

Company Registration No. 02214224

**Mitsubishi Corporation International
(Europe) Plc**

Report and Financial Statements

31 March 2013

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Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2013

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Mitsubishi Corporation International (Europe) Plc

Report and financial statements 2013

Officers and professional advisers

Directors

H Hayashi
S Iwai
T Nambu
J Utsuki
S Kowase
Y Kitagawa
J Kitaguchi
S Shimada

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
10 Upper Bank Street
London
E14 5JJ

Auditor

Deloitte LLP
Chartered Accountants
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 2013

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 2013 amounted to £478 million (2012 £599 million) and the gross profit percentage was 4.76% (2012 3.62%). 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 2013 after taxation amounted to £20.1 million (2012 £58.6 million), this included dividend income of £10.2 million (2011 £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.

Other operating income net of expenses for the current year amounted to £15.3 million which is higher than last year (2012 £13.4 million). There was an increase in service and management fee income and other income. The company has recognised foreign exchange gains of £0.8 million (2012 losses £0.2 million) as a result of favourable exchange rate changes.

The stock holding level has increased by approximately £24 million to £174 million as at 31 March 2013 compared to the prior year (2012 £18 million to £150 million). The amount held in stock at any one time will vary depending upon the timings of deliveries. The proportion of current liabilities to current assets is 88% which has increased compared with the previous year (2012 79%).

In order to reduce the funding deficit and risk in the company's defined benefit pension scheme, the management decided to purchase bulk annuities and deferred annuities to cover pensions in payment and deferred pensions. This was funded by a combination of the sale of other scheme investments and a single company contribution of £8 million in December 2012. The £8 million insurance buy-in was recognised in the statement of total recognised gains and losses and has no impact on the company's profit for the year.

The company has recognised a full provision for impairment of approximately £1 million against the investment in Seabased AB, a Swedish company which develops 'sea wave' technology for power generation due to a delay in the underlying project.

During the year, the company invested a total of approximately £17 million representing 80% of the share capital in a company called MC Engine Leasing Limited (MCELL) which specialises in aircraft engine leasing.

The total dividend income received during the year amounted to £13 million (2012 £52.9 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 to which 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.

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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 company has invested in different industries such as aircraft engine leasing, power transmission projects and renewable energy. The company transferred its Chemical business to the company's subsidiary in Germany in 2011 to enhance Mitsubishi group's chemical business as a whole. This reflects the company's flexibility to take up new challenges and adapt to changes. 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.

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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 an interim dividend of £29,275,000 during the year. The company has not declared a final dividend at the end of March 2013 (2012 interim and final dividend £14,336,000).

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:

H Hayashi	(appointed 9 April 2013)
T Terada	(resigned 9 April 2013)
Y Kitagawa	
S Iwai	(appointed 15 March 2013)
T Aiba	(resigned 15 March 2013)
T Nambu	
S Masuda	(resigned 1 April 2013)
N Iwabuchi	(appointed 1 April 2013 and resigned 28 June 2013)
J Kitaguchi	(appointed 28 June 2013)
K Suzuki	(resigned 1 April 2012)
K Morooka	(resigned 1 April 2012)
J Utsuki	(appointed 1 April 2012)
S Kowase	(appointed 1 April 2012)
Y Koike	(resigned 14 April 2012)
S Shimada	(appointed 8 May 2012)

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Directors' report (continued)

Charitable contributions

Contributions made to charities during the year amounted to approximately £250,000 (2012 £14 000)

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 32 days (2012 28 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



H Hayashi
Managing Director

28th June 2013

Mitsubishi Corporation International (Europe) Plc

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2013 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 2013 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
28 June 2013

Mitsubishi Corporation International (Europe) Plc

Profit and loss account Year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Turnover	1, 2	477,777	598,544
Cost of sales		<u>(455,055)</u>	<u>(576,878)</u>
Gross profit		22,722	21,666
Administrative expenses		(28,740)	(30,955)
Other operating income net of expenses	5	<u>15,273</u>	<u>13,453</u>
Operating profit	4	9,255	4,164
Dividend income from shares in group undertakings		13,001	52,883
Profit on transfer of the chemical business	6	-	2,550
Interest receivable and similar income	7	3,611	2,049
Impairment of fixed asset investment		(947)	-
Interest payable and similar charges	8	<u>(2,153)</u>	<u>(1,660)</u>
Profit on ordinary activities before taxation		22,767	59,986
Tax charge on profit on ordinary activities	9	<u>(2,695)</u>	<u>(1,436)</u>
Profit on ordinary activities after taxation and profit for the financial year	17	<u>20,072</u>	<u>58,550</u>

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.

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Statement of total recognised gains and losses Year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Profit for the financial year		20 072	58 550
Actuarial loss on pension scheme	21	(6,513)	(475)
UK current tax relief attributable to the pension buy-in	21	655	-
UK deferred tax attributable to actuarial loss	21	870	114
Movement on cash flow hedges	20	53	1
UK deferred tax attributable to cash flow hedges		(13)	-
Fair value movement on investment	12	160	(13)
Total recognised gains and losses since the last annual report and financial statements		<u>15,284</u>	<u>58,177</u>

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Balance sheet As at 31 March 2013

	Notes	2013 £'000	2012 £'000
Intangible assets	10	465	814
Tangible fixed assets	11	114	114
Investments	12	116,513	98,678
		<u>117,092</u>	<u>99,606</u>
Current assets			
Stocks	13	173,641	149,848
Debtors			
Due within one year	14	243,276	276,987
Due after more than one year	14	6,089	2,751
Cash at bank and in hand		2,537	1,511
		<u>425,543</u>	<u>431,097</u>
Creditors amounts falling due within one year	15	<u>(373,644)</u>	<u>(341,987)</u>
Net current assets		<u>51,899</u>	<u>89,110</u>
Total assets less current liabilities		<u>168,991</u>	<u>188,716</u>
Creditors: amounts falling due after more than one year	15	<u>(1,680)</u>	<u>(6,165)</u>
Net assets excluding pension asset		<u>167,311</u>	<u>182,551</u>
Pension asset	21	<u>3,133</u>	<u>1,884</u>
Net assets		<u><u>170,444</u></u>	<u><u>184,435</u></u>
Capital and reserves			
Called up share capital	16, 17	120,658	120,658
Hedging reserve	17	41	1
Revaluation reserve	17	622	462
Profit and loss account	17	49,123	63,314
Shareholders' funds	17	<u><u>170,444</u></u>	<u><u>184,435</u></u>

The financial statements of Mitsubishi Corporation International (Europe) Plc registered number 02214224 were approved by the Board of Directors on 28th June 2013

Signed on behalf of the Board of Directors



H Hayashi
Managing Director

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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 cost 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 and control. 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 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 2013.

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 2013 of £328.3 million (£326.7 million (2012: £301.08 million, £298.41 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 £145.6 million (2012: £196.00 million) (see note 14) which are on terms similar to the borrowings and stock of £173.64 million (2012: £149.85 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 four years and IT equipment has an estimated useful life of three years, 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.

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Notes to the accounts Year ended 31 March 2013

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 with gains and losses being recognised through the profit and loss account. Under the SSAP 9 prescribed treatment, the corresponding gain or loss on the physical stock held would not be recognised, 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.

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Notes to the accounts Year ended 31 March 2013

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.

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.

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Notes to the accounts Year ended 31 March 2013

1 Accounting policies (continued)

Financial instruments (continued)

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.

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 manage against any price risk exposure on its aluminium trading operations. However, the company does not apply hedge accounting under FRS26 (Financial Instruments: recognition and measurement) for these derivatives used to manage price risk on commodities. 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.

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Notes to the accounts Year ended 31 March 2013

1 Accounting policies (continued)

Financial instruments (continued)

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.

The company also hedges the foreign currency exchange risks on certain long-term investments (the 'hedged item') that are denominated in US dollars. 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.

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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

	2013 £'000	2012 £'000
Principal	468,988	587 131
Agency	4,439	3,476
Brokerage	4,350	7,937
	<u>477 777</u>	<u>598,544</u>

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.

3 Information regarding directors and employees

	2013 £'000	2012 £'000
Directors' emoluments		
Emoluments	2,352	2 170
Company contributions to money purchase pension scheme	-	3
	<u>2,352</u>	<u>2,173</u>
 The number of directors who	No.	No.
 <i>Are members of a money purchase pension scheme</i>	<u>-</u>	<u>-</u>
	£'000	£'000
 Remuneration of the highest paid director	<u>1 282</u>	<u>992</u>
	No	No
Average number of persons employed (including directors)		
Trading and administration	<u>165</u>	<u>164</u>
	£'000	£'000
Employee costs (excluding directors' emoluments)		
Wages and salaries	8 085	7 046
Social security costs	912	912
Pension costs	846	654
Cost in respect of parent company's employees on secondment	7 307	6 331
	<u>17 150</u>	<u>14,943</u>

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Notes to the accounts

Year ended 31 March 2013

4 Operating profit

Operating profit is stated after charging the following amounts

	2013 £'000	2012 £'000
Depreciation of tangible fixed assets	70	123
Amortisation of intangible fixed assets	490	374
Net rentals payable under operating leases - property	1 560	1,660
Fees payable to the company's auditor for the audit of the company's annual accounts	181	176
Fee payable to the company's auditor and their associates for services to the company		
– other services pursuant to legislation	100	98
– services relating to tax	180	194
– Japanese SOX audit	118	115

5 Other operating income net of expenses

	2013 £'000	2012 £'000
Other operating income and expenses		
Service and management fees and other income	14 694	13 978
Net foreign exchange gains/(losses)	781	(226)
Various other operating income and expenses	(202)	(299)
	15,273	13,453

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

6 Profit on transfer of the chemical business

In the prior year, the company made a profit of £2,550,000 on the transfer of the chemical business in July 2011. This resulted in a tax charge of £663,000 at a tax rate of 26%.

7. Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from group undertakings	1,509	971
Interest receivable from associates	400	449
Bank and other interest receivable	1,702	629
	3,611	2,049

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Notes to the accounts Year ended 31 March 2013

8 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest on bank loans and overdrafts	97	81
Interest payable to group undertakings	1,838	1,510
Net interest on pension liabilities less expected return on pension assets	218	36
Other interest payable	-	33
	<u>2 153</u>	<u>1,660</u>

9. Tax charge on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	2013 £'000	2012 £'000
United Kingdom corporation tax at 24% (2012 26%)	2,439	1,678
Adjustment in respect of prior years	339	(221)
Group taxation relief	-	(269)
	<u>2,778</u>	<u>1,188</u>
Deferred tax		
Timing differences origination and reversal	(83)	248
	<u>2,695</u>	<u>1,436</u>

(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 at 24% (2012 26%). The differences are explained below

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>22,767</u>	<u>59 986</u>
Tax at 24% (2012 26%) thereon	(5 464)	(15,596)
Effects of		
Expenses not taxable/income not deductible for tax purposes	(65)	(142)
FRS 17 Pension adjustment	680	323
Reclassify current tax to STRGL in relation to the pension buy-in	(655)	-
Capital allowances in excess of depreciation	(29)	20
Foreign tax suffered	(26)	(33)
United Kingdom dividend income	3,120	13 750
Group relief for prior year	-	269
Prior year adjustments	(339)	221
Current tax charge for the year	<u>(2,778)</u>	<u>(1,188)</u>

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Notes to the accounts Year ended 31 March 2013

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	(13)
Deferred tax assets	1 633
	<u>1 620</u>

Deferred tax is provided as follows

	At 1 April 2012 £'000	Recognised in income £'000	Recognised in equity £'000	At 31 March 2013 £'000
Accelerated tax depreciation and timing differences	345	76	-	421
Deferred tax in relation to the pension buy-in	-	-	1,212	1,212
Others	-	-	(13)	(13)
	<u>345</u>	<u>76</u>	<u>1,199</u>	<u>1,620</u>

Under UK GAAP, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. The 23% rate has been applied in the calculation of deferred tax.

The Government has announced that it intends to introduce further reductions to the corporation tax rate to 20% by 1 April 2015. 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.

10. Intangible assets

	Software £'000	Total £'000
Cost		
At 1 April 2012	2,103	2 103
Additions	149	149
Disposals	(9)	(9)
At 31 March 2013	<u>2 243</u>	<u>2,243</u>
Accumulated amortisation		
At 1 April 2012	1,289	1 289
Charge for the year	490	490
Disposals	(1)	(1)
At 31 March 2013	<u>1,778</u>	<u>1,778</u>
Net book value		
At 31 March 2013	<u>465</u>	<u>465</u>
At 31 March 2012	<u>814</u>	<u>814</u>

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Notes to the accounts Year ended 31 March 2013

11 Tangible fixed assets

	Vehicles £'000	Furniture, fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2012	20	2,048	466	2,534
Additions	-	40	31	71
Disposals	-	(21)	(38)	(59)
At 31 March 2013	20	2,067	459	2,546
Accumulated depreciation				
At 1 April 2012	6	2,024	390	2,420
Charge for the year	5	26	39	70
Disposals	-	(21)	(37)	(58)
At 31 March 2013	11	2,029	392	2,432
Net book value				
At 31 March 2013	9	38	67	114
At 31 March 2012	14	24	76	114

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 2012	87,010	3,578	3,469	5,254	99,311
Additions	16,841	1,307	-	-	18,148
Disposals	-	(7)	-	(82)	(89)
Fair value movement	-	-	-	160	160
Foreign currency revaluation	409	-	152	-	561
At 31 March 2013	104,260	4,878	3,621	5,332	118,091
Provision					
At 1 April 2012	-	-	-	633	633
Additions	-	-	-	947	947
Disposals	-	-	-	(2)	(2)
At 31 March 2013	-	-	-	1,578	1,578
Net book value					
At 31 March 2013	104,260	4,878	3,621	3,754	116,513
At 31 March 2012	87,010	3,578	3,469	4,621	98,678

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Notes to the accounts Year ended 31 March 2013

12 Investments (continued)

Shares in subsidiary undertaking

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

In addition, during the year the company has invested approximately £17 million (US\$26 million) for an 80% shareholding in a newly formed company called MC Engine Leasing Limited (MCELL) which will specialise in aircraft engine leasing. To hedge against foreign currency movements, the company has a designated loan of the same amount as a fair value hedge of this investment.

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
MC Engine Leasing Limited	United Kingdom	80	17,250
Total			104,260

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

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	87,262	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	2,502,299 Ordinary	Offshore wind power transmission
			4,877,607	

During the year the company has further invested £1.3 million in Diamond UK Transmission Corporation Limited (DUTC) which resulted in total investment of £2.5 million. The remaining 90% of the share capital is owned by Mitsubishi Corporation in Japan. DUTC invests in offshore wind power transmission projects.

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.

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Notes to the accounts Year ended 31 March 2013

12. Investments (continued)

Investment in associates

This represents an investment of £3.6 million (US\$5.5 million) in an Irish joint venture, Deucalion MC Engine Leasing Ltd (DMCELL) specialising in aircraft engine leasing in which the company has a 40% shareholding. To hedge against foreign currency movements, 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\$9.9m is drawn down at year end.

All the above investments are unlisted.

Other investments

The majority of other investments relate to the £3.6 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 held at fair value with fair value changes recognised in equity while the investment in the CIM is accounted for in a manner similar to equity accounting.

Also included within other investments is a £1 million investment in Seabased AB, a Swedish company which develops 'sea wave' technology for power generation. A full provision for impairment has been recognised against this investment in 2013 due to delays in the underlying project. The company will continue to monitor and review the investment on a quarterly basis.

During the year the company has disposed of its total shareholding in Telehouse International Corporation.

All other investments represent minority shareholdings in a number of companies that the company invested in to augment its trading activities. The directors estimate the carrying amount of these investments to be a reasonable approximation of the fair value.

13. Stocks

	2013 £'000	2012 £'000
Finished goods and goods for resale	173,641	149,848

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 2013 would have been £173,641 (2012: £149,848). There is no impact of this on the financial statements as the fair value was equal to the net realisable value which was below cost.

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Notes to the accounts Year ended 31 March 2013

14. Debtors

	2013 £'000	2012 £'000
Amounts due within one year		
Trade debtors	70,071	58,621
Less allowance for doubtful receivables	(1,885)	(1,818)
	<u>68,186</u>	<u>56,803</u>
Amounts owed by parent company and fellow subsidiary undertakings	145,645	196,001
Amount owed by associates	4,988	4,139
Loans to third parties	7,543	7,403
Corporation tax receivable	-	2,207
Deferred tax assets (note 9)	1,633	345
VAT receivable	1,756	-
Prepayments and accrued income	1,175	1,049
Derivative assets (note 20)	12,350	9,040
	<u>243,276</u>	<u>276,987</u>
Amounts due after more than one year		
Amount owed by associates	1,581	2,671
Derivative assets – non current (note 20)	4,490	62
Other receivables	18	18
	<u>6,089</u>	<u>2,751</u>
Total debtors	<u>249,365</u>	<u>279,738</u>

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.

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Notes to the accounts Year ended 31 March 2013

14 Debtors (continued)

Credit risk management (continued)

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 statistical analysis, with customers being individually rated.

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 2013 the company has credit exposure of £10.8 million (31 March 2012: £5.4 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 £0.08 million (31 March 2012: £0.14 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 the provision against doubtful 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

	2013 £'000	2012 £'000
Balance at the beginning of the year	1,818	1,771
Exchange difference	56	23
Provision charged during the year	369	188
Provision used during the year	(179)	(27)
Provision reversed during the year	(179)	(137)
Balance as at end of the year	<u>1,885</u>	<u>1,818</u>

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Notes to the accounts Year ended 31 March 2013

15 Creditors

	2013 £'000	2012 £'000
Amounts falling due within one year		
Bank loans and overdrafts (unsecured)	8,764	12,551
Trade creditors	37,792	35,117
Amounts owed to parent company and fellow subsidiary undertakings	317,969	285,860
Corporation tax	241	-
Other taxation and social security	364	923
Derivative liabilities (note 20)	1,922	2,121
Accruals and deferred income	6,592	5,415
	<u>373,644</u>	<u>341,987</u>
Amounts falling due after more than one year		
Amount owed to fellow subsidiary undertakings	1,581	2,672
Deferred Income	22	49
Derivative liabilities (note 20)	7	74
Other payable	70	3,370
	<u>1,680</u>	<u>6,165</u>
Total creditors	<u>375,324</u>	<u>348,152</u>

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%.

	2013	2012	
	£'000	£'000	
<i>Bank loans and overdrafts (Unsecured)</i>			
The borrowings are repayable as follows			
On demand or within one year	8,764	12,551	
<i>Analysis of borrowings by currency</i>			
	GBP	EUR	US\$
	£'000	£'000	£'000
31 March 2013			
Bank loans	-	38	8,726
31 March 2012			
Bank loans	-	2,880	9,671

In the opinion of the directors the contracted interest rates for borrowings are not materially 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.

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Notes to the accounts Year ended 31 March 2013

16. Called up share capital

	2013 £'000	2012 £'000
Called up, allotted and fully paid		
120,658,154 (2012 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 2012	120,658	63,314	1	462	184,435
Aggregated gains on cash flow hedges (note 20)	-	-	53	-	53
Actuarial loss on pension scheme (note 21)	-	(6,513)	-	-	(6,513)
Fair value movement on investment (note 12)	-	-	-	160	160
Profit after tax for the year	-	20,072	-	-	20,072
Dividend paid (note 24)	-	(29,275)	-	-	(29,275)
Deferred tax on items recognised in equity (notes 21 and 9)	-	1,525	(13)	-	1,512
At 31 March 2013	120,658	49,123	41	622	170,444

18. Contingent liabilities

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

	2013 £'000	2012 £'000
Commitments to honour the repayment of loan obligations	21	56

The Company is, from time to time, party to legal proceedings and claims in respect of product liability and other matters which arise in the ordinary course of business. The directors are aware of only one claim and based on legal advice are of the opinion that the Company has meritorious defence available and is therefore able to defend its position in this matter. While it is not possible to quantify the financial impact or predict with certainty the outcome, the Directors do not anticipate that the claim will have a material adverse effect upon the Company's financial position or results.

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.

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Notes to the accounts Year ended 31 March 2013

19 Operating lease commitments

At 31 March 2013, the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings	
	2013	2012
	£'000	£'000
Leases which expire after more than five years	2,521	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 price exposure that it may have.

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Notes to the accounts Year ended 31 March 2013

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 2013

	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	227,961	-	-	-	-	227,961	227,961
Derivative assets	-	-	-	53	16,840	16,893	16,893
Available-for-sale investments	-	8,632	-	-	-	8,632	8,632
Cash and cash equivalents	2,537	-	-	-	-	2,537	2,537
Financial liabilities							
Trade and other payables							
Non-derivative liabilities	-	-	(107,900)	-	-	(107,900)	(107,900)
Derivative liabilities	-	-	-	-	(1,929)	(1,929)	(1,929)
Bank overdrafts and other loans							
Current	-	-	(256,832)	-	-	(256,832)	(256,832)
Non current	-	-	(1,581)	-	-	(1,581)	(1,581)

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)

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

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Notes to the accounts Year ended 31 March 2013

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

	2013 £'000	2012 £'000
Assets		
Current derivative assets		
- Currency derivatives	1,568	810
- Aluminium commodity contracts	10,782	8,230
	<u>12,350</u>	<u>9,040</u>
Non-current derivative assets		
- Currency derivatives	6	22
- Aluminium commodity contracts	4,484	40
	<u>4,490</u>	<u>62</u>
Liabilities		
Current derivative liabilities		
- Currency derivatives	10	277
- Aluminium commodity contracts	1,912	1,844
	<u>1,922</u>	<u>2,121</u>
Non-current derivative liabilities		
- Currency derivatives	-	1
- Aluminium commodity contracts	7	73
	<u>7</u>	<u>74</u>

The fair values for currency derivatives were calculated using the closing price published in The Financial Times on the last working day of the month and forward point adjustment from Reuters also on the last working day. The fair values for commodity contracts were calculated using the applicable closing rates on the London Metal Exchange and the market premium published by Metal Bulletin.

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 dollar denominated and is hedged by equivalent borrowings also denominated in US dollar. 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 £561,000 (2012: £27,000), offset by a loss of a similar amount on the loan.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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

	2013 £'000	2012 £'000
Aggregated gains on foreign exchange hedges	54	1
Aggregated losses on foreign exchange hedges	-	-
Net gain on foreign exchange hedges	54	1
Gains for the year deferred to equity	54	1
Recycling of amounts from hedging reserve to profit and loss	(1)	-
Net gain/(loss) for the year (note 17)	53	1

As at 31 March 2013, there were three 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	
	2013	2012	2013	2012	2013	2012
Cash flow hedges	\$'000	\$'000	£'000	£'000	£'000	£'000
Buy US dollars						
Less than three months	1,465	578	911	364	54	1
More than three months	-	-	-	-	-	-
	1,465	578	911	364	54	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

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.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

20 Derivatives and financial instruments (continued)

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, the total notional amount of outstanding future commodity contracts was as follows:

	Aluminium	
	£'000	£'000
	Long	Short
31 March 2013	343,602	500,809
31 March 2012	186,481	321,784

These futures contracts cover a variety of settlement periods beyond the balance sheet date, the latest one being due for settlement in December 2015.

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

Aluminium: US\$1,883 – US\$2,107 per metric ton (2012: US\$2,094 – US\$2,260 per metric ton)

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:

	2013	
	Impact on profit and loss account	
	Lowest case (loss) £'000	Highest case (profit) £'000
Aluminium futures	2,447	2,106
Total	2,447	2,106

	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

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 three years. This is consistent with the data and calculations used by management in their internal risk management process.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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 sterling. The foreign currency profits before tax by major currency (other than sterling) for the company are

	2013 £'000	2012 £'000
US Dollar	22,295	15,603
Euro	885	466
Japanese Yen	1,226	4,772

The company manages the foreign currency risk by regularly monitoring the net foreign currency earnings against current exchange rates to sterling. 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
US Dollar	283,052	270,776	179,118	189,995
Euro	13,955	12,682	31,145	56,650
Japanese Yen	646	1,094	2,139	3,249

(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.

Sensitivity analysis profit/(loss) impact

	10% weakening in £ against other currency		10% weakening in £ against other currency	
	2013 £'000	2012 £'000	2012 £'000	2012 £'000
	On net monetary items	On earnings	On net monetary items	On earnings
US Dollar	(11,548)	2,477	(8,976)	1,734
Euro	1,719	98	4,397	52
Japanese Yen	166	136	239	530
Total impact (loss)/profit	(9,663)	2,711	(4,340)	2,316

For a 10% strengthening of Sterling against the relevant currency there would be an almost equal and opposite impact on the earnings and on the monetary items in the balance sheet.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

20 Derivatives and financial instruments (continued)

Foreign currency risk management (continued)

(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 £'000	USD £'000	EUR £'000
31 March 2013	149,947	84,667	23,180
31 March 2012	154,629	83,628	22,783

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 October 2015.

At 31 March 2013 the fair value of the company's currency derivatives is estimated to be a net asset of £1,564,000 (2012 net asset of £554,000). These contracts are valued using pricing techniques involving assumptions based on observable market data to determine the expected settlement amount, which is the present value of the difference between the contract rate and the current forward rate multiplied by the notional currency amount. This comprises £1,564,000 (2012 £554,000) 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 £54,000 (2012 £1,000) as discussed above under hedge accounting.

Listed below are the exchange rate ranges used in calculating the fair value as at 31 March 2013 for the key currencies held as derivatives

US Dollars – Euro	1 2841 – 1 2973	(2012 1 3289 – 1 3339)
US Dollars – Sterling	1 5185 – 1 5176	(2012 1 5843 – 1 5851)
Sterling – Euro	0 8456	(2012 0 8384 – 0 8387)

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 2013 was a gain of £74,301 770 (2012 gain of £40,878,240).

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.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

20. Derivatives and financial instruments (continued)

Interest rate risk management (continued)

(i) Interest rate swaps

From time to time the company uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. As at 31 March 2013 the company has no outstanding interest rate swaps contracts (2012: £nil)

(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 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 2013	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	2,537	-	-	-	-	2,537
Loans to third parties	7,543	-	-	-	-	7,543
Amounts owed by parent company and fellow subsidiary undertakings	47,917	-	-	-	97,728	145,645
Amount owed by associates	4,899	1,581	-	-	89	6,569
Liabilities						
Bank loans and overdrafts	8,764	-	-	-	-	8,764
Amounts owed to parent company and fellow subsidiary undertakings	248,068	1,581	-	-	69,901	319,550

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

20 Derivatives and financial instruments (continued)

Interest rate risk management (continued)

(ii) Interest rate risk (continued)

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

Contracted interest rates on cash at bank and deposit placed range from nil% to 0.25%

Contracted interest rates on loans to third parties and amounts owed by parent company and fellow subsidiary undertakings range from Libor +0.40% to Libor +0.50%

Contracted interest rates on bank loans and amounts owed to parent company and fellow subsidiary undertakings range from Libor -0.125% 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 2013

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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)

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVTPL				
Derivative financial assets	-	16,840	-	16,840
Available-for-sale financial assets				
Unquoted equities	-	-	8,632	8,632
Total	<u>-</u>	<u>16,840</u>	<u>8,632</u>	<u>25,472</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	-	1,929	-	1,929
Total	<u>-</u>	<u>1,929</u>	<u>-</u>	<u>1,929</u>
	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	<u>-</u>	<u>9,102</u>	<u>8,199</u>	<u>17,301</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	-	2,195	-	2,195
Total	<u>-</u>	<u>2,195</u>	<u>-</u>	<u>2,195</u>

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts

Year ended 31 March 2013

20 Derivatives and financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale Unquoted equities	
	2013	2012
	£'000	£'000
Opening balance	8,199	6,988
Total gains or losses		
- impairment loss in profit and loss	(947)	-
- fair value movement in statement of total recognised gains and losses	160	(13)
- purchases less disposals	1,220	1,224
Closing balance	8,632	8,199

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 the 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.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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

	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
2013				
Bank loans and overdrafts	(8,764)	-	-	(8,764)
Other loans	(248,068)	(1,581)	-	(249,649)
Related interest	(202)	(6)	-	(208)
Trade and other payables	(107,808)	(92)	-	(107,900)
Derivative liabilities	(1,922)	(7)	-	(1,929)
Total	(366,764)	(1,686)	-	(368,450)
	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
2012				
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)

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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 2012. This revealed a funding deficit versus the actuarial provisions for the Scheme's liabilities of £5,565,000. Following this the Trustees of the Scheme reviewed their investment policy in consultation with the company. It was decided to reduce risks in the scheme by purchasing bulk annuities and deferred annuities to cover pensions in payment and deferred pensions. This was funded by a combination of the sale of other scheme investments and a single company contribution of £8.0 million in December 2012. The contribution was part of a Recovery Plan dated 3 December 2012 that was designed to both eliminate the funding deficit revealed in the April 2012 valuation and to substantially cover the additional cost experienced by the Scheme in purchasing annuities.

The "Standard Contribution Rate" increased from 25.8% of basic salaries to 47.8% from 1 April 2012.

A new actuarial valuation will be performed as at 1 April 2015.

The pension charge for the period in respect of employees was £659,224 (2012: 1,496,156).

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

	2013	2012
Discount rate (pre and post retirement)	4.50%	4.85%
Rate of increase in salaries	4.60%	4.50%
RPI price inflation	3.60%	3.50%
CPI price inflation	2.40%	2.30%
Rate of increase for pensions in payment (LPI minimum 3% pa where CPI is used from April 2011)	3.35%	3.35%
Rate of increase for pensions in deferment	2.40%	2.30%
Expected Return on scheme assets	4.00%	2.97%
Life expectancy at age 60		
Current pensioners		
- Men	27.8	28.0
- Women	30.6	29.4
Future pensioners now aged 40		
- Men	29.4	29.2
- Women	32.2	30.5

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

21. Pension scheme (continued)

Defined benefit scheme (continued)

Based on the above assumptions the surplus/(deficit) in the scheme at each assessment date was

	2013 £'000	2012 £'000
Fair value of scheme assets	14,382	47,166
Value of Insured annuities	31,399	326
Total Value of scheme assets	45,781	47,492
Present value of funded obligations (including insured annuities)	(41,713)	(35,929)
Surplus in the scheme	4,068	11,563
FRS 17 limit on surplus recognition	-	(9,084)
Pension asset recognised	4,068	2,479
Related deferred tax liability	(935)	(595)
Net pension asset	3,133	1,884

The fair value of the scheme's invested assets at the beginning and at the end of the period are set out below along with the expected rate of return for each class at each assessment date

	Value at 31 March 2013 £'000	Expected return % p a	Value at 31 March 2012 £'000	Expected return % p.a
Bonds	14,293	2.93	43,024	3.15
Cash	89	0.50	4,142	0.95
Insurance annuity	31,399	4.50	326	4.85
Total	45,781	4.00	47,492	2.97

Total expense recognised in profit and loss

	2013 £'000	2012 £'000
Current service cost	354	234
Interest on pension scheme liabilities	1,737	1,664
Expected return on pension scheme assets	(1,519)	(1,628)
Total expense	572	270

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

21. Pension scheme (continued)

Defined benefit scheme (continued)

Annual return on scheme assets

	2013 £'000	2012 £'000
Actual return on scheme assets	(9 375)	7,115

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

	2013 £'000	2012 £'000
Opening defined benefit obligation	35,929	30,775
Current service cost	354	234
Employee contributions	82	81
Interest cost	1,737	1,664
Actuarial losses	4,703	4,298
Benefits paid	(1,092)	(1,123)
Closing defined benefit obligation	41,713	35,929

Changes in the fair value of scheme assets are as follows

	2013 £'000	2012 £'000
Opening fair value of Scheme assets	47,492	39,908
Expected return	1,519	1,628
Sponsor contributions	8,674	1,511
Employee contribution	82	81
Actuarial (losses)/gains	(10,894)	5,487
Benefits paid	(1,092)	(1 123)
Closing fair value of scheme assets	45,781	47,492

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

21 Pension scheme (continued)

Defined benefit scheme (continued)

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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	(10,894)	5,487
Experience gains and losses arising on the scheme liabilities	(1,027)	(123)
Changes in assumptions underlying the present value of the scheme liabilities	(3,676)	(4,175)
Effect of FRS 17 limit on surplus recognition	9 084	(1,664)
	<u>(6,513)</u>	<u>(475)</u>
Current tax on the pension buy-in	655	-
Deferred tax	870	114
	<u>(4,988)</u>	<u>(361)</u>
Actuarial loss recognised in STRGL		

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 £8,613 700 (2012 loss of £3 626,000)

The company's best estimate of the contributions to be paid in respect of the scheme during the financial year ending 31 March 2014 is £705,000

History of experience gains and losses

Details of experience gains and losses for the year to

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience gains and losses on scheme liabilities					
Amount (£'000)	(1 027)	(123)	391	(1,075)	(162)
Percentage of the present value of the scheme liabilities	(2.5%)	(0.3%)	1.3%	(3.5%)	(0.7%)
Difference between the expected and actual return on scheme assets					
Amount (£'000)	(10,894)	5,487	449	1,466	(560)
Percentage of scheme assets	(23.8%)	11.6%	1.1%	4.2%	(1.8%)
Total amount recognised in statement of total recognised gains or losses					
Amount (£'000)	(6,513)	(475)	(4,209)	(2,078)	(239)
Percentage of the present value of the scheme liabilities	(15.6%)	(1.3%)	(13.7%)	(6.7%)	(1.0%)

The company also operates a defined contribution scheme which began on 1 April 2003. The charge for the year (being the contributions made by the company) was £491,881 (2012 £423,310). No amounts were accrued or prepaid as at 31 March 2013.

Mitsubishi Corporation International (Europe) Plc

Notes to the accounts Year ended 31 March 2013

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 2013 £4,899,000 and £1,581,000 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 £400,000 (note 7).

During the year the company has acquired an 80% subsidiary called MC Engine Leasing Limited. The company has recognised £640,000 of interest income as guarantee of a loan. At 31 March 2013 the guarantee loan balance was £76 million.

The company has taken advantage of the exemption from other related party disclosures available in Financial Reporting Standard No 8 - Related Party Disclosures, for transactions with other wholly owned group companies.

24 Equity dividends

Amounts recognised as distributions to equity holders in the year

	2013 £'000	2012 £'000
Interim dividend for year ended 31 March 2013 of £29.3m (2012: £7.17m)	29,275	7,168
Final dividend for year ended 31 March 2013 of nil (2012: £7.17m)	-	7,168
	<u>29,275</u>	<u>14,336</u>

Mitsubishi Corporation
(Mitsubishi Shoji Kabushiki Kaisha)
and Subsidiaries

*Consolidated Balance Sheets as of
March 31, 2012 and 2013, and Related Consolidated
Statements of Income, Comprehensive Income,
Equity, and Cash Flows for Each of the
Three Years in the Period Ended March 31, 2013,
and Independent Auditors' Report*

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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 financial statements of Mitsubishi Corporation (Mitsubishi Shoji Kabushiki Kaisha) and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2012 and 2013, 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, 2013 (all expressed in Japanese yen), and the related notes to the consolidated financial statements

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

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 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 in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and its subsidiaries as of March 31, 2012 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2013 in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the accompanying consolidated financial statements with respect to the year ended March 31, 2012 have been retrospectively adjusted for the change in accounting related to the investment that qualified for the equity method of accounting during the year ended March 31, 2013. Our opinion is not modified with respect to this matter.

Other Matter

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, 2013 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 21, 2013

NOTE TO READERS

Notwithstanding the second paragraph in "Auditors' Responsibility" section 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, 2013 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, 2013, we concluded that our internal control system over financial reporting as of March 31, 2013 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 Shuma Uchino, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Mitsubishi Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council 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, 2013, 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 in Japan (Translation)**

NOTE TO READERS

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

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("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 21, 2013

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 Kohei Kan

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant Kazuaki Furuuchi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant Hideo Shirata

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 of Mitsubishi Corporation (the "Company") and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the fiscal year from April 1, 2012 to March 31, 2013, 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 accordance 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, 2013, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, during the year ended March 31, 2013, the Company entered into a shareholders' agreement concerning the management of Anglo American Sur, S.A. ("Anglo Sur", a Chilean copper mining and smelting company). With the execution of the shareholders' agreement, the Company is able to exert significant influence over Anglo Sur and thus for the year ended March 31, 2013, the Company accounts for its investment in Anglo Sur under the equity method. Accordingly, the Company has retrospectively adjusted its investment in Anglo Sur and the retained earnings of the Company. Our opinion is not qualified in respect of this matter.

< 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, 2013

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 accordance 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, 2013 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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, 2012 and 2013

	Millions of Yen		Millions of U S Dollars (Note 1)
ASSETS	2012	2013	2013
Current assets			
Cash and cash equivalents (Notes 5 and 12)	¥1,252,951	¥1,345,755	\$14,317
Time deposits	116,024	123,654	1,316
Short-term investments (Notes 5 and 12)	19,327	26,880	286
Notes receivable—trade	363,130	341,810	3,636
Accounts receivable—trade	2,379,899	2,505,518	26,655
Loans and other receivables	389,678	455,373	4,844
Receivables from Affiliated companies	250,469	288,113	3,065
Inventories	965,057	1,202,295	12,790
Advance payments to suppliers	157,817	145,270	1,546
Deferred income taxes (Note 15)	45,780	62,135	661
Other current assets (Notes 8, 11, 12 and 16)	258,953	358,374	3,812
Allowance for doubtful receivables (Note 7)	(23,809)	(28,917)	(308)
Total current assets	6,175,276	6,826,260	72,620
Investments and noncurrent receivables			
Investments in and advances to Affiliated companies (Notes 3, 6 and 12)	2,097,976	2,554,161	27,172
Joint investments in real estate	62,290	31,393	334
Other investments (Notes 3, 5, 9 and 12)	1,414,584	1,497,521	15,931
Noncurrent notes, loans and accounts receivable—trade (Notes 9 and 23)	549,712	663,884	7,062
Allowance for doubtful receivables (Note 7)	(30,508)	(29,528)	(314)
Total investments and noncurrent receivables	4,094,054	4,717,431	50,185
Property and equipment (Notes 8, 9 and 23)			
Real estate held for development and resale	90,004	44,973	478
Land	335,731	348,014	3,702
Buildings and structures	794,497	908,286	9,663
Machinery and equipment	964,503	1,102,476	11,728
Aircraft and vessels	475,285	643,596	6,847
Mineral rights	394,206	459,168	4,885
Projects in progress	211,154	446,218	4,747
Total	3,265,380	3,952,731	42,050
Less accumulated depreciation	(1,294,466)	(1,465,267)	(15,588)
Property and equipment—net	1,970,914	2,487,464	26,462
Goodwill (Note 10)	60,498	60,859	647
Other intangible assets—net (Note 10)	107,086	123,401	1,313
Other assets (Notes 3, 11, 12, 15 and 16)	180,492	195,250	2,078
Total assets	¥12,588,320	¥14,410,665	\$153,305

See notes to consolidated financial statements

(Continued)

LIABILITIES AND EQUITY	Millions of Yen		Millions of U S Dollars (Note 1)
	2012	2013	2013
Current liabilities			
Short-term debt (Notes 9 and 14)	¥886,431	¥799,983	\$8,510
Current maturities of long-term debt (Notes 9 and 14)	435,221	590,976	6,287
Notes and acceptances payable—trade	206,049	199,954	2,127
Accounts payable—trade	2,108,171	2,230,074	23,724
Payables to Affiliated companies	186,094	227,354	2,419
Advances from customers	160,795	136,416	1,451
Accrued income taxes	32,360	56,345	600
Other accrued expenses (Note 16)	118,877	126,867	1,350
Other current liabilities (Notes 11, 12, 15, 17 and 23)	331,968	360,144	3,831
Total current liabilities	4,465,966	4,728,113	50,299
Noncurrent liabilities			
Long-term debt, less current maturities (Notes 9 and 14)	3,760,101	4,498,683	47,858
Accrued pension and severance liabilities (Note 16)	51,345	57,702	614
Deferred income taxes (Note 3 and 15)	199,051	264,616	2,815
Other noncurrent liabilities (Notes 11, 12, 17 and 23)	285,080	305,501	3,250
Total noncurrent liabilities	4,295,577	5,126,502	54,537
Total liabilities	8,761,543	9,854,615	104,836
Commitments and contingencies (Note 26)			
Mitsubishi Corporation shareholders' equity (Notes 18, 19 and 28)			
Common stock—authorized, 2,500,000,000 shares, issued, 2012— 1,653,505,751 shares and 2013— 1,653,505,751 shares, outstanding, 2012— 1,646,172,919 shares and 2013— 1,647,157,995 shares	204,447	204,447	2,175
Additional paid-in capital	262,039	262,705	2,795
Retained earnings			
Appropriated for legal reserve	44,133	44,933	478
Unappropriated (Note 3)	3,300,588	3,563,056	37,905
Accumulated other comprehensive income (losses)			
Net unrealized gains on available for sale securities	230,362	305,447	3,249
Net unrealized losses on derivatives (Note 3)	(8,433)	(4,768)	(51)
Defined benefit pension plans (Note 3)	(78,303)	(87,887)	(935)
Foreign currency translation adjustments (Note 3)	(426,450)	(90,265)	(960)
Subtotal	(282,824)	122,527	1,303
Less treasury stock—at cost, 7,332,832 shares in 2012 and 6,347,756 shares in 2013	(20,565)	(17,970)	(191)
Total Mitsubishi Corporation shareholders' equity	3,507,818	4,179,698	44,465
Noncontrolling interest	318,959	376,352	4,004
Total equity	3,826,777	4,556,050	48,469
Total liabilities and equity	¥12,588,320	¥14,410,665	\$153,305

Consolidated Statements of Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2011, 2012 and 2013

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Revenues (Notes 11, 12 and 21)				
Revenues from trading, manufacturing and other activities	¥4,590,888	¥4,944,801	¥5,376,773	\$57,200
Trading margins and commissions on trading transactions	615,985	621,031	592,001	6,298
Total revenues	5,206,873	5,565,832	5,968,774	63,498
Operating transactions (Notes 1 and 21)				
2011—¥19,233,443 million,				
2012—¥20,126,321 million,				
2013—¥20,207,183 million—\$214,970 million				
Cost of revenues from trading, manufacturing and other activities (Notes 11 and 12)	4,056,971	4,437,972	4,939,117	52,544
Gross profit (Note 21)	1,149,902	1,127,860	1,029,657	10,954
Other expenses (income)				
Selling, general and administrative (Note 16)	824,622	850,214	889,955	9,467
Provision for doubtful receivables (Note 7)	9 139	6,524	5,827	62
Interest expense (net of interest income of 2011—¥33,077 million, 2012—¥38,633 million, 2013—¥37,241 million—\$396 million) (Notes 11 and 21)	6,699	3,202	5,990	64
Dividend income (Note 3)	(120,601)	(111,236)	(144,593)	(1,538)
Gain on marketable securities and investments—net (Notes 4, 5, 11, 12 and 21)	(53,439)	(21,968)	(34,132)	(363)
Loss on property and equipment—net (Notes 8 and 10)	2,557	7 085	24,436	260
Other income—net (Notes 4, 10, 11 and 22)	(49,180)	(60,669)	(55,032)	(585)
Total	619,797	673,152	692,451	7,367
Income before income taxes and equity in earnings of Affiliated companies and other	530,105	454,708	337,206	3,587
Income taxes (Notes 15 and 21)				
Current	168,581	130,551	120,552	1,282
Deferred (Note 3)	30,099	37,779	(7,066)	(75)
Total	198,680	168,330	113,486	1,207
Income before equity in earnings of Affiliated companies and other	331,425	286,378	223,720	2,380
Equity in earnings of Affiliated companies and other (Notes 3, 6 and 21)	167,002	192,418	164,274	1,748
Net income (Note 3)	498,427	478,796	387,994	4,128
Less net income attributable to the noncontrolling interest	(33,884)	(26,452)	(27,966)	(298)
Net income attributable to Mitsubishi Corporation (Note 3)	¥ 464,543	¥452,344	¥360,028	\$3,830
	Yen			U S Dollars (Note 1)
Net income attributable to Mitsubishi Corporation per share (Notes 3 and 20)				
Basic	¥282 62	¥274 91	¥218 66	\$2 33
Diluted	281 87	274 30	218 18	2 32

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Mitsubishi Corporation and Subsidiaries

Years Ended March 31, 2011, 2012 and 2013

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Net income	¥498,427	¥478,796	¥387,994	\$4,128
Other comprehensive income (loss), net of tax				
Net unrealized (losses) gains on available-for-sale securities (Notes 5 and 19)	(25,558)	(8,176)	76,992	819
Net unrealized gains (losses) on derivatives (Notes 3, 11 and 19)	12,493	(33,349)	3,036	32
Defined benefit pension plans (Notes 3, 16 and 19)	910	1,225	(10,171)	(108)
Foreign currency translation adjustments (Notes 3 and 19)	(77,648)	(32,722)	351,518	3,740
Total other comprehensive (loss) income, net of tax	(89,803)	(73,022)	421,375	4,483
Comprehensive income	408,624	405,774	809,369	8,611
Comprehensive income attributable to the noncontrolling interest	(26,770)	(22,129)	(43,990)	(469)
Comprehensive income attributable to Mitsubishi Corporation	¥381,854	¥383,645	¥765,379	\$8,142

See notes to consolidated financial statements

Consolidated Statements of Equity

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2011, 2012 and 2013

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Common stock				
Balance, beginning of year—shares issued				
2011—1,696,686,871 shares				
2012—1,697,268,271 shares				
2013—1,653,505,751 shares	¥203,228	¥203,598	¥204,447	\$2,175
Issuance of common stock and reclassification adjustment from additional paid-in capital upon exercise of stock options				
2011—581,400 shares				
2012—475,700 shares				
2013—0 shares (Note 24)	370	396		
Issuance of common stock upon conversion of convertible bond				
2011—0 shares				
2012—761,780 shares				
2013—0 shares (Notes 14 and 27)		453		
Balance, end of year—shares issued				
2011—1,697,268,271 shares				
2012—1,653,505,751 shares				
2013—1,653,505,751 shares (Note 18)	¥203,598	¥204,447	¥204,447	\$ 2,175
Additional paid-in capital				
Balance, beginning of year	¥254,138	¥256,501	¥262,039	\$ 2,788
Compensation costs related to stock options (Note 24)	1,240	1,256	1,006	11
Issuance of common stock and reclassification adjustment to common stock upon exercise of stock options (Note 24)	122	(116)		
Sales of treasury stock upon exercise of stock options (Note 24)		(636)	(925)	(10)
Issuance of common stock upon conversion of convertible bond (Notes 14 and 27)		452		
Losses on sales of treasury stock	(1)			
Retirement of treasury stock (Note 18)		(9)		
Equity transactions with the noncontrolling interest and others	1,002	4,591	585	6
Balance, end of year	¥256,501	¥262,039	¥262,705	\$ 2,795
Retained earnings appropriated for legal reserve				
Balance, beginning of year	¥43,189	¥43,670	¥44,133	\$469
Transfer from unappropriated retained earnings	481	463	800	9
Balance, end of year	¥43,670	¥44,133	¥44,933	\$478

(Continued)

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Unappropriated retained earnings				
Balance, beginning of year	¥2,708,547	¥3,095,348	¥3,300,588	\$35,113
Net income attributable to Mitsubishi Corporation (Note 3)	464,543	452,344	360,028	3,830
Total	3,173,090	3,547,692	3,660,616	38,943
Deduct				
Cash dividends paid to Mitsubishi Corporation's shareholders (annual rate per share of 2011—¥47 0 2012—¥71 0 2013—¥58 0—\$ 0 62)	(77,261)	(116,802)	(95,503)	(1,016)
Transfer to retained earnings appropriated for legal reserve	(481)	(463)	(800)	(9)
Sales of treasury stock upon exercise of stock options (Note 24)		(1,237)	(1,257)	(13)
Losses on sales of treasury stock		(1)		
Retirement of treasury stock (Note 18)		(128,601)		
Total	(77,742)	(247,104)	(97,560)	(1,038)
Balance, end of year	¥3,095,348	¥3,300,588	¥3,563,056	\$37,905
Accumulated other comprehensive income (loss), net of tax				
Balance, beginning of year	¥(131,436)	¥(214,125)	¥(282,824)	\$(3,009)
Net unrealized (losses) gains on available-for-sale securities (Notes 5 and 19)	(24,505)	(6,430)	75,085	799
Net unrealized gains (losses) on derivatives (Notes 3, 11 and 19)	12,445	(32,787)	3,665	39
Defined benefit pension plans (Notes 3, 16 and 19)	833	1,251	(9,584)	(102)
Foreign currency translation adjustments (Notes 3 and 19)	(71,462)	(30,733)	336,185	3,576
Balance, end of year	¥(214,125)	¥(282,824)	¥122,527	\$1,303
Treasury stock				
Balance, beginning of year	¥(151,572)	¥(151,650)	¥(20,565)	\$(219)
Sales of treasury stock upon exercise of stock options (Note 24)		2,491	2,578	28
Purchases and sales—net (Note 18)	(78)	(16)	17	
Retirement (Note 18)		128,610		
Balance, end of year	¥(151,650)	¥(20,565)	¥(17,970)	\$(191)
Total Mitsubishi Corporation shareholders' equity	¥3,233,342	¥3,507,818	¥4,179,698	\$44,465
Noncontrolling interest				
Balance, beginning of year	¥306,174	¥316,603	¥318,959	\$3,393
Cash dividends paid to the noncontrolling interest	(21,050)	(20,870)	(14,584)	(155)
Equity transactions with the noncontrolling interest and others	4,709	1,097	27,987	298
Net income attributable to the noncontrolling interest	33,884	26,452	27,966	298
Net unrealized (losses) gains on available-for-sale securities, net of tax	(1,053)	(1,746)	1,907	20
Net unrealized gains (losses) on derivatives, net of tax	48	(562)	(629)	(7)
Defined benefit pension plans, net of tax	77	(26)	(587)	(6)
Foreign currency translation adjustments, net of tax	(6,186)	(1,989)	15,333	163
Balance, end of year	¥316,603	¥318,959	¥376,352	\$4,004

(Continued)

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Total equity				
Balance, beginning of year	¥3,232,268	¥3,549,945	¥3,826,777	\$40,710
Issuance of common stock upon exercise of stock options	492	280		
Sales of treasury stock upon exercise of stock options		618	396	4
Compensation costs related to stock options	1,240	1,256	1,006	11
Issuance of common stock upon conversion of convertible bond		905		
Losses on sales of treasury stock	(1)	(1)		
Net income	498,427	478,796	387,994	4,128
Cash dividends paid to Mitsubishi Corporations' shareholders	(77,261)	(116,802)	(95,503)	(1,016)
Cash dividends paid to the noncontrolling interest	(21,050)	(20,870)	(14,584)	(155)
Net unrealized (losses) gains on available-for-sale securities, net of tax	(25,558)	(8,176)	76,992	819
Net unrealized gains (losses) on derivatives, net of tax	12,493	(33,349)	3,036	32
Defined benefit pension plans, net of tax	910	1,225	(10,171)	(108)
Foreign currency translation adjustments, net of tax	(77,648)	(32,722)	351,518	3,740
Purchases and sales—net of treasury stock	(78)	(16)	17	
Equity transactions with the noncontrolling interest and others	5,711	5,688	28,572	304
Balance, end of year	¥3,549,945	¥3,826,777	¥4,556,050	\$48,469

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Mitsubishi Corporation and Subsidiaries

Years Ended March 31, 2011, 2012 and 2013

	Millions of Yen			Millions of U S Dollars (Note 1)
	2011	2012	2013	2013
Operating activities				
Net income	¥498,427	¥478,796	¥387,994	\$4,128
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	143,819	145,428	157,405	1,675
Provision for doubtful receivables	9,139	6,524	5,827	62
Accrued pension and severance costs, less payments	(3,746)	5,955	(2,354)	(25)
Gain on marketable securities and investments—net	(53,439)	(21,968)	(34,132)	(363)
Loss on property and equipment—net	2,557	7,085	24,436	260
Equity in earnings of Affiliated companies and other, less dividends received	(19,979)	(48,277)	(29,658)	(316)
Deferred income taxes	30,099	37,779	(7,066)	(75)
Changes in operating assets and liabilities				
Short-term investments—trading securities	(127)	(360)	638	7
Notes and accounts receivable—trade	(164,364)	(285,469)	64,760	689
Inventories	(163,488)	(95,387)	(100,478)	(1,069)
Notes, acceptances and accounts payable—trade	74,431	255,880	5,150	55
Advance payments to suppliers	27,012	40,420	6,355	68
Advances from customers	(40,272)	(38,644)	(19,260)	(205)
Other receivables	10,865	(6,188)	(17,106)	(182)
Other payables	(15,765)	57,593	53,034	564
Other accrued expenses	11,046	8,722	(230)	(2)
Other current assets	24,628	23,151	(22,566)	(240)
Other current liabilities	22,803	31,389	(2,232)	(24)
Other noncurrent liabilities	600	12,271	(11,796)	(126)
Other—net	(63,042)	(64,006)	(55,408)	(590)
Net cash provided by operating activities	331,204	550,694	403,313	4,291
Investing activities				
Expenditures for property and equipment	(228,654)	(412,991)	(577,961)	(6,149)
Proceeds from sales of property and equipment	44,366	49,038	45,304	482
Investments in and advances to Affiliated companies and other	(106,214)	(842,725)	(408,551)	(4,346)
Proceeds from sales of investments in and collection of advances to Affiliated companies and other	38,686	87,122	164,057	1,745
Acquisitions of businesses, net of cash acquired	(35,548)	(57,076)	(12,439)	(132)
Proceeds from sales of businesses, net of cash divested	3,844	21,546	2,063	22
Purchases of available-for-sale securities	(242,201)	(34,273)	(19,792)	(211)
Proceeds from sales of available-for-sale securities	50,068	20,831	65,602	698
Proceeds from maturities of available-for-sale securities	263,738	55,263	21,537	229
Purchases of other investments	(48,510)	(109,955)	(61,027)	(649)
Proceeds from sales of other investments	65,481	95,494	82,736	880
Increase in loans receivable	(277,529)	(118,644)	(198,252)	(2,109)
Collection of loans receivable	206,397	162,888	148,503	1,580
Net decrease (increase) in time deposits	3,475	(17,431)	(4,257)	(45)
Net cash used in investing activities	(262,601)	(1,100,913)	(752,477)	(8,005)

(Continued)

Financing activities

Net increase (decrease) in short-term debt	127,216	257,898	(147,553)	(1,570)
Proceeds from long-term debt—net of issuance cost	574,254	995,932	1,385,319	14,738
Repayment of long-term debt	(526,435)	(532,937)	(728,347)	(7,748)
Payment of dividends	(77,261)	(116,802)	(95,503)	(1,016)
Payment of dividends to the noncontrolling interest	(21,050)	(20,870)	(14,584)	(155)
Payment for acquisition of subsidiary's interests from the noncontrolling interest	(6,620)	(2,440)	(893)	(10)
Proceeds from sales of subsidiary's interests to the noncontrolling interest	6,172	17,385	2,858	30
Proceeds from issuing common stock upon exercise of stock options	492	280		
Net (increase) decrease in treasury stock	(19)	613	390	4
Net cash provided by financing activities	76,749	599,059	401,687	4,273
Effect of exchange rate changes on cash and cash equivalents	(17,154)	(4,631)	40,281	428
Net increase in cash and cash equivalents	128,198	44,209	92,804	987
Cash and cash equivalents, beginning of year	1,080,544	1,208,742	1,252,951	13,330
Cash and cash equivalents, end of year	¥1,208,742	¥1,252,951	¥1,345,755	\$14,317

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, 2013 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥94=\$1, the rate of exchange as of March 31, 2013. 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 or 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, 2012 and 2013.

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.

Investments in Marketable and Nonmarketable Securities—

Investments in debt and marketable equity securities are classified as either trading securities or available-for-sale securities according to the purpose of investment. 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, an other-than-temporary impairment is recognized in earnings equal to the entire difference between the fair value and the amortized cost 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 an estimate of losses from uncollectible receivables and is established based upon primarily the Company's past credit loss experience and an evaluation of the probability of future defaults. When it is probable that the Company will be unable to collect all amounts according to the contractual terms of the receivables agreement, the receivables are considered to be impaired. The impairment amount of such receivables 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 the average-cost method or the specific-identification method) or market (based on current replacement cost).

Investments in Real Estate Subject to Joint Control—

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

Property and Equipment—

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

Buildings and structures	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, the Company measures capital lease assets and capital lease obligations initially at the amount equal to the present value at the beginning of the lease term of minimum lease payments. Rental expenses under operating leases are recognized over the respective lease terms using the 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 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 mainly 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 mainly consist of software, manufacturing, sales and service licenses and trademarks, intellectual properties related to feasibility studies and customer relationships. 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, 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.

Mining Operations—

Mining exploration costs are charged to expense 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 long-lived 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 directors other than outside directors, executive officers and employees, 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 ask 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 charged to expense when incurred. Advertising costs for the years ended March 31, 2011, 2012 and 2013 were ¥14,153 million, ¥13,762 million and ¥14,420 million (\$153 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, 2011, 2012 and 2013 were ¥4,542 million, ¥4,980 million and ¥5,367 million (\$57 million), respectively.

Income Taxes—

The provision for income taxes is computed based on "Income before income taxes and equity in earnings of Affiliated companies and other" 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 file a consolidated corporate income tax return as a consolidation group.

Derivatives—

The Company utilizes derivative instruments primarily to manage interest rate risks, to reduce exposure to movements in foreign exchange rates, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported in 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 foreign-currency-denominated sales transactions. Additionally, commodity swaps and futures contracts which qualify as cash flow hedges, are utilized to hedge the fluctuation of commodity price risk. 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 Consolidated 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 Mitsubishi Corporation 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 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.

Certain Physical Commodity Swap Transactions Related to Precious Metals—

The Company accounted for certain physical commodity swap transactions related to precious metals as product financings from the year ended March 31, 2013. Prior to March 31, 2013, the Company accounted for these transactions as sales and purchases of physical commodities instead of product financings. As the result, inventories and other current liabilities increased by ¥69,113 million (\$735 million), respectively for the year ended March 31, 2013.

The Company did not restate the balances in connection with such transactions in the consolidated financial statements for the year ended March 31, 2012, as the amounts did not materially affect the Company's consolidated financial statements.

Subsequent Events—

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

New Accounting Standards—

Recently adopted accounting pronouncements

Effective April 1, 2012, the Company adopted Accounting Standards Update ("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 the 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. The Company did not elect the option of performing a qualitative assessment and thus the adoption of ASU No. 2011-08 did not have impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2013.

Recent accounting pronouncements not yet adopted

In December 2011, Financial Accounting Standards Board (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 a default on the subsidiary's nonrecourse debt. ASU No 2011-10 does not revise ASC Subtopic 360-20 itself but clarifies the scope it covers. ASU No 2011-10 is effective for fiscal years, and interim periods within those 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 or results of operations.

In July 2012, the FASB issued ASU No 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." ASU No 2012-02 provides entities with the option of performing a qualitative assessment before performing the quantitative indefinite-lived intangible assets impairment test. Only if an entity determines in the qualitative assessment that it is more likely than not that the fair value of the indefinite-lived intangible assets is less than the carrying amount, an entity is required to perform the quantitative indefinite-lived intangible assets impairment test. ASU No 2012-02 does not change how indefinite-lived intangible assets are calculated, nor does it revise the requirement to test indefinite-lived intangible assets at least annually for impairment. ASU No 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2013. The Company will not elect the option of performing a qualitative assessment.

In February 2013, the FASB issued ASU No 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date." ASU No 2013-04 provides entities with the guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liabilities arrangements for which the total amount of the obligation is fixed at the reporting date. ASU No 2013-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating ASU No 2013-04 to determine its impact on the Company's consolidated financial position and results of operations.

In March 2013, the FASB issued ASU No 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU No 2013-05 provides entities with guidance for the treatment of the cumulative translation adjustment upon derecognition. ASU No 2013-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating ASU No 2013-05 to determine its impact on the Company's consolidated financial position and results of operations.

In June 2013, the FASB issued ASU No 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements." ASU No 2013-08 changes the approach to the investment company assessment in ASC Topic 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. ASU No 2013-08 also amends the measurement criteria for noncontrolling ownership interests in other investment companies and provides additional disclosure requirements. ASU No 2013-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating ASU No 2013-08 to determine its impact on the Company's consolidated financial position and results of operations.

3 RETROSPECTIVE ADJUSTMENT OF PRIOR YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

During the year ended March 31, 2013, the Company entered into a shareholders' agreement, concerning the management of Anglo American Sur, S A ("Anglo Sur", a Chilean copper mining and smelting company), with Anglo American plc and the other shareholders. The Company had held an equity interest in Anglo Sur since the year ended March 31, 2012, and had previously applied the cost method for the investment.

With the execution of the shareholders' agreement, the Company is able to exert significant influence over Anglo Sur, and thus for the year ended March 31, 2013, the Company accounts for its investment in Anglo Sur under the equity method.

Accordingly, the Company has retrospectively adjusted its investment in Anglo Sur and the retained earnings of the Company. The effect of the retrospective adjustment on the consolidated financial statements as of and for the year ended March 31, 2012 is as follows:

	Millions of Yen	
	2012	
	As Originally Reported	As Adjusted
Consolidated Balance Sheets		
Investments in and advances to Affiliated companies	¥1,660,383	¥2,097,976
Other investments	1,854,619	1,414,584
Other assets	178,243	180,492
Noncurrent liabilities-Deferred income taxes	197,734	199,051
Retained earnings-Unappropriated	3,302,093	3,300,588
Net unrealized losses on derivatives	(8,421)	(8,433)
Defined benefit pension plans	(78,318)	(78,303)
Foreign currency translation adjustments	(426,442)	(426,450)
Consolidated Statements of Income		
Dividend income	115,498	111,236
Deferred income taxes	(38,627)	(37,779)
Equity in earnings of Affiliated companies and other	190,509	192,418
Net income	480,301	478,796
Net income attributable to Mitsubishi Corporation	453,849	452,344
	Yen	
	2012	
	As Originally Reported	As Adjusted
Earnings per share		
Net income attributable to Mitsubishi Corporation per share		
Basic	¥275.83	¥274.91
Diluted	275.22	274.30

4 BUSINESS COMBINATIONS

Significant business combinations for the year ended March 31, 2012 and recognized adjustments for the year ended March 31, 2013 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 expected to expand the earnings power of the Company in the plastics business and its 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
	2012
Fair value of consideration paid	¥3,597
Fair value of previously held equity interest	1,115
Fair value of noncontrolling interest	3,064
Total	<u>¥7,776</u>
Fair value of assets acquired and liabilities assumed	
Current assets	¥27,721
Investments and noncurrent receivables	1,712
Property and equipment	17,759
Other assets	2,072
Current liabilities	(32,079)
Noncurrent liabilities	(3,500)
Net assets	<u>¥13,685</u>

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a gain of ¥75 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. 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 measured at 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
	2012
Revenues	¥16,026
Net income attributable to Mitsubishi Corporation	<u>¥681</u>

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 the outstanding equity 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

As the initial measurement for the business combination, mainly the purchase price allocation for property and equipment, other intangible assets, deferred income taxes, was not completed as of the year ended March 31, 2012, the Company reported provisional amounts for the items in the consolidated financial statements. The initial measurement has been completed for the year ended March 31, 2013. The following table summarizes the final fair values of consideration paid, previously held equity interest, as well as the assets acquired and liabilities assumed at the date of the acquisition. The measurement period adjustments did not have a significant impact on the Company's results of operations and financial position and, therefore, the Company has not retrospectively adjusted the consolidated financial statements

	Millions of Yen	Millions of Yen
	2012	2013
Fair value of consideration paid	¥27,830	¥27,830
Fair value of previously held equity interest	23,224	27,830
Total	¥51,054	¥55,660
Fair value of assets acquired and liabilities assumed		
Current assets	¥3,268	¥2,866
Property and equipment	40,521	33,385
Other intangible assets-net	14,895	14,937
Other assets		7,129
Current liabilities	(3,176)	(2,657)
Noncurrent liabilities	(9,068)	
Net assets	¥46,440	¥55,660
Goodwill	4,614	
Total	¥51,054	¥55,660

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a gain of ¥15,195 million in "Gain on marketable securities and investments-net" for the year ended March 31, 2012 and 2013 in total

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

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

Significant business combinations for the year ended March 31, 2013 were as follows

Acquisition of M O TEC CORPORATION

On February 20, 2013 (the acquisition date), the Company acquired through a tender offer an additional 52.83% of voting rights in M O TEC CORPORATION ("M O TEC ") whose business involves lease, sales, construction, maintenance and transportation of materials for temporary construction

These rights, added to its previously held equity interest, raised the Company's ownership of M O TEC to 94.56% of voting rights. As a result, M O TEC became a subsidiary of the Company as the Company obtained control of M O TEC. The acquisition of M O TEC is intended to expand the earnings power in the structural steel, ferrous raw materials business and heavy temporary construction business.

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 2013	Millions of U S Dollars 2013
Fair value of consideration paid	¥2,580	\$27
Fair value of previously held equity interest	1,962	21
Fair value of noncontrolling interest	281	3
Total	¥4,823	\$51
Fair value of assets acquired and liabilities assumed		
Current assets	¥35,892	\$382
Investments and noncurrent receivables	984	10
Property and equipment	10,487	112
Other intangible assets-net	357	4
Other assets	13	
Current liabilities	(28,690)	(305)
Noncurrent liabilities	(3,438)	(37)
Net assets	¥15,605	\$166

Upon remeasuring the fair value of its previously held equity interests, the Company recorded a gain of ¥202 million (\$2 million) in "Gain on marketable securities and investments-net" for the year ended March 31, 2013.

This business combinations resulted in a bargain purchase transactions 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 interests by ¥10,782 million (\$115 million). The Company has recognized the amount as a gain for the year ended March 31, 2013 and recorded the amount in "Other income-net" in the Metals segment.

The fair value of the previously held equity interest and noncontrolling interest in M O TEC, a listed entity, are measured at quoted market price.

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

Acquisition of YONEKYU CORPORATION

On February 27, 2013 (the acquisition date), the Company acquired through a tender offer an additional 44.27% of voting rights in YONEKYU CORPORATION ("YONEKYU") whose business involves production and sale of meat, foods and beverage, and management of restaurants, etc.

These rights, added to its previously held equity interest, raised the Company's ownership of YONEKYU to 71.02% of voting rights. As a result, YONEKYU became a subsidiary of the Company as the Company obtained control of YONEKYU. The acquisition of YONEKYU is expected to enhance the Company's feed and meat business.

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
	2013	2013
Fair value of consideration paid	¥10,670	\$113
Fair value of previously held equity interest	6,447	69
Fair value of noncontrolling interest	5,426	58
Total	¥22,543	\$240
Fair value of assets acquired and liabilities assumed		
Current assets	¥34,076	\$363
Investments and noncurrent receivables	5,902	63
Property and equipment	18,336	195
Other intangible assets	716	7
Other assets	1,396	15
Current liabilities	(24,550)	(261)
Noncurrent liabilities	(2,636)	(28)
Net assets	¥33,240	\$354

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a gain of ¥985 million (\$10 million) in "Gain on marketable securities and investments-net" for the year ended March 31, 2013.

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 ¥10,697 million (\$114 million). The Company has recognized the amount as a gain for the year ended March 31, 2013 and recorded the amount in "Other income-net" in the Living Essentials segment.

The fair value of the previously held equity interest in YONEKYU, a listed entity, is measured at the quoted market price. The fair value of noncontrolling interest in YONEKYU, is measured at the price based on the quoted market price with an adjustment for control premium.

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.

5 INVESTMENTS IN MARKETABLE AND NONMARKETABLE SECURITIES

Investments in marketable and nonmarketable securities at March 31, 2012 and 2013 were as follows

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
(Short-term investments)			
Trading	¥9,021	¥11,800	\$126
Available-for-sale (excluding cash and cash equivalents)	10,306	15,080	160
Total	¥19,327	¥26,880	\$286
	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
(Other investments)			
Available-for-sale	¥973,879	¥1,067,805	\$11,360
Investments in Other than Debt and Marketable Equity Securities	440,705	429,716	4,571
Total	¥1,414,584	¥1,497,521	\$15,931

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 used to determine fair value is in the "Assets and Liabilities Measured at Fair Value on a Recurring Basis" section of Note 12. Information regarding each category of securities classified as trading and available-for-sale at March 31, 2012 and 2013 was as follows

March 31, 2012	Millions of Yen			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
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, 2013	Millions of Yen			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as				
Trading				<u>¥11,800</u>
Available-for-sale				
Marketable equity securities				
Domestic	¥361,904	¥357,632	¥(7,875)	711,661
Foreign	116,662	190,216	(875)	306,003
Total marketable equity securities	<u>478,566</u>	<u>547,848</u>	<u>(8,750)</u>	<u>1,017,664</u>
Debt securities				
Domestic	19,083	11	(3)	19,091
Foreign	52,483	124	(3,251)	49,356
Total debt securities	<u>71,566</u>	<u>135</u>	<u>(3,254)</u>	<u>68,447</u>
Total available-for-sale	<u>¥550,132</u>	<u>¥547,983</u>	<u>¥(12,004)</u>	<u>¥1,086,111</u>

March 31, 2013	Millions of U S Dollars			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities classified as				
Trading				<u>\$126</u>
Available-for-sale				
Marketable equity securities				
Domestic	\$3,850	\$3,805	\$(84)	7,571
Foreign	1,241	2,023	(9)	3,255
Total marketable equity securities	<u>5,091</u>	<u>5,828</u>	<u>(93)</u>	<u>10,826</u>
Debt securities				
Domestic	203			203
Foreign	558	2	(35)	525
Total debt securities	<u>761</u>	<u>2</u>	<u>(35)</u>	<u>728</u>
Total available-for-sale	<u>\$5,852</u>	<u>\$5,830</u>	<u>\$(128)</u>	<u>\$11,554</u>

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, 2012 and 2013

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 ¥3,149 million and ¥3,226 million (\$34 million) at March 31, 2012 and 2013, respectively

The carrying values of debt securities classified as available-for-sale at March 31, 2012 and 2013, by contractual maturity, were as follows

	Millions of Yen 2012	
Due in one year or less		
Domestic	¥7,097	
Foreign	6,358	
Total due in one year or less	13,455	
Due after one year through five years		
Domestic	12,182	
Foreign	36,759	
Total due after one year through five years	48,941	
Due after five years through ten years		
Domestic	40	
Foreign	7,093	
Total due after five years through ten years	7,133	
Total	¥69,529	

	Millions of Yen 2013	Millions of U S Dollars 2013
Due in one year or less		
Domestic	¥6,198	\$66
Foreign	12,108	129
Total due in one year or less	18,306	195
Due after one year through five years		
Domestic	12,253	130
Foreign	37,248	396
Total due after one year through five years	49,501	526
Due after five years through ten years		
Domestic	640	7
Foreign		
Total due after five years through ten years	640	7
Total	¥68,447	\$728

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, 2013.

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, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Proceeds from sales	¥50,068	¥20,831	¥65,602	\$698
Gross realized gains	¥31,774	¥11,399	¥38,237	\$407
Gross realized losses	(485)	(989)	(544)	(6)
Net realized gains	¥31,289	¥10,410	¥37,693	\$401

The amounts of trading gains and losses for the period that relate to trading securities still held at the reporting date were losses of ¥316 million, losses of ¥967 million and losses of ¥400 million (\$4 million), for the years ended March 31, 2011, 2012 and 2013, respectively.

For the years ended March 31, 2011, 2012 and 2013, impairment losses of ¥12,073 million, ¥3,314 million and ¥11,459 million (\$122 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, 2012 and 2013

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Balance at beginning of year	¥8,310	¥8,310	\$88
Additions for debt securities that have been previously impaired			
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	\$88

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, 2012 and 2013

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2012						
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)

	Millions of Yen					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2013						
Marketable equity securities						
Domestic	¥96,216	¥(5,202)	¥17,325	¥(2,673)	¥113,541	¥(7,875)
Foreign	19,129	(792)	647	(83)	19,776	(875)
Total marketable equity securities	115,345	(5,994)	17,972	(2,756)	133,317	(8,750)
Debt securities						
Domestic			2,997	(3)	2,997	(3)
Foreign	8,356	(172)	39,961	(3,079)	48,317	(3,251)
Total debt securities	8,356	(172)	42,958	(3,082)	51,314	(3,254)
Total	¥123,701	¥(6,166)	¥60,930	¥(5,838)	¥184,631	¥(12,004)

	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
March 31, 2013						
Marketable equity securities						
Domestic	\$1,024	\$(56)	184	\$(28)	\$1,208	\$(84)
Foreign	203	(8)	7	(1)	210	(9)
Total marketable equity securities	1,227	(64)	191	(29)	1,418	(93)
Debt securities						
Domestic			32		32	
Foreign	89	(2)	425	(33)	514	(35)
Total debt securities	89	(2)	457	(33)	546	(35)
Total	\$1,316	\$(66)	\$648	\$(62)	\$1,964	\$(128)

Marketable equity securities—The Company's unrealized losses on investments in marketable equity securities mainly relate to investments in the common stock of approximately 100 customers and suppliers of the Company. The unrealized losses were due to decline in market prices. The fair values of individual investments are approximately 1% to 26% 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 extent that 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, 2013.

In connection with certain reorganizations undertaken by issuers in which the Company held shares, the Company recognized gains or losses on the exchange of its investment for the acquiree's shares, based on the difference between the fair value of the acquirer's shares and the recorded basis of shares surrendered, amounting to net loss of ¥487 million (\$5 million) for the year ended March 31, 2013.

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 30% 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, 2013.

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 ¥364,575 million and ¥352,991 million (\$3,755 million) at March 31, 2012 and 2013, respectively. Other investments also include guarantee deposits, investments in noncurrent time deposits, and others, amounting to ¥76,130 million and ¥76,725 million (\$816 million) at March 31, 2012 and 2013, respectively.

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 used to determine fair value is in the "Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis" section of Note 12. 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 ¥362,828 million and ¥337,085 million (\$3,586 million) at March 31, 2012 and 2013, 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 ¥5,261 million, ¥3,188 million and ¥10,367 million (\$110 million) for the years ended March 31, 2011, 2012 and 2013, respectively.

6 INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to Affiliated companies at March 31, 2012 and 2013 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Investments in Affiliated companies	¥1,988,236	¥2,425,361	\$25,802
Advances	109,740	128,800	1,370
Total	¥2,097,976	¥2,554,161	\$27,172

Affiliated companies include, among others, LAWSON, INC ("LAWSON," 32.49%), Japan Australia LNG (MIMI) Pty, Ltd (50.00%), MI Berau B V ("MI Berau," 56.00%), Hokuetsu Kishu Paper Co., Ltd (25.15%), SPDC Ltd (30.39%), Mozal S A R L (25.00%), ENCORE ENERGY PTE LTD (39.40%), Chiyoda Corporation (33.56%), 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%), Iron Ore Company of Canada (26.18%), Anglo American Sur S A (20.44%), and Sulawesi LNG Development Ltd ("Sulawesi LNG Development," 75.00%)

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX"), 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 Company holds a 75% ownership interest in Sulawesi LNG Development, a UK corporation. Sulawesi LNG Development is a holding company, investing in the Donggi Senoro LNG Project in Indonesia, which was established with Korea Gas Corporation ("KOGAS"), a minority shareholder holding a 25% ownership interest. Under the shareholder's agreement with KOGAS, significant decisions regarding Sulawesi LNG Development's operations require unanimous consent by the Company and KOGAS. The rights given to KOGAS in the shareholder's agreement are considered substantive participating rights, and control over the operations or assets of Sulawesi LNG Development does not rest with the Company. Accordingly, the Company accounts for its investment in Sulawesi LNG Development using the equity method.

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, North America, and Latin 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 ¥561,685 million and ¥634,284 million (\$6,748 million) at March 31, 2012 and 2013, 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 ¥399,647 million and ¥407,093 million (\$4,331 million) at March 31, 2012 and 2013, respectively. Corresponding aggregate quoted market values (Level 1 at the fair value measurement) were ¥458,331 million and ¥541,536 million (\$5,761 million), respectively. Included in such amounts was the investment in LAWSON of ¥142,394 million and ¥147,425 million (\$1,568 million) with quoted market values of ¥168,800 million and ¥234,895 million (\$2,499 million) at March 31, 2012 and 2013, 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, 2011, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Current assets	¥6,705,818	¥7,066,227	\$ 75,173
Property and equipment—net	4,264,599	5,136,327	54,642
Other assets	2,230,066	2,610,868	27,775
Total assets	¥13,200,483	¥14,813,422	\$157,590
Current liabilities	¥5,052,977	¥5,344,164	\$56,853
Noncurrent liabilities	3,395,550	3,860,754	41,072
Affiliated companies' shareholders' equity	4,607,060	5,481,217	58,311
Noncontrolling interest	144,896	127,287	1,354
Total liabilities and equity	¥13,200,483	¥14,813,422	\$157,590

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Revenues	¥6,930,557	¥7,032,248	¥7,005,842	\$74,530
Gross profit	¥2,101,288	¥2,154,118	¥2,085,170	\$22,183
Net income attributable to Affiliated companies	¥588,380	¥651,296	¥596,915	\$6,350

The Companies' revenues and purchases from the Affiliated companies for the years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Revenues	¥392,117	¥280,770	¥266,017	\$2,830
Purchases	560,171	532,399	742,117	7,895

Dividends received from the Affiliated companies for the years ended March 31, 2011, 2012 and 2013 were ¥147,023 million, ¥144,141 million and ¥134,616 million (\$1,432 million), respectively.

In connection with certain business combinations and reorganizations undertaken by the Company's Affiliated companies, the Company recognized exchange gains of ¥35,444 million for the years ended March 31, 2011. 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.

7 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. Interest income on impaired receivables recognized in the years ended March 31, 2011, 2012 and 2013 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 at uncollectible amount when the Company's rights to collect are lost as a result of a legal liquidation of its customer.

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 based on the past credit loss rate and the probability of future default.

Consumers—

The Company performs ongoing credit valuations of consumers and establishes credit limits based upon the length of the current credit-worthiness using the consumers' 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 based on the past credit loss rate.

Impaired receivables—

Impaired receivables and the related allowance for credit losses at March 31, 2012 and 2013 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Recorded investment			
Corporate customers	¥50,725	¥97,652	\$1,039
Consumers	7,910	8,516	90
Total	¥58,635	¥106,168	\$1,129
Related allowance			
Corporate customers	¥31,106	¥34,096	\$363
Consumers	3,705	4,145	44
Total	¥34,811	¥38,241	\$407

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 investments in the impaired receivables from corporate customers and consumers for the year ended March 31, 2012 were ¥53,155 million and ¥7,287 million, respectively

The average recorded investments in the impaired receivables from corporate customers and consumers for the year ended March 31, 2013 were ¥66,081 million (\$703 million) and ¥7,852 million (\$84 million), respectively

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 receivables” and “Noncurrent notes, loans and accounts receivable—trade” line items in the consolidated balance sheets

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

	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 activity of the allowance for credit losses related to financing receivables, the balance of the allowance for credit losses related to financing receivables and the balance of financing receivables as of and for the year ended March 31, 2012

	Millions of Yen	
	2012	
	Corporate customers	Consumers
Balance at beginning of year	¥30,393	¥6,886
Provision for credit losses	2,650	1,718
Charge-offs	(11,636)	(410)
Other*	7,936	(368)
Balance at end of year	¥29,343	¥7,826
Ending balance of allowance for credit losses		
Collective impairment allowance (higher credit quality financing receivables)	4,139	4,121
Individual impairment allowance** (lower credit quality financing receivables)	25,204	3,705
Ending balance of financing receivables		
Higher credit quality receivables	¥608,731	¥329,552
Lower credit quality receivables	38,623	7,910
Total	¥647,354	¥337,462

* "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 following table presents the activity of the allowance for credit losses related to financing receivables, the balance of the allowance for credit losses related to financing receivables and the balance of financing receivables as of and for the year ended March 31, 2013

	Millions of Yen		Millions of U S Dollars	
	2013		2013	
	Corporate customers	Consumers	Corporate customers	Consumers
Balance at beginning of year	¥29,343	¥7,826	\$312	\$83
Provision for credit losses	3,987	3,423	42	37
Charge-offs	(3,456)	(771)	(37)	(8)
Other*	214	1,142	3	12
Balance at end of year	¥30,088	¥11,620	\$320	\$124
Ending balance of allowance for credit losses				
Collective impairment allowance (higher credit quality financing receivables)	1,467	7,475	16	80
Individual impairment allowance** (lower credit quality financing receivables)	28,621	4,145	304	44
Ending balance of financing receivables				
Higher credit quality receivables	¥697,592	¥457,100	\$7,421	\$4,863
Lower credit quality receivables	88,312	8,516	940	90
Total	¥785,904	¥465,616	\$8 361	\$4,953

* "Other" principally 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

Age analysis of past due financing receivables—

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

	Millions of Yen
	2012
Corporate customers	
Past due in one year or less	¥10,878
Past due after one year through two years	6,018
Past due after two years through three years	774
Past due after three years through four years	192
Past due after four years through five years	1,099
Past due greater than five years	19,166
Total	¥38,127
Consumers	
Past due in three months or less	¥27,124
Past due after three months through six months	2,280
Past due after six months through one year	518
Past due greater than one year	2,341
Total	¥32,263

Age analysis of past due financing receivables as of March 31, 2013 is as follows

	Millions of Yen	Millions of U S Dollars
	2013	2013
Corporate customers		
Past due in one year or less	¥29,568	\$314
Past due after one year through two years	1,006	11
Past due after two years through three years	654	7
Past due after three years through four years	532	5
Past due after four years through five years	168	2
Past due greater than five years	19,250	205
Total	¥51,178	\$544
	Millions of Yen	Millions of U S Dollars
	2013	2013
Consumers		
Past due in three months or less	¥43,584	\$464
Past due after three months through six months	3,472	37
Past due after six months through one year	952	10
Past due greater than one year	2,571	27
Total	¥50,579	\$538

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 and lease agreements of ¥10,632 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 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.

There were no material TDRs for corporate customers during the year ended March 31, 2013.

Consumers—

There were no material TDRs for consumers during the year ended March 31, 2012 and 2013.

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 during the year ended March 31, 2012.

For the amount of the financing receivables held by the Company which TDRs occurred during last 12 months, the defaults in payment have been immaterial during the year ended March 31, 2013.

8 PROPERTY AND EQUIPMENT

Depreciation expense for the years ended March 31, 2011, 2012 and 2013 was ¥123,223 million, ¥125,184 million and ¥133,359 million (\$1,419 million), respectively

The impairment loss on long-lived assets for the year ended March 31, 2013 was principally attributable to a decline of market price and profitability related to vessels, which are included in the Machinery segment, and increased production costs for certain oil and gas properties owned by subsidiaries in the Energy Business segment

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

Impairment losses recognized for the years ended March 31, 2011, 2012 and 2013 were applicable to the following segments

Segment	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Industrial Finance, Logistics & Development	¥248	¥2,412	¥876	\$9
Energy Business	2,920	1,315	11,229	119
Metals	1,005	533	328	4
Machinery	60	27	13,666	145
Chemicals	96	367	234	3
Living Essentials	2,878	1,145	1,972	21
Other	38	20	641	7
Total	¥7,245	¥5,819	¥28,946	\$308

*1 For the year ended March 31, 2013, the amount of "Machinery" includes ¥13,665 million (\$145 million) as a result of a decline of market price and profitability related to vessels as described above

*2 "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 ¥138 million, ¥161 million and ¥7,479 million (\$80 million) for the years ended March 31, 2011, 2012 and 2013, respectively

For the year ended March 31, 2013, the Company entered into sales contracts for certain long-lived assets. These contracts require the sales and delivery of the assets within one year. These long-lived assets are classified as long-lived asset to be disposed of by sale and were included in "Other current assets" in the consolidated balance sheets. The carrying amounts of long-lived assets to be disposed of by sale included in "Other current assets" as of March 31, 2013 were as follows

Segment		Millions of Yen	Millions of U S Dollars
		2013	2013
Industrial Finance, Logistics & Development	Aircraft	¥13,131	\$139
	Real estate	20,754	221
	Total	¥33,885	\$360

9 PLEDGED ASSETS

At March 31, 2012 and 2013, 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
	2012	2013	2013
Notes, accounts receivable—trade, loans and others (current and noncurrent)	¥38,077	¥68,620	\$730
Inventories	1,306	70,781	753
Noncurrent investment securities and others (carrying value)	100,824	79,132	842
Property and equipment (net of accumulated depreciation)	197,221	187,458	1,994
Other	2,981	18,618	198
Total	¥340,409	¥424,609	\$4,517

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

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Short-term debt	¥26,632	¥17,665	\$188
Long-term debt	229,998	240,844	2,562
Guarantees of contracts and others	83,779	166,100	1,767
Total	¥340,409	¥424,609	\$4,517

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.

10 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, 2012 and 2013

March 31, 2012	Millions of Yen		
	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization			
Software	¥122,029	¥(69,773)	¥52,256
Manufacturing, sales and service licenses and trademarks	18,990	(11,028)	7,962
Intellectual properties related to feasibility studies	14,895		14,895
Customer relationships	11,143	(1,549)	9,594
Other	15,385	(7,366)	8,019
Total	¥182,442	¥(89,716)	¥92,726

Intangible assets not subject to amortization			
Trade names			¥4,473
Rights to use land			4,295
Customer relationships			2,266
Other			3,326
Total			14,360
Intangible assets total			¥107,086

March 31, 2013	Millions of Yen			Millions of U S Dollars		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets subject to amortization						
Software	¥136,292	¥(73,476)	¥62,816	\$1,450	\$(782)	\$668
Manufacturing, sales and service licenses and trademarks	21,068	(12,924)	8,144	224	(137)	87
Intellectual properties related to feasibility studies	17,118		17,118	182		182
Customer relationships	12,946	(2,679)	10,267	138	(29)	109
Other	17,268	(7,335)	9,933	184	(78)	106
Total	¥204,692	¥(96,414)	¥108,278	\$2,178	\$(1,026)	\$1,152
Intangible assets not subject to amortization						
Trade names			¥4,714			\$50
Rights to use land			4,738			50
Customer relationships			2,266			24
Other			3,405			37
Total			15,123			161
Intangible assets total			¥123,401			\$1,313

Intangible assets subject to amortization acquired during the year ended March 31, 2012 were ¥47,700 million, which primarily consisted of ¥23,094 million of software and ¥14,895 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 subject to amortization acquired during the year ended March 31, 2013 were ¥29,082 million (\$309 million), which primarily consisted of ¥24,972 million (\$266 million) of software. The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended March 31, 2013 is 11 years. The weighted-average amortization period for software is 11 years.

Intangible assets not subject to amortization acquired during the years ended March 31, 2012 and 2013 were ¥4,345 million and ¥604 million (\$6 million), respectively.

Amortization expense for intangible assets subject to amortization was ¥16,852 million, ¥16,247 million and ¥17,364 million (\$185 million) for the years ended March 31, 2011, 2012 and 2013, respectively.

As of March 31, 2013, estimated amortization expense for each of the five succeeding fiscal years is as follows:

Year ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥15,872	\$169
2015	14,219	151
2016	11,633	124
2017	8,746	93
2018	5,580	59

Based on the results of impairment testing, impairment losses of ¥204 million, ¥3,224 million and ¥534 million (\$6 million) were recorded for the years ended March 31, 2011, 2012 and 2013, 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, 2012 and 2013.

March 31, 2012											
Millions of Yen											
Segment	Beginning of Year			Changes During Year					End of Year		
	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, 2013											
Millions of Yen											
Segment	Beginning of Year			Changes During Year					End of Year		
	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	¥7,910		¥7,910				¥845	¥177	¥8,932		¥8,932
Energy Business	298		298	¥339			48	(1)	684		684
Metals	17,750	¥(1,446)	16,304	79			39	(6,362)	11,506	¥(1,446)	10,060
Machinery	2,971	(428)	2,543				17		2,988	(428)	2,560
Chemicals	377		377					64	441		441
Living Essentials	34,134	(1,295)	32,839	2,393			986	15	37,528	(1,295)	36,233
Other	357	(130)	227	192		¥(383)	297	1,616	2,079	(130)	1,949
Total	¥63,797	¥(3,299)	¥60,498	¥3,003		¥(383)	¥2,232	¥(4,491)	¥64,158	¥(3,299)	¥60,859

March 31, 2013											
Millions of U.S. Dollars											
Segment	Beginning of Year			Changes During Year					End of Year		
	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	\$84		\$84				\$9	\$2	\$95		\$95
Energy Business	3		3	\$4					7		7
Metals	189	\$(15)	174	1			1	(69)	122	\$(15)	107
Machinery	32	(5)	27						32	(5)	27
Chemicals	4		4					1	5		5
Living Essentials	363	(14)	349	25			11		399	(14)	385
Other	4	(1)	3	2		\$(4)	3	17	22	(1)	21
Total	\$679	\$(35)	\$644	\$32		\$(4)	\$24	\$(49)	\$682	\$(35)	\$647

* "Other" shown in "Changes During Year" includes transfers between reportable operating segments and adjustments of purchase price allocation resulting from business combinations

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

11 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, 2012 and 2013 are as follows:

	Billions of Yen		Millions of U S Dollars
	2012	2013	2013
Interest rate contracts	¥2,729	¥2,789	\$29,673
Foreign exchange contracts	2,484	3,194	33,974
Commodity contracts	6,801	8,259	87,866
Total derivative notional amounts	¥12,014	¥14,242	\$151,513

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 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 ¥38,180 million, ¥17,108 million and net losses of ¥52,264 million (\$556 million) for the years ended March 31, 2011, 2012 and 2013, 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, 2012 and 2013

As of March 31, 2012	Millions of Yen			
	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	¥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	<u>¥83,841</u>		<u>¥35,440</u>
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	<u>¥209,454</u>		<u>¥201,798</u>
Total Derivatives (gross basis)		<u>¥293,295</u>		<u>¥237,238</u>
Netting		<u>¥(187,796)</u>		<u>¥(188,066)</u>
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		<u>¥105,499</u>		<u>¥49,172</u>

* 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 and ¥7,753 million, respectively. The cash collateral receivables and payables that were not offset were ¥7,993 million and ¥3,376 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	¥3,945
	Long-term debt	35,506
	Total	<u>¥39,451</u>

Millions of Yen				
As of March 31, 2013	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	¥992	Other current liabilities	¥40
	Other assets	82,408	Other noncurrent liabilities	4,467
Foreign exchange contracts	Other current assets	15,933	Other current liabilities	13,200
	Other assets	2,913	Other noncurrent liabilities	11
Commodity contracts	Other current assets	3,094	Other current liabilities	145
	Other assets	928	Other noncurrent liabilities	3,052
	Total	<u>¥106,268</u>		<u>¥20,915</u>
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	¥818	Other current liabilities	¥962
	Other assets	5,924	Other noncurrent liabilities	10,195
Foreign exchange contracts	Other current assets	35,473	Other current liabilities	50,834
	Other assets	14,280	Other noncurrent liabilities	30,667
Commodity contracts	Other current assets	229,997	Other current liabilities	203,316
	Other assets	19,898	Other noncurrent liabilities	19,265
	Total	<u>¥306,390</u>		<u>¥315,239</u>
Total Derivatives (gross basis)		<u>¥412,658</u>		<u>¥336,154</u>
Netting		<u>¥(267,725)</u>		<u>¥(270,637)</u>
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	¥84,051	Other current liabilities	¥44,932
	Other assets	60,882	Other noncurrent liabilities	20,585
Total Net Derivatives on Consolidated Balance Sheets		<u>¥144,933</u>		<u>¥65,517</u>

Millions of U S Dollars				
As of March 31, 2013	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	\$11	Other current liabilities	
	Other assets	877	Other noncurrent liabilities	\$48
Foreign exchange contracts	Other current assets	169	Other current liabilities	140
	Other assets	31	Other noncurrent liabilities	
Commodity contracts	Other current assets	33	Other current liabilities	2
	Other assets	10	Other noncurrent liabilities	32
	Total	<u>\$1,131</u>		<u>\$222</u>
Derivatives not designated as hedging instruments				
Interest rate contracts	Other current assets	\$9	Other current liabilities	\$10
	Other assets	63	Other noncurrent liabilities	109
Foreign exchange contracts	Other current assets	377	Other current liabilities	541
	Other assets	152	Other noncurrent liabilities	326
Commodity contracts	Other current assets	2,447	Other current liabilities	2,163
	Other assets	211	Other noncurrent liabilities	205
	Total	<u>\$3,259</u>		<u>\$3,354</u>
Total Derivatives (gross basis)		<u>\$4,390</u>		<u>\$3,576</u>
Netting		<u>\$(2,848)</u>		<u>\$(2,879)</u>
Net Derivatives on Consolidated Balance Sheets				
	Other current assets	\$894	Other current liabilities	\$478
	Other assets	648	Other noncurrent liabilities	219
Total Net Derivatives on Consolidated Balance Sheets		<u>\$1,542</u>		<u>\$697</u>

* 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, 2013, the cash collateral receivables and payables that were offset were ¥5,512 million (\$59 million) and ¥2,600 million (\$28 million), respectively. The cash collateral receivables and payables that were not offset were ¥7,730 million (\$82 million) and ¥1,402 million (\$15 million), respectively.

Nonderivatives designated as hedging instruments	Balance Sheet Line Item	Carrying Amount	
		Millions of Yen	U S Dollars
Foreign-currency-denominated debt	Current maturities of long-term debt	¥4,514	\$48
	Long-term debt	8,769	93
	Total	<u>¥13,283</u>	<u>\$141</u>

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, 2011, 2012 and 2013

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 Millions of Yen	Amount of Gain or Loss Recognized in Earnings on Hedged Item 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 "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) Millions of Yen	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
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) Millions of Yen	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
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 Yen
Interest rate contracts	Other income—net	¥(10,427)	¥10,429
Foreign exchange contracts	Other income—net	6,932	(6,922)
Commodity contracts	Revenues/(cost of revenues)	8,828	(9,283)

*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 "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	¥(6,852)	Interest expense	¥223
Foreign exchange contracts	4,679	Other income—net	(39,316)
Commodity contracts	(8,544)	Revenues/(cost of revenues)	(1,376)

*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 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	¥(19,206)	Gain on marketable securities and investments—net	¥(3,770)

*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
Foreign-currency-denominated debt	¥1,904

*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
Interest rate contracts	Interest expense	¥(1,057)
	Other income—net	984
Foreign exchange contracts	Interest expense	1,210
	Other income—net	23,957
Commodity contracts	Revenues/(cost of revenues)	23,500

During the year ended March 31, 2013

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	U S Dollars	Millions of Yen	U S Dollars
Interest rate contracts	Other income—net	¥(17,093)	\$(182)	¥17,087	\$182
Foreign exchange contracts	Other income—net	(1,047)	(11)	1,086	12
Commodity contracts	Revenues/(cost of revenues)	(510)	(5)	509	5

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of the hedge effectiveness are immaterial for the year ended March 31, 2013

*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, 2013

*3 The line items in the Consolidated Statements of Income corresponding to "Revenues/(cost of revenues)" are "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	U S Dollars		Millions of Yen	U S Dollars
Interest rate contracts	¥(8,686)	\$(92)	Interest expense	¥352	\$4
Foreign exchange contracts	17,011	181	Other income—net	(8,284)	(88)
Commodity contracts	1,235	13	Revenues/(cost of revenues)	(2,288)	(24)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2013

*2 Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact earnings. Approximately ¥2,400 million (\$26 million) of net unrealized gains, net of tax, included in AOCI at March 31, 2013 will be reclassified into earnings within 12 months from that date.

*3 During the year ended March 31, 2013 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			Millions of	
	Millions of Yen	U S Dollars		Millions of Yen	U S Dollars
Foreign exchange contracts	¥(66,012)	\$(702)	Gain on marketable securities and investments—net	¥(126)	\$(1)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2013

Nondervatives 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	¥(3,234)	\$(34)

*1 Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2013

*2 During the year ended March 31 2013, 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	¥390	\$4
	Other income—net	1,268	13
Foreign exchange contracts	Interest expense	4,916	52
	Other income—net	(34,474)	(367)
Commodity contracts	Revenues/(cost of revenues)	(4,619)	(49)

12 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, 2012 and 2013

March 31, 2012	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash equivalents					
Domestic		¥3,098			¥3,098
Overseas		51			51
Investments					
Trading securities			¥9,021		9,021
Available-for-sale					
Equity securities					
Domestic	¥635,405				635,405
Overseas	280,228	2,172			282,400
Debt securities					
Domestic		16,221			16,221
Overseas	10,784	39,375			50,159
Total investments	¥926,417	¥57,768	¥9,021		¥993,206
Derivative assets					
Interest rate contracts	12	78,142			
Foreign exchange contracts	1	43,164			
Commodity contracts	11,400	159,108	1,468		
Total derivative assets	¥11,413	¥280,414	¥1,468	¥(187,796)	¥105,499
Total assets	¥937,830	¥341,331	¥10,489	¥(187,796)	¥1,101,854
Liabilities					
Derivative liabilities					
Interest rate contracts	¥11	¥19,088			
Foreign exchange contracts	4	55,092			
Commodity contracts	12,024	149,575	¥1,444		
Total derivative liabilities	¥12,039	¥223,755	¥1,444	¥(188,066)	¥49,172
Total liabilities	¥12,039	¥223,755	¥1,444	¥(188,066)	¥49,172

March 31, 2013	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		¥3,198			¥3,198		\$34			\$34
Overseas		28			28					
Investments										
Trading securities		2,498	¥9,302		11,800		27	\$99		126
Available-for-sale										
Equity securities										
Domestic	¥711,661				711,661	\$7,571				7,571
Overseas	305,580	423			306,003	3,251	4			3,255
Debt securities										
Domestic		15,893			15,893		169			169
Overseas	7,433	41,895			49,328	79	446			525
Total investments	¥1,024,674	¥60,709	¥9,302		¥1,094,685	\$10,901	\$646	\$99		\$11,646
Derivative assets										
Interest rate contracts		90,142					960			
Foreign exchange contracts		68,599					729			
Commodity contracts	17,825	235,476	616			189	2,505	7		
Total derivative assets	¥17,825	¥394,217	¥616	¥(267,725)	¥144,933	\$189	\$4,194	\$7	\$(2,848)	\$1,542
Total assets	¥1,042,499	¥458,152	¥9,918	¥(267,725)	¥1,242,844	\$11,090	\$4,874	\$106	\$(2,848)	\$13,222
Liabilities										
Derivative liabilities										
Interest rate contracts	¥1	¥15,663					\$167			
Foreign exchange contracts		94,712					1,007			
Commodity contracts	14,489	210,697	¥592			\$154	2,242	\$6		
Total derivative liabilities	¥14,490	¥321,072	¥592	¥(270,637)	¥65,517	\$154	\$3,416	\$6	\$(2,879)	\$697
Total liabilities	¥14,490	¥321,072	¥592	¥(270,637)	¥65,517	\$154	\$3,416	\$6	\$(2,879)	\$697

*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 significant transfers between Level 1 and Level 2

*3 There were no significant transfers out and into Level 3

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, 2012 and 2013 was ¥9,021 million and ¥9,302 million (\$99 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 3–180 days' notice. Redemption dates of these investments are undetermined at March 31, 2013.

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, 2012 and 2013.

Millions of Yen								
	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	Change in Unrealized Gains (Losses) Still Held Recognized in earnings
March 31, 2012								
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 Yen								
	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	Change in Unrealized Gains (Losses) Still Held Recognized in earnings
March 31, 2013								
Investments								
Trading securities	¥9,021	¥653	¥446	¥31	¥(849)		¥9,302	¥400
Derivatives, net								
Commodity contracts	24	24				¥(24)	24	24
Total	¥9,045	¥677	¥446	¥31	¥(849)	¥(24)	¥9,326	¥424

Millions of U.S. Dollars								
	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	Change in Unrealized Gains (Losses) Still Held Recognized in earnings
March 31, 2013								
Investments								
Trading securities	\$96	\$8	\$5		\$(9)		\$100	\$5
Derivatives, net								
Commodity contracts								
Total	\$96	\$8	\$5		\$(9)		\$100	\$5

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

The investments classified in Level 3 are alternative investments, which are valued by the accounting personnel in the Group Administration Department of the Parent who manage the investments or the accounting personnel in the subsidiary managing the investment. The investment is valued based on the net asset value per share of the investees which is obtained by these personnel. The derivatives classified in Level 3 are the complex commodity derivative instruments, which are valued by the accounting personnel of the subsidiary managing the derivatives. The derivative instruments are valued based on pricing information obtained from an external financial institution. All the valuations are reviewed quarterly by the accounting personnel and approved by the managements of the Group Administration Department of the Parent or those in accounting department of the subsidiary. The valuation policies and procedures for the fair value measurements are decided and periodically revised by the Corporate Accounting Department.

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, 2012 and 2013.

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 Yen					
March 31, 2013	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
Other current assets					
Real estate to sell	¥5,000		¥5,000		¥(337)
Investments					
Investments in Affiliated companies	¥24,776			¥24,776	¥(6,576)
Cost method investments	15,906			15,906	(10,226)
Other investments	32		¥10	22	(28)
Total Investments	¥40,714		¥10	¥40,704	¥(16,830)
Fixed Assets	¥32,019			¥32,019	¥(28,001)

Millions of U S Dollars					
March 31, 2013	Fair Value Measurement Amount	Level 1	Level 2	Level 3	Total Gains (Losses)
Other current assets					
Real estate to sell	\$53		\$53		\$(4)
Investments					
Investments in Affiliated companies	\$264			\$264	\$(70)
Cost method investments	169			169	(109)
Other investments					
Total Investments	\$433			\$433	\$(179)
Fixed Assets	\$341			\$341	\$(298)

The fair value of the investments classified in Level 1 are determined using quoted prices in active markets

The fair value of the other current assets classified in Level 2 are valued based on the discounted future cash flow method

The fair value of the investments and fixed assets classified in Level 3 are valued by the accounting personnel in the Group Administration Department of the Parent who manage these assets or the accounting personnel in the subsidiary managing these assets. The investments are valued mainly based on the discounted future cash flow method with the use of unobservable inputs such as future cash flows of the investees or transaction price. The fixed assets are valued mainly based on the independent appraisals or the discounted future cash flow method.

In each case, valuations are reviewed by the accounting personnel and approved by the management of the Group Administration Department of the Parent or those in accounting department of the subsidiary.

The valuation policies and procedures for the fair value measurements are decided and periodically revised by the Corporate Accounting Department.

Quantitative Information about Level 3 Fair Value Measurements

The following table presents information about valuation techniques and unobservable inputs used for the major level 3 assets measured at fair value by the significant and unobservable inputs for the years ended March 31, 2013

	Fair Value Millions of Yen	Fair Value Millions of U S Dollars	Valuation Technique	Unobservable Input	Range
Investments in nonmarketable securities of unaffiliated companies	¥7,973	\$85	Discounted cash flow	Discount rate	3%
	¥1,503	\$16	Discounted cash flow	Discount rate	7%
				Revenue growth rate	1%
Property and equipment (Mineral rights)	¥8,700	\$93	Discounted cash flow	Discount rate	11%

13 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 12. 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 "Assets and Liabilities Measured at Fair Value on a Recurring Basis" section of Note 12 for the valuation methodology of the fair value of Level 2 instruments which consist 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 12 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 of Level 3 instruments described in "Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis" section of Note 12.

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 12.

The following table presents the carrying amounts and fair values of financial instruments at March 31, 2012 and 2013. The fair values of derivative instruments are excluded from the table below as they are disclosed in Note 11.

	Millions of Yen				Millions of U S Dollars	
	2012		2013		2013	
	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	¥4,605,840	¥4,605,840	¥4,901,117	¥4,901,117	\$52,140	\$52,140
Short-term investments and other investments, for which it is						
Practicable to estimate fair value	995,268	995,268	1,110,591	1,110,591	11,815	11,815
Not practicable to estimate fair value	438,643		413,810		4,402	
Noncurrent notes, loans and accounts receivable and advances to Affiliated companies, net of allowance for doubtful receivables	279,936	301,085	343,134	373,645	3,650	3,975
Financial liabilities						
Current financial liabilities	3,412,778	3,412,778	3,475,738	3,475,738	36,976	36,976
Long-term debt, including current maturities, and noncurrent trade payables, included in "Other noncurrent liabilities"	4,275,535	4,274,363	5,171,906	5,162,516	55,020	54,920

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, Level 3 related to these items at March 31, 2012 and 2013 are ¥926,417 million, ¥58,083 million, ¥10,768 million, and ¥1,024,674 million (\$10,901 million), ¥60,709 million (\$646 million), ¥25,208 million (\$268 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 and 2013 are ¥54,068 million, ¥247,017 million, and ¥60,415 million (\$643 million), ¥313,230 million (\$3,332 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.

14 SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2012 and 2013 consisted of the following

	2012		2013		2013
	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U S Dollars
Bank loans	¥731,329	1.7%	¥590,193	1.7%	\$6,278
Commercial paper	155,102	0.8	209,790	0.4	2,232
Total	<u>¥886,431</u>		<u>¥799,983</u>		<u>\$8,510</u>

The interest rates represent weighted average rates on outstanding balances at March 31, 2012 and 2013

Assets pledged as collateral for short-term debt are disclosed in Note 9

Long-term debt at March 31, 2012 and 2013 consisted of the following

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Long-term debt with collateral (Note 9)			
Banks and insurance companies, maturing serially through 2034—principally 0% to 1.9% as of March 31, 2013	¥108,700	¥92,273	\$982
Government-owned banks and government agencies, maturing serially through 2023—principally 0% to 2.9% as of March 31, 2013	5,893	4,876	52
Banks and insurance companies, maturing serially through 2023 (payable in foreign currencies)—principally 0% to 4.9% as of March 31, 2013	15,481	48,824	519
Government-owned banks and government agencies, maturing serially through 2013 (payable in foreign currency)—principally 6% to 10.9% as of March 31, 2013	1,849	1,023	11
Japanese yen bonds (floating rate 0.44% to 2.35%, due 2018 as of March 31, 2013)	580	200	2
U S dollar bonds (fixed rate 6.08%, due 2017 as of March 31, 2013)	4,513	4,643	49
Total	<u>¥137,016</u>	<u>¥151,839</u>	<u>\$1,615</u>

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Long-term debt without collateral			
Banks and insurance companies, maturing serially through 2033—principally 0% to 1 9% as of March 31, 2013	¥2,133,577	¥2,204,320	\$23,450
Government-owned banks and government agencies, maturing serially through 2024—principally 0% to 1 9% as of March 31, 2013	231,357	193,972	2,064
Banks and insurance companies, maturing serially through 2029 (payable in foreign currencies)—principally 0% to 2 9% as of March 31, 2013	437,572	835,551	8,889
Government-owned banks and government agencies, maturing serially through 2032 (payable in foreign currency)—principally 0% to 1 9% as of March 31, 2013	91,876	383,039	4,075
Japanese yen callable bonds (adjustable fixed rate 1 50%, due 2015 as of March 31, 2013)	10,000	10,000	106
Japanese yen bonds (floating rate 0 21% to 2 11%, due 2013-2021 as of March 31, 2013)	200,000	200,000	2,128
Japanese yen bonds (fixed rate 0 56% to 3 18%, due 2014-2022 as of March 31, 2013)	624,000	632,000	6,723
U S dollar bonds (fixed rate 1 88% to 2 75%, due 2015-2017 as of March 31, 2013)	123,285	211,613	2,251
Medium-term notes (payable in Japanese yen), 0 01% to 2 07%, due 2013-2022 as of March 31, 2013	64,420	80,495	856
Medium-term notes (payable in U S dollars), 0 94% to 3 10 %, due 2014-2017 as of March 31, 2013	821	7,516	80
Medium-term notes (payable in Australian dollars), 6 00%, due 2013 as of March 31, 2012	1,705		
Medium-term notes (payable in New Zealand dollars), 3 46%, due 2017 as of March 31, 2013		787	8
Commercial paper (payable in Japanese yen), with average interest rate of 0 10% as of March 31, 2013	75,000	95,000	1,011
Total	3,993,613	4,854,293	51,641
Total long-term debt	4,130,629	5,006,132	53,256
Less unamortized issue discount	(672)	(879)	(9)
Add adjustments to fair value under fair value hedge accounting	65,365	84,406	898
Total	4,195,322	5,089,659	54,145
Less current maturities	(435,349)	(590,006)	(6,277)
Less adjustments to fair value under fair value hedge accounting related to “current maturities”	128	(970)	(10)
Long-term debt, less current maturities	¥3,760,101	¥4,498,683	\$47,858

Annual maturities of long-term debt as of March 31, 2013, 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		
2014 (included in current liabilities)	¥590,006	\$6,277
2015	557,464	5,930
2016	561,517	5,973
2017	618,666	6,581
2018	758,373	8,068
2019 and thereafter	1,920,106	20,427
Total	¥5,006,132	\$53,256

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 ¥891,523 million and ¥408,812 million, respectively, at March 31, 2012, and ¥882,648 million (\$9,390 million) and ¥663,567 million (\$7,059 million), respectively, at March 31, 2013.

The lines of credit include Japanese yen facilities of ¥510,000 million (\$5,426 million) held by the Parent and ¥90,000 million (\$957 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, 2013. 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 ¥410,000 million which terminate in December 2017, 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 ¥75,000 million at March 31, 2012 and ¥95,000 million (\$1,011 million) at March 31, 2013 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, 2012 and 2013, the Company did not receive any request of the kind described above and does not expect that any such request will be received.

15 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, 2011 and 2012, 38% for the year ended March 31, 2013. 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 Corporation 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, the 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 the starting base allowance. MRRT allows entities to elect the 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 the 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 the 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 a valuation allowance was provided against the deferred tax assets recognized upon enactment of the MRRT. The valuation allowance was also provided against the entire amount of deferred tax assets which fluctuated after the 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 the 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, 2011, 2012 and 2013 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:

	2011	2012	2013
Combined statutory income tax rate applied to income before income taxes and equity in earnings of Affiliated companies and other	41.0%	41.0%	38.0%
Expenses not deductible for income tax purposes	0.8	0.9	1.0
Changes in valuation allowance	1.5	0.5	2.5
Tax benefits recognized for accumulated losses of certain subsidiaries	(1.0)	(0.7)	(0.1)
Lower income tax rates in certain foreign countries	(7.0)	(6.9)	(5.7)
Tax effects on undistributed earnings of Affiliated companies	0.4	1.4	(1.6)
Effect of taxation on dividends	1.3	0.2	(0.5)
Tax assessments	0.6	0.6	0.1
Other—net	(0.1)	(0.0)	0.0
Effective income tax rate on income before income taxes and equity in earnings of Affiliated companies and other	37.5%	37.0%	33.7%

Amounts provided for income taxes for the years ended March 31, 2011, 2012 and 2013 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2012	2013	2013
Income taxes	¥198,680	¥168,330	¥113,486	\$1,207
Other comprehensive (loss) income	(26,787)	(40,335)	56,218	598
Total income tax expense	¥171,893	¥127,995	¥169,704	\$1,805

Significant components of deferred tax assets and liabilities at March 31, 2012 and 2013 were as follows

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Assets			
Allowance for doubtful receivables	¥12,583	¥12,299	\$131
Pension and severance	25,456	28,664	305
Property and equipment	185,738	260,776	2,774
Investments	86,092	70,112	746
Net operating loss carryforwards	49,701	76,830	817
Other accrued expenses	22,637	23,645	252
Other	53,249	64,130	682
Gross deferred tax assets	435,456	536,456	5,707
Less valuation allowance	(216,592)	(284,729)	(3,029)
Deferred tax assets—less valuation allowance	218,864	251,727	2,678
Liabilities			
Depreciation	103,489	119,727	1,274
Investments	170,947	220,382	2,344
Property and equipment	38,528	29,095	310
Pension and severance	1,833	1,895	20
Other	29,357	46,928	499
Gross deferred tax liabilities	344,154	418,027	4,447
Net deferred tax liabilities	¥(125,290)	¥(166,300)	\$(1,769)

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 decreased by ¥2,135 million for the year ended March 31, 2011, increased by ¥170,800 million for the year ended March 31, 2012, and increased by ¥68,137 million (\$725 million) for the year ended March 31, 2013. The deferred tax assets (Property and equipment) recorded as a result of MRRT at March 31, 2012 and 2013 were ¥161,993 million and ¥222,403 million, respectively. A corresponding valuation allowance was established for the entire amount of deferred tax assets recorded at March 31, 2012 and 2013.

Net deferred tax liabilities included in the consolidated balance sheets at March 31, 2012 and 2013 were as follows

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Current assets—Deferred income taxes	¥45,780	¥62,135	\$661
Other assets	30,550	37,461	399
Other current liabilities	(2,569)	(1,280)	(14)
Noncurrent liabilities—Deferred income taxes	(199,051)	(264,616)	(2,815)
Net deferred tax liabilities	¥(125,290)	¥(166,300)	\$(1,769)

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, 2012 and 2013, the amount of undistributed earnings of subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated ¥1,133,918 million and ¥1,286,009 million (\$13,681 million), respectively. Determination of the deferred tax liability related to the undistributed earnings of foreign subsidiaries is not practicable.

At March 31, 2013, the Company had aggregate operating loss carryforwards of ¥284,054 million (\$3,022 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		
2014	¥3,206	\$34
2015	3,873	41
2016	1,842	20
2017	3,136	33
2018	7,925	84
2019 through 2023	35,929	382
2024 through 2028	4,663	50
2029 and thereafter	223,480	2,378
Total	<u>¥284,054</u>	<u>\$3,022</u>

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, 2011, 2012 and 2013:

	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, 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	<u>¥(97,747)</u>	<u>¥(100,933)</u>	<u>¥(198,680)</u>			
Year ended March 31, 2012						
Income before income taxes and equity in earnings of Affiliated companies and other	¥180,291	¥274,417	¥454,708			
Income taxes—Current	(56,226)	(74,325)	(130,551)			
Income taxes—Deferred	(41,388)	3,609	(37,779)			
Income taxes—Total	<u>¥(97,614)</u>	<u>¥(70,716)</u>	<u>¥(168,330)</u>			
Year ended March 31, 2013						
Income before income taxes and equity in earnings of Affiliated companies and other	¥195,979	¥141,227	¥337,206	\$2,085	\$1,502	\$3,587
Income taxes—Current	(82,253)	(38,299)	(120,552)	(875)	(407)	(1,282)
Income taxes—Deferred	(8,466)	15,532	7,066	(90)	165	75
Income taxes—Total	<u>¥(90,719)</u>	<u>¥(22,767)</u>	<u>¥(113,486)</u>	<u>\$(965)</u>	<u>\$(242)</u>	<u>\$(1,207)</u>

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

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Balance at beginning of year	¥7,268	¥4,481	\$48
Additions for tax positions of the current year			
Additions for tax positions of prior years	1,431	194	2
Reductions for tax positions of prior years	(315)		
Settlements	(3,895)	(4,439)	(47)
Other	(8)	3	
Balance at end of year	¥4,481	¥239	\$3

The amounts of unrecognized tax benefits at March 31, 2012 and 2013 that would affect the effective tax rate, if recognized, were ¥4,481 million and ¥239 million (\$3 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, 2012 and 2013, 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 2010. As of March 31, 2013, the earliest tax years that remain subject to examination by major tax jurisdictions in which the companies operate are the year ended March 31, 2007 for Japan and the year ended March 31, 2009 for Australia

16 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 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
	2012	2013	2013
Change in benefit obligation			
Benefit obligation at beginning of year	¥438,153	¥448,248	\$4,769
Service cost	12,418	12,715	135
Interest cost	10,840	10,872	116
Employee contributions	190	194	2
Plan amendments		1,601	17
Actuarial loss	8,717	53,540	569
Benefits paid	(20,825)	(20,532)	(219)
Settlements and curtailments	(3,016)	(2,468)	(26)
Acquisitions/divestitures and other—net	2,347	5,337	57
Change in foreign currency exchange rates	(576)	5,324	57
Benefit obligation at end of year	448,248	514,831	5,477
Change in plan assets			
Fair value of plan assets at beginning of year	415,910	427,487	4,548
Actual gain on plan assets	11,104	41,430	441
Employer contributions	18,132	26,042	277
Employee contributions	190	194	2
Benefits paid	(16,417)	(16,130)	(172)
Settlements	(2,931)	(2,494)	(27)
Acquisitions/divestitures and other—net	2,051	2,978	32
Change in foreign currency exchange rates	(552)	4,431	47
Fair value of plan assets at end of year	427,487	483,938	5,148
Funded status at end of year	¥(20,761)	¥(30,893)	\$(329)
Amounts recognized in the consolidated balance sheets consist of			
Prepaid pension cost included in other current assets and other assets	¥29,354	¥24,996	\$266
Other accrued expenses	(956)	(1,150)	(12)
Accrued pension liability	(49,159)	(54,739)	(583)
Net amount recognized	¥(20,761)	¥(30,893)	\$(329)

The following table presents the pre-tax net loss and prior service cost recognized in AOCI for the years ended March 31, 2011, 2012 and 2013

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Net loss	¥(125,693)	¥(122,175)	¥(137,097)	\$(1,458)
Prior service cost	(3,465)	(3,067)	(4,433)	(47)
Accumulated other comprehensive loss	¥(129,158)	¥(125,242)	¥(141,530)	\$(1,505)

Net periodic pension costs related to the Company's pension and indemnity plans for the years ended March 31, 2011, 2012 and 2013 include the following components

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Service cost—benefits earned during the period	¥12,227	¥12,418	¥12,715	\$135
Interest cost on projected benefit obligation	11,041	10,840	10,872	116
Expected return on plan assets	(7,228)	(7,489)	(8,058)	(86)
Recognized net actuarial loss	7,566	7,903	7,126	76
Amortization of unrecognized prior service cost	369	391	465	5
Settlement and curtailment loss	1,006	1,034	837	9
Net periodic pension cost	¥24,981	¥25,097	¥23,957	\$255

Other changes in plan assets and benefit obligation recognized in other comprehensive income for the years ended March 31, 2011, 2012 and 2013 were as follows

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Current year actuarial loss	¥6,965	¥5,419	¥22,885	\$243
Recognized net actuarial loss	(7,566)	(7,903)	(7,126)	(76)
Settlement and curtailment loss	(1,006)	(1,034)	(837)	(9)
Prior service cost due to amendments	221	(7)	1,831	20
Amortization of unrecognized prior service cost	(369)	(391)	(465)	(5)
Total recognized in other comprehensive income	¥(1,755)	¥(3,916)	16,288	\$173

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, 2014

	Millions of Yen	Millions of U S Dollars
	2014	2014
Net loss	¥7,349	\$78
Prior service cost	536	6
Total	¥7,885	\$84

The total accumulated benefit obligation for the Company's defined benefit pension plans was ¥415,296 million and ¥478,630 million (\$5,092 million) as of March 31, 2012 and 2013, 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, 2012 and 2013 were as follows

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Aggregate projected benefit obligation	¥93,362	¥103,104	\$1,097
Aggregate accumulated benefit obligation	82,631	96,718	1,029
Aggregate fair value of plan assets	47,124	50,931	542

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 investment policy of the Parent, which benefit pension plan assets account for substantial parts of the Company's benefit pension plan assets, for the year ending March 31, 2014 is to invest in a conservative portfolio. The Parent's target asset allocations as of March 31, 2013, 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, 2012 and 2013, by asset category are as follows. The three levels of input used to measure fair value are described in Note 2.

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, 2013	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Equity securities ^{*1}				
Japanese equity securities	¥131,637	¥18,778		¥150,415
Global equity securities	17,391	39,683		57,074
Debt securities ^{*2}				
Japanese debt securities	304	7,098		7,402
Global debt securities	8,239	117,120	¥9,602	134,961
Hedge funds			13,496	13,496
Private equity funds			4,588	4,588
Real estate funds		22	1,983	2,005
Life insurance company accounts ^{*3}		22,274	2,798	25,072
Cash and cash equivalents		80,895		80,895
Other assets ^{*4}		910	7,120	8,030
Total	¥157,571	¥286,780	¥39,587	¥483,938

March 31, 2013	Millions of U S Dollars			
	Level 1	Level 2	Level 3	Total
Equity securities ^{*1}				
Japanese equity securities	\$1,400	\$200		\$1,600
Global equity securities	185	422		607
Debt securities ^{*2}				
Japanese debt securities	3	76		79
Global debt securities	88	1,246	\$102	1,436
Hedge funds			144	144
Private equity funds			49	49
Real estate funds			21	21
Life insurance company accounts ^{*3}		237	30	267
Cash and cash equivalents		860		860
Other assets ^{*4}		10	75	85
Total	\$1,676	\$3,051	\$421	\$5,148

*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, and these investments are not redeemable or redemption dates of these investments are undetermined, at March 31, 2013.

The changes in Level 3 assets for the years ended March 31, 2012 and 2013 were as follows:

March 31, 2012	Millions of Yen				
	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Balance, End of Year
Debt securities					
Global debt securities	¥2,604	¥364	¥1,047		¥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		2,615
Other assets	7,963	343	(1,664)		6,767
Total	¥23,453	¥1,557	¥13,275		¥38,559

March 31, 2013	Millions of Yen					Balance, End of Year
	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	
Debt securities						
Global debt securities	¥4,249	¥852	¥4,223	¥105	¥173	¥9,602
Hedge funds	16,312	717	(3,533)			13,496
Private equity funds	5,192	91	(695)			4,588
Real estate funds	3,424	148	(1,589)			1,983
Life insurance company accounts	2,615	54	214	(428)	343	2,798
Other assets	6,767	2,127	(1,639)	(81)	(54)	7,120
Total	¥38,559	¥3,989	¥(3,019)	¥(404)	¥462	¥39,587

March 31, 2013	Millions of U S Dollars					Balance, End of Year
	Balance, Beginning of Year	Net realized/ Unrealized gains (losses)	Purchases, sales and settlements	Transfers in and/or out of Level 3	Other*	
Debt securities						
Global debt securities	\$45	\$9	\$45	\$1	\$2	\$102
Hedge funds	174	8	(38)			144
Private equity funds	55	1	(7)			49
Real estate funds	36	2	(17)			21
Life insurance company accounts	28	1	2	(5)	4	30
Other assets	72	21	(17)		(1)	75
Total	\$410	\$42	\$(32)	\$(4)	\$5	\$421

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

Assumptions

The weighted average assumptions used to determine benefit obligations at March 31, 2012 and 2013 were as follows

	2012	2013
Weighted average discount rate	2.6%	1.8%
Average rate of increase in future compensation levels	2.6	2.6

The weighted average assumptions used to determine net periodic benefit cost for the years ended March 31, 2011, 2012 and 2013 were as follows

	2011	2012	2013
Weighted average discount rate	2.7%	2.7%	2.6%
Average rate of increase in future compensation levels	2.6	2.5	2.6
Expected long-term rate of return on plan assets	2.6	2.5	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 ¥13,000 million (\$138 million) to its defined benefit pension plans during the year ending March 31, 2014.

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U S Dollars
Years ending March 31		
2014	¥23,768	\$253
2015	24,317	259
2016	24,104	256
2017	25,098	267
2018	25,157	268
2019 through 2023	122,968	1,308

Defined Contribution Plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were ¥2,307 million, ¥2,419 million and ¥3,378 million (\$36 million) for the years ended March 31, 2011, 2012 and 2013, respectively.

Early Retirement Program

The Parent has offered an early retirement program to its employees. At March 31, 2012 and 2013, the liability for applicants to the program, discounted to reflect the present value of the expected cash flows, was ¥3,305 million and ¥3,036 million (\$32 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, 2011, 2012 and 2013, included in "Selling, general and administrative expenses" in the accompanying consolidated statements of income, were ¥1,079 million, ¥658 million and ¥859 million (\$9 million), respectively.

17 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, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Balance at beginning of year	¥63,941	¥70,781	\$753
Accretion expense	4,416	4,061	43
Liabilities settled	(4,875)	(2,810)	(30)
Liabilities incurred	8,463	13,203	141
Revisions in estimated cash flow	(267)	(1,160)	(12)
Change in foreign currency exchange rates	(897)	9,707	103
Balance at end of year	¥70,781	¥93,782	\$998

18 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, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2012	2013	2013
Net income attributable to Mitsubishi Corporation	¥464,543	¥452,344	¥360,028	\$3,830
Increase in additional paid-in capital for purchases or sales of certain subsidiaries' common shares	1,002	4,591	585	6
Change from net income attributable to Mitsubishi Corporation and transfers to noncontrolling interest	¥465,545	¥456,935	¥360,613	\$3,836

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 ¥1,530,094 million (\$16,278 million) as of March 31, 2013. 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 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, unappropriated retained earnings decreased by ¥128,601 million and treasury stock decreased by ¥128,610 million. The retirement of treasury stock did not affect total Mitsubishi Corporation shareholders' equity.

19 COMPREHENSIVE INCOME

Comprehensive income attributable to Mitsubishi Corporation for the years ended March 31, 2011, 2012 and 2013 consisted of the following

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Net income attributable to Mitsubishi Corporation	¥464,543	¥452,344	¥360,028	\$3,830
Other comprehensive (loss) income attributable to Mitsubishi Corporation				
Net unrealized (losses) gains on available-for-sale securities (Note 5)				
Net unrealized holding (losses) gains during the year	(23,769)	(16,345)	141,337	1,504
Reclassification adjustments for net gains included in net income attributable to Mitsubishi Corporation	(19,763)	(7,246)	(26,246)	(280)
Net change during the year	(43,532)	(23,591)	115,091	1,224
Income tax benefit (expense) (Note 15)	19,027	17,161	(40,006)	(425)
Total	(24,505)	(6,430)	75,085	799
Net unrealized gains (losses) on derivatives (Note 11)				
Net unrealized gains (losses) during the year	44,018	(10,724)	9,560	102
Reclassification adjustments for net gains included in net income attributable to Mitsubishi Corporation	(27,054)	(36,821)	(3,311)	(36)
Net change during the year	16,964	(47,545)	6,249	66
Income tax (expense) benefit (Note 15)	(4,519)	14,758	(2,584)	(27)
Total	12,445	(32,787)	3,665	39
Defined benefit pension plans (Note 16)				
Net unrealized losses during the year	(7,081)	(6,008)	(23,238)	(247)
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	8,892	9,236	8,286	88
Net change during the year	1,811	3,228	(14,952)	(159)
Income tax (expense) benefit (Note 15)	(978)	(1,977)	5,368	57
Total	833	1,251	(9,584)	(102)
Foreign currency translation adjustments				
Translation adjustments during the year	(87,853)	(45,322)	353,929	3,765
Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation	3,134	4,196	1,252	14
Net change during the year	(84,719)	(41,126)	355,181	3,779
Income tax benefit (expense) (Note 15)	13,257	10,393	(18,996)	(203)
Total	(71,462)	(30,733)	336,185	3,576
Total other comprehensive (loss) income attributable to Mitsubishi Corporation	(82,689)	(68,699)	405,351	4,312
Comprehensive income attributable to Mitsubishi Corporation	¥381,854	¥383,645	¥765,379	\$8,142

20 EARNINGS PER SHARE

Reconciliations of the basic and diluted net income attributable to Mitsubishi Corporation per share are as follows

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Numerator				
Net income attributable to Mitsubishi Corporation	¥464,543	¥452,344	¥360,028	\$3,830
Thousands of Shares				
	2011	2012	2013	
Denominator				
Basic weighted average common shares outstanding	1,643,687	1,645,406	1,646,519	
Effect of dilutive securities				
Stock options	3,610	3,527	3,649	
Japanese yen convertible bond	762	134		
Diluted outstanding shares	1,648,059	1,649,068	1,650,169	
Yen				
	2011	2012	2013	U S Dollars
				2013
Per share amount				
Basic	¥282.62	¥274.91	¥218.66	\$2.33
Diluted	281.87	274.30	218.18	2.32

21 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, and logistics services.

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 sales 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 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 elevating machines.

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, 2011, 2012 and 2013 was as follows

Millions of Yen										
2011	Industrial Finance Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥90,051	¥1,248,912	¥834,812	¥662,899	¥803,702	¥1,525,834	¥5,166,210	¥51,288	¥(10,625)	¥5,206,873
Gross profit	44,546	43,798	326,281	167,179	84,180	456,783	1,122,767	37,760	(10,625)	1,149,902
Equity in earnings of Affiliated companies and other	8,892	55,720	41,880	18,554	14,688	23,308	163,042	6,370	(2,410)	167,002
Net income (loss) attributable to Mitsubishi Corporation	11,062	94,007	231,468	59,077	29,117	46,260	470,991	(11,374)	4,926	464,543
Segment assets	789,062	1,279,639	3,030,266	1,571,527	708,598	2,183,855	9,562,947	2,568,927	(859,099)	11,272,775
Investments in Affiliated companies	132,400	194,843	244,398	157,952	105,098	337,389	1,172,080	107,805	1,553	1,281,438
Depreciation and amortization	19,413	18,732	37,681	18,826	3,651	28,273	126,576	17,243		143,819
Capital expenditures for long-lived assets	41,701	38,418	68,086	22,545	4,483	25,839	201,072	9,203		210,275
Operating transactions										
External customers	¥147,639	¥3,860,109	¥4,407,057	¥2,377,558	¥2,019,272	¥5,306,156	¥18,117,791	¥1,242,162	¥(126,510)	¥19,233,443
Intersegment	21,617	14,047	1,760	5,065	8,096	7,451	58,036	28,551	(86,587)	
Total	¥169,256	¥3,874,156	¥4,408,817	¥2,382,623	¥2,027,368	¥5,313,607	¥18,175,827	¥1,270,713	¥(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	¥94,621	¥1,406,407	¥856,356	¥567,184	¥1,009,410	¥1,571,720	¥5,505,698	¥62,025	¥(1,891)	¥5,565,832
Gross profit	45,400	61,828	267,553	161,849	86,564	462,996	1,086,190	43,561	(1,891)	1,127,860
Equity in earnings of Affiliated companies and other	9,157	71,939	38,324	22,406	17,968	25,792	185,586	7,388	(556)	192,418
Net income (loss) attributable to Mitsubishi Corporation	14,216	120,639	170,636	49,763	37,085	56,642	448,981	3,557	(194)	452,344
Segment assets	864,500	1,594,140	3,571,003	1,655,475	806,218	2,383,577	10,874,913	2,720,506	(1,007,099)	12,588,320
Investments in Affiliated companies	146,533	334,281	775,162	155,903	106,725	346,172	1,864,776	115,604	7,856	1,988,236
Depreciation and amortization	20,405	15,991	41,357	18,392	4,346	28,801	129,292	16,136		145,428
Capital expenditures for long-lived assets	104,531	41,763	143,919	39,221	5,298	25,478	360,210	26,106		386,316
Operating transactions										
External customers	¥170,982	¥4,554,997	¥4,396,774	¥2,293,857	¥2,207,119	¥5,442,466	¥19,066,195	¥1,062,829	¥(2,703)	¥20,126,321
Intersegment	19,647	9,473	2,779	14,659	11,468	8,223	66,249	36,366	(102,615)	
Total	¥190,629	¥4,564,470	¥4,399,553	¥2,308,516	¥2,218,587	¥5,450,689	¥19,132,444	¥1,099,195	¥(105,318)	¥20,126,321

Millions of Yen										
2013	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥172,086	¥1,540,908	¥690,903	¥847,141	¥1,136,137	¥1,528,200	¥5,915,375	¥55,679	¥(2,280)	¥5,968,774
Gross profit	56,006	52,811	133,602	194,583	92,109	464,865	993,976	37,962	(2,281)	1,029,657
Interest expense	(9,667)	(9,809)	(21,421)	(25,705)	(5,187)	(11,449)	(83,238)	22,100	17,907	(43,231)
Interest income	3,249	2,749	4,848	22,063	293	1,077	34,279	20,602	(17,640)	37,241
Income taxes	(10,984)	(22,492)	(13,056)	(20,838)	(7,620)	(33,872)	(108,862)	1,548	(6,172)	(113,486)
Equity in earnings of Affiliated companies and other	16,512	72,195	18,537	20,213	13,724	22,788	163,969	(75)	380	164,274
Net income (loss) attributable to Mitsubishi Corporation	24,963	142,376	36,910	61,895	22,627	67,537	356,308	7,627	(3,907)	360,028
Segment assets	1,027,218	1,909,013	4,145,036	1,972,989	916,614	2,612,950	12,583,820	3,351,739	(1,524,894)	14,410,665
Investments in Affiliated companies	184,072	577,235	796,286	197,336	118,534	351,893	2,225,356	196,507	3,498	2,425,361
Depreciation and amortization	20,440	15,070	48,949	19,611	6,295	32,270	142,635	14,770		157,405
Capital expenditures for long-lived assets	136,631	44,714	224,060	92,575	5,776	36,419	540,175	11,007		551,182
Operating transactions										
External customers	¥214,894	¥4,955,765	¥4,003,543	¥2,473,363	¥2,380,238	¥5,555,728	¥19,583,531	¥625,126	¥(1,474)	¥20,207,183
Intersegment	19,406	8,359	3,860	6,157	16,634	8,432	62,848	40,561	(103,409)	
Total	¥234,300	¥4,964,124	¥4,007,403	¥2,479,520	¥2,396,872	¥5,564,160	¥19,646,379	¥665,687	¥(104,883)	¥20,207,183

Millions of U.S. Dollars										
2013	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	\$1,831	\$16,393	\$7,350	\$9,012	\$12,087	\$16,257	\$62,930	\$592	\$(24)	\$63,498
Gross profit	596	562	1,421	2,070	980	4,945	10,574	404	(24)	10,954
Interest expense	(103)	(104)	(228)	(273)	(55)	(122)	(885)	235	190	(460)
Interest income	35	29	52	235	3	11	365	219	(188)	396
Income taxes	(117)	(239)	(139)	(222)	(81)	(360)	(1,158)	16	(65)	(1,207)
Equity in earnings of Affiliated companies and other	176	768	197	215	146	242	1,744	(1)	5	1,748
Net income (loss) attributable to Mitsubishi Corporation	266	1,515	393	658	241	718	3,791	81	(42)	3,830
Segment assets	10,928	20,309	44,096	20,989	9,751	27,797	133,870	35,657	(16,222)	153,305
Investments in Affiliated companies	1,958	6,141	8,471	2,099	1,261	3,744	23,674	2,091	37	25,802
Depreciation and amortization	217	160	521	209	67	343	1,517	158		1,675
Capital expenditures for long-lived assets	1,454	476	2,384	985	61	387	5,747	117		5,864
Operating transactions										
External customers	\$2,286	\$52,721	\$42,591	\$26,312	\$25,322	\$59,103	\$208,335	\$6,650	\$(15)	\$214,970
Intersegment	206	89	41	66	177	90	669	432	(1,101)	
Total	\$2,492	\$52,810	\$42,632	\$26,378	\$25,499	\$59,193	\$209,004	\$7,082	\$(1,116)	\$214,970

- *1 Operating transactions, as presented above, are voluntary disclosures solely for the convenience of investors in Japan. Operating transactions represent the gross transaction volume or the aggregate nominal value of the sales contracts in which the companies act as principal and transactions in which the companies serve as agent.
- *2 "Other" represents the corporate departments which primarily provide services and operational supports 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 Effective April 1, 2012, the Company transferred parts of the business of the "Industrial Finance, Logistics & Development" and "Machinery" to "Other". The consolidated financial position and the results of operations of related reportable operating segments for the years ended March 31, 2011 and 2012 have been reclassified accordingly.
- *5 From the year ended March 31, 2013, "Interest expense", "Interest income" and "Income taxes" are disclosed. "Interest expense" allocated to each reportable operating segment includes intercompany interest expenses charged from the corporate departments in accordance with internal regulations, while "Interest expense" in "Other" represents interest income received from each reportable operating segment. "Income taxes" allocated to each reportable operating segment includes both current taxes and deferred taxes attributable to each segment, while "Income taxes" in "Adjustments and Eliminations" represents current taxes and deferred taxes which are not attributable to each segment.
- *6 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, 2011, 2012 and 2013 were as follows

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Revenues				
Japan	¥3,812,066	¥4,229,907	¥4,463,439	\$47,483
Thailand	380,969	295,829	560,978	5,968
Australia	493,399	494,353	377,862	4,020
Other	520,439	545,743	566,495	6,027
Total	¥5,206,873	¥5,565,832	¥5,968,774	\$63,498
Gross profit				
Japan	¥735,109	¥767,423	¥772,561	\$8,219
Thailand	53,278	45,031	72,368	770
United Kingdom	42,753	47,631	59,118	629
Other	318,762	267,775	125,610	1,336
Total	¥1,149,902	¥1,127,860	¥1,029,657	\$10,954
Long-lived assets				
Australia	¥494,690	¥648,475	¥953,037	\$10,139
Japan	703,255	674,152	692,428	7,366
Canada	75,547	85,511	110,887	1,180
U S A	80,350	83,138	100,160	1,066
Other	312,570	389,634	585,979	6,233
Total	¥1,666,412	¥1,880,910	¥2,442,491	\$25,984
Operating transactions				
Japan	¥15,667,224	¥16,400,378	16,134,926	\$171,648
U S A	886,257	951,260	1,084,460	11,537
Thailand	634,555	541,892	922,238	9,811
Other	2,045,407	2,232,791	2,065,559	21,974
Total	¥19,233,443	¥20,126,321	¥20,207,183	\$214,970

*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, 2011, 2012 and 2013, respectively

22 OTHER INCOME—NET

“Other income—net” for the years ended March 31, 2011, 2012 and 2013 consisted of the following

	Millions of Yen			Millions of U S Dollars
	2011	2012	2013	2013
Net foreign exchange gains	¥(45,205)	¥(42,877)	¥(1,961)	\$(21)
Insurance recovery gains	(531)	(4,099)	(24,748)	(263)
Bargain purchase gains from the acquisition (Note 4)		(5,909)	(21,479)	(229)
Impairment loss of goodwill (Note 10)	891	870		
Miscellaneous	(4,335)	(8,654)	(6,844)	(72)
Total	¥(49,180)	¥(60,669)	¥(55,032)	\$(585)

23 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, 2012 and 2013 were as follows

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Total minimum lease payments to be received	¥479,605	¥606,436	\$6,451
Estimated unguaranteed residual value of leased assets	1,402	528	6
Less—unearned income	(87,885)	(99,465)	(1,058)
Investment in direct financing leases	393,122	507,499	5,399
Less—allowance for doubtful receivables	(6,152)	(11,071)	(118)
Net investment in direct financing leases	¥386,970	¥496,428	\$5,281

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, 2013

	Millions of Yen			Millions of U S Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	¥79,182		¥79,182	\$842		\$842
Buildings	59,183	¥(33,595)	25,588	630	\$(358)	272
Machinery and equipment	100,952	(56,966)	43,986	1,074	(606)	468
Aircraft	410,569	(106,089)	304,480	4,368	(1,129)	3,239
Vessels and vehicles	174,631	(74,376)	100,255	1,857	(790)	1,067
Total	¥824,517	¥(271,026)	¥553,491	\$8,771	\$(2,883)	\$5,888

Future minimum lease payments to be received as of March 31, 2013 are as follows

	Millions of Yen			Millions of U S Dollars
	Direct Financing Leases	Noncancelable Operating Leases	Total	Total
Years Ending March 31				
2014	¥176,100	¥64,586	¥240,686	\$2,560
2015	134,076	50,027	184,103	1,959
2016	85,976	41,912	127,888	1,361
2017	58,565	35,052	93,617	996
2018	30,850	28,853	59,703	635
2019 and thereafter	120,869	99,795	220,664	2,347
Total	¥606,436	¥320,225	¥926,661	\$9,858

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

Contingent rentals for the years ended March 31, 2011, 2012 and 2013 were ¥45 million, ¥57 million and ¥19 million (\$0.2 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, 2012 and 2013.

2012	Millions of Yen		
	Cost	Accumulated Depreciation	Net
Buildings	¥11,025	¥(6,185)	¥4,840
Machinery and equipment	42,261	(22,330)	19,931
Vessels and vehicles	4,365	(2,457)	1,908
Total	¥57,651	¥(30,972)	¥26,679

2013	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	¥11,487	¥(6,913)	¥4,574	\$122	\$(73)	\$49
Machinery and equipment	44,225	(22,017)	22,208	471	(235)	236
Vessels and vehicles	3,960	(1,930)	2,030	42	(20)	22
Total	¥59,672	¥(30,860)	¥28,812	\$635	\$(328)	\$307

Future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2013 are as follows:

Years Ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥13,266	\$141
2015	11,496	122
2016	8,498	90
2017	6,377	68
2018	4,605	49
2019 and thereafter	15,285	163
Total minimum lease payments	59,527	633
Less amount representing interest	(3,721)	(39)
Present value of net minimum lease payments	55,806	594
Current capital lease obligations	13,219	141
Long-term capital lease obligations	¥42,587	\$453

Minimum payments have not been reduced by minimum sublease revenues of ¥25,456 million (\$271 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, 2011, 2012 and 2013 were ¥56,554 million, ¥67,543 million and ¥83,764 million (\$891 million), respectively. Sublease rental income for the years ended March 31, 2011, 2012 and 2013 were ¥6,608 million, ¥11,702 million and ¥22,673 million (\$241 million), respectively.

Future minimum lease payments under noncancelable leases as of March 31, 2013 are as follows:

Years Ending March 31	Millions of Yen	Millions of U S Dollars
2014	¥53,111	\$565
2015	33,421	356
2016	29,794	317
2017	26,504	282
2018	22,307	237
2019 and thereafter	73,532	782
Total	<u>¥238,669</u>	<u>\$2,539</u>

Minimum payments have not been reduced by minimum sublease rentals of ¥30,945 million (\$329 million) due in the future under noncancelable subleases.

24 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, 2011, 2012 and 2013 was ¥1,240 million, ¥1,256 million and ¥1,006 million (\$11 million), respectively. The total tax benefit recognized related thereto for the years ended March 31, 2011, 2012 and 2013 was ¥508 million, ¥452 million and ¥362 million (\$4 million), respectively. The tax benefit realized from stock options exercised for the years ended March 31, 2011, 2012 and 2013 was ¥102 million, ¥471 million and ¥356 million (\$4 million), respectively. No stock-based compensation cost was capitalized for the years ended March 31, 2011, 2012 and 2013

The weighted-average fair value of options granted under the Parent's stock option plan for the years ended March 31, 2011, 2012 and 2013 was ¥1,600, ¥1,569 and ¥1,042 (\$11.09) 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

	2011	2012	2013
Risk-free interest rate	0.71%–0.85%	0.76%–0.86%	0.67%–0.72%
Expected volatility	40.88%–40.99%	40.49%–40.68%	39.21%–39.60%
Expected dividend yield	2.02%–2.04%	3.16%–3.33%	4.21%–4.39%
Expected life	8 years	8 years	9–9.25 years

The following table summarizes information about stock option activities for the years ended March 31, 2011, 2012 and 2013

	2011		2012		2013	
	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		U.S. Dollars
Outstanding at beginning of the fiscal year	6,079,000	¥1,041	6,160,900	¥947	5,609,100	¥881
Granted	665,400	1	796,100	1	970,000	1
Canceled or expired	(2,100)	1	(400)	1	(8,400)	1
Exercised	(581,400)	847	(1,347,500)	666	(917,300)	472
Outstanding at end of the fiscal year	6,160,900	947	5,609,100	881	5,653,400	797
Exercisable at end of the fiscal year	4,113,900	1,418	4,319,000	1,144	4,165,400	1,082

The following table summarizes information for options outstanding and exercisable at March 31, 2013

	Exercise Price Range	Number of Shares	Weighted Average Remaining Life	Aggregate Intrinsic Value	
				Millions of Yen	Millions of U S Dollars
Outstanding	¥1-2,435	5,653,400	14.8	¥5,348	\$57
Exercisable	¥1-2,435	4,165,400	10.0	2,753	29

The total intrinsic value of options exercised during the years ended March 31, 2011, 2012 and 2013 was ¥730 million, ¥1,582 million and ¥1,059 million (\$11 million), respectively. As of March 31, 2013, the total unrecognized compensation cost related to nonvested stock options granted under the plans was ¥223 million (\$2 million), which is expected to be recognized over a weighted-average period of 0.3 years.

25 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, 2012 and 2013.

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Total assets of the VIEs	¥195,452	¥149,334	\$1,589
Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets	194,080	149,333	1,589
Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets	73,018	60,969	649

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, including current maturities 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 ¥112,884 million and ¥85,061 million (\$905 million) as of March 31, 2012 and 2013, 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, 2012 were no longer consolidated as of March 31, 2013 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, 2013 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 real-estate-related business, shipping-related business, or project financing in the infrastructure 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, 2012 and 2013. Total assets of the VIEs represent the latest information available to the Company.

	Millions of Yen				
March 31, 2012	Real Estate	Shipping	Infrastructure	Other	Total
Total assets of the VIEs	¥247,002	¥280,683	¥187,688	¥157,865	¥873,238
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	20,176	40,029	14,158	17,883	92,246
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	259	2,385	947	1,455	5,046
Maximum exposures to losses	24,944	73,825	14,158	20,634	133,561

March 31, 2013	Millions of Yen				
	Real Estate	Shipping	Infrastructure	Other	Total
Total assets of the VIEs	¥444,569	¥353,699	¥228,357	¥164,171	¥1,190,796
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	51,738	60,845	20,541	17,225	150,349
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	166	1,267	559	1	1,993
Maximum exposures to losses	58,232	116,084	30,838	17,423	222,577

March 31, 2013	Millions of U S Dollars				
	Real Estate	Shipping	Infrastructure	Other	Total
Total assets of the VIEs	\$4,729	\$3,763	\$2,429	\$1,747	\$12,668
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	550	647	219	183	1,599
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	2	13	6		21
Maximum exposures to losses	620	1,235	328	185	2,368

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, noncurrent notes, loans and accounts receivable—trade, loans and other receivables. 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 deferred income taxes and payables to Affiliated 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.

26 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, 2013, the outstanding long-term purchase commitments amounted to ¥4,278,874 million (\$45,520 million) for which deliveries are scheduled for various dates through 2042.

Purchases made under unconditional purchase obligations for the years ended March 31, 2011, 2012 and 2013 were ¥868,762 million, ¥996,915 million and ¥1,023,898 million (\$10,893 million), respectively.

The Company also had long-term financing commitments aggregating ¥22,582 million (\$240 million) at March 31, 2013 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

The Company provided credit guarantees for certain customers and suppliers, and for the Affiliated companies, in the form of standby letters of credit and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Guarantees for customers and suppliers			
Outstanding amount	¥258,084	¥301,541	\$3,208
Maximum potential amount of future payments	317,099	381,778	4,061
Guarantees for the Affiliated companies			
Outstanding amount	107,445	422,747	4,497
Maximum potential amount of future payments	170,535	627,146	6,672

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, 2013 will expire within ten years, with certain credit guarantees expiring by the end of 2038. 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 reinsurance as necessary.

At March 31, 2012 and 2013, the amount of possible recoveries under recourse provisions from third parties or from collateral pledged was ¥16,697 million and ¥165,625 million (\$1,762 million), respectively.

The liabilities for these credit guarantees were ¥1,571 million and ¥2,286 million (\$24 million) at March 31, 2012 and 2013, respectively.

As of March 31, 2013, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

LNG project in Russia

The Company, along with other shareholders, provided an agreement to indemnify the financing party from any loss that might be incurred due to the failure of the investee (10% owned by the Company) to register the title of the properties associated with this LNG 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.

The investee repays \$6,700 million financing based on the schedule under the loan agreement.

LNG project in Australia

An Affiliated company of the Parent acquired participating interest in a project to develop LNG in Australia (the "Project"). The Affiliated company has obtained a \$1,927 million (¥181 billion) line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant to the Project, provides a credit guarantee to the bank on the line-of-credit. The maximum potential amount of future payments of the Parent

resulting from the default on the line-of-credit is \$1,533 million (¥144 billion), and is included in "Guarantees for the Affiliated companies – Maximum potential amount of future payments" line item on the table above. As of March 31, 2013, the portion of the Affiliated company's draw-down against the line-of-credit that the Parent is responsible for amounted to \$300 million (¥28 billion). The amount is reflected in "Guarantees for the Affiliated companies – Outstanding amount" line item in the table above.

In addition, the Parent, along with other participants to the Project, provide a performance guarantee to the seller of the participating interest in the Project. The performance guarantee is a joint guarantee of the payments for the participating interest in this Project and for the future funding commitment in accordance with the joint venture agreement. The obligation from this performance guarantee is considered to arise at the execution of project agreements and the total guarantee as of March 31, 2013 is \$2,764 million (¥260 billion). The amounts are included in both "Guarantees for the Affiliated companies – Maximum potential amount of future payments" and "Guarantees for the Affiliated companies – Outstanding amount" line items in the table above.

The performance guarantee obligation encompasses future planned payments, which will be funded, in part, by the line of credit. Within the line item "Guarantees for the Affiliated companies – Maximum potential amount of future payments", the amounts related to the performance guarantee will be reduced to the extent that the Affiliated company makes cash call payments for participating interest and development funding, while the amount relating to the maximum potential amount of future payments of credit guarantee will remain the same. In this case, within the line item "Guarantees for the Affiliated companies - Outstanding amount", the amount relating to this performance guarantee will be reduced as cash call payments are made, while the amount relating to the credit guarantee will increase.

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, 2012 and 2013 were as follows:

	Millions of Yen		Millions of U S Dollars
	2012	2013	2013
Balance at beginning of year	¥2,600	¥1,978	\$21
Accrued cost	782	1,268	14
Payments	(550)	(787)	(8)
Other*	(854)	414	4
Balance at end of year	¥1,978	¥2,873	\$31

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

27 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
	2011	2012	2013	2013
Cash paid during the year for				
Interest, less amounts capitalized	¥41,109	¥40,894	¥41,766	\$444
Income taxes	139,507	178,790	80,213	853
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	45,909		2,513	27
Cost of shares surrendered	10,465		3,000	32
Acquisition of businesses (Note 4)				
Fair value of assets acquired (including goodwill)	39,556	176,602	132,690	1,412
Fair value of liabilities assumed	4,008	70,569	79,902	850
Noncontrolling interest in acquirees		5,024	10,461	111
Acquisition-date carrying amount of previously held equity interests		20,713	7,222	77
Gain on remeasuring the previously held equity interests to fair value—net and gain on bargain purchase		23,220	22,666	242
Acquisitions of businesses, net of cash acquired	35,548	57,076	12,439	132
Assets by entering into capital leases			3,947	42
Assets transferred to direct finance leases	10,127	5,116		
Issuance of common stock upon conversion of convertible bonds		905		

28 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 21, 2013

Dividends

At the general shareholders' meeting held on June 21, 2013, the Parent was authorized to pay a cash dividend of ¥30 (\$0.32) per share, or a total of ¥49,420 million (\$526 million) to shareholders of record on March 31, 2013

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

March 31, 2011	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	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

March 31, 2012	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	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

March 31, 2013	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	¥148,675	¥58,408	¥244,298	¥151,329	¥454,035
Unproved oil and gas properties	71,057	109,139	113,722	36,470	259,331
Subtotal	219,732	167,547	358,020	187,799	713,366
Accumulated depreciation, depletion, amortization and valuation allowances	(48,821)	(3,057)	(119,141)	(52,015)	(174,213)
Net capitalized costs	¥170,911	¥164,490	¥238,879	¥135,784	¥539,153

March 31, 2013	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Proved oil and gas properties	\$1,582	\$622	\$2,599	\$1,610	\$4,831
Unproved oil and gas properties	756	1,161	1,210	388	2,759
Subtotal	2,338	1,783	3,809	1,998	7,590
Accumulated depreciation, depletion, amortization and valuation allowances	(520)	(33)	(1,268)	(553)	(1,854)
Net capitalized costs	\$1,818	\$1,750	\$2,541	\$1,445	\$5,736

Table 2 Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

Year Ended March 31, 2011	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	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

Year Ended March 31, 2012	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	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

Year Ended March 31, 2013	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties			¥17,466	¥707	¥18,173
Acquisition of unproved properties	¥7,051		101,988	746	102,734
Exploration costs	27,606	¥18,998	3,432	447	22,877
Development costs	24,104	10,886	13,579	12,843	37,308
Total costs incurred	¥58,761	¥29,884	¥136,465	¥14,743	¥181,092

Year Ended March 31, 2013	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Acquisition of proved properties			\$186	\$7	\$193
Acquisition of unproved properties	\$75		1,085	8	1,093
Exploration costs	294	\$202	37	5	244
Development costs	256	116	144	137	397
Total costs incurred	\$625	\$318	\$1,452	\$157	\$1,927

Table 3 Results of Operations for Producing Activities

Year Ended March 31, 2011	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	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, 2013	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	¥27,229	¥1,567	¥101,771	¥33,325	¥136,663
Intersegment sales	10,133			6,286	6,286
Expenses					
Production costs	14,333	738	26,835	12,724	40,297
Exploration costs	13,135		1,063	335	1,398
Depreciation, depletion, amortization and valuation allowances	9,367	2,804	11,408	7,934	22,146
Income tax expense	1,959		19,161	7,857	27,018
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥(1,432)	¥(1,975)	¥43,304	¥10,761	¥52,090

Year Ended March 31, 2013	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Revenues					
Sales to external customers	\$290	\$17	\$1,083	\$354	\$1,454
Intersegment sales	108			67	67
Expenses					
Production costs	153	8	286	135	429
Exploration costs	140		11	4	15
Depreciation, depletion, amortization and valuation allowances	99	30	121	84	235
Income tax expense	21		204	84	288
Results of operations from producing activities (excluding corporate overhead and interest costs)	<u>\$ (15)</u>	<u>\$ (21)</u>	<u>\$ 461</u>	<u>\$ 114</u>	<u>\$ 554</u>

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 66 percent, 57 percent, and 69 percent of the total reserve quantities for the years ended March 31, 2011, 2012, and 2013 respectively.

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

Year Ended March 31, 2011	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

Crude Oil, Condensate and Natural Gas Liquids
(Millions of Barrels)

Year Ended March 31, 2012	Consolidated Companies	Affiliated Companies			Total
	Total	North America	Australia	Indonesia	
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
	Total	North America	Australia	Indonesia	
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

Crude Oil, Condensate and Natural Gas Liquids
(Millions of Barrels)

Year Ended March 31, 2013	Consolidated Companies	Affiliated Companies			Total
	Total	North America	Australia	Indonesia	
Proved developed and undeveloped reserves					
Beginning of year	59	1	27	15	43
Revisions of previous estimates	10		1	6	7
Purchases			3	1	4
Production	(6)		(4)	(2)	(6)
End of year	63	1	27	20	48
Proved developed reserves—end of year	49		12	13	25

	Natural Gas (Billions of Cubic Feet)				
	Consolidated Companies	Affiliated Companies			
		North America	Australia	Indonesia	Total
Proved developed and undeveloped reserves					
Beginning of year	265	380	564	1,181	2,125
Revisions of previous estimates		(270)		136	(134)
Extensions and discoveries	20				
Purchases			194		194
Production	(9)	(6)	(55)	(65)	(126)
End of year	276	104	703	1,252	2,059
Proved developed reserves—end of year	31	80	181	1,098	1,359

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

Year Ended March 31, 2011	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	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

Millions of Yen					
Year Ended March 31, 2013	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Future cash inflows	¥521,815	¥22,737	¥1,117,674	¥1,078,135	¥2,218,546
Future production costs	(167,150)	(13,376)	(261,343)	(232,813)	(507,532)
Future development costs	(78,066)	(5,672)	(213,401)	(116,892)	(335,965)
Future income taxes	(98,982)		(195,960)	(272,631)	(468,591)
Undiscounted future net cash flows	177,617	3,689	446,970	455,799	906,458
10% annual discount for estimated timing of cash flows	(66,965)	(2,063)	(207,889)	(303,095)	(513,047)
Standardized measure of discounted future net cash flows	¥110,652	¥1,626	¥239,081	¥152,704	¥393,411

Millions of U S Dollars					
Year Ended March 31, 2013	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Future cash inflows	\$5,551	\$242	\$11,890	\$11,470	\$23,602
Future production costs	(1,778)	(143)	(2,780)	(2,477)	(5,400)
Future development costs	(830)	(60)	(2,270)	(1,244)	(3,574)
Future income taxes	(1,053)		(2,085)	(2,900)	(4,985)
Undiscounted future net cash flows	1,890	39	4,755	4,849	9,643
10% annual discount for estimated timing of cash flows	(713)	(22)	(2,212)	(3,224)	(5,458)
Standardized measure of discounted future net cash flows	\$1,177	\$17	\$2,543	\$1,625	\$4,185

(2) Details of Changes for the Year

Year Ended March 31, 2011	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
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	Affiliated Companies			
	Total	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, 2013	Millions of Yen				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Discounted future net cash flows at April 1	¥107,166	¥(3,349)	¥205,558	¥123,613	¥325,822
Sales and transfer of oil and gas produced, net of production costs	(20,441)	(904)	(81,399)	(29,168)	(111,471)
Development costs incurred	25,507	11,867	11,844	13,932	37,643
Purchases of reserves			10,521	2,809	13,330
Net changes in sales and transfer prices and production costs related to future production	(10,114)	(40,443)	44,193	141,062	144,812
Changes in estimated future development costs	(22,204)	35,159	(6,295)	12,974	41,838
Extensions, discoveries and improved recovery, less related costs	3,186				
Revisions of previous quantity estimates	17,370		5,738	8,077	13,815
Accretion of discount (10%)	11,095	(228)	23,331	14,379	37,482
Net change in income taxes	(9,453)		(2,157)	(149,031)	(151,188)
Difference of foreign exchange rates	8,540	(476)	27,747	14,057	41,328
Discounted future net cash flows at March 31	¥110,652	¥1,626	¥239,081	¥152,704	¥393,411

Year Ended March 31, 2013	Millions of U S Dollars				
	Consolidated Companies	Affiliated Companies			
	Total	North America	Australia	Indonesia	Total
Discounted future net cash flows at April 1	\$1,140	\$(36)	\$2,187	\$1,315	\$3,466
Sales and transfer of oil and gas produced, net of production costs	(217)	(10)	(866)	(310)	(1,186)
Development costs incurred	271	126	126	148	400
Purchases of reserves			112	30	142
Net changes in sales and transfer prices and production costs related to future production	(108)	(430)	470	1,501	1,541
Changes in estimated future development costs	(236)	374	(67)	138	445
Extensions, discoveries and improved recovery, less related costs	34				
Revisions of previous quantity estimates	185		61	86	147
Accretion of discount (10%)	118	(2)	248	153	399
Net change in income taxes	(101)		(23)	(1,586)	(1,609)
Difference of foreign exchange rates	91	(5)	295	150	440
Discounted future net cash flows at March 31	\$1,177	\$17	\$2,543	\$1,625	\$4,185