 million, ¥508 million and ¥452 million ($6 million), respectively The tax benefit realized from stock options exercised for the years ended March 31, 2010, 2011 and 2012 was ¥63 million, ¥102 million and ¥471 million ($6 million), respectively No stock-based compensation cost was capitalized for the years ended March 31, 2010, 2011 and 2012

The weighted-average fair value of options granted under the Parent's stock option plan for the years ended March 31, 2010, 2011 and 2012 was ¥1,540, ¥1,600 and ¥1,569 ($19 13) per share, respectively

The fair value of these stock options is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table The risk-free interest rate is based on the yield of government bonds in effect at the grant date having a remaining life equal to the option's expected life Expected volatilities are based on the historical volatility of the Parent's stock for the period equal to the option's expected life from the grant date The expected dividend yield is based on the actual dividends made in the preceding year Expected life represents the period of time that the options granted are expected to be outstanding

	2010	2011	2012
Risk-free interest rate	1 14%–1 30%	0 71%–0 85%	0 76%–0 86%
Expected volatility	41 88%–42 01%	40 88%–40 99%	40 49%–40 68%
Expected dividend yield	2 71%–2 74%	2 02%–2 04%	3 16%–3 33%
Expected life	8 years	8 years	8 years

The following table summarizes information about stock option activities for the years ended March 31, 2010, 2011 and 2012

	2010		2011		2012		
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
Years Ended March 31		Yen		Yen		Yen	U S Dollars
Outstanding at beginning of the fiscal year	5,519,500	¥1,259	6,079,000	¥1,041	6,160,900	¥947	$11 5
Granted	1,163,800	1	665,400	1	796,100	1	
Canceled or expired	(6,200)	1	(2,100)	1	(400)	1	
Exercised	(598,100)	1,036	(581,400)	847	(1,347,500)	666	8 1
Outstanding at end of the fiscal year	6,079,000	1,041	6,160,900	947	5,609,100	881	10 7
Exercisable at end of the fiscal year	4,308,700	1,468	4,113,900	1,418	4,319,000	1,144	14 0

The following table summarizes information for options outstanding and exercisable at March 31, 2012

	Exercise Price Range	Number of Shares	Weighted Average Remaining Life	Aggregate Intrinsic Value	
	Yen		Years	Millions of Yen	Millions of U S Dollars
Outstanding	¥1–2,435	5,609,100	13 7	¥5,828	$71
Exercisable	¥1–2,435	4,319,000	9 4	3,352	41

The total intrinsic value of options exercised during the years ended March 31, 2010, 2011 and 2012 was ¥558 million, ¥730 million and ¥1,582 million ($19 million), respectively As of March 31, 2012, the total unrecognized compensation cost related to nonvested stock options granted under the plans was ¥232 million ($3 million), which is expected to be recognized over a weighted-average period of 0 3 years

24 VARIABLE INTEREST ENTITIES

The Company evaluates its involvement with VIEs to determine whether the Company has variable interests in VIEs If the Company is determined to have variable interests in a VIE, the Company evaluates its power to direct the activities of the VIE that most significantly impact the economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE to determine whether the Company is the primary beneficiary

For VIEs that meet certain criteria, the Company is determined to be the primary beneficiary if the Company absorbs a majority of the VIE's expected losses or receives a majority of the VIE's expected residual returns

The following is the information regarding the VIEs that are consolidated and not consolidated by the Company

Consolidated VIEs

The Company utilizes VIEs primarily in the real estate development business The Company purchases real estate or beneficial interests in real estate with the intention to resell after enhancing its value by developing real estate properties These VIEs are financed mainly by borrowings The Company utilizes these VIEs to obtain nonrecourse loans from third parties to limit the Company's risks on activities related to the real estate development and real estate investment trusts businesses

The following table summarizes total assets of the VIEs and carrying amount of the VIEs' total assets and liabilities on the Consolidated Balance Sheets as of March 31, 2011 and 2012

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Total assets of the VIEs	¥207,525	¥195,452	$2,384
Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets	207,147	194,080	2,367
Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets	79,245	73,018	890

Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets consisted primarily of property and equipment and joint investments in real estates that could be used only to settle long-term debt of the consolidated VIEs Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets consisted primarily of long-term debt for which creditors or beneficial interest holders do not have recourse of the general credit of the Company

A portion of the assets are pledged as collateral for the long-term debt of these VIEs The carrying amount was ¥106,386 million and ¥112,884 million ($1,377 million) as of March 31, 2011 and 2012, respectively, and was primarily classified as property and equipment and joint investments in real estates in the Consolidated Balance Sheets

Several consolidated VIEs of the Company as of March 31, 2011 were no longer consolidated as of March 31, 2012 due to the Company's disposition of interests in the VIEs and the liquidation of the VIEs The effect on the consolidated financial statements for the year ended March 31, 2012 was not material

Nonconsolidated VIEs

The Company has variable interests in VIEs involved in various businesses in the form of equity investments, guarantees and loans for which the Company is not the primary beneficiary These VIEs are financed mainly by borrowings Most of the VIEs are entities established to conduct project financing in the infrastructure business, shipping-related business or real-estate-related business

The following table summarizes total assets of the VIEs, carrying amounts of assets and liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs, and the Company's maximum exposures to losses as a result of the Company's involvement in these VIEs as of March 31, 2011 and 2012 Total assets of the VIEs represent the latest information available to the Company

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Total assets of the VIEs	¥768,040	¥873,238	$10,649
Carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs	93,533	92,246	1,125
Carrying amounts of liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs	7,291	5,046	62
Maximum exposures to losses	116,094	133,561	1,629

Carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs consisted primarily of investments in and advances to Affiliated companies, and carrying amounts of liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs consisted primarily of payables to Affiliates companies There is a difference between carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs and maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these VIEs Maximum exposures to losses do not represent anticipated losses generally to incur from the Company's involvement with the VIEs, and are considered to exceed the anticipated losses considerably

25 COMMITMENTS AND CONTINGENCIES

Long-term Commitments

The Company, in the normal course of trading operations, enters into substantial long-term purchase commitments for various commodities, principally metals, chemical, LNG and crude oil products at fixed prices or basis prices adjustable to market Such purchase commitments are, in most instances, matched with counterparty sales contracts At March 31, 2012, the outstanding long-term purchase commitments amounted to ¥4,217,094 million ($51,428 million) for which deliveries are scheduled for various dates through 2038

Purchases made under unconditional purchase obligations for the years ended March 31, 2010, 2011 and 2012 were ¥716,006 million, ¥868,762 million and ¥996,915 million ($12,158 million), respectively

The Company also had long-term financing commitments aggregating ¥62,768 million ($765 million) at March 31, 2012 for loans, investments in equity capital and financing on a deferred-payment basis for the cost of equipment to be purchased by customers

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 the Affiliated companies, customers and suppliers of the Company

Credit Guarantees

As of March 31, 2011 and 2012, the Company provided ¥245,958 million and ¥258,084 million ($3,147 million), respectively, of credit guarantees for certain customers and suppliers, and ¥75,822 million and ¥107,445 million ($1,310 million), respectively, for the Affiliated companies, in the form of standby letters of credit and performance guarantees These credit guarantees enable the Company's customers, suppliers and the Affiliated companies to execute transactions or obtain desired financing arrangements with third parties Most of these guarantees outstanding at March 31, 2012 will expire within ten years, with certain credit guarantees expiring by the end of 2037 Should the customers, suppliers and the Affiliated companies fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary

At March 31, 2011 and 2012, the amount of possible recoveries under recourse provisions from third parties or from collateral pledged was ¥12,249 million and ¥16,697 million ($204 million), respectively

The liabilities for these credit guarantees were ¥2,546 million and ¥1,571 million ($19 million) at March 31, 2011 and 2012, respectively

As of March 31, 2012, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee

The Company, along with other shareholders, provided an agreement to indemnify the financing party from any loss that might incur due to the failure of the investee (10% owned by the Company) to register the title of the properties associated with an overseas project to obtain $6,700 million financing for the project

The amount of maximum future payment under this indemnification is not included in the amount of the credit guarantee described above because it cannot be estimated due to the nature of the indemnification No provisions have been recorded for the indemnification as the Company's obligation under the indemnification is not probable and estimable

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 which already have been claimed

Product Warranties

Certain subsidiaries accrue estimated product warranty cost, in relation to their sales of products, to provide for warranty claims

The changes in the accrued product warranty cost for the years ended March 31, 2011 and 2012 were as follows

	Millions of Yen		Millions of U S Dollars
	2011	2012	2012
Balance at beginning of year	¥3,184	¥2,600	$32
Accrued cost	1,058	782	9
Payments	(630)	(550)	(7)
Other*	(1,012)	(854)	(10)
Balance at end of year	¥2,600	¥1,978	$24

* "Other" principally includes the effect of changes in estimate for previously accrued warranties and the effect of divestiture of certain subsidiaries

Litigation

The Company is a party to litigation arising in the ordinary course of business In the opinion of management, the liability of the Company, if any, when ultimately determined from the progress of the litigation, will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company

26 SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the Consolidated Statements of Cash Flows is as follows

	Millions of Yen			Millions of U S Dollars
	2010	2011	2012	2012
Cash paid during the year for				
Interest, less amounts capitalized	¥55,031	¥41,109	¥40,894	$499
Income taxes	108,959	139,507	178,790	2,180
Noncash investing and financing activities				
Exchange of shares in connection with business combinations and reorganizations involving investees (Note 5)				
Fair market value of shares received	12,812	45,909		
Cost of shares surrendered	4,013	10,465		
Acquisition of businesses (Note 3)				
Fair value of assets acquired (including goodwill)	5,153	39,556	176,602	2,154
Fair value of liabilities assumed	2,973	4,008	70,569	861
Noncontrolling interest in acquirees	623		5,024	61
Acquisition-date carrying amount of previously held equity interests			20,713	253
Gain on remeasuring the previously held equity interests to fair value—net and gain on bargain purchase			23,220	283
Cash paid, net	1,557	35,548	57,076	696
Assets transferred to direct finance leases		10,127	5,116	62
Issuance of common stock upon conversion of convertible bonds	49		905	11

27 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 26, 2012

Dividends

At the general shareholders' meeting held on June 26, 2012, the Parent was authorized to pay a cash dividend of ¥33 ($0 40) per share, or a total of ¥54,332 million ($663 million) to shareholders of record on March 31, 2012

SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The Company's oil and gas exploration, development and production activities are conducted through subsidiaries and Affiliated companies in offshore and onshore areas of the Pacific Rim, America, Africa and Europe The tables below present supplementary information on these activities

In the following tables, natural gas producing activities include liquefied natural gas ("LNG") producing activities

Table 1 Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
March 31, 2010	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	¥126,944		¥181,316	¥132,620	¥313,936
Unproved oil and gas properties	19,055			38,324	38,324
Subtotal	145,999		181,316	170,944	352,260
Accumulated depreciation, depletion, amortization and valuation allowances	(40,473)		(89,879)	(31,515)	(121,394)
Net capitalized costs	¥105,526		¥91,437	¥139,429	¥230,866

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
March 31, 2011	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	¥131,552		¥190,294	¥121,892	¥312,186
Unproved oil and gas properties	43,722			34,586	34,586
Subtotal	175,274		¥190,294	156,478	346,772
Accumulated depreciation, depletion, amortization and valuation allowances	(49,247)		(96,203)	(32,384)	(128,587)
Net capitalized costs	¥126,027		¥94,091	¥124,094	¥218,185

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
March 31, 2012	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	¥121,177	¥34,053	¥188,939	¥122,712	¥345,704
Unproved oil and gas properties	43,393	84,124		33,778	117,902
Subtotal	164,570	118,177	188,939	156,490	463,606
Accumulated depreciation, depletion, amortization and valuation allowances	(36,131)		(95,181)	(37,132)	(132,313)
Net capitalized costs	¥128,439	¥118,177	¥93,758	¥119,358	¥331,293

	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
March 31, 2012	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	$1,478	$415	$2,304	$1,496	$4,215
Unproved oil and gas properties	529	1,026		412	1,438
Subtotal	2,007	1,441	2,304	1,908	5,653
Accumulated depreciation, depletion, amortization and valuation allowances	(441)		(1,161)	(453)	(1,614)
Net capitalized costs	$1,566	$1,441	$1,143	$1,455	$4,039

Table 2 Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2010	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties				¥531	¥531
Acquisition of unproved properties	¥252				
Exploration costs	3,845		¥132	680	812
Development costs	22,768		13,029	17,284	30,313
Total costs incurred	¥26,865		¥13,161	¥18,495	¥31,656

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2011	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties	¥26,792				
Acquisition of unproved properties	11,986				
Exploration costs	5,666		¥6	¥640	¥646
Development costs	9,189		8,950	5,175	14,125
Total costs incurred	¥53,633		¥8,956	¥5,815	¥14,771

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2012	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties		¥36,091			¥36,091
Acquisition of unproved properties	¥14,319	82,058			82,058
Exploration costs	4,960	7,098	¥693	¥559	8,350
Development costs	8,142		10,114	7,887	18,001
Total costs incurred	¥27,421	¥125,247	¥10,807	¥8,446	¥144,500

	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2012	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties		$440			$440
Acquisition of unproved properties	$175	1,001			1,001
Exploration costs	60	87	$8	$7	102
Development costs	99		123	96	219
Total costs incurred	$334	$1,528	$131	$103	$1,762

Table 3 Results of Operations for Producing Activities

Year Ended March 31, 2010	Millions of Yen Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	¥21,092		¥68,012	¥4,400	¥72,412
Intersegment sales	11,739			5,786	5,786
Expenses					
Production costs	17,235		20,546	6,343	26,889
Exploration costs	2,491		254	828	1,082
Depreciation, depletion, amortization and valuation allowances	12,304		6,594	4,065	10,659
Income tax expense	448		12,140	1,064	13,204
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥353		¥28,478	¥(2,114)	¥26,364

Year Ended March 31, 2011	Millions of Yen Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	¥27,451		¥88,332	¥14,135	¥102,467
Intersegment sales	11,284			5,806	5,806
Expenses					
Production costs	16,739		21,983	8,886	30,869
Exploration costs	5,416		85	434	519
Depreciation, depletion, amortization and valuation allowances	17,067		8,378	5,580	13,958
Income tax expense	1,241		17,336	3,508	20,844
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥(1,728)		¥40,550	¥1,532	¥42,082

Year Ended March 31, 2012	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	¥35,417		¥91,656	¥25,317	¥116,973
Intersegment sales	10,727			6,401	6,401
Expenses					
Production costs	18,412		24,006	11,607	35,613
Exploration costs	3,074		1,039	549	1,588
Depreciation, depletion, amortization and valuation allowances	12,185		8,885	7,378	16,263
Income tax expense	4,610		17,455	3,906	21,361
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥7,863		¥40,271	¥8,278	¥48,549

Year Ended March 31, 2012	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	$432		$1,118	$309	$1,427
Intersegment sales	131			78	78
Expenses					
Production costs	225		293	142	435
Exploration costs	37		13	7	20
Depreciation, depletion, amortization and valuation allowances	149		108	90	198
Income tax expense	56		213	48	261
Results of operations from producing activities (excluding corporate overhead and interest costs)	$96		$491	$100	$591

Table 4 Reserve Quantity Information

Proved gas reserves are constrained to those volumes that are related to firm sales commitments The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based Amounts were calculated based on the average of the price as of the first day of each month during the fiscal year Reserves in the following tables include quantities related to production-sharing contracts ("PSC") Of the total reserve quantities of crude oil, condensate, natural gas liquids, and natural gas in barrels of oil equivalents, the PSC-related reserve quantities comprise 59 percent, 66 percent, and 57 percent of the total reserve quantities for the years ended March 31, 2010, 2011, and 2012 respectively

	Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels)				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2010	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	53		32	18	50
Revisions of previous estimates	(5)		6	(1)	5
Improved recovery				6	6
Purchases	1			(1)	(1)
Sales					
Production	(4)		(5)	(3)	(8)
End of year	45		33	19	52
Proved developed reserves—end of year	28		17	17	34

	Natural Gas (Billions of Cubic Feet)				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	67		714	795	1,509
Revisions of previous estimates	(16)		30	329	359
Improved recovery				145	145
Purchases				3	3
Sales				(6)	(6)
Production	3		(54)	(10)	(64)
End of year	54		690	1,256	1,946
Proved developed reserves—end of year	16		315	1,004	1,319

Year Ended March 31, 2011	Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels)				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	45		33	19	52
Revisions of previous estimates	13		2	1	3
Improved recovery				2	2
Purchases	4				
Sales				(1)	(1)
Production	(7)		(5)	(2)	(7)
End of year	55		30	19	49
Proved developed reserves—end of year	44		13	16	29

	Natural Gas (Billions of Cubic Feet)				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	54		690	1,256	1,946
Revisions of previous estimates	1		(12)	30	18
Improved recovery				28	28
Purchases	259				
Sales				(48)	(48)
Production	(7)		(59)	(39)	(98)
End of year	307		619	1,227	1,846
Proved developed reserves—end of year	33		255	986	1,241

Year Ended March 31, 2012	Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels)				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	55		30	19	49
Revisions of previous estimates	12		1	(1)	
Extensions and discoveries	1				
Purchases		1			1
Sales	(1)				
Production	(8)		(4)	(3)	(7)
End of year	59	1	27	15	43
Proved developed reserves—end of year	44		14	13	27

	Natural Gas (Billions of Cubic Feet)				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	307		619	1,227	1,846
Revisions of previous estimates	(12)		2	(3)	(1)
Improved recovery	9				
Purchases		380			380
Sales	(27)				
Production	(12)		(57)	(43)	(100)
End of year	265	380	564	1,181	2,125
Proved developed reserves—end of year	19		209	942	1,151

Table 5 Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

A standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs, currently enacted tax rates and a 10% annual discount factor Prices and costs were calculated based on the average of the price as of the first day of each month during the fiscal year The natural gas activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the integrated Production Sharing Agreement. On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information)

The proved gas reserves are constrained to those volumes that are related to firm sales commitments The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based Estimates of proved reserve quantities may change over time as new sales commitments become available Consequently, the information provided here does not represent management's estimate of the Company's expected future cash flows or value of the proved reserves

(1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2010	Total	North America	Australia	Indonesia	Total
Future cash inflows	¥265,303		¥619,827	¥251,957	¥871,784
Future production costs	(102,064)		(183,213)	(71,611)	(254,824)
Future development costs	(82,991)		(91,828)	(46,567)	(138,395)
Future income taxes	(15,554)		(112,723)	(47,951)	(160,674)
Undiscounted future net cash flows	64,694		232,063	85,828	317,891
10% annual discount for estimated timing of cash flows	(23,777)		(94,161)	(49,700)	(143,861)
Standardized measure of discounted future net cash flows	¥40,917		¥137,902	¥36,128	¥174,030

	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
Year Ended March 31, 2011	Total	North America	Australia	Indonesia	Total
Future cash inflows	¥338,683		¥704,576	¥414,411	¥1,118,987
Future production costs	(105,358)		(180,322)	(103,968)	(284,290)
Future development costs	(57,729)		(76,064)	(41,410)	(117,474)
Future income taxes	(38,210)		(130,306)	(89,628)	(219,934)
Undiscounted future net cash flows	137,386		317,884	179,405	497,289
10% annual discount for estimated timing of cash flows	(61,115)		(126,287)	(70,944)	(197,231)
Standardized measure of discounted future net cash flows	¥76,271		¥191,597	¥108,461	¥300,058

Year Ended March 31, 2012	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Future cash inflows	¥450,186	¥116,018	¥762,612	¥434,972	¥1,313,602
Future production costs	(125,312)	(48,425)	(197,524)	(100,532)	(346,481)
Future development costs	(74,067)	(49,521)	(98,953)	(36,691)	(185,165)
Future income taxes	(85,385)		(142,192)	(114,708)	(256,900)
Undiscounted future net cash flows	165,422	18,072	323,943	183,041	525,056
10% annual discount for estimated timing of cash flows	(58,256)	(21,421)	(118,385)	(59,428)	(199,234)
Standardized measure of discounted future net cash flows	¥107,166	¥(3,349)	¥205,558	¥123,613	¥325,822

Year Ended March 31, 2012	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Future cash inflows	$5,490	$1,415	$9,300	$5,305	$16,020
Future production costs	(1,529)	(590)	(2,409)	(1,226)	(4,225)
Future development costs	(903)	(604)	(1,207)	(447)	(2,258)
Future income taxes	(1,041)		(1,734)	(1,399)	(3,133)
Undiscounted future net cash flows	2,017	221	3,950	2,233	6,404
10% annual discount for estimated timing of cash flows	(710)	(261)	(1,444)	(725)	(2,430)
Standardized measure of discounted future net cash flows	$1,307	$(40)	$2,506	$1,508	$3,974

(2) Details of Changes for the Year

Year Ended March 31, 2010	Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
	Millions of Yen				
Discounted future net cash flows at April 1	¥22,883		¥109,034	¥40,911	¥149,945
Sales and transfer of oil and gas produced, net of production costs	(14,119)		(52,842)	16,652	(36,190)
Development costs incurred	22,567		14,504	12,073	26,577
Purchases of reserves	341				
Net changes in sales and transfer prices and production costs related to future production	9,707		(7,142)	(28,179)	(35,321)
Changes in estimated future development costs	(27,387)		(15,446)	(7,707)	(23,153)
Revisions of previous quantity estimates	8,141		28,945	(12,651)	16,294
Accretion of discount (10%)	5,339		14,329	12,149	26,478
Net change in income taxes	13,299		12,267	2,397	14,664
Difference of foreign exchange rates	146		34,253	483	34,736
Discounted future net cash flows at March 31	¥40,917		¥137,902	¥36,128	¥174,030

Year Ended March 31, 2011	Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
	Millions of Yen				
Discounted future net cash flows at April 1	¥40,917		¥137,902	¥36,128	¥174,030
Sales and transfer of oil and gas produced, net of production costs	(19,677)		(68,457)	18,353	(50,104)
Development costs incurred	8,584		9,234	2,336	11,570
Purchases of reserves	20,948				
Sales of reserves				(4,029)	(4,029)
Net changes in sales and transfer prices and production costs related to future production	34,094		92,833	112,657	205,490
Changes in estimated future development costs	19,159		4,610	(813)	3,797
Revisions of previous quantity estimates	(16,793)		115	1,982	2,097
Accretion of discount (10%)	4,661		13,933	(6,791)	7,142
Net change in income taxes	(13,579)		2	(47,200)	(47,198)
Difference of foreign exchange rates	(2,043)		1,425	(4,162)	(2,737)
Discounted future net cash flows at March 31	¥76,271		¥191,597	¥108,461	¥300,058

Year Ended March 31, 2012	Millions of Yen Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
Discounted future net cash flows at April 1	¥76,271		¥191,597	¥108,461	¥300,058
Sales and transfer of oil and gas produced, net of production costs	(25,973)		(64,918)	(4,593)	(69,511)
Development costs incurred	7,855		9,705	6,146	15,851
Purchases of reserves		¥(3,349)			(3,349)
Sales of reserves	(1,574)				
Net changes in sales and transfer prices and production costs related to future production	105,990		99,532	41,722	141,254
Changes in estimated future development costs	(22,933)		(37,531)	1,908	(35,623)
Extensions, discoveries and improved recovery, less related costs	2,898				
Revisions of previous quantity estimates	7,485		6,172	(3,748)	2,424
Accretion of discount (10%)	9,862		18,235	7,912	26,147
Net change in income taxes	(50,432)		(7,992)	(29,204)	(37,196)
Difference of foreign exchange rates	(2,283)		(9,242)	(4,991)	(14,233)
Discounted future net cash flows at March 31	¥107,166	¥(3,349)	¥205,558	¥123,613	¥325,822

Year Ended March 31, 2012	Millions of U S Dollars Consolidated Companies Total	Affiliated Companies North America	Australia	Indonesia	Total
Discounted future net cash flows at April 1	$930		$2,337	$1,323	$3,660
Sales and transfer of oil and gas produced, net of production costs	(317)		(792)	(56)	(848)
Development costs incurred	96		118	75	193
Purchases of reserves		$(40)			(40)
Sales of reserves	(19)				
Net changes in sales and transfer prices and production costs related to future production	1,294		1,214	510	1,724
Changes in estimated future development costs	(280)		(458)	23	(435)
Extensions, discoveries and improved recovery, less related costs	35				
Revisions of previous quantity estimates	91		75	(46)	29
Accretion of discount (10%)	120		222	96	318
Net change in income taxes	(615)		(97)	(356)	(453)
Difference of foreign exchange rates	(28)		(113)	(61)	(174)
Discounted future net cash flows at March 31	$1,307	$(40)	$2,506	$1,508	$3,974