Mitsubishi Corporation

Financial Section of Integrated Report 2018

For the year ended March 31, 2018

FINANCIAL SECTION OF INTEGRATED REPORT
<FOR THE YEAR ENDED MARCH 2018>

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

1. Strategic Issues

1) "Midterm Corporate Strategy 2018"
"Evolving Our Business Model from Investing to Managing"

In May 2016, Mitsubishi Corporation released "Midterm Corporate Strategy 2018".

"Midterm Corporate Strategy 2018 – Evolving Our Business Model from Investing to Managing" sets forth Mitsubishi Corporation's corporate vision as follows: Mitsubishi Corporation shall leverage its ingenuity to create new business models and generate value for the society, thereby developing the highest level of management expertise.

As its management approach for over three years starting from fiscal year 2016, Mitsubishi Corporation has also adopted High-value Earnings and Efficiency/Financial Discipline as its basic approaches and objectives. With this in mind, Mitsubishi Corporation had set out to achieve a double-digit ROE by simultaneously executing two priorities: reforming the management platform and pursuing growth initiatives.

■ Management Approach Over the Three-Year Period of "Midterm Corporate Strategy 2018"

Reforming the Management Platform

<u>Rebalancing of "Resources" and "Non-resources"</u>
In Resources, Mitsubishi Corporation shall focus its investments in metallurgical coal, copper, and natural gas, and optimize the quality of its portfolio while maintaining the outstanding balance of investment assets. In Non-resources, Mitsubishi Corporation shall re-profile the composition of its portfolio but also increase the balance of investment assets by investing in growing businesses where Mitsubishi Corporation can demonstrate its strengths.
From fiscal year 2016, Mitsubishi Corporation has revised its business categorization to "market-related sector" and "business-related sector," replacing the previous categorization of "resources" and "non-resources".

<u>Cash-flow-focused Management</u>

Over the strategy's three-year period, Mitsubishi Corporation shall manage its investments and shareholder returns within its capacity to generate cash.

Growth initiatives

<u>Further Evolution from "Investing" to "Managing"</u>

Mitsubishi Corporation has generated growth primarily by investing in businesses; however, in addition to this, the new strategy shall focus more on proactively managing the businesses and enabling our investees to benefit from Mitsubishi Corporation's unique strengths and functions, leading to a generation of continuous value together.

<u>Accelerated "Lifecycle-based" Portfolio Re-profiling</u>

Recognizing that businesses have lifecycles influenced by environmental and other factors, Mitsubishi Corporation shall examine its businesses and re-profile its portfolio by proactively demonstrating Mitsubishi Corporation's strengths.

■ Progress on "Midterm Corporate Strategy 2018"
By March 31, 2018, Mitsubishi Corporation had achieved all of the financial targets laid out in "Midterm Corporate Strategy 2018" for the plan's three-year period. Moreover, Mitsubishi Corporation has made steady progress in terms of the frameworks introduced during this period. In these ways, Mitsubishi Corporation has been accelerating initiatives toward further growth.

■ Business portfolio strategy
Based on a holistic view across all industries, Mitsubishi Corporation will optimize its business portfolio while taking into consideration changes in the external environment and utilizing Mitsubishi Corporation's unique strengths and adaptability.

■ Growth mechanisms
Leveraging its collective capabilities to adopt a holistic view across all industries, Mitsubishi Corporation will manage

business growth according to the stage of each business. Specifically, Mitsubishi Corporation will identify "Potential Growth Sources", incubate them into "Growth Drivers" and evolve them into "Core Businesses."
Mitsubishi Corporation will flexibly change amounts of management resources allocated and authority delegated according to business stage, evolving its management framework into one that prioritizes growth.

■ Corporate Vision for Mitsubishi Corporation Group
Mitsubishi Corporation Group - A group that will deliver sustainable growth together with society and fulfill societal needs

Mitsubishi Corporation Group will simultaneously realize sustainable economic value, environmental value and societal value through its businesses by adapting to changes in the business environment and fulfilling societal needs. This will be accomplished by harnessing Mitsubishi Corporation Group's three strengths; specifically our collective capabilities to adopt a holistic view across all industries, the foresight to identify new sources of growth, and the ability to execute and implement growth.

■ Shareholder Returns
Mitsubishi Corporation shall introduce a flexible and progressive dividend policy in line with its sustainable earnings growth over the three-year period from fiscal year 2016. Dividend increases shall be determined flexibly.

2. Business Risks

(Unless otherwise stated, calculations of effects on profit for the year are based on profit for the year ending March 2019, estimated by profit for the year ended March 2018. Consolidated profit for the year, as used hereinafter, refers to "Profit for the year attributable to owners of the Parent")

1) Risks of Changes in Global Macroeconomic Conditions
As we conduct businesses on a global scale, our operating results are impacted by economic trends in overseas countries as well as those in Japan.

For instance, a decline in prices of energy and metal resources could have a large impact on our resource-related import trading and earnings from business investments. Furthermore, the worldwide economic slowdown could affect our entire export-related business, including plants, construction machinery parts, automobiles, steel products, ferrous raw materials, chemical products, and other products.

In Thailand and Indonesia, we have various automobile businesses, including automobile assembly plants, distribution/sales companies and financial services companies jointly established with Japanese automakers. Since automobile sales volume reflects internal demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant impact on earnings from our automobile operations.

In the year ended March 2018, the global economy was characterized by rising geopolitical risks in North Korea and the Middle East. Nevertheless, world economic growth continued, sustained by rising levels of consumption and investment in advanced countries, as well as stable economic growth in emerging markets such as China.

2) Market Risks

(1) Commodity Market Risk
In the course of our business activities, we are exposed to various risks relating to fluctuations of commodity prices as a trader, an owner of rights to natural and energy resources, and a producer and seller of industrial products of our investees. Product categories that may have a large impact on our operating results are as follows:

(Energy Resources)
We engage in the natural gas and oil production, business development, and the liquefied natural gas (LNG) business, in North America, Southeast Asia, Australia, and other regions. Accordingly, fluctuations in oil and gas prices could have a significant impact on our operating results.

Crude oil (Brent) is traded at around US$60~70 due primarily to solid demand, especially Asia, as well as the agreement among major oil-producing countries to extend their accord on lowering production volumes, despite the rise in US shale oil production. Going forward, we expect the price environment to remain uncertain, due to ongoing geopolitical risk, the production level of major oil-producing countries and US shale oil production, and inventory trends among the major countries.

Fundamentally, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have an approximate ¥2.5 billion effect on profit for the year for LNG and crude oil combined in a year, mainly through equity method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag of the fluctuations to provide impact to our operation.

(Metal Resources)
Through a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), in Brisbane, Australia, we sell coking coal, which is used for steel manufacturing, and thermal coal used for electricity generation. Fluctuations in the price of coking coal may affect our operating results through MDP's earnings. MDP's operating results cannot be determined by the coal price alone since MDP's results are also significantly affected by fluctuations in exchange rates among the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes etc.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. A US$100 fluctuation in the price per MT of copper would have a ¥1.4 billion effect on our profit for the year (a US¢10 price fluctuation per lbs. of copper would have a ¥3.2 billion effect on our profit for the year). However, variables beside price fluctuations can also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings may not be determined by the copper price alone.

(Petrochemical Products)
We engage in the production and sale of petrochemical products, such as polyethylene, ethylene glycol, paraxylene, and methanol, manufactured from raw materials such as naphtha and natural gas in such countries as Saudi Arabia, Malaysia, and Venezuela. We also engage in global trading activities, centered on Asia. Market prices on petrochemical products are determined individually based on product characteristics, according to such factors as raw material prices and the supply-demand balance. Such changes could affect this business and the earnings the Company generates from related transactions.

(2) Foreign Currency Risk
We bear the risk of fluctuations in foreign currency rates against the yen in the course of our trading activities, such as export, import, and offshore trading. While we use forward contracts and other hedging strategies, there is no assurance that we can completely avoid foreign currency risk.

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit for the year. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, an appreciation in the yen relative to foreign currencies has a negative impact on profit for the year. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥3.0 billion effect on profit for the year.

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

(3) Stock Price Risk
As of March 31, 2018, we owned approximately ¥1,490.0 billion (market value) of marketable securities, mostly equity issues of customers, suppliers and affiliates. These investments expose us to the risk of fluctuations in stock prices. The valuation above represented net unrealized gains of approximately ¥580.0 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed by marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk
As of March 31, 2018, we had gross interest-bearing liabilities of ¥4,954.4 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there is a timing difference, interest rate risk is offset. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income as well as other income streams such as dividends that are strongly correlated with economic cycles. Accordingly, even if interest rates increase as the economy improves, leading to higher interest expenses, we believe that these expenses would be offset by an increase in income from the corresponding assets held. However, our operating results may be negatively affected temporarily if there is a rapid rise in interest rates because increased income from commensurate assets held would fail to offset immediately the effects of a preceding increase in interest expenses.

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

3) Credit Risk

We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, finance, guarantees and investments due to our various operating transactions. We are therefore exposed to credit risks in the form of losses arising from deterioration in the credit of or bankruptcy of customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging these risks. In this case, we are exposed to the credit risk of the counterparties regarding these derivative contracts.

To manage this risk, we have established credit and transaction limits for each customer as well as introduced an internal rating system. Based on internal rules determined by internal ratings and the amount of credit, we also require collateral or a guarantee depending on the credit profile of the counterparty. There is no guarantee that we will be able to completely avoid credit risk with these risk hedging strategies. We reduce transactions and take measures to protect our receivables when there is deterioration in the credit condition of customers. We also have a policy for dealing with bankrupt customers and work to collect receivables. However, failure to collect receivables and other credit could affect our operating results.

4) Country Risk

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

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project. Furthermore, we have established a Country Risk Committee, in which country risks are managed through a country risk countermeasure system. The country risk countermeasure system classifies countries with which we conduct business into eight categories based on creditworthiness by country. Country risk is controlled through the establishment of risk limits for each category.

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

5) Business Investment Risk

We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of increasing our commercial rights and deriving capital gains. However, we bear various risks related to business investments, such as the possible inability to recover our investments and exit losses, or being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the meaning and purpose of the investment, quantitatively grasp the downside risk of investments, and evaluate whether the return on our investments based on the characteristics of a business exceeds the minimum expected rate of return. After investing, we manage risks individually with respect to business investments to achieve the investment goals through the Business Plan formulated every year. Furthermore, we clarify retention policies, including the sale of our equity interest or the liquidation of the investee in order to efficiently replace assets in our portfolio, in the event that the investments are generating lower earnings than indicated in the plan.

Notwithstanding these initiatives, although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and withdrawals from an investment etc.

6) Risks Related to Specific Investments

(Investments in Australian Coking Coal and Other Metal Resource Interests)

In November 1968, we established a wholly owned subsidiary, Mitsubishi Development Pty Ltd (MDP), headquartered in Brisbane, Australia, to engage in the development of coal (coking coal, which is used for steel manufacturing, and thermal coal, which is used for electricity generation). In 2001, we acquired through MDP a 50% interest in the BMA coking coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and have been engaging in this business with a partner, BHP Billiton Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest coking coal businesses, currently producing 60 million tonnes per year. As of March 31, 2018, the book value of MDP's fixed assets is approximately ¥810.0 billion.

MDP's commodity market risks have the potential to affect our operating performance. For details, please refer to the section entitled "*2)* (1) Commodity Market Risk (Metal Resources)."

(Investments in Interests in Chilean Copper Assets and Other Resource Interests)
We hold shares in Anglo American Sur S.A. (AAS), which holds Chilean copper resource interests, with Anglo American Plc (AAC), headquartered in London, United Kingdom, and a joint venture between Corporación Nacional del Cobre de Chile, a nationally operated copper production company headquartered in Santiago, and Mitsui & Co., Ltd. Ownership interests in AAS are 50.1% by AAC, 29.5% by the Joint Venture and 20.4% by us, which we acquired for US$4.51 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS' total copper production was approximately 350,000 tonnes in 2017.)

We apply the equity method to the investment in AAS. As an investment accounted for using the equity method, during the year we conducted an impairment test on our investment in AAS. As AAS' production and development plans are long-term, we judged that an evaluation was necessary from a medium- to long-term perspective, including revisions in copper price forecasts. In relation to copper prices, we formulated a forecast, taking into account fundamentals such as the future supply/demand environment and the data provided by external financial institutions and other organizations. Because AAS' production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than price fluctuations in the short term. Taking into overall consideration sluggish copper market prices and the extended timeframe for the development of mining projects, on March 31, 2016, we recorded an impairment loss of ¥271.2 billion, leading to a book value of approximately ¥160.0 billion as of March 31, 2018.

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

7) Risks Related to Compliance
We are engaged in businesses in all industries through many offices around the world. These activities subject us to a wide variety of laws and regulations. Specifically, we must comply with the Companies Act, tax laws, Financial Instruments and Exchange Act, anti-monopoly laws, international trade-related laws, environmental laws and various business laws in Japan. In addition, in the course of conducting business overseas, we must abide by the laws and regulations in the countries and regions where we operate.

We have established a Compliance Committee, which is headed by a chief compliance officer, who is at the forefront of our efforts to raise awareness of compliance. Under the chief's direction and supervision, in the individual business groups and corporate departments, the compliance officers of individual groups and departments plan and implement specific compliance initiatives and strive to enhance awareness of compliance.

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

8) Risks from Natural and Other Types of Disasters
An unforeseeable event, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza, or a large-scale accident, acts of terrorism or riots that affect our employees and damage our offices, facilities or systems could hinder sales and production activities.

We have established adequate countermeasures, having implemented an employee safety check system; formulated a disaster contingency manual and a business contingency plan (BCP); implemented earthquake-proof measures for buildings, facilities or systems (including backup of data); introduced a program of disaster prevention drills; prepared stocks of necessary goods; and collaborated and shared information with offices, subsidiaries and related companies both in Japan and overseas. However, no amount of preparation of this sort can completely avoid the risk of damage caused by a natural disaster. Accordingly, damage from a natural disaster could affect our businesses and operating results.

3. Critical Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other factors which it believes reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following items require accounting estimates and judgments that could have a critical impact on our financial position and results of operations:

1) Fair Value Measurement of Financial Instruments

The fair value measurement of financial instruments is a critical accounting estimate as the balance of financial instruments measured at fair value, such as securities and derivatives, is significant.

Fair value is determined based on market data, such as market prices, as well as other methodologies such as the market approach, income approach and cost approach. Specifically, the fair value of marketable securities is estimated using quoted market prices in active markets or quoted prices for identical or similar assets in markets that are not active. Fair value of non-marketable securities is estimated primarily using the discounted present value of future cash flows, comparison with similar transactions, modified net asset value, and third-party valuations. Furthermore, the fair value of derivative instruments is estimated by pricing models using observable market inputs, such as quoted prices, interest rates, and foreign exchange rates.

Management believes that the fair value measurement of financial instruments is reasonable. However, these valuations include uncertainties that may be beyond the control of management. Therefore, we may need to revise the amounts of fair valuations in the future if there is a change in the estimates related to the valuation of financial instruments due to unforeseen changes in assumptions and other factors.

2) Impairment Loss on Receivables Measured at Amortized Cost

The valuation of receivables measured at amortized cost is a critical accounting estimate as the balance of our receivables measured at amortized cost, such as trade receivables, notes and loans, is significant.

We perform ongoing credit valuations of our customers and establish transactions and credit limits for each customer based upon the customers' collection history and current credit worthiness, as determined by our review of the customers' current credit information. At the same time, we obtain the necessary collateral, guarantees and other forms of security from our customers. We continuously monitor collections from our customers. We adequately provide for an allowance for doubtful accounts by collectively evaluating certain receivables based upon past credit loss experience, the probability of future defaults and other factors. For certain customers, we individually monitor their financial position, credit standing, and collection of receivables. If there is a high likelihood of being unable to recover the full amount of receivables (total of principal and interest) in line with the initial contractual conditions, we adequately provide for an allowance for doubtful accounts for each of these customers based on the nature of the receivables, the extent of the delay in recovery, assessments by credit rating agencies, valuations based on the discounted cash flow method, the fair value of collateral and other information.

Management believes that the estimates made to evaluate receivables measured at amortized cost are reasonable, the balance of the allowance for doubtful accounts is adequate and a recoverable amount of receivables is presented. However, these valuations include uncertainties that are beyond the control of management. Therefore, we may need to increase or decrease the allowance for doubtful accounts in the future if there is a change in the estimates related to the valuation of receivables due to unforeseen changes in assumptions and other factors.

3) Impairment of Non-financial Assets

We estimate the recoverable amount of non-financial assets excluding inventories and deferred tax assets whenever events or changes in circumstances indicate that there are signs of impairment, i.e., the carrying amount of an asset may not be recoverable. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the estimated future cash flows, calculated by applying a pre-tax discount rate that reflects risks specific to the asset. Value in use is based on assumptions such as future market growth, forecast revenue and costs, and the estimated useful lives of utilization of the asset.

Management believes that its judgment regarding identifying evidence of impairment, recognition of impairment loss and evaluations related to estimates of value in use and fair value, are reasonable. However, these valuations include uncertainties that are beyond the control of management. Therefore, we may need to recognize additional impairment losses in the future if there is a change in the estimates related to the valuation of non-financial assets due to unforeseen changes in assumptions and other factors.

4) Pension Benefit Obligations and Costs

Employee pension benefit obligations and costs are estimated using actuarial calculations based on assumptions such as the discount rate, the average rate of increase in future compensation levels, the retirement rate, and the mortality rate. Among these, the discount rate is a particularly critical assumption for determining pension benefit obligations and costs.

The discount rate is determined based on the rate available on high quality fixed income investments over our employees' projected average period of service remaining until the payment of benefits, at the respective measurement dates. Management believes that the assumptions and methods employed in the actuarial calculations are appropriate. However, these assumptions include uncertainties that are beyond the control of management. Therefore, if differences arise between the assumptions and actual experience, or the assumptions are changed, our pension benefit obligations and costs could be impacted.

5) Recoverability of Deferred Tax Assets

The evaluation of the recoverability of deferred tax assets is a critical accounting estimate as the balance of our deferred tax assets is significant.

We recognize deferred tax assets only for certain items that are probable to be deductible from future taxable income, from among net operating loss carryforwards, tax deductions, and deductible temporary differences. We review the recoverability of deferred tax assets at the end of every fiscal year, and reduce deferred tax assets by the amount of tax benefits that are not expected to be realized.

Management believes that the estimates made to evaluate the recoverability of deferred tax assets are reasonable, and that a recoverable amount of deferred tax assets is presented. However, these estimates include uncertainties that are beyond the control of management. Therefore, we may need to reduce deferred tax assets in the future if there is a change in the estimates related to the evaluation of recoverability due to unforeseen changes in assumptions and other factors.

4. Year Ended March 2018 vs. Year Ended March 2017

In the year ended March 2018, the global economy was characterized by rising geopolitical risks in North Korea and the Middle East. Nevertheless, world economic growth continued and sustained by rising levels of consumption and investment in advanced countries, as well as stable economic growth in emerging markets such as China.

Under such circumstances, operating results for the year ended March 2018 were as follows:

1) Total Revenues

Revenues for the year ended March 2018 were ¥7,567.4 billion, an increase of ¥1,141.6 billion, or 18%, year over year. Revenues from the sale of goods increased by ¥729.2 billion, or 13%, to ¥6,287.6 billion. Revenues from the rendering of services and others increased by ¥412.4 billion, or 48%, to ¥1,279.8 billion.

The main reasons for changes (by segment) were as follows:

- The Living Essentials Group revenues increased by ¥672.2 billion, or 30%, to ¥2,876.4 billion, mainly due to increases attributed by Lawson, Inc. (hereinafter “Lawson”) becoming a subsidiary.
- The Chemicals Group revenues increased by ¥225.5 billion, or 20%, to ¥1,359.6 billion, mainly due to stronger markets and an increase in sales volumes.
- The Machinery Group revenues increased by ¥129.5 billion, or 17%, to ¥876.5 billion mainly due to higher sales volumes and the impact of exchange rates.

2) Gross Profit

Gross profit was ¥1,886.6 billion, an increase of ¥558.0 billion, or 42% year over year, mainly due to increases attributed by Lawson becoming a subsidiary and higher resource-related market prices.

3) Selling, General and Administrative Expenses

Selling, general and administrative expenses rose ¥454.7 billion, or 49% year over year, to ¥1,387.3 billion, mainly due to increases attributed by Lawson becoming a subsidiary.

4) Gains on Investments

Gains on investments decreased by ¥78.9 billion, or 95% year over year, to ¥4.4 billion, mainly due to the rebound of one-off gains accompanied by business mergers and sales of associated companies in the previous year.

5) Gains on Disposal of Property, Plant and Equipment

Gains on disposal and sale of property, plant and equipment increased by ¥26.5 billion, or 184% year over year, to ¥40.9 billion, mainly due to sales of resource-related assets and swap profit on held real estate.

6) Impairment Losses on Property, Plant and Equipment and others

Impairment losses on property, plant and equipment and others decreased by ¥23.0 billion, or 22% year over year, to ¥80.2 billion, mainly due to the rebound of impairments related to resource-related assets and the Shipping business in the previous year.

7) Other Income (Expense)-net
The Company recorded other income (expense)-net of ¥9.9 billion, mostly the same as in the previous year.

8) Finance Income
Finance income increased ¥46.8 billion, or 35%, year over year, to ¥179.2 billion, due to increased dividend income from resource-related investments.

9) Finance Costs
The Company recorded finance costs of ¥52.3 billion, mostly the same as in the previous year.

10) Share of Profit of Investments Accounted for Using the Equity Method
Share of profit of investments accounted for using the equity method increased by ¥93.9 billion, or 80% year over year, to ¥211.4 billion, mainly due to higher resource-related market prices.

11) Profit before Tax
Profit before tax increased by ¥211.3 billion, or 35% year over year, to ¥812.7 billion, for the above reasons.

12) Income Taxes
Income taxes rose ¥80.9 billion, or 67% year over year, to ¥202.3 billion. Despite the reversal of deferred tax liabilities due to US tax reform, increased profit before tax and additional tax expenses through an exit from resource-related assets led to a rise in total.

13) Profit for the Year Attributable to Non-Controlling Interest
Profit for the year attributable to non-controlling interests increased by ¥10.4 billion, or 26% year over year, to ¥50.2 billion.

14) Profit for the Year Attributable to Owners of the Parent
As a result of the above, profit for the year attributable to owners of the Parent increased by ¥119.9 billion, or 27% year over year, to ¥560.2 billion. Accordingly, ROE was 10.9%.

5. Year Ended March 2018 Segment Information
(Profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”)

1) Global Environmental & Infrastructure Business Group
The Global Environmental & Infrastructure Business Group conducts environmental and infrastructure projects, related trading operations and other activities in power generation, water, transportation and other fields that serve as a foundation for industry.

In the year ended March 2018, group revenues increased by ¥16.6 billion, or 24%, to ¥85.7 billion.

Gross profit amounted to ¥38.1 billion, mostly the same as in the previous year.

Share of profit (loss) of investments accounted for using the equity method increased by ¥14.1 billion, or 61%, to ¥37.3 billion, mainly reflecting improved equity income from Chiyoda Corporation.

The group recorded profit for the year of ¥44.6 billion, an increase of ¥21.2 billion, or 91%, year over year.

In addition to the reasons above, the higher earnings mainly reflected a gain on reversal of deferred tax liabilities due to US tax reform.

2) Industrial Finance, Logistics & Development Group
The Industrial Finance, Logistics & Development Group conducts an investment and operation business. These businesses include corporate investment, leasing, real estate/urban development, and logistics services.

In the year ended March 2018, group revenues decreased by ¥31.4 billion, or 24%, to ¥101.4 billion.

Gross profit decreased by ¥10.3 billion, or 17%, to ¥49.9 billion, mainly reflecting a decrease in gains on property sales in the real estate business in Japan, and lower transaction volume in the logistics business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥14.6 billion, or 107%, to ¥28.3 billion, mainly due to an increase in valuation gains on fund-related investments and an increase in equity earnings in the leasing business.

The group recorded profit for the year of ¥44.2 billion, an increase of ¥8.7 billion, or 25%, year over year.

In addition to the reasons above, the higher earnings mainly reflected the recognition of swap profit on held real estate.

3) Energy Business Group

The Energy Business Group conducts a number of activities including natural gas and oil exploration, production and development business; liquefied natural gas (LNG) business; trading of crude oil/petroleum products/carbon materials and products/liquefied petroleum gas (LPG); and planning and development of new energy business.

In the year ended March 2018, group revenues increased by ¥50.1 billion, or 4%, to ¥1,239.4 billion.

Gross profit increased by ¥18.0 billion, or 48%, to ¥55.7 billion. This increase mainly reflected higher trading profit in connection with improved market conditions.

Share of profit (loss) of investments accounted for using the equity method increased by ¥18.8 billion, or 74%, to ¥44.1 billion, mainly due to an increase in equity earnings in connection with improved market conditions.

The group recorded profit for the year of ¥20.3 billion, a decrease of ¥35.2 billion, or 63%, year over year.

In addition to the reasons above, despite an increase in dividends received in the LNG-related business, the decreased earnings mainly reflected the rebound of one-off gains in the previous year on business restructuring in the shale gas business, including ¥16.4 billion in other income (expense)-net, and one-off losses this year on resource-related assets due to replacements, increased decommissioning costs, and additional tax expenses through an exit from resource-related assets.

4) Metals Group

The Metals Group conducts “managing” businesses through trade, development, and investment 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 metals such as copper and aluminum.

In the year ended March 2018, group revenues increased by ¥85.1 billion, or 9%, to ¥1,021.7 billion.

Gross profit increased by ¥38.0 billion, or 9%, to ¥452.8 billion. This increase mainly reflected increased earnings resulting from partial mitigation of reduction of production and shipments caused by Cyclone Debbie and an increase from higher realized prices in the Australian coal business, along with a rise in sales prices in the Steel products business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥30.8 billion, or 1,141%, to ¥33.5 billion, reflecting mainly an increase in equity earnings due to improved market conditions in the copper and iron ore businesses.

The group recorded profit for the year of ¥261.0 billion, an increase of ¥113.1 billion, or 76%, year over year.

In addition to the reasons above, the higher earnings mainly reflected a rebound from one-off losses recognized in the previous year.

5) Machinery Group

The Machinery Group conducts trading, finance and logistics, and investments in a range of fields. These fields include machine tools, agricultural machinery, construction machinery, mining machinery, elevators, escalators, ships, aerospace-related equipment and motor vehicles.

In the year ended March 2018, group revenues increased by ¥129.5 billion, or 17%, to ¥876.5 billion.

Gross profit increased by ¥13.5 billion, or 7%, to ¥195.6 billion. This increase mainly reflected higher trading profit in the Asia automotive business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥23.5 billion, or 443%, to ¥28.8 billion, reflecting mainly an increase in equity earnings in the Asia automotive business.

The group recorded profit for the year of ¥85.2 billion, an increase of ¥55.8 billion, or 190%, year over year.

In addition to the reasons above, the higher earnings mainly reflected a rebound from one-off losses as well as one-off gains this year on ship sales in the Shipping business.

6) Chemicals Group

The Chemicals Group conducts trading, business development, and investments related to chemical products in a broad range of fields. These fields extend from basic materials such as ethylene, methanol, and salt produced from crude oil, natural gas, minerals, plants, marine resources and so forth, to midstream and downstream products such as plastics, electronic materials, food ingredients, fertilizer, and fine chemicals.

In the year ended March 2018, group revenues were ¥1,359.6 billion, an increase of ¥225.5 billion, or 20%, year over year.

Gross profit increased by ¥3.2 billion, or 3% year over year, to ¥116.2 billion. This increase mainly reflected increased trading profit due to stronger markets.

Share of profit (loss) of investments accounted for using the equity method rose by ¥4.1 billion, or 34%, to ¥16.2 billion, reflecting mainly an increase in equity earnings primarily due to stronger markets in petrochemical-related businesses.

The group recorded profit for the year of ¥30.6 billion, an increase of ¥3.9 billion, or 15%, year over year.

On the other hand, the higher earnings were offset by one-off losses due to the recording of deferred tax liabilities, etc., in the basic chemicals-related business.

7) Living Essentials Group

The Living Essentials Group provides products and services and develops businesses in various fields closely linked with people's lives, including food products and food, apparel, everyday products, healthcare, and items central to consumer lifestyles. These fields extend from the procurement of raw materials to distribution and retail.

In the year ended March 2018, group revenues increased by ¥672.2 billion, or 30%, to ¥2,876.4 billion.

Gross profit increased by ¥498.6 billion, or 105%, to ¥971.8 billion, mainly due to an increase from the acquisition of Lawson as a subsidiary.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥11.3 billion, or 32%, to ¥23.6 billion. This result mainly reflected a decrease from the acquisition of Lawson as a subsidiary in the year ended March 2017.

The group recorded profit for the year of ¥74.7 billion, a decrease of ¥46.6 billion, or 38%, year over year.

In addition to the reasons above, the decreased earnings mainly reflected the rebound of one-off gains from the acquisition of Lawson as a subsidiary and meat business restructuring recorded in the previous year, and one-off losses in the food materials business recorded this year, despite an increase in earnings from the salmon farming business.

Geographic Information

1) Japan

In the year ended March 2018, revenues were ¥4,569.9 billion, up ¥776.2 billion, or 20%. This was mainly due to increases attributed by Lawson becoming a subsidiary in the Living Essentials Group.

2) Australia

In the year ended March 2018, revenues were ¥852.2 billion, up ¥87.2 billion, or 11%. This increase was mainly due to higher market prices in the coal business in the Metals Group.

3) U.S.A.

In the year ended March 2018, revenues were ¥833.3 billion, up ¥35.6 billion, or 4%. This increase was mainly due to higher gas prices and transaction volumes in the North American gas business in the Energy Business Group.

4) Other

In the year ended March 2018, revenues increased by ¥242.7 billion, or 23%, to ¥1,312.0 billion.

6. Year Ended March 2018 Operating Environment and Year Ending March 2019 Outlook

1) Global Environmental & Infrastructure Business Group

In the year ended March 2018, economic conditions grew on the whole in developed countries such as Japan, the U.S. and European nations, as well as in emerging countries. In this environment, the Global Environmental & Infrastructure Business Group achieved its highest-ever earnings since its reorganization into its current form in the year ended March 2014. This result was partly due to one-off gains from US tax reforms, in addition to improved equity earnings from Chiyoda Corporation. In the year ending March 2019, economic growth is projected to remain firm in both developed and emerging countries. Accordingly, we believe that the business environment continues to offer prospects for growth in the Group's business domains.

The business environment in our main business domains was as follows.

In the power business, we continue to anticipate growing business opportunities centered on high-efficiency gas-fired power generation and renewable energy projects in accord with tightening environmental regulation in both developed and emerging countries. In developed countries, we are seeing increased opportunities to engage in new business models, including power sales to electricity markets, distributed power generation and power retailing businesses.

In other infrastructure business, we also expect to see business opportunities in various fields. In the plant & engineering business, a temporary slowdown in certain projects had continued on account of sluggish oil prices. However, with oil prices returning to a gradual recovery path, we believe that the business environment offers solid prospects for demand for new plant projects given that demand for energy on a macro level is projected to continue growing over the medium and long terms. In addition, we believe that demand for transportation infrastructure will remain extremely buoyant and the business environment will facilitate our efforts to build a steady revenue base. In the water business, demand remains firm for water supply and sewerage treatment plants and seawater desalination plants primarily in Asia, the Middle East and Africa.

In the environment-related business, substantial market growth is anticipated for automotive applications and industrial battery systems. In this environment, we will undertake the manufacturing of lithium-ion batteries, as we seek to capture future demand encompassing energy storage businesses using batteries. We will also continue working to develop next-generation energy such as hydrogen, with the aim of capturing business opportunities over the medium and long terms.

2) Industrial Finance, Logistics & Development Group

In the year ended March 2018, the Industrial Finance, Logistics & Development Group saw profit for the year increase year over year, mainly reflecting the recognition of swap profit on held real estate and an increase in fund evaluation profit. In the year ending March 2019, we expect business conditions in the markets served by this Group to trend steadily as a whole. However, earnings are expected to decline mainly based on the rebound of the swap profit on held real estate recognized in the year ended March 2018.

The business environment in our main business fields was as follows.

In the private equity (PE)-related business, there has been notable growth in the number of business succession deals in Japan against the backdrop of a shortage of business successors in the country, as well as a pronounced increase in the number of corporate carve-out deals. Market needs for growth funds in the ASEAN region are trending firmly, along with M&As using private equity funds as part of growth strategies in the U.S. Combined with strong overall economic conditions, we anticipate further market expansion.

In the leasing business, in Japan, capital investment has been solid as a whole, and the cash flow situation of companies has been improving. Under these conditions, there has been a slight downtrend in the use of leasing. Cumulative leasing volume from April 2017 to March 2018 was held to approximately ¥4,830.0 billion, representing 96.1% of the level in the same period of the previous fiscal year. Overseas, we expect continued market expansion and demand growth as a macro trend, supported mainly by a certain degree of capital investment and an increase in the leasing penetration rate in line with economic growth, primarily in emerging countries.

In the real estate business in Japan, real estate market conditions have trended firmly mainly based on the expectation that monetary policies will remain unchanged for the foreseeable future. With the yield spread for listed real estate investment trusts (J-REITs) trending at around 3-4%, funds have continued to flow into the real estate market from institutional investors such as financial institutions. Moreover, the real estate market has seen the entry of a wider range of players, as well as very few investment properties supplied to the market. For those reasons, competition has remained particularly fierce for the acquisition of prime properties.

Looking at the overseas real estate-related business, in the U.S., economic conditions have remained firm, underpinned by solid economic fundamentals. Nonetheless, we are closely monitoring trends in yield spreads in conjunction with increases in the federal funds rate. In China, there have been growing needs for new housing developments particularly in urban areas, in line with the increase in the number of middle-income earners against the backdrop of the country's steady economic growth. In the ASEAN region, urbanization has been advancing in step with ongoing population increases, fueling prospects for economic growth over the medium and long terms. Based on this outlook, we foresee growth in the real estate market and increasing demand for urban development projects.

In the logistics business, economic growth and the widespread adoption of e-commerce has led to an increase in logistics volume. Consumer needs are also growing more sophisticated and diversified. Meanwhile, in the logistics industry, we expect to see increased use of cutting-edge technologies such as robotics and continued industry consolidation on a global scale.

3) Energy Business Group

The Energy Business Group engages in natural gas/oil exploration, production and development business, and the liquefied natural gas (LNG) business, in North America, Southeast Asia, Australia, and other regions. Accordingly, fluctuations in oil and gas prices could have a significant impact on the Group's operating results.

In the year ended March 2018, the crude oil price (Brent) rose into the US$60 range, partly reflecting steady growth in demand for oil primarily in Asia, as well as the extension of an agreement by major oil producing countries to cut production, despite an increase in shale oil production in the U.S. In the year ending March 2019, the supply-demand balance is expected to gradually improve, as oil demand is expected to continue to increase primarily in Asia and an agreement of production cut by major oil producing countries is expected to continue. However, due in part to downside factors such as an increase in shale oil production in the U.S. and geopolitical risks such as the possible resumption of U.S. economic sanctions on Iran, there remains no clear direction for crude oil prices going forward, and we must continue to watch crude oil price trends carefully. Our projection of profit for the year ending March 2019 for the Energy Business Group assumes a crude oil price of US$60/BBL (Dubai spot price). However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of the time lag before the fluctuations have an impact on our operations.

4) Metals Group

In the year ended March 2018, steel and metals market prices generally trended firmly, supported by solid demand.

Global steel output for the 2017 calendar year amounted to approximately 1.7 billion tonnes, up approximately 5.3% year over year, reaching an all-time high for the first time in three years. The main reason was an increase in steel production using blast furnaces in China, which is the world's largest steel producer and accounts for roughly half of global steel production. This increase made up for the withdrawal from the market of supplies of low-quality induction furnace steel made from scrap metal, which is an illegal steel product in China. Steel production using blast furnaces in China rose 5.7% to 0.83 billion tonnes, setting a new record. In India, the world's third-largest steel producer, steel production amounted to 0.101 billion tonnes, up 6.2% year over year, mainly due to surging demand for steel from infrastructure investment. Although each country faces different circumstances, steel production increased as a whole, supported by generally favorable economic conditions. Steel production in Japan, the world's second largest steel producer, decreased by 0.1% year over year to 0.105 billion tonnes. Among the world's ten largest steel producers, Japan was the only country to post a decrease in steel production, albeit a small decline. The decrease was due to the impacts of sluggish production and scheduled facility maintenance.

In addition, supply-demand conditions for metallurgical coal, a ferrous raw material and one of the core businesses of the Metal Group, tightened as a result of steady growth in steel production. Notably, after Cyclone Debbie made landfall in Queensland in Northeast Australia at the end of March 2017, supply-demand conditions for metallurgical coal tightened sharply due to the impact of this major cyclone on the local rail network. Demand for copper, another core business of the Metals Group, was firm, underpinned by economic growth in China, the world's largest copper consumer, and favorable economic indicators in the U.S.

In this environment, the Metals Group saw profit for the year increase year over year. The higher earnings mainly reflected the partial mitigation of reduction of production and shipments caused by Cyclone Debbie through marketing initiatives, and increases in equity method earnings and dividend income due to higher realized prices in the Australian coal and other mineral resource business, in addition to the rebound from one-off losses recognized in the previous year.

Over the medium and long terms, demand for metal resources and related products as well as prices are expected to trend firmly, with economic growth in emerging markets driving the global economy.

5) Machinery Group

In the year ended March 2018, market conditions followed a recovery path in each business field centered on emerging countries. In this environment, the Machinery Group saw profit for the year increase sharply year over year, due mainly to an increase in equity earnings in the Asia automotive business, along with a rebound from one-off losses as well as one-off gains this year on ship sales in the Shipping business. With the business environment expected to remain on a recovery path, we will continue to upgrade and expand our business platform and strengthen our business functions to capture future growth.

The business environment in our main business fields was as follows.

In the industrial machinery business, the construction machinery rental business in Japan has remained strong, supported by surging construction investment, notably earthquake reconstruction projects, and projects to rebuild aging infrastructure, along with numerous construction investments related to the Tokyo Olympic Games. In the year ending March 2019, we expect the same level of construction investment to remain in place. In the elevator business, we expect steady growth to continue with the background of solid construction investment in the ASEAN region. In the machine tools business, order volume in Japan reached a record high in the year ended March 2018, and the order volume is expected to increase even further in the year ending March 2019. In North America, market conditions are projected to trend favorably in the year ending March 2019, following on from the second half of the year ended March 2018. Nonetheless, we will need to closely monitor items subject to trade sanctions following trade friction between the U.S. and China.

In the agricultural machinery business, we expect the size of the markets targeted in Japan by this business to grow at a gradual pace as agriculture continues to become increasingly sophisticated and is undertaken on a larger scale. In Thailand, the market for agricultural machinery is expected to improve due to a trend toward greater use of agricultural machinery as agriculture becomes more efficient and sophisticated.

In the shipping-related business, market conditions for bulk carriers are recovering from historically weak levels. If speculative orders for new ships decline in step with steady growth in the global economy, the business environment is expected to turn upwards. However, we will need to cautiously monitor the supply-demand balance in terms of cargo volumes and sizes. In the gas carrier business, the extended slump in crude oil prices in recent years has had impacts such as constraining the actual number of investment decisions made to undertake new LNG project developments. However, we anticipate that the business will improve over the medium and long terms based on rising demand for LNG on a global basis since the end of 2017.

In business related to Mitsubishi Motors Corporation, the business environment has started to turn upwards, underpinned by a recovery trend in demand for automobiles in emerging markets such as Indonesia and Russia. We will continue to upgrade and expand our business platform in key markets centered on emerging countries, with the aim of capturing future growth, in conjunction with bolstering sales in other markets.

In business related to Isuzu Motors Limited brand automobiles, aggregate automobile demand in the mainstay Thailand market in the calendar year 2017 rose 13% year over year. This increase signifies that the market has returned to a recovery path after bottoming out in the year ended March 2017. This steady growth in demand is expected to continue in the year ending March 2019. While continuing to closely monitor developments in the automobile market, we will step up our activities in Thailand and other markets centered on emerging countries, with the aim of achieving growth over the medium and long terms.

6) Chemicals Group

The chemicals product market in the year ended March 2018 trended firmly as a whole, due to consistently high prices for resources such as crude oil.

While demand continued to grow in the emerging countries, tightened environmental regulation in China lowered the capacity utilization rate of production facilities in the country. This factor also had an impact on the high commodity prices.

Looking ahead, we expect the outlook to remain uncertain in the near term mainly based on trends in the environment surrounding oil-producing countries, global economic growth and other factors. This is despite expectations of continued growth in demand primarily in Asian markets.

In the medium and long terms, we anticipate structural changes (industry realignment, consolidation and closure of facilities, etc.) due to the emergence of the North American petrochemical industry against the backdrop of the Shale Gas Revolution. We also foresee the development of materials vital to the transition to a low-carbon society, as highlighted by the adoption of electric vehicles (EVs). Therefore, we expect to see more and more opportunities to emerge that will make the most of our capabilities. Meanwhile, in the life science field, there is greater interest in the themes of health, safety, comfort, and good taste, in response to improving living standards in emerging markets and issues such as aging populations and cuts to medical expenditures in developed countries. As a result, the life science market is projected to expand going forward.

We will respond to these changes in the business environment and market needs by developing life science businesses centered on food and health globally in order to proactively capture market growth in Japan and abroad. In addition, we will strengthen core businesses such as Saudi Arabian petrochemical operations, along with continuing to develop businesses that leverage our collective capabilities across the entire chemicals value chain.

7) Living Essentials Group

The consumer market in Japan in the year ended March 2018 saw relatively favorable business confidence, despite negative factors such as a further decline in stock prices. Although the size of the consumer market in Japan is contracting in line with the country's declining population, we expect to capture new sources of demand arising from changes in lifestyles in line with the ongoing aging of society.

In overseas consumer markets, the global economy is forecast to remain buoyant primarily based on the strong U.S. economy and a continuation of steady growth in the Chinese economy. Based on this outlook, consumer markets are expected to show solid growth in both developed and emerging countries.

Under this business environment, we will work to expand business by strengthening our value chain in Japan, and by capturing market growth overseas.

In the year ended March 2018, profit for the year in the Living Essentials Group decreased year over year, mainly due to the rebound of one-off gains from the acquisition of Lawson as a subsidiary in the year ended March 2017 and meat business restructuring recorded in the previous year, and one-off losses in the food materials business recorded this year, despite an increase in equity earnings from the salmon farming business. In the year ending March 2019, we project an increase in profit in the Group based on the rebound of the one-off losses recorded in the year ended March 2018.

7. Liquidity and Capital Resources

1) Fund Procurement and Liquidity Management

Our basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, we select and utilize, as needed, both direct financing, such as commercial paper and bonds, and indirect financing, including bank loans. We seek to use the most advantageous means, according to market conditions at the time. We have a strong reputation in the capital markets. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.
Along with continuous funding based mainly from long-term financing, we will also continue to pursue the policy to secure a sufficient financial liquidity.

Looking at funding activities in the year ended March 2018, following on from the year ended March 2017, we raised funds through the issuance of foreign currency denominated bonds and other means, in conjunction with efforts to improve financial soundness.

As a result of these funding activities, as of March 31, 2018, gross interest-bearing liabilities stood at ¥4,954.4 billion, ¥429.5 billion lower than at March 31, 2017. Of these gross interest-bearing liabilities, 85% represented long-term financing. Hybrid finance accounted for ¥600.0 billion of interest-bearing liabilities. Rating agencies treat 50% of this balance, or ¥300.0 billion, as equity. Gross interest-bearing liabilities at the Parent were ¥3,525.2 billion, of which 91% represented long-term financing, with an average remaining period of approximately 6 years.

For the year ending March 2019, we plan to continue procuring funds from stable sources over the medium and long terms mainly through efforts to diversify funding sources. We will also continue taking steps to raise funding efficiency on a consolidated basis.

Financial markets remain unpredictable due to factors such as geopolitical risks and changes in the monetary policies of major countries. Accordingly, we will remain vigilant and secure sufficient cash and deposits, and bank commitment lines, to maintain our liquidity.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2018, 79% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance subsidiaries, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, with a view to refining consolidated management.

The current ratio as of March 31, 2018 was 138% on a consolidated basis. In terms of liquidity, we believe that the Company has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.), Mitsubishi Corporation Finance PLC (U.K.), MC Finance & Consulting Asia Pte. Ltd., and MC Finance Australia Pty Ltd. had ¥260.9 billion in short-term debt as of March 31, 2018, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits, commitment lines secured on a fee basis, and bond investments due to mature within a year amounted to ¥1,540.8 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,279.9 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion with major Japanese banks, a commitment line of US$1.3 billion and a soft currency facility equivalent to US$0.15 billion with major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody's Investors Service (Moody's), and Standard and Poor's (S&P). As of May 2018, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook negative) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2018 was ¥16,037.0 billion, an increase of ¥283.4 billion, or 2%, from March 31, 2017.

Current assets was ¥6,778.8 billion, an increase of ¥311.5 billion, or 5%, from March 31, 2017. The increase was mainly due to a rise in trade and other receivables caused by the fact that the end of the period fell on a holiday and that transaction prices and transaction volume increased.

Non-current assets was ¥9,258.2 billion, mostly unchanged from March 31, 2017.

Total liabilities at March 31, 2018 was ¥9,771.8 billion, a decrease of ¥192.7 billion, or 2%, from March 31, 2017.

Current liabilities was ¥4,916.9 billion, an increase of ¥239.1 billion, or 5%, from March 31, 2017. The increase was mainly due to a rise in trade and other payables caused by the fact that the end of the period fell on a holiday and that transaction prices and transaction volume increased.

Non-current liabilities was ¥4,854.8 billion, a decrease of ¥431.9 billion, or 8%, from March 31, 2017, mainly due to a decrease in bonds and borrowings because of a reclassification to current liabilities.

Total equity at March 31, 2018 was ¥6,265.2 billion, an increase of ¥476.2 billion, or 8%, from March 31, 2017.

Equity attributable to owners of the Parent at March 31, 2018 was ¥5,332.4 billion, an increase of ¥415.2 billion, or 8%, from March 31, 2017. This increase was mainly due to the accumulation of profit for the period.

Non-controlling interests was ¥932.8 billion, an increase of ¥61.0 billion, or 7%, from March 31, 2017.

Net interest-bearing liabilities, which is gross interest-bearing liabilities minus cash, cash equivalents and time deposits, a decrease of ¥277.3 billion, or 7%, from March 31, 2017 to ¥3,714.2 billion.

3) Cash Flows

Cash and cash equivalents as of March 31, 2018 was ¥1,005.5 billion, down ¥140.0 billion from March 31, 2017.

(Operating activities)

Net cash provided by operating activities was ¥742.5 billion, mainly due to cash flows from operating transactions and dividend income, despite the payment of income taxes.

Net cash provided by operating activities increased by ¥159.5 billion year over year, mainly due to increases in operating transactions and dividend income, despite an increase in the payment of income taxes.

(Investing activities)

Net cash used in investing activities was ¥317.6 billion. The main use of cash was for investments in affiliated companies, including the acquisition of shares in Mitsubishi Motors Corporation, and for capital expenditures, despite cash provided by the sale of property, plant and equipment and listed stocks.

Net cash used in investing activities increased by ¥138.0 billion year over year, mainly due to increases in investments in affiliated companies, including the acquisition of shares in Mitsubishi Motors Corporation, and in capital expenditures.

As a result, free cash flow, the sum of operating and investing cash flows, was positive ¥424.9 billion.

(Financing activities)
Net cash used in financing activities was ¥554.3 billion, mainly due to the repayment of borrowings, redemption of bonds, and the payment of dividends at the Parent.

Net cash used in financing activities decreased by ¥197.9 billion year over year, mainly due to a decline in the repayment of borrowings.

8. Significant Contracts

There were no significant contracts in the year ended March 2018.

9. R&D Activities

There were no material R&D activities in the year ended March 2018.

10. Progress on Corporate Strategy

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

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Mitsubishi Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 entity'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 entity'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.

Member of
Deloitte Touche Tohmatsu Limited

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, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this annual report as information for readers.

/s/ Deloitte Touche Tohmatsu LLC

June 22, 2018

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

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

We have thus evaluated our ICFR as of March 31, 2018 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council on March 30, 2011.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2018, we concluded that our internal control system over financial reporting as of March 31, 2018 was effective and reported as such in the Management Internal Control Report.

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

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

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

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

(TRANSLATION)

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

Takehiko Kakiuchi, President and CEO, and Kazuyuki Masu, 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, 2018, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

Regarding the scope of assessment of internal control over business processes, 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 revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively-material accounts. Further, not only at selected significant locations and business units, but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

3 [Matters relating to the results of the assessment]

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

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

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

NOTE TO READERS:

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 22, 2018

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshiaki Kitamura

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kenichi Yoshimura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Noriaki Kobayashi

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 statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows of Mitsubishi Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from April 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

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 International Financial Reporting Standards, pursuant to the provisions of Article 93 of 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 entity'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 entity'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 Mitsubishi Corporation and its consolidated subsidiaries as of March 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 Mitsubishi Corporation as of March 31, 2018.

Management's Responsibility for the Report on Internal Control
Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. 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.

Opinion
In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2018 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 Financial Statements

Consolidated Statement of Financial Position

March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
ASSETS	2017	2018	2018
Current assets			
Cash and cash equivalents (Note 30)	¥1,145,514	¥1,005,461	$9,485
Time deposits (Note 30)	246,922	234,758	2,215
Short-term investments (Notes 7 and 30)	22,867	9,319	88
Trade and other receivables (Notes 8, 16, 30, 34, 35 and 39)	3,125,504	3,523,341	33,239
Other financial assets (Notes 30, 31 and 32)	115,734	99,804	941
Inventories (Notes 9 and 30)	1,110,138	1,204,402	11,362
Biological assets (Note 10)	67,241	68,431	646
Advance payments to suppliers	229,819	164,909	1,556
Assets classified as held for sale (Note 11)	39,330	91,431	863
Other current assets (Notes 30 and 31)	364,196	376,905	3,556
Total current assets	6,467,265	6,778,761	63,951
Non-current assets			
Investments accounted for using the equity method	2,651,317	3,050,371	28,777
Other investments (Notes 7, 16 and 30)	2,291,465	2,203,242	20,785
Trade and other receivables (Notes 8, 16, 20, 30, 34, 35 and 39)	500,853	526,986	4,972
Other financial assets (Notes 30, 31 and 32)	109,443	93,849	885
Property, plant and equipment (Notes 12, 15, 16 and 35)	2,484,714	2,106,195	19,870
Investment property (Notes 13 and 16)	47,959	72,192	681
Intangible assets and goodwill (Note 14)	1,010,310	1,003,335	9,465
Deferred tax assets (Notes 20 and 28)	37,883	35,847	338
Other non-current assets (Notes 10 and 20)	152,348	166,211	1,568
Total non-current assets	9,286,292	9,258,228	87,341
Total assets (Note 6)	¥15,753,557	¥16,036,989	$151,292

See notes to the consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 2)
LIABILITIES AND EQUITY	2017	2018	2018
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 37 and 39)	¥1,248,231	¥1,269,535	$11,977
Trade and other payables (Notes 18, 30, 33, 35, 37 and 39)	2,542,191	2,765,215	26,087
Other financial liabilities (Notes 30, 31, 32 and 33)	106,456	81,574	769
Advances from customers	222,373	167,143	1,577
Income tax payables	106,612	101,671	959
Provisions (Note 20)	50,689	48,631	459
Liabilities directly associated with assets classified as held for sale (Note 11)	6,094	22,958	216
Other current liabilities (Notes 30 and 31)	395,196	460,211	4,342
Total current liabilities	4,677,842	4,916,938	46,386
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34, 37 and 39)	4,135,680	3,684,860	34,763
Trade and other payables (Notes 18, 30, 33, 35, 37 and 39)	204,657	222,474	2,099
Other financial liabilities (Notes 30, 31, 32 and 33)	18,936	23,349	220
Retirement benefit obligation (Note 19)	79,261	80,532	760
Provisions (Note 20)	239,259	228,483	2,156
Deferred tax liabilities (Note 28)	576,941	598,244	5,644
Other non-current liabilities	31,970	16,898	159
Total non-current liabilities	5,286,704	4,854,840	45,801
Total liabilities	9,964,546	9,771,778	92,187
Equity			
Common stock (Note 21)	204,447	204,447	1,929
Additional paid-in capital (Note 21)	220,761	229,423	2,164
Treasury stock (Note 21)	(12,154)	(10,970)	(104)
Other components of equity			
Other investments designated as FVTOCI	451,086	509,887	4,810
Cash flow hedges	(17,953)	(10,920)	(103)
Exchange differences on translating foreign operations	445,816	426,644	4,025
Total other components of equity (Notes 22 and 32)	878,949	925,611	8,732
Retained earnings (Notes 7 and 21)	3,625,244	3,983,916	37,584
Equity attributable to owners of the Parent	4,917,247	5,332,427	50,305
Non-controlling interests	871,764	932,784	8,800
Total equity	5,789,011	6,265,211	59,105
Total liabilities and equity	¥15,753,557	¥16,036,989	$151,292

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2018	2018
Revenues (Notes 6, 24, 26 and 32)	¥6,425,761	¥7,567,394	$71,391
Cost of revenues (Notes 9, 14, 26 and 32)	(5,097,123)	(5,680,754)	(53,593)
Gross profit (Note 6)	1,328,638	1,886,640	17,798
Selling, general and administrative expenses (Notes 14, 19 and 25)	(932,607)	(1,387,266)	(13,087)
Gains on investments (Notes 26, 30, 32 and 38)	83,288	4,365	41
Gains on disposal and sale of property, plant and equipment (Note 13)	14,419	40,929	386
Impairment losses on property, plant and equipment and others (Notes 12, 13, 14 and 15)	(103,181)	(80,173)	(756)
Other income (expense)-net (Notes 10, 14, 15, 20, 26, 27, 30, 32 and 34)	10,581	9,894	93
Finance income (Notes 7 and 26)	132,389	179,160	1,690
Finance costs (Notes 26 and 32)	(49,537)	(52,259)	(493)
Share of profit of investments accounted for using the equity method (Notes 6 and 39)	117,450	211,432	1,995
Profit before tax	601,440	812,722	7,667
Income taxes (Note 28)	(121,366)	(202,306)	(1,908)
Profit for the year	¥480,074	¥610,416	$5,759
Profit for the year attributable to:			
Owners of the Parent (Note 6)	¥440,293	¥560,173	$5,285
Non-controlling interests	39,781	50,243	474
	¥480,074	¥610,416	$5,759
Profit for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥277.79	¥353.27	$3.33
Diluted (Note 29)	277.16	352.44	3.32

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2018	2018
Profit for the year	¥480,074	¥610,416	$5,759
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
Gains on other investments designated as FVTOCI (Notes 7 and 22)	111,869	10,086	95
Remeasurement of defined benefit pension plans (Notes 19 and 22)	26,832	1,928	18
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 39)	5,471	(3,736)	(35)
Total	144,172	8,278	78
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Note 22)	1,359	(2,011)	(19)
Exchange differences on translating foreign operations (Note 22)	(62,975)	(16,825)	(159)
Share of other comprehensive (loss) income of investments accounted for using the equity method (Notes 22 and 39)	(65,307)	4,488	42
Total	(126,923)	(14,348)	(136)
Total other comprehensive income (loss) (Note 22)	17,249	(6,070)	(58)
Total comprehensive income	¥497,323	¥604,346	$5,701
Comprehensive income attributable to:			
Owners of the Parent	¥452,465	¥559,636	$5,279
Non-controlling interests	44,858	44,710	422
	¥497,323	¥604,346	$5,701

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2018	2018
Common stock: (Note 21)			
Balance at the beginning of the year	¥204,447	¥204,447	$1,929
Balance at the end of the year	204,447	204,447	1,929
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	262,738	220,761	2,083
Compensation costs related to stock options (Note 23)	1,621	1,368	13
Sales of treasury stock upon exercise of stock options	(1,420)	(712)	(7)
Equity transactions with non-controlling interests and others (Note 38)	(42,178)	8,006	75
Balance at the end of the year	220,761	229,423	2,164
Treasury stock: (Note 21)			
Balance at the beginning of the year	(14,509)	(12,154)	(115)
Sales of treasury stock upon exercise of stock options	2,364	1,208	11
Purchases and sales—net	(9)	(24)	(0)
Balance at the end of the year	(12,154)	(10,970)	(104)
Other components of equity: (Note 22)			
Balance at the beginning of the year	913,939	878,949	8,292
Other comprehensive income (loss) attributable to owners of the Parent	12,172	(537)	(5)
Transfer to retained earnings	(47,162)	47,199	445
Balance at the end of the year	878,949	925,611	8,732
Retained earnings: (Note 21)			
Balance at the beginning of the year	3,225,901	3,625,244	34,200
Profit for the year attributable to owners of the Parent	440,293	560,173	5,285
Cash dividends paid to owners of the Parent	(87,170)	(153,806)	(1,451)
Sales of treasury stock upon exercise of stock options	(942)	(496)	(5)
Transfer from other components of equity	47,162	(47,199)	(445)
Balance at the end of the year	3,625,244	3,983,916	37,584
Equity attributable to owners of the Parent	4,917,247	5,332,427	50,305
Non-controlling interests:			
Balance at the beginning of the year	425,006	871,764	8,224
Cash dividends paid to non-controlling interests	(19,722)	(39,834)	(376)
Equity transactions with non-controlling interests and others	421,622	56,144	530
Profit for the year attributable to non-controlling interests	39,781	50,243	474
Other comprehensive income (loss) attributable to non-controlling interests (Note 22)	5,077	(5,533)	(52)
Balance at the end of the year	871,764	932,784	8,800
Total equity	¥5,789,011	¥6,265,211	$59,105
Comprehensive income attributable to:			
Owners of the Parent	¥452,465	¥559,636	$5,279
Non-controlling interests	44,858	44,710	422
Total comprehensive income	¥497,323	¥604,346	$5,701

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2017 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2018	2018
Operating activities:			
Profit for the year	¥480,074	¥610,416	$5,759
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	201,117	254,038	2,397
(Gains) on investments	(83,288)	(4,365)	(41)
Losses on property, plant and equipment	88,762	39,244	370
Finance (income) — net of finance costs	(82,852)	(126,901)	(1,197)
Share of (profit) of investments accounted for using the equity method	(117,450)	(211,432)	(1,995)
Income taxes	121,366	202,306	1,908
Changes in trade receivables	(226,319)	(366,807)	(3,460)
Changes in inventories	(115,595)	(60,265)	(568)
Changes in trade payables	194,692	224,839	2,121
Other — net	(55,342)	49,121	463
Dividends received	218,960	305,010	2,877
Interest received	85,010	89,258	842
Interest paid	(64,797)	(65,212)	(615)
Income taxes paid	(61,334)	(196,768)	(1,856)
Net cash provided by (used in) operating activities	583,004	742,482	7,005
Investing activities:			
Payments for property, plant and equipment	(160,055)	(277,456)	(2,617)
Proceeds from disposal of property, plant and equipment	26,924	178,882	1,688
Payments for investment property	(8,696)	(7,624)	(72)
Proceeds from disposal of investments property	26,893	9,252	87
Purchases of investments accounted for using the equity method (Note 39)	(139,747)	(359,511)	(3,392)
Proceeds from disposal of investments accounted for using the equity method	98,475	77,627	732
Acquisitions of businesses — net of cash acquired (Note 37)	(74,694)	(32,264)	(304)
Proceeds from disposal of businesses — net of cash divested (Note 37)	1,365	25,201	238
Purchases of other investments (Note 30)	(117,283)	(46,090)	(435)
Proceeds from disposal of other investments	135,994	127,883	1,206
Increase in loans receivable	(43,331)	(73,017)	(689)
Collection of loans receivable	100,307	49,137	464
Net (increase) decrease in time deposits	(25,737)	10,397	98
Net cash provided by (used in) investing activities	(179,585)	(317,583)	(2,996)
Financing activities:			
Net increase (decrease) in short-term debts (Note 37)	(111,480)	53,562	505
Proceeds from long-term debts — net of issuance costs (Note 17 and 37)	671,204	300,556	2,836
Repayments of long-term debts (Note 37)	(1,190,052)	(770,267)	(7,267)
Dividends paid to owners of the Parent	(87,170)	(153,806)	(1,451)
Dividends paid to non-controlling interests	(19,722)	(39,834)	(376)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(31,469)	(13,545)	(128)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	16,535	69,021	651
Net (increase) decrease in treasury stock	(8)	(15)	0
Net cash provided by (used in) financing activities	(752,162)	(554,328)	(5,230)
Effect of exchange rate changes on cash and cash equivalents	(6,703)	(10,624)	(101)
Net increase (decrease) in cash and cash equivalents	(355,446)	(140,053)	(1,322)
Cash and cash equivalents at the beginning of the year	1,500,960	1,145,514	10,807
Cash and cash equivalents at the end of the year	¥1,145,514	¥1,005,461	$9,485

See notes to the consolidated financial statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company"), is a diversified organization engaged in a wide variety of business activities, providing various types of products and services on a global basis. Through the Company's domestic and overseas network, the Company is engaged in trading and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials, as well as resources development, infrastructure-related, financial, and logistics businesses. The Company is also engaged in the development of new business models in new energy, environmental and new technology fields, as well as providing a variety of services utilizing the Company's comprehensive strength of overviewing across all industries. The principal business activities of the Company are disclosed in Note 6 "Segment Information". The consolidated financial statements of the Parent comprise the accounts of the Company, including the interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with International Financial Reporting Standards (IFRS)

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at their fair values at the end of each reporting period, as stated in Note 3 "Significant accounting policies".

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2018 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥106=US$1, the approximate rate of exchange at March 31, 2018. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied

The new major standards and interpretations applied from the year ended March 31, 2018 are as follows:

Standards and interpretations	Outline
IAS 7 Statement of Cash Flows (Amended)	Additional disclosure requirements for reconciliation of liabilities arising from financing activities

The adoption of new standards including the above and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2018.

(5) Significant accounting judgments, estimates and assumptions

In preparing IFRS-compliant consolidated financial statements, management is required to make judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods affected by such revisions.

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Transfers of financial assets: Note 34
- Interests in joint arrangements and associates: Note 39

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the year ended

March 31, 2018 are included in the following notes:

- Segment information: Note 6
- Property, plant and equipment: Note 12
- Provisions: Note 20

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2019 is included in the following notes:

- Fair value of financial instruments: Notes 7 and 30
- Impairment of financial assets: Note 8
- Impairment of non-financial assets: Notes 12, 13, 14 and 15
- Measurement of defined benefit obligation: Note 19
- Provisions: Note 20
- Recoverability of deferred tax assets: Note 28

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

The Parent consolidates the investees that it directly or indirectly controls. Therefore, the Company generally consolidates its majority-owned subsidiaries. However, even in cases where the Company does not own the majority of voting rights, if the Company is deemed to effectively control the decision-making body, the investee is treated as a consolidated subsidiary. In cases where the Company has the majority of voting rights in an investee but other shareholders have substantive rights to participate in the decision-making of the ordinary course of business of the investee, the Company does not have control, and the equity method is applied.

The consolidated financial statements include profit and other comprehensive income of subsidiaries from the day on which control was obtained to the day on which control was lost. Adjustments have been made to the financial statements of subsidiaries to adhere to the accounting policies adopted by the Company.

All intercompany accounts and transactions have been eliminated.

Changes in ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Parent's interest and non-controlling interest is adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent.

If control over a subsidiary is lost, the difference between (a) the sum of the fair value of consideration received and the fair value of remaining interest and (b) assets (including goodwill), liabilities and the previous carrying amount of non-controlling interest of the subsidiary, is recognized in profit. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or the cost on initial recognition of investment in associates or joint venture.

Please refer to Appendix for the major consolidated subsidiaries.

(ii) Business combinations

Business combinations (acquisition of businesses) are accounted for using the acquisition method.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the acquisition date (i.e., the day on which the Company obtains control) of the assets transferred by the Company, the liabilities incurred by the Company to former owners of the acquiree and the equity interests issued by the Company. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as follows:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively.
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with the Standard.
- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment".

In cases where the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company exceed the net amount of identifiable assets and liabilities at the acquisition date, goodwill is measured at the excess amount.

If the net amount of identifiable assets and liabilities at the acquisition date exceeds the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of equity interest in the acquiree held previously by the Company, the excess amount is immediately recognized in profit as a bargain purchase gain.

In the case of a business combination achieved in stages, equity interest in the acquiree held previously by the Company is re-measured at fair value at the acquisition date (i.e., the day on which the Company obtains control), and gains or losses incurred are recognized in profit. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or other comprehensive income where such treatment would be appropriate if the interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. During the measurement period, which does not exceed one year, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date or recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

(iii) Associates and joint ventures
The equity method is applied to investments in associates and joint ventures. An associate is an entity that is not controlled solely or jointly by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating or business policies. If the Company has 20% or more but no more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity. Entities over which the Company is able to exert significant influence on their decisions regarding financial and operating or business policies even if it holds less than 20% of the voting rights are also included in associates. On the other hand, the equity method is not applied in cases where the Company is deemed not to have significant influence even if it holds 20% or more of the voting rights.

A joint venture is a joint arrangement (i.e., arrangement of which two or more parties have joint control) whereby the parties that have joint control have rights to the net assets of an independent entity. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions on activities that have a significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control and those activities are undertaken jointly by the parties.

Under the equity method, the investment in an associate or a joint venture is recognized initially at cost and the carrying amount is increased or decreased to recognize the Company's share of the net assets of the associate or the joint venture after the date of acquisition. The Company's share of the profit or loss of the associate or the joint venture is recognized in the Company's profit or loss. The Company's share of the other comprehensive income of the associate or the joint venture is recognized in the Company's other comprehensive income. When the Company's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Company discontinues recognizing its share of further losses. After the Company's interest including any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. All profits associated with intercompany transactions, excluding business transfers, have been eliminated in proportion to interests in associates and joint ventures.

An associate or a joint venture is accounted for using the equity method from the date they become an associate or joint venture. On initial recognition, the amount of investment in excess of interests with respect to the net fair value of assets, liabilities, and contingent liabilities of associates and joint ventures is recognized as the amount corresponding to goodwill, and is included in the carrying amount of investments.

In cases where significant influence over associates or joint control over joint ventures is lost and the application of the equity method is discontinued, remaining investments are measured at fair value at the disposal date, and are accounted for as financial assets in accordance with IFRS 9 "Financial Instruments." The difference between the previous carrying amount and fair value of the remaining investments is recognized in profit as a gain or loss on disposal of such investments. The amount previously recognized as other comprehensive income by associates and joint ventures is accounted for by determining whether or not they should be reclassified into profit as if related assets or liabilities had been directly disposed of.

(iv) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Company's share of assets, liabilities, revenues and expenses arising from the jointly controlled operating activities is recognized. All intercompany accounts and transactions have been eliminated in proportion to interests.

(v) Investment Entities
An investment entity is defined as an entity that satisfies the following conditions: (a) the entity obtains funds from investors for the purpose of providing those investors with investment management services; (b) invests the funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.
In principle, investment entities measure all of their investments, including equity in the subsidiaries of the investment entities, at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments.”
However, if a subsidiary of the Company qualifies as an investment entity, when the Company consolidates the investment entity, the fair value measurement applied by the investment entity to equity in its subsidiaries is reclassified to conform to the ordinary consolidation process.
Meanwhile, if an associate or joint venture of the Company qualifies as an investment entity, when the Company applies the equity

method, the fair value measurement applied by the investment entity to equity in its subsidiaries is maintained.

(vi) Reporting Date

When the Company prepares consolidated financial statements, certain subsidiaries, associates and joint arrangements prepare financial statements with a fiscal year end on or after December 31, but prior to the Parent's fiscal year end of March 31 for which unification of the fiscal year end is impracticable, since the local legal system or contractual terms among shareholders requires the fiscal year end to be different from that of the Parent. It is also impracticable for such entities to provide the provisional settlement of accounts at the end of the reporting period of the Parent due to the characteristics of the business, operations or other practical factors. Where this is the case, adjustments have been made to the consolidated financial statements of the Company for the effects of significant transactions or events that occurred between the end of the reporting period of the subsidiaries, associates or joint arrangements and that of the consolidated financial statements.

(2) Foreign currency translation

Items denominated in foreign currencies in the financial statements are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the fiscal year end. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The difference arising from the retranslation of monetary items is recognized in "Other income (expense)-net" in the consolidated statement of income.

The assets and liabilities of foreign operations, such as foreign subsidiaries and associates, are translated into Japanese yen at the respective year-end exchange rates. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Exchange differences arising from translation are recognized in other comprehensive income and accumulated in "Other components of equity" on past-tax basis.

In the event of a loss of control due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit. In the case of partial disposal that does not lead to the loss of control of a subsidiary, the ratio of ownership interest in the cumulative amount of exchange difference is reallocated to non-controlling interests, but no amount is recognized in profit. In other cases of partial disposal that lead to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are recognized in "Other components of equity" and accumulated in equity.

(3) Financial instruments

The Company has early-applied IFRS 9 "Financial Instruments" (revised in November 2013) from January 1, 2015. Accordingly, the Company has accounted for all hedging relationships designated on or after January 1, 2015 based on the requirements of IFRS 9 "Financial Instruments" (revised in November 2013).

(i) Non-derivative financial assets

The Company recognizes trade and other receivables on the trade date. The Company recognizes all other financial assets at the trade date on which the Company became a party to the contract concerning such financial instruments.

The Company initially recognizes financial assets at fair value. Financial assets not recorded at fair value through profit or loss also include transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, financial assets are measured either at amortized cost or at fair value.

(ii) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method if both of the following conditions are met:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received, transaction costs, and other premium/discounts) through the expected life of a financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

(iii) Impairment of financial assets measured at amortized cost

The Company assesses evidence of impairment of financial assets measured at amortized cost individually and as a whole. For assets for which the contractual cash flows are unlikely to be recovered in full, impairment is assessed on an individual basis. Investment rating, contractual nature of the investments, underlying collateral, rights to, and advantages of the investment's cash flows and the condition of the issuers are assessed comprehensively when recognizing and measuring the impairment. Assets for which impairment need not be assessed individually are assessed collectively to determine whether or not there is any impairment that has occurred but has not been identified. When assessing assets collectively for impairment, the amount expected to be irrecoverable is calculated based on the historical loss rate, probability of default, etc. When impairment is recognized, the carrying amount of the financial asset shall be reduced either directly or through use of an allowance account.

(iv) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value, and changes in their fair value are recognized as profit or loss (FVTPL). However, the Company elects to designate some equity instruments as financial assets measured at fair value through other comprehensive income (FVTOCI) if the investments are not held for trading. A financial asset is classified as held for trading if:

(a) It has been acquired or incurred principally for the purpose of selling it in the near term; or

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or

(c) It is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Changes in the fair value of financial assets measured at FVTOCI are directly transferred from other comprehensive income to retained earnings in the event of derecognition of such assets, and are not recognized in profit or loss. Dividend income from financial assets measured at FVTOCI is recognized in profit or loss, as part of finance income at the time when the right to receive payment of the dividend is established.

(v) Derecognition of financial assets

The Company derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Company neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Company recognizes the retained interest in assets and related liabilities that might be payable.

(vi) Cash and cash equivalents

Cash equivalents are short term (original maturities of three months or less), highly liquid investments (including mainly short-term time deposits) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(vii) Non-derivative financial liabilities

The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.

The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or canceled or expires.

Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition. There is no financial liability irrevocably designated as measured at fair value through profit or loss at the time of initial recognition.

(viii) Equity

Common stock

The amount of equity instruments issued by the Parent is recognized in "Common stock" and "Additional paid-in capital," and direct issue costs (net of tax) are deducted from "Additional paid-in capital."

Treasury stock

When the Company acquires treasury stock, the sum of the consideration paid and direct transaction costs after tax is recognized as a deduction from equity.

(ix) Hedge accounting and derivatives

The Company utilizes derivative instruments primarily to manage interest rate 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 at fair value as assets or liabilities.

In the case where transactions which can mitigate market risk cannot be utilized, the Company applies hedge accounting by designating such derivatives and non-derivative financial instruments such as foreign currency-denominated debt as a hedging instrument of either a fair value hedge, a cash flow hedge or a hedge on net investment in foreign operations, to the extent that hedging criteria are met.

The Company assesses hedge effectiveness at the start of the hedging relationship, quarterly, or when a significant change impacting on hedge effectiveness occurs by confirming whether or not the relationship is such that changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are substantially offset by changes in the fair value or cash flows of the hedging instrument. The Company has determined that the effect of credit risk on hedging relationship is immaterial.

Fair value hedges

Derivative instruments designated as hedging instruments of fair value hedges primarily consist of interest rate swaps used to convert fixed-rate financial assets or debt obligations to floating-rate financial assets or debt. Changes in fair values of hedging derivative instruments are recognized in profit, offset against the changes in the fair value due to the risk of the related financial assets, financial liabilities, and firm commitments being hedged and are included in "Other income (expense)-net" in the consolidated statement of income.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit from the date on which the Company discontinues hedge accounting.

Cash flow hedges

Derivative instruments designated as hedging instruments of cash flow hedges include interest rate swaps to convert floating-rate financial liabilities to fixed-rate financial liabilities, and forward exchange contracts to offset variability in functional currency-equivalent cash flows on forecasted sales transactions. Additionally, commodity swaps and futures contracts that qualify as cash flow hedges are utilized. The effective portion of changes in the fair values of derivatives that are designated as cash flow hedges are deferred and recognized in other comprehensive income and accumulated in "Other components of equity." Derivative unrealized gains and losses included in "Other components of equity" are reclassified into profit at the time that the associated hedged transactions are recognized in profit. In cases where the hedged item is recognized as a non-financial asset or non-financial liability, the amount recognized in “Other components of equity” is reclassified as an adjustment of the initial carrying amount of the non-financial asset or non-financial liability. Ineffectiveness is recognized immediately in profit.

In cases where a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective remains unchanged, the Company adjusts the hedging ratio to reestablish the effectiveness of the hedging relationship. Furthermore, the Company discontinues the application of hedge accounting in cases where there is a change in the risk management objective for the hedging relationship. Any gain or loss recognized in other comprehensive income and accumulated in "Other components of equity" at the time of discontinuing hedge accounting remains in equity and is reclassified into profit when the forecasted transaction is ultimately recognized in profit. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in "Other components of equity" is recognized immediately in profit.

Hedges of net investment in foreign operations

The Company uses forward exchange contracts and non-derivative financial instruments such as foreign currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation. The effective portion of changes in fair values of the hedging instruments are accumulated in "Exchange differences on translating foreign operations" within "Other components of equity."

Derivative instruments used for other than hedging activities

The Company enters into commodity and financial derivative instruments as part of its brokerage services in commodity futures markets and its trading activities. The Company clearly distinguishes between 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 or held for trading purposes are recognized in profit.

(x) Financial guarantee contracts

Liabilities under financial guarantee contracts issued by the Company are initially measured at fair value and, if not designated as FVTPL, are subsequently measured at the higher of:

- The amount of contractual obligations calculated in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; or

- The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies for revenue recognition.

(xi) Offsetting financial assets and financial liabilities
If the Company currently has a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Company offsets financial assets against financial liabilities and presents the net amount in the consolidated statement of financial position.

(4) Inventories
Inventories are recognized at the lower of cost or net realizable value based on the moving average method or identified cost method. Net realizable value is presented in the amount of estimated selling price of inventories, less the estimated costs of completion and the estimated costs necessary to make the sale.
Inventories acquired with the purpose of generating a profit from short-term price fluctuations are measured at fair value less costs to sell.

(5) Biological assets
Biological assets are measured at fair value less costs to sell, with any changes therein recognized in profit, except in the case where fair value cannot be measured reliably.

Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Agricultural produce harvested from biological assets is reclassified into inventories at fair value less costs to sell at the point of harvest.

(6) Property, plant and equipment
(i) Recognition and measurement
Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs to be capitalized. If the useful life of property, plant and equipment varies from component to component, each component is recognized as a separate item of property, plant and equipment.

(ii) Depreciation
Land is not depreciated. Depreciation of other classes of property, plant and equipment is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the cost of the asset or the amount equivalent to the cost. Depreciation of property, plant and equipment other than mineral resources-related property is calculated principally using the straight-line method for buildings and structures, the straight-line or declining-balance method for machinery and equipment, and the straight-line method for aircraft and vessels mainly over the following estimated useful lives.

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 45 years
Aircraft and vessels	2 to 25 years

Assets related to the acquisition of contractual right for the exploration, evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.
Mineral resources-related property is amortized principally using the unit-of-production method based on the proven or probable reserves. Improvements in finance lease assets are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

The above depreciation method was adopted as it most closely reflects the pattern in which the asset's future economic benefits are expected to be consumed.

The depreciation method, estimated useful life and residual value are reviewed at each period end, and amended as necessary.

(iii) Derecognition
The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit when the item is derecognized.

(7) Investment property
Investment property is property held to earn rentals, for long-term capital appreciation or both. Real estate held for sale in the ordinary course of business (real estate held for development and resale) and real estate held to use in the production or supply of goods or services or for administrative purposes (property, plant and equipment) are not included. The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses.

Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 1 to 60 years. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is included in profit when the investment property is derecognized.

(8) Intangible assets and goodwill

(i) Research and development costs

Expenditures related to research activities to obtain new scientific or technical knowledge and understanding are recognized as an expense as incurred. Development costs are capitalized only if they are reliably measurable, the product or process is technically and commercially feasible, it is probable that future economic benefits will be generated, and the Company has the intention and sufficient resources to complete the development and to use or sell them. Other development costs are recognized as an expense as incurred.

(ii) Other intangible assets

Other intangible assets with finite useful lives acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized but measured at cost, net of accumulated impairment losses.

(iii) Goodwill

Initial recognition

Goodwill arising from acquisition of subsidiaries is included in "Intangible assets and goodwill" in the consolidated statement of financial position. Measurement of goodwill at the time of initial recognition is described in (1) Basis of consolidation (ii) Business combinations above.

Measurement after initial recognition

Goodwill is measured at cost, net of accumulated impairment losses. The carrying amount of investments accounted for using the equity method includes the carrying amount of goodwill.

In case of the disposal of an operation within a related cash-generating unit, goodwill is derecognized and the amount is recognized in profit.

(iv) Amortization

Other than goodwill and intangible assets with indefinite useful lives, intangible assets are amortized under the straight-line method over their estimated useful lives from the day on which the assets became available for use.

The estimated useful life of each asset is mainly as follows.

Software	2 to 15 years
Customer relationships	4 to 28 years
Trade names	9 to 23 years
Trademarks	3 to 36 years

The amortization method, estimated useful life, and residual value are reviewed at each period end, and amended as necessary.

(9) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Leases other than finance leases are classified as operating leases.

(i) Lease as lessor

Amounts due from lessees under finance leases are recognized as "Trade and other receivables" at the amount of net investment in the leases, and unearned income is allocated over the lease term at a constant periodic rate of return on the net investments and recognized in the fiscal year to which it is attributable.

Operating lease income is recognized over the term of underlying leases on a straight-line basis.

(ii) Lease as lessee

Lease assets and lease liabilities under finance leases are initially recognized at the lower of the present value of minimum lease payments or the fair value at the inception of the lease. After initial recognition, lease assets are accounted for according to the accounting policies applied to the assets. Lease payments are allocated at a constant periodic rate to the balance of lease liabilities, and are accounted for as finance costs and a reduction in the amount of lease liabilities.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(10) Oil and gas exploration and development
Oil and gas exploration and evaluation activity includes:

- Acquisition of rights to explore;
- Gathering exploration data through topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures such as geological and geophysical cost, are expensed as incurred. Exploration and evaluation expenditures such as costs of acquiring properties, drilling, and equipping exploratory wells and related plant and equipment are capitalized as property, plant and equipment or intangible assets.

The capitalized exploration and evaluation expenditures are not depreciated until production commences. Capitalized exploration and evaluation expenditures are monitored for indications of impairment. If the capitalized expenditure is determined to be impaired, an impairment loss is recognized based on the fair value.

When capitalized exploration and evaluation expenditures have been established as commercially viable by a final feasibility study, subsequent development expenditures are capitalized and amortized using the unit-of-production method.

(11) Mining operations
Mining exploration costs are recognized as an expense as incurred until the mining project has been established as technically feasible and commercially viable by a final feasibility study. Once established as technically feasible and commercially viable, costs are capitalized and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred. To the extent the benefit is improved access to ore, the stripping costs are recognized as a property, plant and equipment or an intangible asset.

For capitalized costs related to mining operations, impairment loss is recognized based on the fair value less cost of disposal if it is determined that commercial production cannot commence or capitalized costs are not recoverable.

(12) Non-current assets held for sale
If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets. This condition is regarded as met only when the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

(13) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Impairment of non-financial assets
(i) Assessment for impairment
If there are any events or changes in circumstances indicating that the carrying amount of the Company's non-financial assets excluding inventories and deferred tax assets may not be recoverable, the recoverable amount of such assets are estimated by assuming that there are indications of impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually or more frequently if indicators of impairment are present. Goodwill that constitutes part of the carrying amount of investments accounted for using the equity method is not recognized separately, and is not tested for impairment on an individual basis. However, the total amount of investments accounted for using the equity method is assessed for indications of impairment and tested for impairment by treating it as a single asset.

Assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

The recoverable amount of the asset, cash-generating unit or group of cash-generating units is the higher of the value in use or the fair value less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pre-tax discount rate reflecting the risks specific to the asset or the cash-generating unit.

(ii) Cash-generating units
In cases where cash inflows are generated by multiple assets, the smallest unit that generates cash inflows more or less independently from cash inflows of other assets or groups of assets is referred to as a cash-generating unit.

A cash-generating unit, including goodwill, is set as the smallest unit at which the goodwill is monitored for internal management purposes and is a smaller unit than the operating segment. If impairment loss is recognized in relation to a cash-generating unit, the carrying amount of any goodwill allocated to the cash-generating unit is reduced first, and if there is any residual amount, other assets of the unit are reduced pro rata on the basis of the carrying amount of each asset in the unit.

(iii) Reversal of impairment loss
Impairment recognized in the past is reversed if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. However, impairment loss recognized for goodwill is not reversed. Reversal of impairment loss is recognized up to the carrying amount which is calculated on the basis that no impairment loss for the asset had been recorded in prior years.

(15) Post-employment benefits
The Company has adopted defined benefit plans and defined contribution plans.

(i) Defined benefit plans
Obligations related to defined benefit plans are recognized in the consolidated statement of financial position as the net amount of benefit obligations under such plans and the fair value of pension assets. Any surplus resulting from this calculation is limited to the present value of any economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. The Company re-measures benefit obligations using information provided by qualified actuaries and pension assets in each period.

Increases or decreases in benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss.

The Company recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income and such increases or decreases are recorded in "Other components of equity" which are immediately reclassified into "Retained earnings."

(ii) Defined contribution plans
Defined contribution plans are post-employment benefit plans in which the employer makes a certain amount of contributions to fund post-employment benefits and does not bear more obligations than the amount contributed. Obligations to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

(16) Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations, and is discounted when the time value of money is material.

Provision for decommissioning and restoration
The provision for decommissioning and restoration is reviewed in each period and adjusted to reflect developments that could include changes in closure dates, legislation, discount rate or estimated future costs. The amount recognized as a liability for decommissioning and restoration is calculated as the present value of the estimated future costs determined in accordance with local conditions and requirements. An amount corresponding to the provision is capitalized as part of "Property, plant and equipment" and "Investment property" and is depreciated over the life of the corresponding asset. The impact of unwinding of the discount applied in establishing the net present value of the provision is recognized in "Finance costs." The applicable discount rate is a pre-tax rate that reflects the current market assessment of the time value of money.

(17) 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 and executive officers, and is recognized on a straight-line basis over the vesting period with a corresponding increase in equity. The fair values of stock options are estimated using the Black-Scholes option-pricing model.

(18) Revenues

The Company recognizes revenues for each transaction. In principle, the unit of transactions is a single contract. However, in certain circumstances, it is necessary to apply the recognition criteria to separately identifiable components as multiple units in a single contract in order to reflect the substance of the transaction. Conversely, the recognition criteria are applied to two or more contracts together as a single unit when they are linked in such a way that the commercial interest can be achievable with a series of transactions.

Revenues are measured at the fair value of consideration received or receivable.

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 customers' purchase and sale of commodities and other products where it earns a commission for this service.

Revenues from the sale of goods, including products and commodities, are recognized when all the following conditions are satisfied:

- Significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If there are any trade discounts, volume rebates, etc., with respect to revenues from the sale of products and commodities, they are deducted from revenues.

Revenues from the rendering of services are recognized when all of the following conditions are met, by reference to the stage of completion of the transaction at the end of the fiscal year:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenues are recognized only to the extent of the expenses that are deemed recoverable.

(i) Various streams of revenue

(a) Sale of products and commodities

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 the bids 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.

(b) Construction contracts

The Company 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 measured reliably and there is an enforceable agreement between the parties who can fulfill the obligations. Otherwise, construction revenue is recognized to the extent of construction costs that are deemed recoverable.

If the amount of cost incurred plus profit exceeds the billing amount at that point in time, the excess amount is recognized in "Trade and other receivables," but if the amount is less than the billing amount at that point in time, the shortfall is recognized as "Trade and other payables." Amounts received prior to the completion of work are recognized in "Advances from customers."

(c) Rendering of services and other services

The Company performs other activities, which consist of services and rental or leasing activities. Service-related activities include performance of various services such as services provided under franchise agreements, 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. Refer to (9) Leases for revenues from rental or leasing activities.

(ii) Transactions performed as an agent

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 revenue recognition criteria have been met.

(iii) Gross and net presentation of revenues

The Company presents revenues on a gross basis in the consolidated statement of income for transactions traded in which the Company is the primary obligor in the sale of products and commodities with general inventory risk before customer orders and in services with significant risk.

For the sale of goods, construction contracts and the rendering of services traded in which the Company acts as an agent, the revenues are presented in the consolidated statement of income on a net basis.

(19) Service concession arrangements

A service concession arrangement is an arrangement between the "grantor" (a public sector entity) and the "operator" (a private sector entity) to provide services that give the public access to major economic and social facilities utilizing private-sector funds and expertise.

With respect to service concession arrangements, revenue and costs are allocated between those relating to construction services and those relating to operation services, and are accounted for separately. Consideration received or receivable is allocated by reference to the relative fair value of services delivered when the amounts are separately identifiable.

When the amount of the arrangement consideration (including minimum revenue guarantee) for the provision of public services is substantially fixed by a contract, the Company recognizes revenues from construction services for public facilities (infrastructures) by the percentage-of-completion method, and recognizes the consideration as a financial asset. The Company accounts for such financial assets in accordance with IFRS 9 "Financial Instruments," and calculates interest income based on the effective interest method and recognizes it in profit.

(20) Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grants and that the grants will be received.

Government grants are recognized in profit on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are mainly conditional upon the Company acquiring non-current assets by purchase, construction or other method are recognized by deducting the grants from the carrying amount of the assets in the consolidated statement of financial position and are reclassified into profit on a systematic basis based on reasonable criteria over their useful lives.

(21) Income taxes

Income tax expenses consist of current and deferred taxes. They are recognized in profit, excluding those related to business combinations and items recognized directly in equity or other comprehensive income.

Deferred taxes are recognized for temporary differences between the financial statement and income tax bases of assets and liabilities.

For taxable temporary differences concerning subsidiaries, associates, and joint arrangements, deferred tax liabilities are recognized. However, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences concerning subsidiaries, associates, and joint arrangements are recognized only to the extent that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

The Company recognizes an asset or liability for the effect of uncertainty in income taxes, and the asset or liability is measured at the amount of the reasonable estimate for uncertain tax positions when it is probable, based on the Company's interpretation of tax laws, that the tax positions will be sustained.

The Parent and its wholly owned domestic subsidiaries file a consolidated corporate income tax return as a consolidation group.

(22) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market price and valuation methodologies such as market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

(i) Level 1

Quoted prices (unadjusted) in active markets (markets in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis) for identical assets or liabilities that the Company can access at the measurement date.

(ii) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(iii) Level 3

Unobservable inputs for the asset or liability. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or revised major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2018 are as follows. With the application of IFRS15, "Revenues" and "Cost of revenues" of the consolidated statement of income for the year ending March 31, 2019 are presumed to increase by approximately ¥6,000 billion respectively as compared to those under previous standards due to increase of transactions in which identified performance obligations of the Company are transfer of goods as principal and therefore revenue is recognized in the gross amount of consideration. There will be no significant impact on other items of the consolidated financial statements including "Profit for the year". The adoption of IFRS 9 (Revised in July 2014) will have no significant impact. As of March 31, 2018, potential impacts that application of these standards except for IFRS 9 (Revised in July 2014) and IFRS 15 will have on the consolidated financial statements cannot be reasonably estimated.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ending)	Outline of new/revised Standards and Interpretations
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Changes in accounting and disclosure requirements for revenue recognition
IFRS 9 (Revised in July 2014)	Financial Instruments	January 1, 2018	March 31, 2019	Partial changes in classification and measurement of financial instruments, and implementation of expected credit loss model for impairment losses
IFRS 16	Leases	January 1, 2019	March 31, 2020	Changes in accounting and disclosure requirements for operating leases in the financial statements of lessees
IFRS 17	Insurance Contracts	January 1, 2021	Undecided	Changes in accounting and disclosure requirements for insurance contracts

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

The significant business combination and acquisition of joint operation for the year ended March 31, 2017 were as follows:

Acquisition of Lawson, Inc.

On February 9, 2017 (the acquisition date), the Company acquired through a tender offer for shares an additional 16.6% (16,649,900 shares) of the total number of issued shares (100,300,000 shares) of Lawson, Inc. (Lawson), a company engaged in the operation of a franchising system for and directly-managed stores of the convenience store "LAWSON," for cash consideration of ¥144,022 million. As a result, together with the 33.4% (33,500,200 shares) held as of December 31, 2016, the Company has become the owner of a majority (50,150,100 shares) of the total number of issued shares of Lawson; as such, Lawson is now a consolidated subsidiary of the Company.
The Company will effectively utilize its networks and human resources on a greater scale than before in Lawson's domestic convenience store business, overseas convenience store business and other peripheral businesses, with the aim of further strengthening Lawson's business platform by enhancing collaboration.

The following table summarizes the fair values of consideration paid, the previously held equity interest, non-controlling interests, the assets acquired and liabilities assumed and the amount of goodwill recognized as of the acquisition date.

	Millions of Yen
	2017
Fair value of consideration paid	¥144,022
Fair value of the previously held equity interest	265,322
Fair value of non-controlling interests	410,624
Total	¥819,968
Fair value of assets acquired, liabilities assumed:	
Cash and cash equivalents	¥67,902
Trade and other receivables (current)	(Notes) 150,913
Other investments	105,524
Trade and other receivables (non-current)	43,643
Property, plant and equipment	365,109
Intangible assets	428,702
Other assets	60,913
Bonds and borrowings (current)	(31,105)
Trade and other payables (current)	(Notes) (318,099)
Bonds and borrowings (non-current)	(56,704)
Trade and other payables (non-current)	(121,187)
Deferred tax liabilities	(105,190)
Other liabilities	(60,649)
Identifiable net assets	¥529,772
Amount of goodwill recognized	¥290,196
Total	¥819,968

Notes:
As of the acquisition date, the amount of intercompany transactions included in Trade and other receivables (current) and Trade and other payables (current) in the above figure was ¥26,777 million and ¥81,097 million respectively, which were eliminated in the consolidated statement of financial position against Trade and other payables (current) and Trade and other receivables (current) which the Company held with Lawson.

The Company had previously used the equity method to account for the equity interest held by the Company in Lawson. The Company remeasured the previously held equity interest in conjunction with the business combination above. Consequently, the Company recorded a gain of ¥8,153 million under gains on investments in the Living Essentials segment for the year ended March 31, 2017. The fair values of the previously held equity interest and non-controlling interests were measured at a value that reflects a control premium included in the tender offer price, and the market price.

The goodwill consisted primarily of excess earnings and synergies with the existing operations and was non-deductible for tax purposes.

For taxable temporary differences concerning consolidated subsidiaries, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, in conjunction with the business combination above, the Company has reversed deferred tax liabilities of ¥21,588 million.

The amounts of revenue and profit or loss of Lawson since the acquisition date for the above business combination are not presented because the effects are immaterial to the consolidated financial statements.
Pro forma information (unaudited information) based on the assumption that the acquisition date had been as of April 1, 2016, the beginning of the fiscal year, is as follows. The pro forma information does not include the impacts of the remeasurement of the fair value of the previously held equity interest and the reversal of deferred tax liabilities.

	Millions of Yen
	2017
Revenues	¥6,909,919
Profit for the year	465,503
Profit for the year attributable to Owners of the Parent	411,980

There were no significant business combination or acquisition of joint operation for the year ended March 31, 2018.

6. SEGMENT INFORMATION

[Operating segment information]

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the President and CEO of the Parent who is the chief operating decision maker of the Company in deciding how to allocate resources and in assessing performance.

The operating segments were determined based on the nature of the products and services offered. The Company's reportable operating segments consist of the following seven business groups:

Global Environmental & Infrastructure Business	The Global Environmental & Infrastructure Business Group conducts environmental and infrastructure projects, related trading operations and other activities in power generation, water, transportation and other fields that serve as a foundation for industry.
Industrial Finance, Logistics & Development	The Industrial Finance, Logistics & Development Group conducts an investment and operation business. This business includes corporate investment, leasing, real estate/urban development, and logistics services.
Energy Business	The Energy Business Group conducts a number of activities including natural gas/oil exploration, production and development business; liquefied natural gas (LNG) business; trading of crude oil/petroleum products/carbon materials and products/liquefied petroleum gas (LPG); and planning and development of new energy business.
Metals	The Metals Group conducts “managing” businesses through trade, development, and investment 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 metals such as copper and aluminum.
Machinery	The Machinery Group conducts trading, finance and logistics, and investments in a range of fields. These fields include machine tools, agricultural machinery, construction machinery, mining machinery, elevators, escalators, ships, aerospace-related equipment and motor vehicles.
Chemicals	The Chemicals Group conducts trading, business development, and investments related to chemical products in a broad range of fields. These fields extend from basic materials such as ethylene, methanol, and salt produced from crude oil, natural gas, minerals, plants, marine resources and so forth, to midstream and downstream products such as plastics, electronic materials, food ingredients, fertilizer, and fine chemicals.
Living Essentials	The Living Essentials Group provides products and services and develops businesses in various fields closely linked with people's lives, including food products and food, apparel, everyday products, healthcare, and items central to consumer lifestyles. These fields extend from the procurement of raw materials to distribution and retail.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Management evaluates segment performance based on several factors, of which the primary financial measure is profit (loss) attributable to the Parent.

Intersegment transactions are priced with reference to prices applicable to transactions with third parties.

The Company's segment information at and for the years ended March 31, 2017 and 2018 was as follows:

	Millions of Yen										
2017	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥69,088	¥132,753	¥1,189,267	¥936,580	¥746,957	¥1,134,110	¥2,204,248	¥6,413,003	¥10,868	¥1,890	¥6,425,761
Gross profit	38,013	60,195	37,663	414,766	182,061	112,976	473,224	1,318,898	7,850	1,890	1,328,638
Share of profit of investments accounted for using the equity method	23,229	13,733	25,278	2,690	5,252	12,059	34,851	117,092	1,191	(833)	117,450
Profit (loss) for the year attributable to owners of the Parent	23,420	35,531	55,477	147,901	29,437	26,732	121,344	439,842	(1,233)	1,684	440,293
Total assets	1,005,671	841,567	2,118,028	3,704,234	1,739,554	943,884	4,343,006	14,695,944	2,631,382	(1,573,769)	15,753,557

	Millions of Yen										
2018	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥85,699	¥101,369	¥1,239,419	¥1,021,707	¥876,452	¥1,359,620	¥2,876,392	¥7,560,658	¥7,324	¥(588)	¥7,567,394
Gross profit	38,140	49,949	55,711	452,804	195,593	116,154	971,796	1,880,147	7,081	(588)	1,886,640
Share of profit of investments accounted for using the equity method	37,345	28,250	44,076	33,521	28,768	16,170	23,644	211,774	1,166	(1,508)	211,432
Profit (loss) for the year attributable to owners of the Parent	44,594	44,185	20,273	261,028	85,176	30,585	74,742	560,583	(1,100)	690	560,173
Total assets	1,045,645	814,767	2,074,072	3,777,340	1,921,082	993,650	4,599,842	15,226,398	2,460,406	(1,649,815)	16,036,989

	Millions of U.S. Dollars										
2018	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	$808	$956	$11,693	$9,639	$8,268	$12,827	$27,136	$71,327	$69	$(5)	$71,391
Gross profit	360	471	526	4,272	1,845	1,096	9,168	17,738	67	(7)	17,798
Share of profit of investments accounted for using the equity method	352	267	416	316	271	153	223	1,998	11	(14)	1,995
Profit (loss) for the year attributable to owners of the Parent	421	417	191	2,463	804	289	705	5,290	(10)	5	5,285
Total assets	9,865	7,686	19,567	35,635	18,123	9,374	43,395	143,645	23,211	(15,564)	151,292

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. As for the effect of the restructuring of the shale gas business of the previous year, please refer to "1) Energy Business Group" under "2. One-Off Gains' Information" of Appendix.

[Geographic Information]

Revenues and non-current assets at and for the years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Revenues:			
Japan	¥3,793,690	¥4,569,906	$43,112
Australia	765,043	852,216	8,040
U.S.A	797,713	833,256	7,861
Other	1,069,315	1,312,016	12,378
Total	¥6,425,761	¥7,567,394	$71,391
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥1,737,683	¥1,784,091	$16,831
Australia	1,001,006	830,916	7,839
Other	900,298	677,497	6,391
Total	¥3,638,987	¥3,292,504	$31,061

Note: Revenues are attributed to geographic areas based on the location of the assets producing such revenues.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2017 and 2018.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of short-term investments and other investments at March 31, 2017 and 2018.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2017)				
Short-term investments	¥4,292	—	¥18,575	¥22,867
Other investments	143,285	¥1,889,775	258,405	2,291,465
(March 31, 2018)				
Short-term investments	1,102	—	8,217	9,319
Other investments	143,677	1,809,351	250,214	2,203,242

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2018)				
Short-term investments	$10	—	$78	$88
Other investments	1,355	$17,069	2,361	20,785

The following is a breakdown of the fair values of financial assets measured at FVTOCI at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Marketable	¥960,809	¥898,646	$8,478
Non-marketable	928,966	910,705	8,591
Total	¥1,889,775	¥1,809,351	$17,069

Of the above, the fair values of the main marketable securities at March 31, 2017 and 2018 were as follows:

Security name	Millions of Yen 2017	Millions of Yen 2018	Millions of U.S. Dollars 2018
AYALA	¥119,393	¥106,066	$1,001
ISUZU MOTORS	93,700	103,849	980
AEON	71,190	83,237	785
NISSIN FOODS HOLDINGS	51,449	61,539	581
RYOHIN KEIKAKU	26,300	38,495	363
CAP	37,842	34,768	328
HOKUETSU KISHU PAPER	28,416	25,121	237
THAI UNION GROUP	24,260	22,346	211
SUMBER ALFARIA TRIJAYA	20,410	21,933	207
YAMAZAKI BAKING	22,556	21,748	205
INPEX CORPORATION	16,005	19,244	182
KIRIN HOLDINGS	14,095	19,007	179
MITSUBISHI ESTATE	21,293	18,865	178
NISSHIN SEIFUN GROUP	14,033	17,818	168
TOKAI CARBON	3,273	11,143	105
MITSUBISHI HEAVY INDUSTRIES	11,886	10,843	102
OKAMURA	6,231	9,136	86
SHIN-ETSU CHEMICAL	7,716	8,805	83
TOYO TIRE & RUBBER	7,781	7,127	67
DAIKYO NISHIKAWA	5,726	6,857	65

The non-marketable securities primarily consisted of investments related to mineral resources. These investments principally included Sakhalin Energy Investment Company, Malaysia LNG Dua and Malaysia LNG for LNG, and also included Minera Escondida and Compania Minera Antamina for copper.
Fair values of the investments related to LNG were ¥389,058 million and ¥402,768 million ($3,800 million), and fair values of the investments related to copper were ¥330,327 million and ¥287,351 million ($2,711 million) for the years ended March 31, 2017 and 2018, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2017 and 2018 that were recognized for the years ended March 31, 2017 and 2018 were ¥93,819 million and ¥130,805 million ($1,234 million), respectively.

With respect to financial assets measured at FVTOCI derecognized as a result of sale through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2017 and 2018 were as follows.

The Company derecognized the shares of Mitsubishi Motors Corporation for the year March 31, 2018, which had been measured at FVTOCI, as it became an affiliated company due to additional share acquisition. The following includes the impact of this event.

	Millions of Yen 2017	Millions of Yen 2018	Millions of U.S. Dollars 2018
Fair value at the time of derecognition	¥48,086	¥168,803	$1,592
Accumulated gain or loss on disposal (before tax)	17,220	(46,442)	(438)

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2017 and 2018.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction etc., was transferred to retained earnings. The amounts transferred were ¥19,335 million (gain) and ¥50,891 million ($480 million) (loss) for the years ended March 31, 2017 and 2018, respectively.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
Classification	2017	2018	2018
Current trade and other receivables			
Notes receivable-trade	¥319,876	¥378,265	$3,569
Accounts receivable-trade and other	2,724,087	3,014,550	28,439
Amount not expected to be collected within 1 year included within the above account	66,479	60,669	572
Loans and other receivables	113,299	156,050	1,472
Allowance for doubtful receivables	(31,758)	(25,524)	(241)
Total current trade and other receivables	¥3,125,504	¥3,523,341	$33,239
Non-current trade and other receivables			
Loans receivable	¥176,380	¥166,943	$1,575
Other receivables	360,975	399,223	3,766
Allowance for doubtful receivables	(36,502)	(39,180)	(369)
Total non-current trade and other receivables	¥500,853	¥526,986	$4,972

Short-term and long-term receivables are contractual rights to receive money. When it is probable that, based on internal ratings and current financial conditions, the Company will not be able to collect all amounts, including amounts with interest based on the contractual terms of the receivables agreement, the Company determines an appropriate amount of allowance for doubtful receivables. The Company determines an amount of allowance for doubtful receivables based upon factors related to the collection history, length of the period past due, credit ratings from applicable agencies, evaluation based on discounted cash flow, fair value of the underlying collateral and other information. The Company also collectively evaluates some receivables and determines an amount of allowance for doubtful receivables based on past actual rates of credit losses, probability of future default and other information.

The changes in "Allowance for doubtful receivables" for the years ended March 31, 2017 and 2018 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the year	¥89,037	¥68,260	$644
Provision for credit losses	8,280	2,729	26
Charge-offs	(28,669)	(4,527)	(43)
Other*	(388)	(1,758)	(17)
Balance at the end of the year	¥68,260	¥64,704	$610

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

Impairment losses (including provision for credit losses) recorded for the years ended March 31, 2017 and 2018 were ¥7,835 million and ¥1,144 million ($11 million), respectively, and were predominantly due to a deterioration of the business condition of a customer.

The following is an analysis of the balance of trade and other receivables impaired individually, and the corresponding allowance for doubtful receivables at March 31, 2017 and 2018.

	Millions of Yen				Millions of U.S. Dollars	
	2017		2018		2018	
	Balance	Allowance	Balance	Allowance	Balance	Allowance
Trade receivables	¥31,900	¥(23,096)	¥37,644	¥(24,475)	$355	$(231)
Lease receivables	593	(314)	666	(265)	6	(2)
Loans	27,880	(25,964)	27,250	(25,326)	257	(239)
Total	¥60,373	¥(49,374)	¥65,560	¥(50,066)	$618	$(472)

The Company holds collateral and other credit enhancements related to impaired financial assets mainly in connection with lease receivables from vessel leasing transactions. The fair value of the collateral and other credit enhancements was immaterial at March 31, 2017 and 2018.

The following is an analysis of the age of receivables that are past due but not impaired individually at March 31, 2017 and 2018.

	Millions of Yen			
March 31, 2017	Past due within 30 days	Past due over 30 days through 90 days	Past due over 90 days	Total
Trade receivables and loans	¥50,198	¥13,056	¥27,369	¥90,623
Lease receivables	17,965	14,049	4,020	36,034
Total	¥68,163	¥27,105	¥31,389	¥126,657

	Millions of Yen			
March 31, 2018	Past due within 30 days	Past due over 30 days through 90 days	Past due over 90 days	Total
Trade receivables and loans	¥57,962	¥17,628	¥22,579	¥98,169
Lease receivables	16,819	10,646	1,934	29,399
Total	¥74,781	¥28,274	¥24,513	¥127,568

	Millions of U.S. Dollars			
March 31, 2018	Past due within 30 days	Past due over 30 days through 90 days	Past due over 90 days	Total
Trade receivables and loans	$547	$166	$213	$926
Lease receivables	158	101	18	277
Total	$705	$267	$231	$1,203

Loans are aggregated with trade receivables because these are immaterial.

The Company uses a single consistent method without classification for the accounting treatment and risk management related to trade and other receivables. Refer to Note 3 "Significant accounting policies (3) Financial instruments" and Note 33 "Risk management related to financial instruments".

9. INVENTORIES

The breakdown of "Inventories" at March 31, 2017 and 2018 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Merchandise and finished goods	¥867,937	¥930,388	$8,777
Raw materials, work in progress and supplies	186,435	210,797	1,989
Real estate held for development and resale	55,766	63,217	596
Total	¥1,110,138	¥1,204,402	$11,362
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥204,397	¥244,364	$2,305

"Real estate held for development and resale" included real estate expected to be sold more than 12 months from the end of each fiscal year.

The amount of inventories recognized as "Costs of revenues" for the years ended March 31, 2017 and 2018 was ¥4,868,111 million and ¥5,445,967 million ($51,377 million), respectively.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2017 and 2018.

10. BIOLOGICAL ASSETS

The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Cost of biological assets	¥60,087	¥57,746	$545
Fair value adjustments	7,621	11,133	105
Carrying amounts	¥67,708	¥68,879	$650

The following is a breakdown of changes in the carrying amounts of biological assets for the year ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of year	¥65,713	¥67,708	$639
Increase due to production	100,112	136,991	1,292
Decrease due to sales / harvest / mortality	(92,801)	(136,381)	(1,287)
Fair value adjustments	(5,001)	2,374	22
Exchange translations and others	(315)	(1,813)	(16)
Balance at the end of year	¥67,708	¥68,879	$650

Fair value adjustments of biological assets were included in "Other income (expense)-net" in the consolidated statement of income.

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a market approach based on the most relevant assumptions of price, growth rate and mortality rate at the reporting date. The valuation of biological assets is classified at Level 3 in the valuation hierarchy.

The business related to biological assets is exposed to fluctuations in prices, which is determined by global supply and demand.
In order to partially mitigate the price risk, the Company enters into financial contracts in regulated marketplaces.

Biological assets are mainly inventories of live fish held in the business of salmon farming in Norway, Chile and Canada.

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the year ended March 31, 2017 and 2018.

	Tonnes	
	2017	2018
Balance at the beginning of year	88,084	100,308
Increase due to production	163,790	223,115
Decrease due to sales/harvest/mortality	(151,566)	(228,070)
Balance at the end of year	100,308	95,353

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

The following non-current assets or disposal groups are classified as held for sale as of March 31, 2017 and 2018 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year.
Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment and others" or "Gains on investments" in the consolidated statement of income.

Non-current assets classified as held for sale
Other investments (Marketable equity securities related to oil and gas exploration and development) of ¥14,677 million in the Energy Business segment was classified as held for sale as of March 31, 2017, and was measured at fair value less cost to sell in Level 1. Property, plant and equipment (Aircraft) of ¥9,976 million in the Industrial, Finance, Logistics and Development segment (partly measured at fair value less cost to sell in Level 2), etc., were classified as held for sale as of March 31, 2017. The non-current assets held for sale were disposed of during the year ended March 31, 2018.
Property, plant and equipment (Vessels related to petroleum business) of ¥11,738 million ($111 million) in the Energy Business segment was classified as held for sale as of March 31, 2018, based on the settlement of the sales and purchase agreement. The assets were measured at fair value less cost to sell in Level 2. The amount of impairment losses arising from the reclassification is immaterial.

Disposal groups classified as held for sale
Amounts related to disposal groups held for sale were immaterial for the year ended March 31, 2017.
Property, plant and equipment (Aircraft) and the associated liabilities held by MC Aviation Partners Inc.("MCAP"), which is a consolidated subsidiary in the Industrial, Finance, Logistics and Development segment, were classified as a disposal group held for sale as of March 31, 2018, since it became certain that the corresponding assets and liabilities would be disposed of within 1 year mainly based on the situation that sales agreements with an existing joint venture (classified as an associate) of MCAP and CK Asset Holdings Ltd., and third parties for the sale of aircrafts were entered into. The amount of impairment losses arising from the reclassification is immaterial. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2018, which were measured at fair value less cost to sell (Level2) of the disposal group held for sale.

Item	Millions of Yen	Millions of U.S. Dollars
Property, plant and equipment (Aircraft)	¥41,403	$391
Total assets	¥41,403	$391
Other financial liabilities (non-current)	681	6
Other non-financial liabilities (non-current)	8,004	76
Total liabilities	¥8,685	$82

Assets and liabilities held by TRILITY Group Pty Ltd.("TRILITY"), which is a consolidated subsidiary in the Global Environmental & Infrastructure Business segment, were classified as a disposal group held for sale as of March 31, 2018, since it became certain that all shares of TRILITY would be disposed of within 1 year based on the situation that a share sale agreement with BEWG International Pte. Ltd. for the sale of the shares of TRILITY was entered into on September 5, 2017 and then a part of the condition precedents was satisfied in November, 2017. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2018.

Item	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥2,087	$20
Trade and other receivables (current)	3,202	30
Investments accounted for using the equity method	2,502	24
Trade and other receivables (non-current)	8,798	83
Property, plant and equipment	1,520	14
Intangible assets and goodwill	7,939	75
Other	1,169	11
Total assets	¥27,217	$257
Provisions (current)	1,671	16
Bonds and borrowings (non-current)	6,341	60
Other financial liabilities (non-current)	1,017	10
Other	1,634	15
Total liabilities	¥10,663	$101

Fair value of non-current assets or disposal groups

The fair value in Level 1 of non-current assets or disposal groups was measured by the quoted market price in an active market. The fair value in Level 2 of non-current assets or disposal groups was measured by personnel in the accounting department of the Company or the subsidiaries who manage the corresponding assets, based upon information of the sales value of the assets.

Differences between the carrying amount and the fair value of non-current assets or disposal groups held for sale measured at amortized cost are immaterial.

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of property, plant and equipment at March 31, 2017 and 2018.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
(March 31, 2017)							
Gross carrying amount	¥231,003	¥823,162	¥880,167	¥520,389	¥1,806,445	¥34,533	¥4,295,699
Accumulated depreciation and accumulated impairment losses	13,558	371,970	520,053	180,904	718,518	5,982	1,810,985
Carrying amount	¥217,445	¥451,192	¥360,114	¥339,485	¥1,087,927	¥28,551	¥2,484,714
(March 31, 2018)							
Gross carrying amount	¥224,467	¥863,683	¥946,217	¥280,230	¥1,434,270	¥30,805	¥3,779,672
Accumulated depreciation and accumulated impairment losses	12,659	402,610	567,834	135,859	553,737	778	1,673,477
Carrying amount	¥211,808	¥461,073	¥378,383	¥144,371	¥880,533	¥30,027	¥2,106,195

	Millions of U.S. Dollars						
(March 31, 2018)	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$2,117	$8,148	$8,927	$2,644	$13,531	$290	$35,657
Accumulated depreciation and accumulated impairment losses	119	3,798	5,357	1,282	5,224	7	15,787
Carrying amount	$1,998	$4,350	$3,570	$1,362	$8,307	$283	$19,870

The following is a breakdown of changes in the carrying amounts of property, plant and equipment for the years ended March 31, 2017 and 2018.

	Millions of Yen						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2016	¥205,713	¥228,939	¥242,614	¥361,955	¥1,223,966	¥34,197	¥2,297,384
Additions	4,518	11,484	34,223	48,882	36,436	35,969	171,512
Additions through business combination	13,558	226,848	127,925	5	—	1,810	370,146
Disposal or reclassification to assets held for sale	(2,181)	(1,261)	(1,656)	(21,895)	(11,114)	(198)	(38,305)
Depreciation	—	(21,387)	(50,094)	(30,135)	(76,413)	—	(178,029)
Impairment losses	(1,442)	(7,645)	(7,851)	(18,350)	(62,540)	(4,767)	(102,595)
Exchange translations	152	(1,751)	(4,981)	(1,388)	(16,586)	(812)	(25,366)
Other*	(2,873)	15,965	19,934	411	(5,822)	(37,648)	(10,033)
Balance at March 31, 2017	¥217,445	¥451,192	¥360,114	¥339,485	¥1,087,927	¥28,551	¥2,484,714
Additions	1,163	30,532	103,733	39,098	41,624	67,606	283,756
Additions through business combination	1,284	3,497	2,619	4,271	—	61	11,732
Disposal or reclassification to assets held for sale	(4,597)	(9,957)	(18,290)	(189,097)	(100,282)	(506)	(322,729)
Depreciation	—	(35,303)	(85,149)	(29,836)	(60,921)	—	(211,209)
Impairment losses	(696)	(11,273)	(11,850)	(6,286)	(35,474)	(55)	(65,634)
Exchange translations	290	(950)	(1,433)	(7,428)	(44,096)	(297)	(53,914)
Other*	(3,081)	33,335	28,639	(5,836)	(8,245)	(65,333)	(20,521)
Balance at March 31, 2018	¥211,808	¥461,073	¥378,383	¥144,371	¥880,533	¥30,027	¥2,106,195

	Millions of U.S. Dollars						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2017	$2,051	$4,257	$3,397	$3,203	$10,264	$269	$23,441
Additions	11	288	979	368	393	638	2,677
Additions through business combination	12	33	25	40	—	1	111
Disposal or reclassification to assets held for sale	(43)	(94)	(173)	(1,784)	(946)	(5)	(3,045)
Depreciation	—	(334)	(803)	(281)	(575)	—	(1,993)
Impairment losses	(7)	(105)	(112)	(59)	(335)	(1)	(619)
Exchange translations	3	(9)	(14)	(70)	(416)	(3)	(509)
Other*	(29)	314	271	(55)	(78)	(616)	(193)
Balance at March 31, 2018	$1,998	$4,350	$3,570	$1,362	$8,307	$283	$19,870

* "Other" includes transfers from construction in progress to other property, plant and equipment.

Changes in the carrying amount of property, plant and equipment due to disposal or reclassification to assets held for sale for the year ended March 31, 2018 include disposal of ¥81,445 million ($768 million) of property, plant and equipment related to Hunter Valley Operations coal mine held by Mitsubishi Development Pty Ltd, a subsidiary in the Metals segment, as a joint operation due to the derecognition of property, plant and equipment in accordance with the transfer of the important risks, economic value and other aspects of the interest based on the agreement for sale of its interest. Mitsubishi Development Pty Ltd completed the sale of the interest of Hunter Valley Operations coal mine, transferring its legal ownership and receiving the consideration on May 4, 2018.

Impairment losses recognized for the years ended March 31, 2017 and 2018 were applicable to the following segments:

	Millions of Yen		Millions of U.S. Dollars
Segment	2017	2018	2018
Global Environmental & Infrastructure Business	—	¥54	$1
Industrial Finance, Logistics & Development	¥2,125	3,479	33
Energy Business	22,835	41,395	391
Metals	48,056	1,940	17
Machinery	20,925	161	2
Chemicals	2,372	3,735	35
Living Essentials	6,282	14,870	140
Other	—	—	—
Total	¥102,595	¥65,634	$619

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

These impairment losses are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income. For assets that have indications of being impaired, impairment losses are calculated as the difference between the carrying amount of such assets and their recoverable amount. In the course of recognizing and measuring impairment losses, the Company measured the recoverable amount using value in use and fair value less costs to sell. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units.

The impairment loss on property, plant and equipment for the year ended March 31, 2017 includes an impairment loss of ¥35,496 million on assets related to the thermal coal business held by Mitsubishi Development Pty Ltd in the Metals Segment in accordance with the portfolio re-profiling policy; impairment losses of ¥17,947 million on ships held by Diamond Star Shipping Pte. Ltd. in the Machinery segment due to deterioration in the shipping market; and impairment losses of ¥12,043 million on exploration and development assets held by Cote D'Ivoire Japan Petroleum Limited. in the Energy Business segment due to changes in development policy.

The impairment loss for the year ended March 31, 2018 includes an impairment loss of ¥32,021 million ($302 million) on property, plant and equipment (assets related to exploration, development and production operations in the U.S. Gulf of Mexico) held by MCX Exploration (USA), LLC, a subsidiary in the Energy Business segment, due to the corresponding assets being classified as held for sale and measured at fair value less cost to sell in Level 2 based on the selling price of the sale agreement. The corresponding assets were disposed of during the year ended March 31, 2018.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2017 and 2018.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥70,078 million and ¥49,867 million ($470 million) at March 31, 2017 and 2018, respectively.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2017 and 2018.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Gross carrying amount	¥77,915	¥96,920	$914
Accumulated depreciation and accumulated impairment losses	29,956	24,728	233
Carrying amount	¥47,959	¥72,192	$681

The following is a breakdown of the activity of the carrying amounts of investment property.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the year	¥70,578	¥47,959	$452
Additions	9,082	51,579	487
Disposal or reclassification to assets held for sale	(6,769)	(26,464)	(250)
Decrease through divestitures	(24,563)	—	—
Depreciation	(1,587)	(1,082)	(10)
Impairment losses	(399)	(2,296)	(22)
Other	1,617	2,496	24
Balance at the end of the year	¥47,959	¥72,192	$681

Impairment losses are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income.

“Additions” and “Disposal or reclassification to assets held for sale” include the effect of the right conversion related to the urban redevelopment project in real estate businesses of the Industrial Finance, Logistics & Development segment, and the swap profit on held real estate of ¥12,764 million ($120 million) is included in “Gains on disposal and sale of property, plant and equipment” in the consolidated statement of income.

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Fair value	¥67,014	¥83,486	$788

The fair value of investment property is based on a valuation conducted by independent appraisers, with recent experience of real estate appraisal relevant to locations and types of investment property evaluated, and qualification of proper specialized agencies such as certified real estate appraiser.
The fair value is determined mainly using a discounted cash flow model based on inputs such as estimated future rental income of each property, discount rate, etc. The fair value is designated as Level 3 in the fair value hierarchy.

The following table includes amounts recognized in the consolidated statement of income related to investment property.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Rental income	¥7,738	¥3,284	$31
Fixed property taxes and other direct operating expenses arising from investment property which generates rental income	5,467	2,957	28

The amounts of fixed property taxes and other direct operating expenses arising from investment property that did not generate rental income were immaterial for the years ended March 31, 2017 and 2018.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2017 and 2018.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amounts of intangible assets at March 31, 2017 and 2018.

	Millions of Yen							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
(March 31, 2017)								
Gross carrying amount	¥306,266	¥202,058	¥114,611	¥70,815	¥15,052	¥15,005	¥48,898	¥772,705
Accumulated amortization and accumulated impairment losses	4,121	82,034	7,477	2,469	5,993	15,005	30,067	147,166
Carrying amount	¥302,145	¥120,024	¥107,134	¥68,346	¥9,059	—	¥18,831	¥625,539
(March 31, 2018)								
Gross carrying amount	¥309,667	¥222,228	¥106,737	¥71,551	¥16,973	—	¥50,071	¥777,227
Accumulated amortization and accumulated impairment losses	13,547	95,836	8,391	2,547	7,680	—	34,576	162,577
Carrying amount	¥296,120	¥126,392	¥98,346	¥69,004	¥9,293	—	¥15,495	¥614,650

	Millions of U.S. Dollars							
(March 31, 2018)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
Gross carrying amount	$2,922	$2,096	$1,007	$675	$160	—	$472	$7,332
Accumulated amortization and accumulated impairment losses	128	904	79	24	72	—	327	1,534
Carrying amount	$2,794	$1,192	$928	$651	$88	—	$145	$5,798

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2017 and 2018.

Carrying amount	Millions of Yen						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2017	¥3,147	¥72,788	¥16,323	¥69,890	¥11,974	¥21,786	¥195,908
Additions	249	20,231	376	61	195	2,989	24,101
Additions through business combinations	298,994	40,139	91,526	84	121	320	431,184
Disposal or reclassification to assets held for sale	(2)	(598)	−	(83)	−	(59)	(742)
Amortization	(233)	(12,817)	(1,792)	(89)	(481)	(6,163)	(21,575)
Impairment losses	−	(120)	(50)	−	(92)	75	(187)
Exchange translations	(201)	333	(160)	(1,441)	(1,034)	(722)	(3,225)
Other	191	68	911	(76)	(1,624)	605	(75)
End of year ended March 31, 2017	¥302,145	¥120,024	¥107,134	¥68,346	¥9,059	¥18,831	¥625,539
Additions	77	37,739	168	1,808	215	5,624	45,631
Additions through business combinations	548	−	721	−	−	251	1,520
Disposal or reclassification to assets held for sale	−	(1,095)	(6,230)	−	(9)	(769)	(8,103)
Amortization	(9,190)	(20,224)	(4,976)	(119)	(559)	(6,829)	(41,897)
Impairment losses	(139)	(9,475)	−	(291)	(1,177)	(252)	(11,334)
Exchange translations	(13)	266	(126)	(351)	150	568	494
Other	2,692	(843)	1,655	(389)	1,614	(1,929)	2,800
End of year ended March 31, 2018	¥296,120	¥126,392	¥98,346	¥69,004	¥9,293	¥15,495	¥614,650

Carrying amount	Millions of U.S. Dollars						
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Other	Total
Beginning of year ended March 31, 2018	$2,850	$1,132	$1,011	$645	$85	$178	$5,901
Additions	1	356	1	17	2	53	430
Additions through business combinations	5	−	7	−	−	2	14
Disposal or reclassification to assets held for sale	−	(10)	(59)	−	(0)	(7)	(76)
Amortization	(86)	(191)	(47)	(1)	(5)	(65)	(395)
Impairment losses	(1)	(89)	−	(3)	(11)	(3)	(107)
Exchange translations	(0)	2	(1)	(3)	2	5	5
Other	25	(8)	16	(4)	15	(18)	26
End of year ended March 31, 2018	$2,794	$1,192	$928	$651	$88	$145	$5,798

Additions through business combinations on intangible assets for the year ended March 31, 2017 include additions of ¥428,702 million, which consists mainly of ¥298,955 million of trademarks and trade names and ¥91,523 million of customer relationships with remaining amortization periods of 14 years to 35 years, due to the acquisition of Lawson Inc. as a consolidated subsidiary in the Living Essentials segment.

The Company does not amortize intangible assets with indefinite useful lives such as business rights and surface rights, given that the terms of the contracts are not set out and it is possible to sustain the value of such rights at a small cost.

At March 31, 2017 and 2018, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Business rights	¥5,234	¥5,562	$52
Fish farming license and surface rights	66,745	67,803	640
Other	4,259	2,336	22
Total	¥76,238	¥75,701	$714

Amortization expense for intangible assets, including those internally generated, is included in "Cost of revenues" or "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses on intangible assets are included in "Impairment losses on property, plant and equipment and others" in the consolidated statement of income. For the assets for which indications of impairment are identified, the recoverable amounts are estimated, normally as value in use, and impairment losses are calculated as the difference between the carrying amount of the assets and the recoverable amount. Value in use of assets is primarily estimated based on discounted cash flows.

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥59,220 million and ¥74,774 million ($705 million) at March 31, 2017 and 2018, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2017 and 2018.

Research and development costs recognized in net income were immaterial at March 31, 2017 and 2018.

Goodwill

The following is a breakdown of gross carrying amount, accumulated impairment losses, and carrying amount of goodwill at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Gross carrying amount	¥403,055	¥403,511	$3,807
Accumulated impairment losses	(18,284)	(14,826)	(140)
Carrying amount	¥384,771	¥388,685	$3,667

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

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance at the beginning of the year	¥95,208	¥384,771	$3,630
Additions	298,896	11,768	111
Impairment losses	(6,226)	(1,692)	(16)
Disposal	—	(1,891)	(18)
Exchange translations	83	(696)	(7)
Other	(3,190)	(3,575)	(33)
Balance at the end of the year	¥384,771	¥388,685	$3,667

Impairment losses on goodwill are included in "Other income (expense)-net" in the consolidated statement of income.

Impairment test of goodwill and intangible assets with indefinite useful lives

The assumptions used for the impairment test of significant goodwill and intangible assets with indefinite useful lives allocated to cash-generating units were as follows:

Lawson, Inc.

The amount of goodwill as of March 31, 2017 and 2018 was ¥290,196 million and ¥300,498 million ($2,835 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The Company has formulated business plans for each major business, mainly covering a period of five years. The key assumption with the most significant impact on the calculation of value in use is growth in net sales. This assumption reflects factors such as historical performance, trends in competitors and peripheral industries, and store-related initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2018, the Company has set the rate at 0% for the sake of convenience.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2017 was ¥21,627 million and ¥65,967 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2018 was ¥21,923 million ($207 million) and ¥67,035 million ($632 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment, with the support of an independent appraiser.
The key assumptions with the most significant impact on the calculation of value in use are the future salmon price and farming plan. Therefore, the Company has formulated a business plan covering a period of 10 years to reflect factors such as the mid and long-term salmon forecast for supply and demand, as well as on-going salmon farming projects.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2018, the Company has set the rate at 0% for the sake of convenience.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Agrex do Brasil S.A.

The amount of goodwill as of March 31, 2017 and 2018 was ¥13,067 million and ¥11,774 million ($111 million), respectively.

In the impairment test of goodwill, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan reflecting the most recent business environment.
The Company has formulated a business plan covering a period of five years. The key assumptions with the most significant impact on the calculation of the value in use are the volume of trading, the grain price and the margin of trading. These assumptions reflect factors such as historical performance, the outlook for future supply-and-demand conditions and marketing-related initiatives.
For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. The growth rate for future cash flows exceeding the period of the business plan must take into consideration the long-term average growth rate of the market or country to which the cash-generating unit belongs and must be set in a range that does not exceed this rate. For the impairment test in the year ended March 31, 2018, the Company has set the rate at 0% for the sake of convenience.
Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The following is a breakdown of the changes in the carrying amounts of exploration and evaluation assets for the years ended March 31, 2017 and 2018. Carrying amounts of exploration and evaluation assets are mainly recognized in "Property, plant and equipment" in the consolidated statement of financial position.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Beginning of year	¥148,606	¥135,854	$1,282
Additions	11,797	3,189	30
Impairment and write-off of unsuccessful exploration expenditure	(22,041)	(20,770)	(196)
Exchange translations	(2,508)	(5,409)	(51)
End of year	¥135,854	¥112,864	$1,065

The Company's exploration and evaluation activities have also generated liabilities, of which the carrying amounts were immaterial.

The following table presents the amounts of expenses and cash flows arising from exploration for and evaluation of mineral resources for the years ended March 31, 2017 and 2018. "Expenses arising from exploration for and evaluation of mineral resources" are recognized in "Impairment losses on property, plant and equipment and others" and "Other income (expense) - net" in the consolidated statement of income.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Expenses arising from exploration for and evaluation of mineral resources	¥(23,177)	¥(22,093)	$(208)
Net cash used in operating activities arising from exploration for and evaluation of mineral resources	(2,558)	(548)	(5)
Net cash used in investing activities arising from exploration for and evaluation of mineral resources	(11,797)	(240)	(2)

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Trade and other receivables (current and non-current)	¥119,762	¥113,638	$1,072
Other investments (current and non-current)	442,458	468,447	4,419
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	115,981	105,818	998
Investment property (net of accumulated depreciation and accumulated impairment losses)	20,183	45,154	426
Other	4,558	13,946	132
Total	¥702,942	¥747,003	$7,047

"Other investments" above includes shares pledged as collateral by the Company in relation to project financing in which an associate or unassociate is the debtor.

The Parent, subsidiaries, associates and investees have borrowings under loan agreements with financial institutions, and above assets pledged as collateral are provided upon the request of the lenders.

With respect to the borrowings from financial institutions, lenders have rights to enforce the disposal of those assets pledged as collateral and may offset those proceeds against a debt, if the borrower defaults on a debt such as failure of borrower to pay any sum of matured payables, or breach the representation and warranty or the covenants.

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts and, therefore, those amounts are not included in the amount of assets pledged as collateral above.

Notwithstanding the above assets pledged as collateral, substantially all of the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, allow banks, under certain conditions, to require the Company to provide collateral (or additional collateral) or guarantors with respect to the loans, and to treat any collateral, whether furnished as security for certain short-term or long-term loans or otherwise, as collateral for all indebtedness to such banks.

Assets accepted as collateral

The fair value of accepted collateral was immaterial at March 31, 2017 and 2018.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Bank loans —1.7% as of March 31, 2018	¥454,785	¥605,243	$5,709
Bonds —0.0% as of March 31, 2018	—	6,542	62
Commercial paper —1.1% as of March 31, 2018	185,324	112,313	1,060
Bonds and borrowings (non-current liabilities) with current maturities	608,122	545,437	5,146
Total	¥1,248,231	¥1,269,535	$11,977

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2017 or 2018.

Bonds and borrowings (non-current liabilities) as of March 31, 2017 and 2018 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Non-current liabilities with collateral:			
Banks and other financial institutions, maturing through 2034 —principally 0.1% to 0.9% as of March 31, 2018	¥36,083	¥33,292	$314
Banks and other financial institutions, maturing through 2028 (payable in foreign currencies) —principally 1.5% to 3.6% as of March 31, 2018	90,587	64,543	609
U.S. dollar bonds (fixed rate 6.1%, due 2021 as of March 31, 2018)	3,815	3,185	30
Total	¥130,485	¥101,020	$953
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2076 —principally 0.0% to 2.0% as of March 31, 2018	2,117,561	1,921,721	18,129
Banks and other financial institutions, maturing through 2032 (payable in foreign currencies) —principally 0.5% to 2.8% as of March 31, 2018	1,252,550	1,170,103	11,039
Japanese yen bonds			
(floating rate 0.1% to 0.9%, due 2021-2076 as of March 31, 2018)	158,000	118,000	1,113
(fixed rate 0.5% to 3.2%, due 2018-2076 as of March 31, 2018)	757,032	653,295	6,163
U.S. dollar bonds			
(floating rate 2.1% to 2.8%, due 2019-2020 as of March 31, 2018)	17,384	10,090	95
(fixed rate 1.4% to 3.4%, due 2018-2025 as of March 31, 2018)	202,722	163,735	1,545
Australian dollar bonds (fixed rate 4.3% to 4.8%, due 2018-2021 as of March 31, 2018)	17,238	16,910	160
Hong Kong dollar bonds (fixed rate 2.3% to 2.6%, due 2019-2023 as of March 31, 2018)	6,930	7,581	72
Total	¥4,529,417	¥4,061,435	$38,316
Total non-current liabilities	¥4,659,902	¥4,162,455	$39,269
Add adjustments to fair value under fair value hedge and other	83,900	67,842	640
Total	¥4,743,802	¥4,230,297	$39,909
Less current maturities	(608,122)	(545,437)	(5,146)
Bonds and borrowings (non-current liabilities)	¥4,135,680	¥3,684,860	$34,763

Related information such as lines of credit, financial covenants and breakdown by due date is stated in "Liquidity risk management" of Note 33.
Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2075-2076) of ¥200,000 million ($1,887 million). This loan is callable after the seventh year from its execution dates (2015-2016) at the discretion of the Company.
Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2076) of ¥400,000 million ($3,774 million). These bonds are callable after the fifth or tenth year from their issuance dates (2015-2016) at the discretion of the Company.

18. TRADE AND OTHER PAYABLES

The following is a breakdown of the carrying amounts of "Trade and other payables" at March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
Classification	2017	2018	2018
Current trade and other payables			
Notes and acceptances payable-trade	¥148,732	¥163,915	$1,546
Accounts payable-trade and other payables	2,393,459	2,601,300	24,541
(Amount not expected to be settled within 1 year included within the above account)	42,811	53,142	501
Total current trade and other payables	¥2,542,191	¥2,765,215	$26,087
Total non-current trade and other payables	¥204,657	¥222,474	$2,099

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

The Parent and certain subsidiaries have defined benefit pension plans covering substantially all employees other than directors. The primary defined benefit pension plans are the Corporate Pension Funds under the Japanese Defined Benefit Corporate Pension Law. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

By April 2013, the Parent had converted certain portions of the Corporate Pension Funds into a defined contribution plan in phases.

The Parent has the obligation to make contributions to the Mitsubishi Corporation Pension Fund ("Fund") in order to cover the cost of paying pension benefits. The Fund is legally independent from the Parent, and the board of representatives comprises an equal number of representatives elected by the Parent and the Parent's employees. The chairman of the board is elected from the representatives elected from the Parent. Proceedings of the board of representatives are decided by a majority vote of the members attending. In the case of a tied vote, the chairman has the power to decide. However, with regard to important matters, the decision is made by a majority that exceeds the above.

The director of the Fund has the duty to comply with the law, the dispositions of the Minister of Health, Labour, and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the board of representatives and to faithfully perform duties for the Fund. In addition, the director is prohibited from acts that constitute conflicts of interest and from managing the Fund for the purpose of benefiting a third party.

In addition to the defined benefit pension plans, 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 is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2017 and 2018:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥592,888	¥593,927	$5,603
Service cost	15,681	17,020	161
Interest cost	5,638	5,858	55
Employee contributions	171	156	1
Plan amendments	111	1	0
Actuarial loss (gain)	(1,657)	20,572	194
Benefits paid	(23,299)	(23,020)	(217)
Settlements and curtailments	(3,636)	(12,885)	(121)
Acquisitions/divestitures and other—net	15,183	(300)	(3)
Exchange translations	(7,153)	2,772	26
Present value of obligations under defined benefit pension plans at the end of the year	593,927	604,101	5,699
Change in plan assets:			
Fair value of plan assets at the beginning of the year	558,709	579,820	5,470
Interest income	5,797	6,189	59
Income from plan assets other than interest	39,036	24,521	231
Employer contributions	4,700	4,923	47
Employee contributions	171	156	2
Benefits paid	(18,830)	(18,008)	(170)
Settlements	(3,648)	(12,805)	(121)
Acquisitions/divestitures and other—net	1,270	137	1
Exchange translations	(7,385)	2,689	25
Fair value of plan assets at the end of the year	579,820	587,622	5,544
Effect of the asset ceiling	11	2	0
Net amount of liabilities recorded in Consolidated statement of financial position	¥14,118	¥16,481	$155

Note: Actuarial loss (gain) arises from changes in demographic assumptions and financial assumptions.

Investment Policy

Plan assets

The Company's investment policy for its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt securities and alternative assets.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Company's investment strategy may be revised as needed. Moreover, the Company continuously monitors and pays extra attention to the diversification strategies and investment managers for the purpose of risk control and thereby pursues efficient risk management.

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2017 and 2018:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Plan assets that have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	¥178,679	¥180,851	$1,706
Global equity securities	12,535	17	0
Debt instruments:			
Global debt securities	6,986	6,671	63
Cash and cash equivalents	35,371	44,844	423
Total	233,571	232,383	2,192
Plan assets that do not have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	14,663	17,044	161
Global equity securities	63,164	61,042	576
Debt instruments:			
Japanese debt securities	10,172	9,579	90
Global debt securities	151,821	166,265	1,568
Hedge funds	22,983	24,440	231
Life insurance company accounts	58,118	55,001	519
Cash equivalents	6,554	6,000	57
Other assets	18,774	15,868	150
Total	346,249	355,239	3,352
Total plan assets	¥579,820	¥587,622	$5,544

Notes:

1. Japanese equity securities and global equity securities include investments through funds. Global equity securities include a mixture of Japanese and non-Japanese securities which include investments through funds.
2. Japanese debt securities and global debt securities include investments through funds. Global debt securities include a mixture of Japanese and non-Japanese debt securities which include investments through funds.
3. Life insurance company accounts consist of investments in life insurance company general accounts and special accounts. General accounts are guaranteed for the principal amount and interest rate by life insurance companies while special accounts are not guaranteed for their investment return.
4. Other assets include private equity funds, real estate funds and infrastructure funds.

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	1.0%	1.1%
Rate of increase in future compensation levels	2.5	2.6

The assumption of average longevity at pension age of the Parent was 18.9 years for current pensioners, and 20.3 years and 21.3 years for employees respectively, at March 31, 2017 and 2018.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥35,491 million ($335 million) at March 31, 2018. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥31,331 million ($296 million).
This analysis assumes that all other variables remain constant. However, the discount rate does not always change independently.

Contributions

The Company's funding policy is to contribute to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. Companies in Japan generally contribute to the extent of the amount deductible for income tax purposes.

The Company expects to contribute approximately ¥5,000 million ($47 million) to its defined benefit pension plans during the year ending March 31, 2019.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2019	¥26,742	$252
2020	27,645	261
2021	26,354	249
2022	26,693	252
2023	25,930	245
2024 through 2028	144,636	1,364

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were immaterial for the years ended March 31, 2017 and 2018.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥508,071 million and ¥610,319 million ($5,758 million) for the years ended March 31, 2017 and 2018, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2017 and 2018 were as follows:

(Year ended March 31, 2017)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥236,838	¥38,943	¥(16,192)	¥6,173	¥(27,177)	¥238,585
Provision for environmental measures	11,207	−	−	−	42	11,249
Other	25,962	17,512	(13,850)	−	(5,599)	24,025

(Year ended March 31, 2018)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥238,585	¥49,162	¥(24,319)	¥5,219	¥(35,631)	¥233,016
Provision for environmental measures	11,249	−	(45)	−	8	11,212
Other	24,025	15,001	(11,927)	−	(4,520)	22,579

(Year ended March 31, 2018)

	Millions of U.S. Dollars					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$2,251	$464	$(229)	$49	$(337)	$2,198
Provision for environmental measures	106	−	−	−	−	106
Other	227	142	(113)	−	(43)	213

* "Other" principally includes the effect of changes in foreign currency exchange rates, unused amounts reversed during the period and the effect of deconsolidation.

In addition to the above, "Provisions" on the consolidated statement of financial position contains provisions regarding employee benefits, etc.

Provision for decommissioning and restoration

The Company accounts for provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. Cash outflows related to the provision is expected to be paid over periods of up to 127 years, but are inherently difficult to predict and are affected by future business plans and other circumstances.

During the year ended March 31, 2017, the Company recorded provision for decommissioning amounting to ¥27,023 million in "Provisions made" through acquisition of Lawson Inc. as a consolidated subsidiary in the Living Essentials segment.

During the year ended March 31, 2018, the Company recorded a provision for restoration amounting to ¥(31,335) million ($(296)million) in "Other", regarding restoration of assets of a mineral resource-related subsidiary in the Metals segment, following a revision of the restoration plan period due to changes in the business environment. Also, a provision for restoration amounting to ¥22,095 million ($208 million) was recorded in "Provisions made" following a revision in the estimate of restoration cost due to recent environmental regulation trends.

During the year ended March 31, 2018, a consolidated subsidiary in the Energy Business segment conducting decommissioning work in the North Sea oil field project has revised its estimate of future decommissioning costs and tax refunds following a revision of the decommissioning plan. The impact of this change was reflected in the consolidated statement of income as an expense of ¥11,621 million ($110 million) under “Other income (expense)-net,” and a reversal of deferred tax asset related to prior year losses in the amount of ¥15,590 million ($147 million) has been recorded.

Future decommissioning costs regarding the decommissioning work was recorded as a provision for decommissioning, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets". During the year ended March 31, 2018, a provision for decommissioning amounting to ¥25,624 million ($242 million) (increase) has been recorded as “Provisions (under current liabilities and non-current liabilities)” in the consolidated statement of financial position, due to the revision of the decommissioning plan, and was mainly included in "Provisions made" of provision for decommissioning and restoration.

Future tax refund from expenses related to decommissioning obligations was recorded at an amount of future refunds estimated in accordance with IAS20 "Accounting for Government Grants and Disclosure of Government Assistance", and was recognized through profit and loss as was the provision for decommissioning. During the year ended March 31, 2018, tax refund asset of ¥14,003 million ($132million) (increase) due to the revision of the decommissioning plan was recorded under “Other non-current assets” in the consolidated statement of financial position.

Provision for environmental measures

The provision for environmental measures is provided in the amount deemed necessary to cover expenditures for the cost of transport, treatment and other processing of waste materials for which treatment is mandated by laws and regulations. Cash outflows related to the provision is expected to be paid over periods of up to 5 years, but are affected by future business plans and other circumstances.

Other

"Other" includes provisions for onerous contracts, product warranties and others.

21. EQUITY

Common stock

The Companies Act of Japan (the "Companies Act") requires in principle that the amount of payment for shares and assets delivered shall be the amount of common stock. However, the Companies Act permits, as an exception, that an amount not exceeding 50% of such payment and assets may be incorporated into additional paid-in capital.

The total number of shares of common stock authorized to be issued at March 31, 2017 and 2018 was as follows:

	2017 (Number of shares)	2018 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2017 and 2018 was as follows:

	2017 (Number of shares)	2018 (Number of shares)
Balance, beginning of year	1,590,076,851	1,590,076,851
Change during the year	—	—
Balance, end of year	1,590,076,851	1,590,076,851

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to 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.

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, 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, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.
The number of treasury stock and treasury stock held by subsidiaries and associates was 4,597,223 shares and 4,147,602 shares at March 31, 2017 and 2018, respectively.

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥1,865,195 million ($17,596 million) as of March 31, 2018. The distributable amount may change up to the effective date of the distribution of dividends in the event of the Company's due to its acquisition of its own shares.

The Companies Act allows the payment of dividends at any time during the fiscal year upon resolution at a shareholders' meeting. Furthermore, the Parent is also allowed to distribute a semi-annual interim dividend by resolution of the Board of Directors.

Dividends paid during the years ended March 31, 2017 and 2018 were as follows:

		Millions of Yen	Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	¥39,616	¥25	March 31, 2016	June 27, 2016		
Board of Directors' meeting held on November 4, 2016	Ordinary shares	47,555	30	September 30, 2016	December 1, 2016		
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	79,276	50	March 31, 2017	June 26, 2017	$748	$0.47
Board of Directors' meeting held on November 6, 2017	Ordinary shares	74,530	47	September 30, 2017	December 1, 2017	703	0.44

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year are as follows:

		Millions of Yen	Yen				Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	¥99,916	Retained earnings	¥63	March 31, 2018	June 25, 2018	$943	$0.59

Management of capital

The Company manages total equity attributable to owners of the Parent as the Company's capital.

The Company's basic capital policy is to sustain growth and maximize corporate value by enhancing its earnings base, as well as taking efficiency and soundness into consideration.

Some subsidiaries of the Company are affected by capital restrictions through debt covenants on interest-bearing liabilities from financial institutions, etc. Therefore, the Company manages its financial operations to ensure that it stays within the requirements of those covenants.

22. OTHER COMPONENTS OF EQUITY AND OTHER COMPREHENSIVE INCOME (LOSS)

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2017 and 2018.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2017)				
Other investments designated as FVTOCI	¥364,386	¥109,850	¥(23,150)	¥451,086
Remeasurement of defined benefit pension plans	—	24,012	(24,012)	—
Cash flow hedges	(18,664)	711	—	(17,953)
Exchange differences on translating foreign operations	568,217	(122,401)	—	445,816
Total	¥913,939	¥12,172	¥(47,162)	¥878,949
(Year ended March 31, 2018)				
Other investments designated as FVTOCI	¥451,086	¥8,591	¥50,210	¥509,887
Remeasurement of defined benefit pension plans	—	3,011	(3,011)	—
Cash flow hedges	(17,953)	7,033	—	(10,920)
Exchange differences on translating foreign operations	445,816	(19,172)	—	426,644
Total	¥878,949	¥(537)	¥47,199	¥925,611

	Millions of U.S. Dollars			
(Year ended March 31, 2018)	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$4,255	$81	$474	$4,810
Remeasurement of defined benefit pension plans	—	29	(29)	—
Cash flow hedges	(169)	66	—	(103)
Exchange differences on translating foreign operations	4,206	(181)	—	4,025
Total	$8,292	$(5)	$445	$8,732

The following is a breakdown of Other comprehensive income (loss) (attributable to non-controlling interests, net of tax) for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Gains (losses) on other investments designated as FVTOCI	¥10,310	¥(3,324)	$(31)
Remeasurement of defined benefit pension plans	—	—	—
Cash flow hedges	838	(789)	(8)
Exchange differences on translating foreign operations	(6,071)	(1,420)	(13)
Total	¥5,077	¥(5,533)	$(52)

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2017 and 2018.

	Millions of Yen					
	2017			2018		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
Gains on other investments designated as FVTOCI	¥166,306	¥(54,437)	¥111,869	¥38,624	¥(28,538)	¥10,086
Remeasurement of defined benefit pension plans	40,682	(13,850)	26,832	3,947	(2,019)	1,928
Share of other comprehensive income (loss) of investments accounted for using the equity method	5,471	—	5,471	(3,736)	—	(3,736)
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	1,517	(158)	1,359	(466)	(1,545)	(2,011)
Exchange differences on translating foreign operations	(57,300)	(5,675)	(62,975)	(15,984)	(841)	(16,825)
Share of other comprehensive (loss) income of investments accounted for using the equity method	(76,760)	11,453	(65,307)	5,384	(896)	4,488
Total	¥79,916	¥(62,667)	¥17,249	¥27,769	¥(33,839)	¥(6,070)

	Millions of U.S. Dollars		
	2018		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
Gains on other investments designated as FVTOCI	$364	$(269)	$95
Remeasurement of defined benefit pension plans	37	(19)	18
Share of other comprehensive income (loss) of investments accounted for using the equity method	(35)	—	(35)
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	(4)	(15)	(19)
Exchange differences on translating foreign operations	(151)	(8)	(159)
Share of other comprehensive (loss) income of investments accounted for using the equity method	51	(9)	42
Total	$262	$(320)	$(58)

The following is a breakdown of cash flow hedges included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2017 and 2018.

	Millions of Yen					
	2017			2018		
	Interest rate risk	Foreign currency risk	Commodity price risk	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	¥(162)	¥945	¥(51)	¥(896)	¥3,001	¥(2,677)
Reclassification adjustments to profit (loss) for the year	828	(43)	—	893	(654)	(133)
Total	¥666	¥902	¥(51)	¥(3)	¥2,347	¥(2,810)

	Millions of U.S. Dollars		
	2018		
	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	$(8)	$28	$(25)
Reclassification adjustments to profit (loss) for the year	8	(6)	(1)
Total	$(0)	$22	$(26)

The following is a breakdown of exchange differences on translating foreign operations included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Translation adjustments during the year			
Hedges of net investment in foreign operations	¥16,640	¥9,204	$87
Other exchange differences on translating foreign operations	(71,027)	(33,264)	(314)
Reclassification adjustments to profit (loss) for the year			
Hedges of net investment in foreign operations	(3,598)	(474)	(5)
Other exchange differences on translating foreign operations	685	8,550	81
Total	¥(57,300)	¥(15,984)	$(151)

The following is a breakdown of share of other comprehensive (loss) income of investments accounted for using the equity method that may be reclassified to profit or loss included in Other comprehensive income (loss) (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Net unrealized losses and translation adjustments during the year	¥(65,478)	¥(5,057)	$(48)
Reclassification adjustments to profit (loss) for the year	(11,282)	10,441	99
Total	¥(76,760)	¥5,384	$51

23. SHARE-BASED REMUNERATION

The Parent resolved to unify previous stock option plans at the Board of Directors' meeting held on July 20, 2007.

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

Under the class B plan (class A plan has no outstanding balance), for directors and executive officers of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the previous stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure from the grant date.

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

Under the unified plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock options are vested and exercisable from the earlier of either the day after 2 years from the grant date or the day after leaving their position as director, executive officer and senior vice president of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as director, executive officer and senior vice president of the Parent. If they leave their position before June 30 of the next year (for the stock option plans resolved by the Board of Directors' meeting held on or after May 31, 2014, before March 31 of the next year) after the grant date, the exercisable number is determined based on the tenure from the grant date.

The total share-based remuneration cost recognized for the years ended March 31, 2017 and 2018 was ¥1,621 million, and ¥1,368 million ($12.91 million), respectively.

The weighted-average fair value of options granted under the Parent's stock option plan on the grant date for the years ended March 31, 2017 and 2018 was ¥1,596 and ¥1,739 ($16.41) per share, respectively.

The fair value of these stock options is estimated using the Black-Scholes option pricing model using the assumptions in the following table. The risk-free interest rate is based on the yield of government bonds in effect at the grant date with a remaining term equal to the option's expected term. Expected volatilities are based on the historical volatility of the Parent's stock for the period equal to the option's expected term from the grant date. The expected dividend yield is based on the actual dividends in the preceding year. Expected term represents the period of time that the options granted are expected to be outstanding.

	2017	2018
Risk-free interest rate	(0.3)%	(0.1)%
Expected volatility	28.8%	27.6%
Expected dividend yield	2.6%	3.6%
Expected term	7.0 years	7.0 years
Stock price at the measurement date	¥1,917	¥2,236

The following table summarizes information about stock option activities for the years ended March 31, 2017 and 2018.

	2017		2018		
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	
		Yen		Yen	U.S. Dollars
Outstanding at beginning of year	3,986,200	¥517	3,268,200	¥1	$0
Granted	1,024,000	1	789,100	1	0
Forfeited or expired	(852,900)	2,411	(2,100)	1	0
Exercised	(889,100)	1	(454,400)	1	0
Outstanding at end of year	3,268,200	1	3,600,800	1	0
Exercisable at end of year	2,313,200	1	2,510,400	1	0

The weighted-average stock price at the time when the stock options were exercised during the years ended March 31, 2017 and 2018 was ¥1,991 and ¥2,480 ($23.40), respectively.

The following table summarizes information about options outstanding and exercisable at March 31, 2017 and 2018.

March 31, 2017	Outstanding		Exercisable	
Exercise price range (Yen)	Number of shares	Weighted-average remaining term (Years)	Number of shares	Weighted-average remaining term (Years)
¥1	3,268,200	17.5	2,313,200	12.9

March 31, 2018	Outstanding		Exercisable	
Exercise price range (Yen)	Number of shares	Weighted-average remaining term (Years)	Number of shares	Weighted-average remaining term (Years)
¥1	3,600,800	17.0	2,510,400	11.9

24. REVENUES

The following is a breakdown of "Revenues" for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Revenues from the sale of goods	¥5,558,393	¥6,287,603	$59,317
Revenues from the rendering of services and others	867,368	1,279,791	12,074
Total	¥6,425,761	¥7,567,394	$71,391

"Revenues from the rendering of services and others" includes franchise commission from franchised stores based on franchise agreements, the amount of which was ¥289,232 million ($2,729 million) for the year ended March 31, 2018. The commission includes lease income attributable to property and store equipment leases.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Employee benefit expenses	¥402,406	¥495,617	$4,676
Equipment expenses	99,198	293,600	2,770
Transportation and warehousing expenses	142,269	156,595	1,477
Advertising and sales promotion expenses	29,518	98,283	927
Outsourcing expenses	63,682	88,618	836
Office expenses	66,020	67,584	637
Others	129,514	186,969	1,764
Total	¥932,607	¥1,387,266	$13,087

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains on investments," "Finance income" and "Finance costs" for the years ended March 31, 2017 and 2018.

Classification	Millions of Yen 2017	Millions of Yen 2018	Millions of U.S. Dollars 2018
Gains on investments			
Financial assets measured at FVTPL	¥23,564	¥5,251	$49
Subsidiaries, investments accounted for using the equity method and other	59,724	(886)	(8)
Total gains on investments	¥83,288	¥4,365	$41
Finance income			
Interest income			
Financial assets measured at amortized cost	19,505	35,373	334
Financial assets measured at FVTPL	17,810	12,251	115
Total interest income	¥37,315	¥47,624	$449
Dividend income			
Financial assets measured at FVTOCI	95,074	131,536	1,241
Total dividend income	¥95,074	¥131,536	$1,241
Total finance income	¥132,389	¥179,160	$1,690
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(64,386)	(62,792)	(592)
Derivatives	23,908	19,363	183
Others	(9,059)	(8,830)	(84)
Total finance costs	¥(49,537)	¥(52,259)	$(493)

In addition to the above, net losses of ¥15,410 million and net gains of ¥36,976 million ($349 million) in "Revenues/Cost of revenues," and net losses of ¥25,948 million and net gains of ¥36,200 million ($342 million) in "Other income (expense)-net" were caused by the derivatives not being designated as hedging instruments, for the years ended March 31, 2017 and 2018, respectively. Please refer to Note 32 for gains and losses on hedges.

Furthermore, for the years ended March 31, 2017 and 2018, interest income from financial assets measured at amortized cost amounted to ¥15,509 million and ¥16,732 million ($158 million), respectively, and interest expense pertaining to financial liabilities measured at amortized cost amounted to ¥13,676 million and ¥12,440 million ($117 million), respectively. These incomes and expenses were included primarily in "Revenues/Cost of revenues."

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2017 and 2018.

27. OTHER INCOME (EXPENSE)-NET

The amounts of net foreign exchange gains and losses included in "Other income (expense)-net" in the consolidated statement of income were ¥29,637 million of gains and ¥52,525 million ($496 million) of losses for the years ended March 31, 2017 and 2018, respectively.

28. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a statutory income tax rate of approximately 31%. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income taxes for the years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Current tax	¥130,836	¥186,676	$1,761
Deferred tax	(9,470)	15,630	147
Income taxes	121,366	202,306	1,908
Income taxes recognized in other comprehensive income	62,667	33,839	320
Total	¥184,033	¥236,145	$2,228

Deferred tax for the year ended March 31, 2018 includes a gain of ¥10,189 million ($96 million) on reversal of deferred tax liabilities, recognized in a consolidated subsidiary of Global Environmental & Infrastructure segment, due to a decrease in income tax rate resulting from US tax reform.

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2017 and 2018 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2017	2018
Combined statutory income tax rate	31.0%	31.0%
Effect of income from investments accounted for using the equity method	(9.9)	(6.5)
Expenses not deductible for income tax purposes	1.8	0.3
Effect of the recoverability of deferred tax assets	3.8	4.5
Tax benefits recognized for accumulated losses of certain subsidiaries	(4.8)	(2.0)
Difference of tax rates for foreign subsidiaries	(1.0)	(2.0)
Effect of taxation on dividends	(1.1)	(0.5)
Other-net	0.4	0.1
Effective income tax rate on income before income taxes in the consolidated statement of income	20.2%	24.9%

Significant components of deferred tax assets and liabilities at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Assets:			
Allowance for doubtful receivables	¥13,707	¥16,958	$160
Accrued pension and retirement benefits	23,294	28,240	266
Property, plant and equipment, Investment property and Intangible assets	58,992	53,344	503
Short-term investments and Other investments	11,615	7,108	67
Net operating loss carry forwards	50,375	35,179	332
Provisions and other	66,639	69,800	659
Derivatives	18,532	17,628	166
Other*	72,378	60,987	575
Gross deferred tax assets	315,532	289,244	2,728
Liabilities:			
Short-term investments and Other investments	377,234	378,303	3,569
Property, plant and equipment, Investment property and Intangible assets	312,710	294,823	2,781
Investments accounted for using the equity method	110,131	107,110	1,010
Other	54,515	71,405	674
Gross deferred tax liabilities	854,590	851,641	8,034
Net deferred tax liabilities	¥(539,058)	¥(562,397)	$(5,306)

*"Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the years ended March 31, 2017 and 2018.

No deferred tax liability is recognized for the undistributed earnings of subsidiaries and joint arrangements where the Parent considers that such earnings are not expected to be remitted in the foreseeable future. At March 31, 2017 and 2018, the amount of undistributed earnings of subsidiaries and joint arrangements on which a deferred tax liability was not recognized in the Company's consolidated financial statements aggregated ¥1,177,824 million and ¥1,312,102 million ($12,378 million), respectively. The amount of other taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements, on which a deferred tax liability was not recognized in the Company's consolidated financial statements at March 31, 2017 and 2018, aggregated ¥474,344 million and ¥483,036 million ($4,557 million), respectively.

The Company recognized deferred tax assets for deductible temporary differences, tax losses and tax credits where it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2017 and 2018 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Not later than 5 years	¥57,150	¥64,325	$607
Later than 5 years and not later than 10 years*	230,961	179,919	1,697
Later than 10 years and not later than 15 years	3,457	3,684	35
Later than 15 years*	976,194	763,990	7,207
Total	¥1,267,762	¥1,011,918	$9,546

*Deductible temporary differences and unused tax losses for which the Parent recognized deferred tax assets on the national tax in Japan (25%) but did not recognize deferred tax assets on the local tax (6%), considering the recoverability, as of March 31, 2017 and 2018 were ¥575,748 million and ¥305,531 million ($2,882 million), respectively, which are included in "Later than 5 years and not later than 10 years" and "Later than 15 years".

The Parent recognized deferred tax assets on the national tax in Japan (25%), as the Parent has applied the tax consolidation system and therefore it is probable that the deferred tax assets will be recovered by future consolidated taxable income.

The amount of deductible temporary differences associated with investments in subsidiaries, on which a deferred tax asset was not recognized in the Company's consolidated financial statements at March 31, 2017 and 2018, aggregated ¥847,672 million and ¥892,888 million ($8,423 million), and which are not included in the above.

29. EARNINGS PER SHARE

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

	Yen		U.S. Dollars
	2017	2018	2018
Profit for the year attributable to owners of the Parent per share			
Basic	¥277.79	¥353.27	$3.33
Diluted	277.16	352.44	3.32

			Millions of U.S. Dollars
	2017	2018	2018
Numerator (Millions of Yen):			
Profit for the year attributable to owners of the Parent	¥440,293	¥560,173	$5,285
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,584,995	1,585,658	
Effect of dilutive securities:			
Stock options	3,575	3,736	
Diluted outstanding shares	1,588,570	1,589,394	

30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following is a breakdown of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2017 and 2018.

(March 31, 2017)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥651,625	—	—	—	¥651,625
Short-term investments and other investments					
Financial assets measured at FVTPL	24,788	¥1,388	¥121,401	—	147,577
Financial assets measured at FVTOCI	960,716	93	928,966	—	1,889,775
Trade and other receivables (FVTPL)	—	—	33,572	—	33,572
Derivatives	25,550	477,119	409	¥(275,069)	228,009
Inventories and other current assets	2,978	413,477	—	—	416,455
Total assets	¥1,665,657	¥892,077	¥1,084,348	¥(275,069)	¥3,367,013
Liabilities					
Derivatives	34,442	358,249	7,779	(275,069)	125,401
Total liabilities	¥34,442	¥358,249	¥7,779	¥(275,069)	¥125,401

Notes:
1. There were no material transfers between different levels during the year ended March 31, 2017.
2. "Derivatives" are recognized in "Other financial assets," "Other current assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

(March 31, 2018)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥586,229	—	—	—	¥586,229
Short-term investments and other investments					
Financial assets measured at FVTPL	12,107	¥2,047	¥130,625	—	144,779
Financial assets measured at FVTOCI	898,577	69	910,705	—	1,809,351
Trade and other receivables (FVTPL)	—	38,246	48,269	—	86,515
Derivatives	23,010	383,586	620	¥(209,257)	197,959
Inventories and other current assets	2,756	534,196	—	—	536,952
Total assets	¥1,522,679	¥958,144	¥1,090,219	¥(209,257)	¥3,361,785
Liabilities					
Derivatives	22,760	291,420	—	(209,257)	104,923
Total liabilities	¥22,760	¥291,420	—	¥(209,257)	¥104,923

(March 31, 2018)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$5,530	—	—	—	$5,530
Short-term investments and other investments					
Financial assets measured at FVTPL	114	$19	$1,232	—	1,365
Financial assets measured at FVTOCI	8,477	1	8,591	—	17,069
Trade and other receivables (FVTPL)	—	361	455	—	816
Derivatives	217	3,619	6	$(1,974)	1,868
Inventories and other current assets	27	5,039	—	—	5,066
Total assets	$14,365	$9,039	$10,284	$(1,974)	$31,714
Liabilities					
Derivatives	214	2,749	—	(1,974)	989
Total liabilities	$214	$2,749	—	$(1,974)	$989

Notes:
1. There are no material transfers between different levels during the year ended March 31, 2018.
2. "Derivatives" are recognized in "Other financial assets," "Other current assets" or "Other financial liabilities" in the consolidated statement of financial position.

Please refer to Note 10 for the details of biological assets.

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis using unobservable inputs for the years ended March 31, 2017 and 2018.

(Year ended March 31, 2017)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥98,010	¥11,170	¥(985)	¥44,770	¥(26,821)	¥(4,743)	¥121,401	¥11,170
FVTOCI	888,358	—	41,894	8,837	(10,114)	(9)	928,966	—
Trade and other receivables (FVTPL)	34,261	880	(450)	5,394	—	(6,513)	33,572	880
Other financial liabilities (Derivatives)	—	7,779	—	—	—	—	7,779	7,779

Notes:
1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There were no material transfers between different levels during the year ended March 31, 2017.

(Year ended March 31, 2018)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥121,401	¥14,051	¥(3,729)	¥26,331	¥(23,352)	¥(4,077)	¥130,625	¥14,019
FVTOCI	928,966	—	(18,182)	8,942	(8,915)	(106)	910,705	—
Trade and other receivables (FVTPL)	33,572	7,526	(669)	17,185	(7,443)	(1,902)	48,269	7,515
Other financial assets (Derivatives)	409	1,270	44	—	—	(1,103)	620	576
Other financial liabilities (Derivatives)	7,779	(990)	—	—	(6,789)	—	—	—

(Year ended March 31, 2018)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	$1,145	$133	$(35)	$248	$(220)	$(39)	$1,232	$132
FVTOCI	8,764	—	(172)	84	(84)	(1)	8,591	—
Trade and other receivables (FVTPL)	317	71	(7)	162	(70)	(18)	455	71
Other financial assets (Derivatives)	4	12	0	—	—	(10)	6	5
Other financial liabilities (Derivatives)	73	(9)	—	—	(64)	—	—	—

Notes:

1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts.
2. There are no material transfers between different levels during the year ended March 31, 2018.

Gains (losses) on short-term investments and other investments included in profit for the year are recognized in "Gains (losses) on investments" in the consolidated statement of income. Gains (losses) on trade and other receivables (FVTPL) included in profit for the year are recognized in "Other income (expense)-net" in the consolidated statement of income.

The amount recognized as other comprehensive income (loss) for financial assets measured at FVTPL is included in "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income. The amount recognized as other comprehensive income (loss) for financial assets measured at FVTOCI is included in "Gains (losses) on other investments designated as FVTOCI" and "Exchange differences on translating foreign operations" in the consolidated statement of other comprehensive income.

Fair value measurement of assets and liabilities measured at fair value on a recurring basis

Cash and cash equivalents

Level 1 cash and cash equivalents are cash and current accounts, for which the carrying amount approximates fair value.

Short-term investments and other investments

Level 1 short-term investments and other investments are primarily marketable equity securities valued at the quoted market price in an active market. Level 2 short-term investments and other investments are primarily investments in hedge funds valued based on modified net asset value per share of investees. Level 3 short-term investments and other investments are primarily non-marketable equity securities valued by discounted cash flows, making comparisons with similar transactions and modified net asset value per share of investees, etc.

The fair values of short-term investments and other investments classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the investments with information on discounted cash flows of the investees, information on the net modified asset value per share of the investees, or independent third-party appraisals.

Trade and other receivables (FVTPL)

Trade and other receivables measured at FVTPL are primarily non-recourse receivables and loan receivables which will be transferred to third parties through a Receivable Purchase Facility, valued by discounted cash flows using the interest rate applied in cases where loans or credit with the same terms and remaining maturities are provided to borrowers or customers with a similar credit rating, excluding variable interest rate loans, etc., whose carrying amounts approximate fair value. Trade and other receivables measured at FVTPL are classified in Level 3 if the amount affected by unobservable inputs covers a significant proportion of fair value, and Level 2 if the amount affected by unobservable inputs does not cover a significant proportion of fair value.

The fair values of trade and other receivables classified in Level 3 are measured by personnel in the accounting departments of the Company who manage the corresponding assets, with information on discounted cash flows from such receivables.

Derivatives

Derivatives classified in Level 1 are comprised principally of commodity derivative contracts traded on exchanges market, which are valued using quoted market prices. Derivatives classified in Level 2 are comprised principally of commodity derivative contracts traded in over-the-counter markets, which are valued mainly by market approach using observable market inputs such as interest rates, foreign exchange rates and commodity prices. Derivatives classified in Level 3 are valued by market approach based on unobservable inputs such as estimated future market prices. Credit risks are adjusted in the net balance of derivative assets and liabilities.

Inventories and other current assets

Level 1 and Level 2 inventories and other current assets are primarily inventories of nonferrous metals held for trading purposes and assets related to precious metals leasing, which are classified in Level 1 if they are valued using quoted market prices, and Level 2 if they are valued mainly by market approach using observable inputs such as commodity prices. The fair values of these inventories and other current assets include costs to sell, which are immaterial.

Assets and liabilities measured at fair value on a non-recurring basis

Assets and liabilities that are measured at fair value on a non-recurring basis are stated in "Non-current assets or disposal groups held for sale" in Note 11.

The calculation methods for the fair value measurements

The valuation methods for the fair value measurements of all the financial instruments are determined based on the valuation policies and procedures which include the valuation methods approved by the proper accounting personnel. The business plans and development plans which provide a basis for cash flows are decided through internal verification procedures and discussing with or hearing to business partners or specialized agencies of the third party, after due actual vs. budget variance analysis during internal verification procedures. The discount rates properly reflect the risk premium, the risk free rate and the unlevered rate, considering the external environment such as geopolitical risks. Resource price forecast is a significant unobservable input for the fair value measurements of resource-related investments and calculated comprehensively considering the present price, the future forecast for supply and demand, the price forecast by the independent third party, etc. Short-term price trend is more likely to be significantly affected by the present price and the mid-to-long-term price trend is more likely to be significantly affected by the future forecast for supply and demand and the price forecast by the independent third party than other factors. The changes in unobservable inputs are analyzed in comparison with these inputs in the previous fiscal year and the report issued by the independent third party. All the valuations and the analysis of the changes in unobservable inputs are reviewed quarterly by the accounting personnel and approved by the authorized management of the administration departments of the Company. The valuation policies and procedures including the valuation methods for the fair value measurements are decided and periodically reviewed by the corporate accounting department of the Parent, based on its accounting manual.

Quantitative information about Level 3 Fair Value Measurements

The following tables present information about valuation techniques and unobservable inputs used for the major Level 3 assets measured at fair value by the significant and unobservable inputs at March 31, 2017 and 2018.

(March 31, 2017)

Classification	Fair value (Millions of Yen)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥757,111	Discounted cash flow	Discount rate	10.5%

(March 31, 2018)

Classification	Fair value (Millions of Yen)	Fair value (Millions of U.S. Dollars)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥738,164	$6,964	Discounted cash flow	Discount rate	10.4%

The significant unobservable input used in measuring the fair value of non-marketable equity securities is the discount rate. Substantial changes in such inputs cause the fair value to substantially fall (rise).

In addition to the above, the price of crude oil is one of the significant unobservable inputs used in measuring the fair value of non-marketable equity securities related to LNG business. Price assumptions of crude oil vary from year to year, while the Company forecasts that the price will be in a range of US$60/BBL to US$80/BBL.

Fair value of financial instruments measured at amortized cost

The following is a breakdown of the carrying amounts and fair values of financial instruments that are measured at amortized cost at March 31, 2017 and 2018.

(March 31, 2017)

	Millions of Yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash equivalents and time deposits	¥740,811	—	¥740,811	—	¥740,811
Short-term investments and other investments	276,980	¥113,419	7,875	¥155,374	276,668
Trade and other receivables	3,216,257	—	3,196,463	52,564	3,249,027
Total assets	¥4,234,048	¥113,419	¥3,945,149	¥207,938	¥4,266,506
Liabilities					
Bonds and borrowings	5,383,911	—	5,377,867	—	5,377,867
Trade and other payables	2,577,310	—	2,576,343	—	2,576,343
Total liabilities	¥7,961,221	—	¥7,954,210	—	¥7,954,210

(March 31, 2018)

	Millions of Yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash equivalents and time deposits	¥653,990	—	¥653,990	—	¥653,990
Short-term investments and other investments	258,431	¥91,480	14,210	¥152,674	258,364
Trade and other receivables	3,572,898	—	3,547,909	46,813	3,594,722
Total assets	¥4,485,319	¥91,480	¥4,216,109	¥199,487	¥4,507,076
Liabilities					
Bonds and borrowings	4,954,395	—	4,967,983	—	4,967,983
Trade and other payables	2,792,704	—	2,791,208	—	2,791,208
Total liabilities	¥7,747,099	—	¥7,759,191	—	¥7,759,191

(March 31, 2018)

	Millions of U.S. Dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash equivalents and time deposits	$6,170	—	$6,170	—	$6,170
Short-term investments and other investments	2,439	$863	134	$1,440	2,437
Trade and other receivables	33,706	—	33,471	442	33,913
Total assets	$42,315	$863	$39,775	$1,882	$42,520
Liabilities					
Bonds and borrowings	46,740	—	46,868	—	46,868
Trade and other payables	26,346	—	26,332	—	26,332
Total liabilities	$73,086	—	$73,200	—	$73,200

Fair value measurement of financial instruments measured at amortized cost

Cash equivalents and time deposits

Carrying amounts of cash equivalents and time deposits measured at amortized cost approximate fair value due to their relatively short maturities.

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost are mainly domestic and foreign debt securities and non-marketable investments such as guarantee deposits. Debt securities classified in Level 1 are valued at the quoted market price in an active market, and debt securities classified in Level 2 are valued at the quoted market price of the same assets in an inactive market, using market approach. Non-marketable investments such as guarantee deposits classified in Level 3 are valued based on estimated future cash flows using income approach.

Trade and other receivables

For trade and other receivables that have relatively short maturities, the carrying amounts approximate fair value.
The fair values of trade and other receivables classified in Level 2 that do not have short maturities are determined using a discounted cash flow based on estimated future cash flows which incorporate the characteristics of the receivables, including principal and contractual interest rates, and discount rates reflecting the Company's assumptions related to credit spread. In addition to the above, the fair values of trade and other receivables classified in Level 3 that do not have short maturities take credit profile of individual customers into consideration.

Bonds and borrowings

The fair values of bonds and borrowings 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.

Trade and other payables

For trade and other payables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other payables that do not have short-term maturities 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.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offsetted amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2017 and 2018 were as follows.

(March 31, 2017)

	Millions of Yen	
	Financial assets	Financial liabilities
	Derivatives	Derivatives
Gross amount (before offsetting)	¥503,078	¥400,470
Offsetted amount	(275,069)	(275,069)
Amount presented in the consolidated statement of financial position	228,009	125,401
Other financial assets (current)	115,734	—
Other current assets (current)	2,832	—
Other financial assets (non-current)	109,443	—
Other financial liabilities (current)	—	106,456
Other current liabilities (current)	—	9
Other financial liabilities (non-current)	—	18,936
Amount presented in the consolidated statement of financial position	228,009	125,401
Amount not offsetted in the consolidated statement of financial position		
Financial instruments	(44,678)	(44,678)
Cash collateral payables	(15,661)	(34,726)
Net	¥167,670	¥45,997

(March 31, 2018)

	Millions of Yen		Millions of U.S. Dollars	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Derivatives	Derivatives	Derivatives	Derivatives
Gross amount (before offsetting)	¥407,216	¥314,180	$3,842	$2,963
Offsetted amount	(209,257)	(209,257)	(1,974)	(1,974)
Amount presented in the consolidated statement of financial position	197,959	104,923	1,868	989
Other financial assets (current)	99,804	–	941	–
Other current assets (current)	4,306	–	42	–
Other financial assets (non-current)	93,849	–	885	–
Other financial liabilities (current)	–	81,574	–	769
Other current liabilities (current)	–	–	–	–
Other financial liabilities (non-current)	–	23,349	–	220
Amount presented in the consolidated statement of financial position	197,959	104,923	1,868	989
Amount not offsetted in the consolidated statement of financial position				
Financial instruments	(38,393)	(38,393)	(362)	(362)
Cash collateral payables	(6,461)	(12,396)	(62)	(116)
Net	¥153,105	¥54,134	$1,444	$511

Derivative transactions

The Company has derivative transactions subject to an enforceable master netting agreement or similar agreement with counterparties.

These agreements prescribe that, in the event of non-performance or cancellation of any provision, all financial instruments within their scope must be settled in a single net amount, and creates a right of set off but the agreement does not automatically grant the right of set off.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and utilizes transactions which can mitigate market risks.

Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management strategies to hedge the exposures to market risks. Refer to Note 33 for details of the risk management strategies.

The types of derivatives used by the Company are primarily interest rate swaps, forward exchange contracts, currency swaps and commodity futures contracts. The changes in fair values or cash flows of these derivatives are offset in part or in whole by corresponding changes in the fair values or cash flows of the hedged items.

In the case where transactions which can mitigate market risk cannot be utilized, the Company performs hedge designation pursuant to its risk management strategies and applies hedge accounting. In these circumstances, in order to assess whether the changes in fair values or cash flows of hedging instruments are highly effective in offsetting changes in fair values or cash flows of hedged items, both at the inception of the hedge and on an on-going basis, the Company confirms the economic relationship between the hedging instruments and the hedged items by qualitative assessment which confirms whether the critical terms of the hedging instruments and the hedged items match or are closely aligned and quantitative assessment which confirms that the hedging instruments and the hedged items have values that will move in the opposite direction because of the same risk. The effect of credit risk on the hedging relationship is immaterial. When the hedging relationship is expected to result in ineffectiveness, the Company measures the hedge ineffectiveness by the quantitative method. As the Company performs hedges which are highly effective, the amount of hedge ineffectiveness is immaterial.

At the inception of the hedging relationship, the Company determines the hedge ratio of the hedging relationship based on the quantity of the hedged items and the quantity of the hedging instruments, which are generally one to one. If a hedging relationship ceases to meet the hedge effectiveness requirement but the risk management objective remains the same, the Company adjusts the hedge ratio determined at the inception of the hedging relationship so that it meets the qualifying criteria again. When the risk management objective for a hedging relationship is changed, the Company discontinues applying hedge accounting.

(1) Impact of hedging activities on the consolidated statement of financial position

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2017 and 2018.

		Millions of Yen				Millions of U.S. Dollars	
		2017		2018		2018	
Hedging instruments		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges							
Interest rate contracts	Current	¥2,157	¥177	¥2,947	¥133	$28	$1
	Non-current	89,864	2,935	77,153	4,017	728	38
Foreign exchange contracts	Current	349	389	274	150	2	2
	Non-current	6,212	—	3,475	—	33	—
Commodity contracts	Current	—	—	1,502	1,525	14	14
	Non-current	—	—	293	304	3	3
Sub-total		98,582	3,501	85,644	6,129	808	58
Cash flow hedges							
Interest rate contracts	Current	62	452	162	12	1	0
	Non-current	146	1,685	230	109	2	1
Foreign exchange contracts	Current	947	1,521	536	2,141	5	20
	Non-current	2,243	1,021	206	891	2	8
Commodity contracts	Current	144	66	1,222	2,533	12	24
	Non-current	—	—	80	1,134	1	11
Sub-total		3,542	4,745	2,436	6,820	23	64
Hedge of the net investment in foreign operations							
Foreign exchange contracts	Current	3,587	74	3,553	182	33	2
Foreign-currency-denominated debt	Current	—	5,385	—	979	—	9
	Non-current	—	63,945	—	59,593	—	562
Sub-total		3,587	69,404	3,553	60,754	33	573
Total		¥105,711	¥77,650	¥91,633	¥73,703	$864	$695

The derivative instruments above are included in "Other financial assets" or "Other financial liabilities", and the foreign currency-denominated debt above is included in "Bonds and borrowings" in the consolidated statement of financial position.

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2017 and 2018. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2017)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,613,800	Million yen
			1,790,000	Thousand U.S. Dollars
			203,630	Thousand Australian Dollars
		Fixed pay / floating receive interest rate swap	1,033,518	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	150,176	Thousand Australian Dollars
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	450,000	Thousand U.S. Dollars
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000	Thousand U.S. Dollars
		Euros buy / British Pounds sell foreign exchange contract	189,325	Thousand Euros
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,827,925	Thousand U.S. Dollars
		U.S. Dollars denominated debt	617,972	Thousand U.S. Dollars

(March 31, 2018)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,435,300	Million yen
			1,545,000	Thousand U.S. Dollars
		Fixed pay / floating receive interest rate swap	1,029,385	Thousand U.S. Dollars
Foreign currency risk	Fair value hedges	U.S. Dollars buy / Japanese Yen sell currency swap	450,000	Thousand U.S. Dollars
	Cash flow hedges	U.S. Dollars buy / Japanese Yen sell currency swap	400,000	Thousand U.S. Dollars
		Euros buy / British Pounds sell foreign exchange contract	217,312	Thousand Euros
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,710,374	Thousand U.S. Dollars
		U.S. Dollars denominated debt	570,145	Thousand U.S. Dollars

The following are the carrying amounts of the hedged items and the accumulated amounts of main fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2017 and 2018.

(March 31, 2017)

		Millions of Yen		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	¥19,957	¥490	—
	Other investments	95,754	(1,859)	—
	Bonds and borrowings	2,030,799	85,319	¥4,008
Foreign currency risk	Bonds and borrowings	71,804	6,562	—

(March 31, 2018)

		Millions of Yen		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	¥17,936	¥(59)	—
	Other investments	88,819	(3,618)	—
	Bonds and borrowings	1,775,550	70,088	¥2,351
Foreign currency risk	Bonds and borrowings	67,993	3,881	—

(March 31, 2018)

		Millions of U.S. Dollars		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	$169	$(1)	—
	Other investments	838	(34)	—
	Bonds and borrowings	16,750	661	$22
Foreign currency risk	Bonds and borrowings	641	37	—

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2017 and 2018.

(March 31, 2017)

		Millions of Yen	
Risk category	Type of hedge	Other components of equity recognized by continuing hedges	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(19,591)	—
Foreign currency risk	Cash flow hedges	346	—
	Net investment hedges	(43,009)	¥(111,768)
Commodity price risk	Cash flow hedges	1,292	—

(March 31, 2018)

		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Type of hedge	Other components of equity recognized by continuing hedges		Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	
Interest rate risk	Cash flow hedges	¥(14,822)	$(140)	—	—
Foreign currency risk	Cash flow hedges	4,263	40	—	—
	Net investment hedges	(30,879)	(291)	¥(109,629)	$(1,034)
Commodity price risk	Cash flow hedges	(361)	(3)	—	—

(2) Impact of hedging activities on the consolidated statements of income and other comprehensive income
The following are the gains or losses related to hedging activities for the years ended March 31, 2017 and 2018.

(Year ended March 31, 2017)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2017.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Interest rate risk	¥(30,235)	¥29,936
Foreign currency risk	6,309	(6,659)

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2017.

Cash flow hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of gain (loss) recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)
Interest rate risk	¥(162)	Finance costs	¥(828)
Foreign currency risk	945	Other income (expense)-net	43
Commodity price risk	(51)	Revenues/ (Cost of revenues)	—

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2017. During the year ended March 31, 2017, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period.
Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2017.

Net investment hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of loss recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)
Foreign currency risk	¥16,640	Gains on investments	¥(3,598)

Hedge ineffectiveness related to net investment hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2017.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2017.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Foreign currency risk	¥7,177	¥(10,053)

(Year ended March 31, 2018)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2018.

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥(12,959)	$(122)	¥11,935	$113
Foreign currency risk	(2,573)	(24)	2,767	26
Commodity price risk	(34)	(0)	34	0

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2018.

Cash flow hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of gain (loss) recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(896)	$(8)	Finance costs	¥(893)	$(8)
Foreign currency risk	3,001	28	Other income (expense)-net	654	6
Commodity price risk	(2,677)	(25)	Revenues/ (Cost of revenues)	133	1

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2018. During the year ended March 31, 2018, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period. Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2018.

Net investment hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of loss recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥9,204	$87	Gains on investments	¥(474)	$(4)

Hedge ineffectiveness related to net investment is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2018.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2018.

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Foreign currency risk	¥10,908	$103	¥(14,581)	$(138)

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management strategies for each risk are as follows. Please refer to Note 32 for further information regarding hedging activities.

Interest rate risk management

The Company's financing, investing and cash management activities are exposed to risks associated with changes in interest rates. In order to manage these exposures, the Company enters into interest rate swap contracts. Interest rate swaps are used, in most cases, to convert fixed-rate assets or debts to floating-rate assets or debts, as well as to convert some floating-rate assets or debts to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debts is to allow the Company to manage the overall value of cash flows attributable to certain assets and debt instruments.

At March 31, 2017 and 2018, the Company had gross interest-bearing liabilities of ¥5,383.9 billion and ¥4,954.4 billion ($46.7 billion), respectively. Since almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The majority of these interest-bearing liabilities correspond to trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Since a rise in interest rates produces an increase in income from these assets, although there is a time lag, interest rate risk is mitigated. For the remaining interest-bearing liabilities exposed to interest rate risk without such offsets, commensurate asset holdings such as investment securities, property and equipment generate trading income and other income streams, such as dividends, are strongly correlated with economic cycles. Accordingly, even if interest rates increase through economic improvement, leading to higher interest expenses, the Company believes that these expenses would be offset by an increase in income from the corresponding asset holdings.

However, the Company's operating results may be negatively impacted temporarily if there is a rapid rise in interest rates because increased income from commensurate asset holdings would fail to offset the effects of a preceding increase in interest expenses.

To monitor market movements in interest rates and respond to market risks, the Parent has an ALM (Asset Liability Management) Committee, which establishes fund procurement strategies and manages the risk of interest rate fluctuations.

Assuming that the interest rate increased/decreased by 1% at March 31, 2017 and 2018, its impact on net income and total equity would be immaterial.

Foreign currency risk management

The Company operates globally and is exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Company operates. The Company's strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by utilizing transactions which can mitigate market risks, and to purchase forward exchange and other contracts to preserve the economic value of cash flows in currencies other than the functional currency. The Company believes that in circumstances where these foreign currency contracts have not been designated as hedging instruments, such contracts effectively hedge the impact of the variability in exchange rates. Hedged currencies primarily include U.S. dollar, Australian dollar and Euro.

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2017 and 2018 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2017 (Billion Yen)	2018 (Billion Yen)	2018 (Million U.S. Dollars)
U.S. Dollar	¥16.0	¥17.5	$165
Australian Dollar	8.7	10.1	95
Euro	1.3	1.2	11

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 swap contracts to hedge the variability in commodity prices in accordance with its risk management strategies. Although these contracts are generally not designated as hedging instruments except in certain cases where the contracts are designated as cash flow hedges, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

At March 31, 2017 and 2018, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity was immaterial.

Share price risk management

Based on its risk management policies, the Company manages the risk of share price fluctuations by periodically monitoring fair value and unrealized gains (losses) with respect to each investee.

At March 31, 2017 and 2018, the Company owned ¥984.8 billion and ¥909.7 billion ($8.6 billion) of marketable securities. These investments are mostly equity issues of customers and suppliers which are exposed to the risk of fluctuations in share prices. Those amounts are based on fair value and not including equity issues of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2017 and 2018, the increase or decrease in total equity would amount to approximately ¥68.0 billion and approximately ¥63.0 billion ($0.6 billion), respectively. As most of the marketable securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable investments at March 31, 2017 and 2018.

Credit risk management

The Company is exposed to credit risk arising from extending credit terms to its customers in various business transactions with them. In case of deterioration in the credit of or bankruptcy of customers, the risk exposure causes the Company to experience credit loss. To manage the credit risk, the Company maintains credit and transaction limits for each customer. According to the internal rules corresponding to the internal ratings and the amount of credit, the Company also requires collateral or a guarantee depending on the credit profile of the counterparty.

In spite of the various engagements in various businesses and industries, the Company has assessed the nature and characteristics of the credit risk based on a single consistent method, and has managed its credit risk without classification corresponding to the business types or the industries of the customers. The Company considers that the customers' financial position offers a relevant and sufficient information for the assessment of the Company's credit risk because the Company estimates that its credit risk is relatively insignificant, compared to its market and foreign currency risks.

The Company is not exposed to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

The contract amount of guarantees and the carrying amount of impaired financial assets presented in the consolidated financial statements represent the maximum exposure of the Company's financial assets to credit risks, without taking into account the valuation of collateral held. Please refer to Note 42 for details of guarantees.

Liquidity risk management

The Company's basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, the Company selects and utilizes, as needed, both direct financing, such as commercial paper and corporate bonds, and indirect financing, including bank loans. The Company seeks to use the most advantageous means, based on market conditions at the time. The Company has a strong reputation in the capital markets and with regard to indirect financing, the Company maintains good relationships with a broad range of financial institutions in addition to Japanese mega-banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows the Company to procure funds on terms that are cost competitive. Regarding management of funds on a consolidated basis, the Company has a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries.

The breakdown of financial liabilities (except for obligations under finance leases) by due date at March 31, 2017 and 2018 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.

Please refer to Note 35 for the obligations under finance leases by due date.

(March 31, 2017)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,246,668	¥1,719,697	¥2,333,646	¥5,300,011
Trade and other payables	2,459,707	88,789	28,814	2,577,310
Other financial liabilities (derivatives)	106,456	16,273	2,663	125,392
Financial guarantee contracts	213,531	145,422	248,085	607,038
Total	¥4,026,362	¥1,970,181	¥2,613,208	¥8,609,751

(March 31, 2018)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,268,681	¥1,695,850	¥1,922,022	¥4,886,553
Trade and other payables	2,657,137	109,140	26,427	2,792,704
Other financial liabilities (derivatives)	81,574	21,394	1,955	104,923
Financial guarantee contracts	139,120	212,582	218,448	570,150
Total	¥4,146,512	¥2,038,966	¥2,168,852	¥8,354,330

(March 31, 2018)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$11,969	$15,998	$18,132	$46,099
Trade and other payables	25,067	1,029	249	26,345
Other financial liabilities (derivatives)	770	202	19	991
Financial guarantee contracts	1,312	2,006	2,061	5,379
Total	$39,118	$19,235	$20,461	$78,814

The Company maintains lines of credit with various banks. The short-term and long-term portions of unused lines of credit totaled ¥347,583 million and ¥613,095 million, respectively, at March 31, 2017 and ¥297,868 million ($2,810 million) and ¥528,914 million ($4,990 million), respectively, at March 31, 2018. Those amounts are not including the amount of overdraft contracts.

The lines of credit include Japanese yen facilities of ¥510,000 million ($4,811 million) held by the Parent and foreign currency facilities for major currencies equivalent to $1,300 million and for soft currencies equivalent to $150 million held by the Parent and foreign subsidiaries at March 31, 2018. 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 ($3,868 million) which terminate in December 2022 to support its commercial paper program. The commercial paper program is used to fund working capital and other general corporate requirements as needed. The Company had no outstanding commercial paper at March 31, 2017 and 2018 that was recognized on the consolidated statement of financial position for this purpose.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2017 and 2018 were as follows:

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 500 million (¥65,260 million, or $616 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 500 million (¥65,260 million, or $616 million) until June 2019. The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a servicer, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2017 and 2018 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Total amount of the loan receivables derecognized	¥26,577	¥28,577	$270
Total amount of consideration received	26,471	28,463	269

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as "Trade and other receivables (current and non-current)". The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2017 and 2018.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2017 and 2018.

The fair value of the assets and liabilities are measured on a recurring basis by the same method mentioned above and the changes in fair value are recognized in "Other income (expense)-net".

The balance of the main accounts related to the facility as of the years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Balance of transferred receivables (the principal amount outstanding)	¥59,930	¥65,237	$615
Fair value of future interest income	2,472	2,393	23
Maximum amount of exposure to losses	8,071	8,794	83

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2017 and 2018. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2017 and 2018.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2017 and 2018 were as follows.

The Company has sold certain trade receivables at discounts in exchange for cash mainly by a note receivables securitization program. Such securitized receivables do not qualify for derecognition since the Company maintains the obligation to compensate the outstanding receivables balance in the event of default.

The transferred financial assets were included in “Trade and other receivables” totaling ¥19,182 million and ¥24,760 million ($234 million) at March 31, 2017 and 2018, respectively. The liabilities associated to the transferred financial assets were included in “Bonds and borrowings” totaling ¥19,182 million and ¥24,760 million ($234 million) at March 31, 2017 and 2018, respectively. The Company is not allowed to use the transferred financial assets until the associated liabilities are settled when payments for the transferred financial assets are made.

The transferee has recourse only to the transferred assets. The carrying amount of transferred financial assets and the associated liabilities approximate fair value.

35. LEASES

Lessee

Finance leases as lessee

The Company leases, as lessee, machinery and equipment, real estate and other assets under finance leases. Some of these leases have renewal and purchase options.

The carrying amounts of assets leased under finance leases at March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Buildings	¥2,577	¥2,789	$26
Machinery and equipment	128,126	138,114	1,303
Vessels and vehicles	3,693	3,434	33
Total	¥134,396	¥144,337	$1,362

Obligations under finance leases are included in "Trade and other payables" in the consolidated statement of financial position.

The breakdown of future minimum lease payments under finance leases by payment period and the components of the present value of the future minimum lease payments at March 31, 2017 and 2018 was as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018	2017	2018	2018
Not later than 1 year	¥41,803	¥47,814	$451	¥41,031	¥46,961	$443
Later than 1 year and not later than 5 years	113,849	128,109	1,208	106,309	119,965	1,132
Later than 5 years	25,296	32,217	304	22,198	28,059	264
Sub-total	¥180,948	¥208,140	$1,963	¥169,538	¥194,985	$1,839
Less amount representing interest	(11,410)	(13,155)	(124)			
Finance lease obligations (Present value of total future minimum lease payments)	¥169,538	¥194,985	$1,839			

Minimum sub-lease income due in the future at March 31, 2017 and 2018 was ¥25,965 million and ¥37,637 million ($355 million), respectively, and was not deducted from the above amounts.

Operating leases as lessee

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

Total rental expenses under operating leases for the years ended March 31, 2017 and 2018 were ¥103,033 million and ¥246,731 million ($2,328 million), respectively. Sub-lease rental income for the years ended March 31, 2017 and 2018 was ¥46,410 million and ¥49,739 million ($469 million), respectively.

The breakdown of future minimum lease payments under non-cancelable leases by payment period at March 31, 2017 and 2018 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Not later than 1 year	¥73,449	¥76,347	$720
Later than 1 year and not later than 5 years	144,896	134,839	1,272
Later than 5 years	66,228	82,616	780
Total	¥284,573	¥293,802	$2,772

Minimum sub-lease income due in the future under non-cancelable leases at March 31, 2017 and 2018 was ¥70,548 million and ¥71,450 million ($674 million), respectively, and was not deducted from the above amounts.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of future minimum lease payments to be received by receipt period and the present value of such minimum lease payments, and the components of the outstanding receivables under finance leases at March 31, 2017 and 2018 was as follows:

	Components of receivables under financial lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018	2017	2018	2018
Future minimum lease payments to be received						
Not later than 1 year	¥132,802	¥127,790	$1,206	¥126,187	¥121,539	$1,147
Later than 1 year and not later than 5 years	255,031	260,484	2,457	220,613	226,620	2,138
Later than 5 years	54,458	59,211	559	38,177	44,665	421
Sub-total	¥442,291	¥447,485	$4,222	¥384,977	¥392,824	$3,706
Estimated unguaranteed residual value of leased assets	3,339	2,072	19			
Gross investment in the lease	445,630	449,557	4,241			
Less unearned income	(57,314)	(54,661)	(516)			
Finance lease receivables	388,316	394,896	3,725			
Less allowance for doubtful receivables	(11,788)	(3,982)	(37)			
Receivables under finance leases (net of allowance for doubtful receivables)	¥376,528	¥390,914	$3,688			

Future minimum lease payments to be received by receipt period do not include contingent rents that may be received under certain lease contracts.

Operating leases as lessor

The Company leases, as lessor, aircraft, vessels and other industrial machinery under operating leases.

The breakdown of future minimum lease payments to be received under non-cancelable leases by receipt period at March 31, 2017 and 2018 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Not later than 1 year	¥62,129	¥44,952	$424
Later than 1 year and not later than 5 years	141,560	93,086	878
Later than 5 years	68,934	40,291	380
Total	¥272,623	¥178,329	$1,682

As for the variable lease income included in franchise commission from franchised stores which is recognized in "Revenue" in the consolidated statement of income, please refer to Note 24.

36. SERVICE CONCESSION ARRANGEMENTS

In Australia, the Company has various water businesses through TRILITY Group Pty Ltd. (hereinafter, "TRILITY"), a consolidated subsidiary in the Global Environmental & Infrastructure Business Group, for the purpose of serving public and business customers. Pursuant to contracts with waterworks departments and other public institutions, the Company is assigned the right to use public infrastructure facilities relating to waterworks, sewerage, regeneration and desalination and provides comprehensive services through design, construction, operation and other activities related to the infrastructure facilities.

IFRIC Interpretation 12 "Service Concession Arrangements" is applied in cases where a public institution effectively controls significant residual interests in the public facilities at the end of the service concession arrangements on the grounds that there is an obligation for the Company to transfer the public facilities or for other such reasons. While there are projects in which the contract term can be extended, their impact on the consolidated financial statements was immaterial. The residual periods of the major service concession arrangements on March 31, 2018 were between 2 and 16 years.
The assets and liabilities held by TRILITY as of March 31, 2018 were classified as a disposal group held for sale, as disclosed in Note 11.

37. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows for the years ended March 31, 2017 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Acquisition of businesses:			
Consideration for acquisition (cash and cash equivalents)			
Total amount of consideration for acquisition	¥146,190	¥34,500	$325
Cash and cash equivalents of acquired businesses	71,496	2,236	21
Consideration for acquisition (net of cash and cash equivalents of acquired businesses)	74,694	32,264	304
Fair value of assets acquired (excluding cash and cash equivalents)			
Trade and other receivables	174,094	6,272	59
Inventories	19,298	11,309	107
Property, plant and equipment and investment property	365,457	12,501	118
Intangible assets and goodwill	722,733	13,214	125
Other	152,017	3,035	28
Total acquired assets	¥1,433,599	¥46,331	$437
Fair value of liabilities assumed			
Bonds and borrowings	88,048	4,772	45
Trade and other payables	392,544	2,368	22
Other	166,377	1,709	16
Total liabilities assumed	¥646,969	¥8,849	$83

Notes:
1. Please refer to Note 5 "Business combinations" for the details of assets acquired through significant business combinations for the years ended March 31, 2017 and 2018.
2. The acquisition of assets under cancellation of finance leases was ¥26,388 million for the year ended March 31, 2017. It was immaterial for the year ended March 31, 2018.

	Millions of Yen 2017	Millions of Yen 2018	Millions of U.S. Dollars 2018
Disposals of businesses:			
Consideration for sales (cash and cash equivalents)			
Total amount of consideration for sales	¥5,554	¥35,148	$332
Cash and cash equivalents of sold businesses	4,189	9,947	94
Consideration for sales (net of cash and cash equivalents of sold businesses)	1,365	25,201	238
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	3,047	18,215	172
Inventories	5,076	7,402	70
Property, plant and equipment and investment property	28,444	17,032	161
Other	1,090	6,204	58
Total sold assets	¥37,657	¥48,853	$461
Liabilities sold			
Bonds and borrowings	14,923	3,201	30
Trade and other payables	8,092	15,761	149
Other	2,549	7,566	71
Total sold liabilities	¥25,564	¥26,528	$250
Non-cash investing and financing activities:			
Assets recognized due to loss of control	12,280	12,719	120

The following is supplemental information of changes in liabilities related to Financing activities.

Millions of Yen

	Balance at April 1, 2017	Cash flows	Non-cash changes: Exchange translations	Non-cash changes: Fair value changes	Non-cash changes: Acquisitions and disposals of businesses	Non-cash changes: Lease contracts	Non-cash changes: Other	Balance at March 31, 2018
Short-term debts	¥640,109	¥53,386	¥12,984	—	¥205	—	¥17,414	¥724,098
Long-term debts	4,743,802	(438,171)	(46,579)	¥(15,898)	1,269	—	(14,126)	4,230,297
Lease obligations	169,538	(31,364)	(17)	—	(2,149)	¥52,877	6,100	194,985

Millions of U.S. Dollars

	Balance at April 1, 2017	Cash flows	Non-cash changes: Exchange translations	Non-cash changes: Fair value changes	Non-cash changes: Acquisitions and disposals of businesses	Non-cash changes: Lease contracts	Non-cash changes: Other	Balance at March 31, 2018
Short-term debts	$6,039	$504	$122	—	$2	—	$164	$6,831
Long-term debts	44,753	(4,134)	(439)	$(150)	12	—	(133)	39,909
Lease obligations	1,599	(296)	(0)	—	(20)	$498	58	1,839

Notes:
1. "Short-term debts" and "Long-term debts" are included in "Bonds and borrowings" in the consolidated statement of financial position. "Long-term debts" includes Bonds and borrowings of current maturities.
2. "Lease obligations" is included in "Trade and other payables" in the consolidated statement of financial position.
Cash flows related to "Lease obligations" is included in "Net increase (decrease) in short-term debts", "Proceeds from long-term debts — net of issuance costs" and "Repayments of long-term debts" in the consolidated statement of cash flows.

38. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

	Changes in additional paid-in capital
	Millions of Yen
	2017
Changes from equity transactions with non-controlling shareholders	¥(42,178)

Amounts of changes in additional paid-in capital were immaterial for the year ended March 31, 2018.

The gains (losses) associated with the loss of control of subsidiaries

Gains (losses) associated with the loss of control of subsidiaries (before tax) were ¥15,512 million for the year ended March 31, 2017. The gains (losses) were included in "Gains on investments" in the consolidated statement of income.

The portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were immaterial for the year ended March 31, 2017.

Gains (losses) associated with the loss of control of subsidiaries (before tax) and the portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were immaterial for the year ended March 31, 2018.

Subsidiaries with material non-controlling interests

Company Name	Voting Rights held by non-controlling interests
Metal One Corporation (Japan)	40.00%
Lawson, Inc. (Japan)	49.88%

39. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, which was established with INPEX CORPORATION ("INPEX") , which holds a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau's operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method as a joint venture.

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")

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

(2) Entities in which the Company has significant influence regardless of the possession of less than 20% of the voting rights

Olam International Limited

The Company holds a 17.48% ownership interest in Olam International Limited ("Olam"), an agricultural products company located in Singapore. For the year ended March 31, 2018, the warrants attached to bonds which Olam issued were exercised and the Company's voting rights have been diluted to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent, the Company accounts for its investment in Olam using the equity method.

(3) Material joint arrangements

BMA coking coal business

Through a wholly owned subsidiary Mitsubishi Development Pty Ltd ("MDP"), the Company engages in the development of coking coal and thermal coal which are used for steel manufacturing and electricity generation respectively. The Company holds through MDP a 50% interest in BMA coking coal business in Queensland, Australia, as a joint operation with a partner, BHP Billiton Ltd.

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

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018	2017	2018	2018
Profit for the year	¥40,297	¥65,674	$620	¥77,153	¥145,758	$1,375
Other comprehensive income	(5,970)	(5,149)	(49)	(53,866)	5,901	56
Comprehensive income	¥34,327	¥60,525	$571	¥23,287	¥151,659	$1,431

(5) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018	2017	2018	2018
Sale of goods / rendering of service	¥247,889	¥263,004	$2,481	¥1,378,870	¥740,083	$6,982
Goods purchased / service received	91,758	134,300	1,267	915,267	900,358	8,494

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

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018	2017	2018	2018
(Assets)						
Trade receivables	¥38,919	¥34,974	$330	¥120,649	¥127,836	$1,206
Loans and other	58,637	77,503	731	61,715	73,587	694
(Liabilities)						
Trade payables	42,919	47,666	450	109,038	169,906	1,603
Borrowings and other	9,979	19,897	188	239,814	213,960	2,018

In addition to the above, as of March 31, 2017 and 2018, the Company provided ¥186,578 million and ¥199,378 million ($1,881 million), respectively, of credit guarantees for certain joint ventures, and ¥323,201 million and ¥300,401 million ($2,834 million), respectively, of credit guarantees for certain associates.
The Company has also entered into substantial purchase commitments with joint ventures and associates as of March 31, 2017 and 2018. The outstanding purchase commitments amounted to ¥183,711 million and ¥150,459 million ($1,419 million), respectively with joint ventures, and ¥284,627 million and ¥196,631 million ($1,855 million), respectively with associates.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG scheduled in 2019, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.
In relation to most of the LNG the Company plans to purchase, the Company also entered into a long-term LNG sales contracts with customers mainly in Japan and other markets in Asia.

Transfer of aircrafts to an associate

For the year ended March 31, 2018, MC Aviation Partners Inc. (“MCAP”), a consolidated subsidiary in the Industrial Finance, Logistics & Development segment, transferred 19 aircrafts for ¥67,628 million ($638 million), to an associate in which MCAP has an investment with CK Asset Holdings Ltd.

40. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE.

Non-consolidated SEs

The SEs that the Company does not consolidate due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

Total assets of the SEs that the Company does not consolidate, which are related to infrastructure, real-estate related businesses, shipping-related businesses and others, were ¥196,774 million, ¥96,113 million, ¥67,283 million and ¥181,461 million, respectively, at March 31, 2017, and ¥117,995 million ($1,113 million), ¥121,829 million ($1,149 million), ¥65,014 million ($613 million) and ¥201,539 million ($1,901 million), respectively, at March 31, 2018.

The following table summarizes the carrying amounts of assets in the Company's consolidated statement of financial position and the Company's maximum exposures to losses as a result of the Company's involvement in these SEs at March 31, 2017 and 2018.

The information of the SEs represents the latest one available to the Company.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Carrying amounts of assets in the Company's consolidated statement of financial position	¥74,819	¥91,482	$863
Maximum exposure to losses	77,999	93,956	886

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consisted primarily of "Investments accounted for using the equity method" and "Other investments". The carrying amounts of liabilities in the Company's consolidated statement of financial position that relate to the SEs are immaterial at March 31, 2017 and 2018.

There is a difference between the carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs and the maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these SEs. Maximum exposures to losses do not represent anticipated losses probable of occurring due to the Company's involvement with the SEs, and are considered to exceed the anticipated losses considerably.

41. TRANSACTIONS WITH MANAGEMENT PERSONNEL

The amounts of remuneration for the Parent's directors for the year ended March 31, 2017 and 2018 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Monthly remuneration	¥613	¥787	$7
Bonuses	180	270	2
Reserved retirement remuneration	52	73	1
Stock option	135	188	2
Total remuneration	¥980	¥1,318	$12

Reserved retirement remuneration is set aside in a certain amount every year as consideration for the performance of duties, and the accumulated amount is calculated and paid in full upon retirement of a director by resolution of the Board of Directors.

The amount of "Stock option" is the amount recognized in the consolidated statement of income and is different from the amount acquired from the execution and sales of stock options.

42. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2017 and 2018 amounting to ¥6,422 million and ¥7,411 million ($70 million), respectively.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Financial guarantees			
Outstanding amount	¥607,038	¥570,150	$5,379
Maximum potential amount of future payments	1,221,407	1,090,429	10,287
Performance guarantees			
Outstanding amount	152,614	168,786	1,592
Maximum potential amount of future payments	152,614	168,786	1,592

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2018 will expire within 10 years, with certain credit guarantees expiring by the end of 2048. Should the customers, suppliers and the companies accounted for using the equity method fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2017 and 2018, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥5,468 million and ¥7,577 million ($71 million), respectively, and on performance guarantees were ¥39,802 million and ¥22,352 million ($211 million), respectively.
At March 31, 2017 and 2018, financial guarantees includes ¥89,026 million and ¥77,003 million ($726 million) of letters of credit issued for bills discounted.

The liabilities for these credit guarantees were ¥12,596 million and ¥1,064 million ($10 million) at March 31, 2017 and 2018, respectively.

As of March 31, 2018, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee, except for those recognized as liabilities.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit is US$1,552 million, and is included in "Financial guarantees – Maximum potential amount of future payments" in the table above. As of March 31, 2018, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$1,546 million. The amount is included in "Financial guarantees – Outstanding amount" in the table.

In addition, the Parent, along with other participants to the Project, provides 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 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, 2018 is US$83 million. The amounts are included in both "Performance guarantees – Maximum potential amount of future payments" and "Performance guarantees – Outstanding amount" in the table.

The performance guarantee obligation encompasses future planned payments, which will be funded, in part, by the line of credit. Regarding the line item "Maximum potential amount of future payments", the amounts related to the performance guarantee will be reduced to the extent that the associate 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, regarding the line item "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 for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

43. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 22, 2018.

Stock options

The Parent resolved at the Board of Directors meeting held on May 18, 2018 that it would distribute stock options to directors, executive officers and senior vice presidents of the Parent.

The stock options are to be distributed as described below:

2018 stock options plan A for a stock-linked compensation plan

Total no. of shares granted	:Up to 136,400 ordinary shares of the Parent
Exercise price	:¥1 per share
Exercise term	:June 5, 2018 - June 5, 2047

2018 stock options plan B for a stock-linked compensation plan

Total no. of shares granted	:Up to 358,900 ordinary shares of the Parent
Exercise price	:¥1 per share
Exercise term	:June 5, 2018 - June 4, 2048

Dividends

The Parent was authorized at the general shareholders' meeting held on June 22, 2018 to pay a cash dividend of ¥63 ($0.59) per share, or a total of ¥99,916 million ($943 million) to shareholders of record on March 31, 2018.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 22, 2018.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2018 are as follows:

Business Segment	Company Name	Voting Rights (%)
Global Environmental & Infrastructure Business Group	MC Retail Energy Co., Ltd. (Japan)	100.00 (8.08)
	Mitsubishi Corporation Power Ltd. (Japan)	100.00
	Mitsubishi Corporation Power Systems, Inc. (Japan)	100.00
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	DGA Ho Ping B.V. (The Netherlands)	100.00
	DGA Ilijan B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (Hong Kong)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	Others (153 Companies)	
Industrial Finance, Logistics & Development Group	Alternative Investment Capital Limited (Japan)	51.00
	Diamond Realty Management Inc. (Japan)	100.00
	Marunouchi Infrastructure Inc. (Japan)	100.00 (100.00)
	MC Aviation Partners Inc. (Japan)	100.00
	Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00
	Mitsubishi Corporation Asset Management Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	Seto Futo Co., Ltd. (Japan)	86.63 (20.00)
	Diamond Car Carriers S.A. (Panama)	100.00
	Diamond RC Holding Limited (Hong Kong)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	MC AI HOLDINGS Limited (Cayman Islands, British overseas territory)	100.00
	MC Asset Management Holdings, Inc. (U.S.A.)	100.00
	MC Capital Inc. (U.S.A.)	100.00
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC REAL ASSET INVESTMENTS LTD. (Cayman Islands, British overseas territory)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	100.00
	New Century Insurance Co., Ltd. (Bermuda, British overseas territory)	100.00
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	71.36 (0.05)
	Others (99 Companies)	

Business Segment	Company Name	Voting Rights (%)
Energy Business Group	Angola Japan Oil Co., Ltd (Japan)	65.70
	Diamond Gas Operation Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Exploration Co., Ltd. (Japan)	100.00
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn.Bhd. (Malaysia)	100.00
	Diamond Gas Netherlands B.V. (The Netherlands)	80.00 (80.00)
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Ltd. (Canada)	100.00
	Diamond Resources (Canning) PT (Australia)	100.00
	Diamond Resources (Fitzroy) PT (Australia)	100.00
	MCX EXPLORATION(USA), LLC (U.S.A.)	100.00 (100.00)
	Petro-Diamond Singapore (PTE) Ltd. (Singapore)	100.00
	Others (55 Companies)	
Metals Group	Isuzu Corporation (Japan)	56.60 (56.60)
	JECO Corporation (Japan)	70.00
	Metal One Corporation (Japan)	60.00
	Metal One Pipe & Tubular Products Inc. (Japan)	100.00 (100.00)
	Metal One Speciality Steel Corporation (Japan)	100.00 (100.00)
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	M.O.Tec Corporation (Japan)	100.00 (100.00)
	Sus-Tech Corporation (Japan)	64.48 (64.48)
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	M.C. Inversiones Limitada (Chile)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Triland Metals Ltd. (U.K.)	100.00
	Others (103 Companies)	

Business Segment	Company Name	Voting Rights (%)
Machinery Group	Mitsubishi Corporation Technos (Japan)	100.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	Diamond Star Shipping Pte. Ltd. (Singapore)	100.00
	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MC LIFT & SOLUTIONS CO., LTD. (Thailand)	100.00 (5.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	Mitsubishi Motors Malaysia Sdn. Bhd. (Malaysia)	52.00
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	The Colt Car Company Ltd. (U.K.)	100.00
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Company Limited (Thailand)	88.73 (41.66)
	Others (77 Companies)	
Chemicals Group	Chuo Kagaku Co., Ltd. (Japan)	60.59 (4.96)
	Chuo Kasei Co., Ltd. (Japan)	100.00
	MC Ferticom Co., Ltd. (Japan)	72.83
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (36 Companies)	

Business Segment	Company Name	Voting Rights (%)
Living Essentials Group	ART COFFEE CO., LTD. (Japan)	100.00
	Dai-Nippon Meiji Sugar Co., Ltd. (Japan)	100.00
	Foodlink Corporation (Japan)	99.42
	JAPAN FARM HOLDINGS（Japan）	92.66
	KOKUSAI BULK TERMINAL CO., LTD. (Japan)	50.10 (1.17)
	LAWSON ATM NETWORKS, INC. (Japan)	95.00 (95.00)
	LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS, INC.　(Japan)	100.00 (100.00)
	Lawson, Inc. (Japan)	50.12
	LOYALTY MARKETING, INC. (Japan)	62.37 (20.00)
	MC Healthcare, Inc. (Japan)	80.00
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	92.15
	Mitsubishi Shokuhin Co., Ltd. (Japan)	61.99 (0.01)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.88
	Nippon Care Supply Co., Ltd. (Japan)	74.78
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	64.90
	Nosan Corporation (Japan)	100.00
	SCI, INC. (Japan)	100.00 (100.00)
	SEIJO ISHII CO.,LTD (Japan)	100.00 (100.00)
	Toyo Reizo Co., Ltd. (Japan)	95.08
	Agrex do Brasil S.A. (Brazil)	81.54 (1.08)
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	Cermaq Group AS (Norway)	100.00 (100.00)
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	Princes Limited (U.K.)	100.00
	Riverina (Australia) Pty., Ltd. (Australia)	100.00
	TH FOODS, Inc. (U.S.A.)	53.16 (6.32)
	Others (151 Companies)	

Business Segment	Company Name	Voting Rights (%)
Others	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	MC Finance Australia Pty Ltd. (Australia)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Others (9 Companies)	
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (Hong Kong)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00 (100.00)
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	69.00 (45.00)
	Others (36 Companies)	

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

2. One-Off Gains' Information

1) Energy Business Group

There was a ¥16.4 billion (US$146 million) one-off gain related to a business restructuring in the shale gas business included in other income (expense)–net in the consolidated statement of income for the year ended March 31, 2017.

June 22, 2018

Responsibility Statement

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

Kazuyuki Masu, Chief Financial Officer, confirms that:

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

Mitsubishi Corporation

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