Mitsubishi Corporation

# Financial Section of Annual Report 2012

for the year ended March 31, 2012

## Pursuing Sustainable Corporate Value

# FINANCIAL SECTION OF ANNUAL REPORT <FOR THE YEAR ENDED MARCH 2012>

## CONTENTS



### Forward-Looking Statements

This financial section of Mitsubishi Corporation's Annual Report for the year ended March 2012 contains forward-looking statements about Mitsubishi Corporation's future plans, strategies, beliefs and performance that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Corporation operates and beliefs and assumptions made by management. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mitsubishi Corporation, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, the company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Risks, uncertainties and assumptions mentioned above include, but are not limited to, commodity prices; exchange rates and economic conditions; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources.

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

## 1. Results of Operations

In the year ended March 2012, economies in industrialized nations were lackluster for a number of reasons. These included financial market turmoil caused by the deepening European sovereign debt crisis, and implementation of austerity measures by various governments. Emerging economies, while seeing export growth languish, generally expanded on the back of robust internal demand in leading countries such as China and India.

In Japan, economic activity headed for recovery in the latter half of the fiscal year, after production and exports slumped in the aftermath of the Great East Japan Earthquake. However, the pace of recovery was moderate at best, held back by the rapid yen appreciation, impact of flooding in Thailand and other factors.

Under such circumstances, we saw our total revenue for the year ended March 2012 increased by ¥359.0 billion, or 6.9%, year over year to ¥5,565.8 billion.

This increase in total revenue was mainly attributable to higher crude oil prices and higher transaction volumes in the Energy Business Group and higher prices in chemical product markets and increased transaction volumes in the Chemicals Group.

Gross profit declined by ¥22.0 billion, or 1.9%, to ¥1,127.9 billion due in part to lower sales volumes at an Australian resource-related subsidiary.

Selling, general and administrative expenses rose by ¥25.6 billion, or 3.1%, to ¥850.2 billion due in part to higher expenses in line with increased transactions at consolidated subsidiaries.

In other P/L items, other income - net increased due to improvements in exchange rate-related earnings. However, there was a decrease in gain on marketable securities and investments-net due to the absence of non-recurring items, one of which was gains on a share transfer at a Chilean iron ore-related subsidiary recorded in the year ended March 2011.

As a result, income before income taxes and equity in earnings of Affiliated companies and other declined by ¥71.1 billion, or 13.4%, to ¥459.0 billion.

Net equity in earnings of Affiliated companies and other increased by ¥23.5 billion, or 14.1%, to ¥190.5 billion. This was the result of strong performance at business investees, particularly overseas resource-related business investees.

Accordingly, net income attributable to Mitsubishi Corporation for the year ended March 2012 declined by ¥10.7 billion, or 2.3%, to ¥453.8 billion.

Total assets at March 31, 2012 were ¥12,588.5 billion, up ¥1,315.7 billion, or 11.7%, from March 31, 2011. In addition to an increase in accounts receivables due to a recovery in market prices, this rise reflected increases in investments in Affiliated companies, property and equipment, and other investments due to the execution of new investments.

Total liabilities were ¥8,760.2 billion, up ¥1,037.4 billion, or 13.4%, from March 31, 2011. The increase was partially due to an increase in accounts payable which was commensurate with accounts receivables due to recovering market prices. The overall rise also reflected increases in short-term debt and long-term debt due to the procurement of funds for making new investments.

Interest-bearing liabilities (net), which are interest-bearing liabilities (gross) minus cash and cash equivalents and time deposits, increased by ¥700.1 billion, or 23.8%, from March 31, 2011 to ¥3,647.4 billion. The net debt-to-equity ratio, which is net interest-bearing liabilities divided by total equity, was 1.0.

Total shareholders' equity increased by ¥276.0 billion, or 8.5%, from March 31, 2011 to ¥3,509.3 billion. This is largely the result of consolidated net income attributable to Mitsubishi Corporation in the year ended March 2012 which outweighed the effect of decreases in foreign currency translation adjustments and net unrealized gains on securities available-for-sale due to the strong yen and lower share prices, respectively.

Cash and cash equivalents at March 31, 2012 were ¥1,253.0 billion, up ¥44.2 billion, or 3.7%, from March 31, 2011.

Net cash provided by operating activities was ¥550.7 billion, despite an increase in working capital requirements. Cash was mainly provided by strong cash flows from operating transactions and firm growth in dividend income from business investments primarily at resource-related companies.

Net cash used in investing activities was ¥1,100.9 billion. Cash was mainly used for investments in Chilean and Peruvian companies with copper assets, acquisitions of interests in Canadian natural gas assets, and for capital expenditures and acquisition of working interests at Australian resource-related subsidiaries.

As a result of the above, free cash flow, which is the sum of operating and investing cash flows, was negative ¥550.2 billion.

Net cash provided by financing activities was ¥599.1 billion. While cash was used for the payment of dividends at the Parent, this was outweighed mainly by the procurement of funds by borrowing for new investments.

In terms of our forecast for the year ending March 2013, we are forecasting gross profit of ¥1,250.0 billion, ¥122.1 billion, or 10.8%, higher year over year due primarily to higher transaction volumes in coking coal and steel products. Combined with the fact that selling, general and administrative expenses are projected to slightly increase from the year ended March 2012, operating income is forecasted to increase by ¥68.9 billion, or 25.4%, to ¥340.0 billion. In other items, Mitsubishi Corporation is forecasting a deterioration in foreign exchange related accounts. As a result, consolidated net income attributable to Mitsubishi Corporation is projected at ¥500.0 billion, an increase of ¥46.2 billion, or 10.2%, year over year.

Note:
Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may therefore differ materially from these statements for various reasons.

## Year Ended March 2012 vs. Year Ended March 2011

### *1) Total Revenues*

Total revenues were ¥5,565.8 billion, up ¥359.0 billion, or 6.9%, from the year ended March 2011.

There was a ¥353.9 billion, or 7.7%, year over year increase in revenues from trading, manufacturing and other activities to ¥4,944.8 billion. Trading margins and commissions on trading transactions increased by ¥5.0 billion, or 0.8%, to ¥621.0 billion.

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

The Energy Business Group saw revenues increase by ¥157.5 billion, or 12.6%, to ¥1,406.4 billion, due to rising crude oil and other commodity prices and increased sales volumes.

The Chemicals Group saw revenues rise by ¥205.7 billion, or 25.6%, to ¥1,009.4 billion. The increase is due to the new consolidation of a plastics business subsidiary (Chuo Kagaku Co., Ltd.), and higher commodity prices and sales volumes in transactions at the Parent.

The Machinery Group saw revenues decline by ¥93.5 billion, or 13.8%, to ¥584.2 billion, despite higher revenues in the construction machinery and other businesses. The overall result reflected lower sales in Asian automobile operations due to the impact of the floods in Thailand, a decrease due to yen appreciation, and the impact of a consolidated subsidiary becoming an equity-method affiliate.

### *2) Gross Profit*

Gross profit declined by ¥22.0 billion, or 1.9%, to ¥1,127.9 billion.
The decline was the result of lower earnings at an Australian resource-related subsidiary (coking coal) caused by decreased sales volumes, outweighing positive factors such as an increase in earnings at the Parent in energy-related businesses due to rising crude oil prices and increased sales volumes.

### *3) Selling, General and Administrative Expenses*

Selling, general and administrative expenses rose by ¥25.6 billion, or 3.1%, to ¥850.2 billion.
The increase was due to business outsourcing expenses at the Parent, and higher expenses in line with transaction growth at consolidated subsidiaries.

### *4) Provision for Doubtful Receivables*

The expense for provision for doubtful receivables was ¥6.5 billion, which was down ¥2.6 billion, or 28.6% year over year, despite the accumulation of small doubtful receivables. The decline reflected the fact that in the previous fiscal year we made provisions at metal products-related and other consolidated subsidiaries, and at the Parent.

### *5) Interest Expense (net of interest income)*

Net interest expense was ¥3.2 billion, down ¥3.5 billion, or 52.2% year over year. Interest expense increased as a result of procuring funds for new investments. However, this was outweighed by an increase in interest income due to hedge operations at the Parent.

### *6) Dividend Income*

Dividend income was ¥115.5 billion, a decrease of ¥5.1 billion, or 4.2%. While dividend income from overseas energy resource-related subsidiaries increased in line with higher crude oil prices, this was outweighed by a decline in dividend income from non-ferrous metals-related businesses. Of the dividend income, resource-related dividend income was ¥93.4 billion, and dividend income related to manufacturing, sales and other activities was ¥22.1 billion.

### *7) Gain on Marketable Securities and Investments—Net*

In the year ended March 2012, we recorded a net gain on marketable securities and investments of ¥22.0 billion, which represented a year over year decline of ¥31.5 billion, or 58.9%. Despite an improvement in write-downs of listed company shares from the previous fiscal year, this was offset by the absence of gains on a share transfer at a Chilean iron ore-related subsidiary and gains on the sale of shares at the Parent that were recorded in the year ended March 2011.

### *8) Loss on Property and Equipment—Net*

We recorded a net loss on property and equipment of ¥7.1 billion. This was an increase of ¥4.5 billion, or 177.1% from the previous fiscal year, and was due mainly to a decline in gains on sale at ship-related subsidiaries.

### *9) Other Income—Net*

We recorded net other income of ¥60.7 billion, up ¥11.5 billion, or 23.4%, year over year. This was mainly due to an improvement in foreign exchange gains and losses at overseas subsidiaries, and bargain purchase gains from the acquisition of a plastics business subsidiary (Chuo Kagaku).

### *10) Income Before Income Taxes and Equity in Earnings of Affiliated Companies and Other*

Income before income taxes and equity in earnings of Affiliated companies and other was ¥459.0 billion, down ¥71.1 billion, or 13.4%, year over year for the abovementioned reasons.

### *11) Income Taxes*

Income taxes decreased by ¥29.5 billion, or 14.8%, to ¥169.2 billion. This was because of the decrease in income before income taxes and equity in earnings of Affiliated companies and other. As a result, our effective tax rate for the year ended March 2012 was 36.9%.

### *12) Equity in Earnings of Affiliated Companies and Other*

Equity in earnings of Affiliated companies and other increased by ¥23.5 billion, or 14.1%, to ¥190.5 billion, supported mainly by strong results at overseas energy-related companies and higher equity in earnings of a petrochemical-related company and food-related companies.

### *13) Net Income Attributable to the Noncontrolling Interest*

Net income attributable to the noncontrolling interest was ¥26.5 billion, down ¥7.4 billion, or 21.9%, year over year.

### *14) Net Income Attributable to Mitsubishi Corporation*

Net income attributable to Mitsubishi Corporation declined by ¥10.7 billion, or 2.3%, to ¥453.8 billion.

## Year Ended March 2011 vs. Year Ended March 2010

### *1) Total Revenues*

Total revenues were ¥5,206.9 billion, up ¥666.1 billion, or 14.7%, from the year ended March 2010.
There was a ¥623.2 billion, or 15.7%, year over year increase in revenues from trading, manufacturing and other activities to ¥4,590.9 billion. Trading margins and commissions on trading transactions increased by ¥42.9 billion, or 7.5%, to ¥616.0 billion.

The main reasons for changes were as follows:

- The Energy Business Group saw revenues increase by ¥279.7 billion, or 28.9%, to ¥1,248.9 billion, in line with rising crude oil prices and other commodity prices and increased sales volumes.
- The Metals Group saw revenues rise by ¥162.4 billion, or 24.2%, to ¥834.8 billion. This was chiefly due to rising sales prices at an Australian resource-related subsidiary (coking coal).
- The Machinery Group saw revenues rise by ¥112.5 billion, or 19.9%, to ¥677.7 billion. This result was mainly attributable to higher sales in overseas automobile-related operations, particularly in Asia.
- The Chemicals Group saw revenues rise by ¥88.2 billion, or 12.3%, to ¥803.7 billion. This reflected strong transactions at the Parent, overseas regional subsidiaries and specialty paper business-related subsidiaries.

### *2) Gross Profit*

Gross profit increased by ¥133.3 billion, or 13.1%, to ¥1,149.9 billion due to rising prices for coking coal and other resources, and to strong sales in steel products and automobile-related operations.

### *3) Selling, General and Administrative Expenses*
Selling, general and administrative expenses declined by ¥4.8 billion, or 0.6%, to ¥824.6 billion due to the absence of head office building relocation expenses recorded in the year ended March 2010, and lower pension expenses.

### *4) Provision for Doubtful Receivables*
The expense for provision for doubtful receivables was ¥9.1 billion, which was ¥4.2 billion, or 86.8%, higher year over year. This increase was mainly due to the accumulation of doubtful receivables at metal products-related and other consolidated subsidiaries, and at the Parent.

### *5) Interest Expense (net of interest income)*
Net interest expense was ¥6.7 billion, down ¥5.9 billion, or 47.0%, from the year ended March 2010. This resulted from lower funding costs due mainly to lower yen interest rates.

### *6) Dividend Income*
Dividend income increased by ¥32.6 billion, or 37.1%, to ¥120.6 billion. The main reason was an increase in dividend income particularly from non-ferrous metals-related businesses in line with improving commodity prices. Of the dividend income, resource-related dividend income was ¥101.7 billion.

### *7) Gain on Marketable Securities and Investments—Net*
In the year ended March 2011, we recorded a net gain on marketable securities and investments of ¥53.4 billion, which represented a year over year increase of ¥53.2 billion.

In addition to the absence of write-downs on Japan Airlines Corporation shares and Mitsubishi Motors Corporation preferred shares recorded in the year ended March 2010, this increase reflected gains on a share transfer at a Chilean iron ore-related subsidiary, and gains on the sale of shares at the Parent.

### *8) Loss on Property and Equipment—Net*
We recorded a net loss on property and equipment of ¥2.6 billion, which was ¥13.3 billion, or 83.6% less year over year. This reflected impairment losses on property and equipment recorded in the previous fiscal year at real estate-related subsidiaries.

### *9) Other Income—Net*
We recorded net other income of ¥49.2 billion, down ¥3.2 billion, or 6.1%, year over year, despite improved funding costs and gains on fund management at the Parent. The overall decrease reflected deterioration in foreign exchange gains and losses of overseas subsidiaries.

### *10) Income Before Income Taxes and Equity in Earnings of Affiliated Companies and Other*
Income before income taxes and equity in earnings of Affiliated companies and other was ¥530.1 billion, up ¥235.8 billion, or 80.1%, year over year. This reflected a ¥133.3 billion, or 13.1%, year over year increase in gross profit resulting from higher coking coal and other resource prices, as well as strong sales growth in the steel products business and automobile-related operations.
Another factor was the ¥4.8 billion, or 0.6%, decrease in selling, general and administrative expenses due to lower pension expenses and the absence of head office building relocation expenses recorded in the year ended March 2010.

Furthermore, there were large improvements in dividend income, net gain on marketable securities and investments, and net loss on property and equipment.

### *11) Income Taxes*

Income taxes increased by ¥80.4 billion, or 68.0%, from the year ended March 2010 to ¥198.7 billion. In addition to the increase in income from continuing operations before income taxes and equity in earnings of Affiliated companies and other, this increase reflected one-time charges such as taxes on revaluations associated with the adoption of the consolidated tax system from the year ending March 2012 onward at the Parent. Our effective tax rate was 37.2%.

### *12) Equity in Earnings of Affiliated Companies and Other*

Equity in earnings of Affiliated companies and other increased by ¥49.1 billion, or 41.7%, to ¥167.0 billion, despite the absence of gains on the reversal of deferred tax liabilities recorded in the year ended March 2010 at a petrochemical-related company. The increase reflected strong performances at business investees, particularly overseas resource-related business investees

### *13) Net Income Attributable to the Noncontrolling Interest*

Net income attributable to the noncontrolling interest increased by ¥15.8 billion, or 87.3%, year over year to ¥33.9 billion.

### *14) Net Income Attributable to Mitsubishi Corporation*

Net income attributable to Mitsubishi Corporation increased by ¥188.8 billion, or 68.4%, to ¥464.5 billion. ROE was 15.1%, a 4.7 percentage point improvement from the year ended March 2010.

## 2. Year Ended March 2012 Segment Information

### Operating Segments

### *1) Industrial Finance, Logistics & Development Group*

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

In the year ended March 2012, segment revenues increased by ¥4.8 billion, or 5.2%, to ¥97.4 billion, mainly due to improved revenues in logistics- and insurance-related businesses.

Gross profit increased by ¥1.1 billion, or 2.3%, to ¥48.2 billion. The segment posted operating income of ¥10.1 billion, up ¥0.9 billion, or 9.8%.

Equity in earnings of Affiliated companies and other increased by ¥0.3 billion, or 3.4%, to ¥9.2 billion, despite the absence of gains on the sale of overseas real estate recorded in the year ended March 2011. The overall increase was mainly attributable to an improvement in lease-related business earnings.

The segment recorded net income attributable to Mitsubishi Corporation of ¥14.9 billion, an increase of ¥3.3 billion, or 28.4%, year over year.

### *2) Energy Business Group*

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

In the year ended March 2012, segment revenues increased by ¥157.5 billion, or 12.6%, to ¥1,406.4 billion in line with rising crude oil and other commodity prices and increased sales volumes.

As a result of this growth, gross profit increased by ¥18.0 billion, or 41.1%, to ¥61.8 billion. Segment operating income rose substantially by ¥20.6 billion, or 556.8%, to ¥24.3 billion.

Equity in earnings of Affiliated companies and other increased by ¥16.2 billion, or 29.1%, to ¥71.9 billion. This increase was the result of higher equity in earnings of overseas resource-related companies due to higher oil prices.

The segment recorded net income attributable to Mitsubishi Corporation of ¥120.6 billion, an increase of ¥26.6 billion, or 28.3%, year over year. In addition to the reasons above, this result reflected factors such as an increase in dividend income from overseas resource-related business investees, which outweighed a drop in earnings due to the absence of gains on sale of shares recorded in the year ended March 2011.

### *3) Metals Group*

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

In the year ended March 2012, the segment recorded a ¥21.6 billion, or 2.6%, year over year increase in revenues to ¥856.4 billion. This was chiefly due to higher transactions in non-ferrous metals-related businesses at the Parent.

However, gross profit decreased by ¥58.7 billion, or 18%, to ¥267.6 billion. The overall decline mainly reflected lower sales volume at an Australian resource-related subsidiary (coking coal) due to the impact of bad weather and labor disputes; lower transaction volumes at a steel products-related subsidiary; and falling sales prices at a ferrochrome production and sales subsidiary. Segment operating income was also down, declining by ¥60.5 billion, or 32.7%, to ¥124.5 billion.

Equity in earnings of Affiliated companies and other declined by ¥5.5 billion, or 13.1%, to ¥36.4 billion, due mainly to lower equity-method earnings from overseas resource-related business investees.

The segment recorded net income attributable to Mitsubishi Corporation of ¥172.1 billion, a decrease of ¥59.4 billion, or 25.7%. In addition to the reasons above, this result reflected a decrease due to the absence of gains on a share transfer at a Chilean iron ore-related subsidiary that were recorded in the year ended March 2011, as well as lower dividend income from copper mines.

### *4) Machinery Group*

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

In the year ended March 2012, this segment saw revenues decrease by ¥93.5 billion, or 13.8%, to ¥584.2 billion, despite an increase in revenues from construction machinery operations and other businesses. The overall result reflected lower sales in Asian automobile operations due to the impact of the floods in Thailand, a decrease due to the yen's appreciation, and the impact of a consolidated subsidiary becoming an equity-method affiliate.

As a result, gross profit decreased by ¥3.1 billion, or 1.7%, to ¥178.9 billion. Furthermore, operating income declined by ¥6.0 billion, or 9.0%, to ¥60.4 billion.

Equity in earnings of Affiliated companies and other rose by ¥4.2 billion, or 22.8%, to ¥22.6 billion due primarily to increased equity in earnings of overseas automobile business-related companies and special factors associated with withdrawal from a business. This segment recorded net income attributable to Mitsubishi Corporation of ¥54.5 billion, a decrease of ¥6.9 billion, or 11.2%, year over year. This decrease was mainly due to factors such as a loss at the Parent due to withdrawal from a business and the absence of gains on share sales recorded in the year ended March 2011.

### *5) Chemicals Group*

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

In the year ended March 2012, segment revenues increased by ¥205.7 billion, or 25.6%, to ¥1,009.4 billion. This reflected the new consolidation of a plastics business subsidiary (Chuo Kagaku Co., Ltd.), and higher commodity prices and sales volumes in transactions at the Parent.

Gross profit increased by ¥2.4 billion, or 2.9%, to ¥86.6 billion. Furthermore, operating income rose by ¥0.1 billion, or 0.3%, to ¥29.3 billion.

Equity in earnings of Affiliated companies and other increased by ¥3.3 billion, or 22.4%, to ¥18.0 billion. This was due to increased equity-method earnings of petrochemical business-related companies and others on strong transactions.

The segment recorded net income attributable to Mitsubishi Corporation of ¥37.1 billion, up ¥8.0 billion, or 27.5%, year over year. In addition to the above reasons, this increase was due to bargain purchase gains from the acquisition of a plastics business subsidiary (Chuo Kagaku).

### *6) Living Essentials Group*

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

In year ended March 2012, the segment recorded a ¥45.9 billion, or 3.0%, increase in revenues to ¥1,571.7 billion. This increase was mainly due to strong transactions at food-related subsidiaries and new consolidations.

Gross profit increased by ¥6.2 billion, or 1.4%, to ¥463.0 billion. Furthermore, operating income rose by ¥0.3 billion, or 0.4%, to ¥69.7 billion.

Equity in earnings of Affiliated companies and other increased by ¥2.5 billion, or 10.7%, to ¥25.8 billion. This increase primarily reflected higher equity-method earnings mainly at food-related companies, which outweighed losses related to the Great East Japan Earthquake that were recorded at certain domestic Affiliated companies.

The segment recorded net income attributable to Mitsubishi Corporation of ¥56.6 billion, an increase of ¥10.3 billion, or 22.2%, year over year. Despite a write-down on shares of The Nisshin OilliO Group, Ltd., this increase mainly reflected gains on sales of shares and the absence of recording tax expenses related to the adoption of the consolidated tax filing system in the previous fiscal year.

## Geographic Information

### *1) Japan*

Revenues in the year ended March 2012 were ¥4,229.9 billion, up ¥417.8 billion, or 11.0%. This increase mainly reflected higher revenues in energy-related businesses due to higher crude oil prices.

Gross profit increased by ¥32.3 billion, or 4.4%, to ¥767.4 billion due mainly to higher earnings at the Parent in energy-related businesses.

### *2) Australia*

In the year ended March 2012, revenues were ¥494.4 billion, a year over year increase of only ¥1.0 billion, or 0.2%.

Gross profit fell by ¥48.4 billion, or 27.5%, to ¥127.4 billion because of the impact of exchange rate fluctuations and lower sales volumes. The latter reflected heavy rains and an industrial dispute at a resource-related subsidiary (coking coal).

### *3) Thailand*

In the year ended March 2012, revenues were ¥295.8 billion, down ¥85.1 billion, or 22.3%, year over year. This decrease mainly reflected lower sales units in automobile operations in Thailand because of the flooding, as well as the negative impact of the yen's appreciation on revenues.

Gross profit declined by ¥8.2 billion, or 15.5%, to ¥45.0 billion for the above reasons.

### *4) United Kingdom*

In the year ended March 2012, revenues were ¥192.5 billion, ¥26.6 billion, or 16.0%, higher year over year. This increase mainly reflected the acquisition of canning operations by a food-related subsidiary.

Gross profit increased by ¥4.9 billion, or 11.4%, to ¥47.6 billion for the same reason.

### *5) U.S.A.*

In the year ended March 2012, revenues were ¥160.5 billion, up ¥9.9 billion, or 6.6%, year over year. This was mainly the result of increased revenues at food-related subsidiaries in line with higher commodity prices.

Gross profit declined by ¥3.2 billion, or 6.4%, to ¥46.7 billion due mainly to lower revenues at food-related subsidiaries and overseas regional subsidiaries.

### *6) Other*

In the year ended March 2012, revenues declined by ¥11.2 billion, or 5.5%, to ¥192.8 billion.

Gross profit increased by ¥0.6 billion, or 0.7%, to ¥93.6 billion.

## 3. Year Ended March 2011 Segment Information

### Operating Segments

### *1) Industrial Finance, Logistics & Development Group*

In the year ended March 2011, segment revenues decreased by ¥5.2 billion, or 5.3%, to ¥92.6 billion, mainly due to the absence of real estate sales recorded in the year ended March 2010.

Gross profit rose by ¥2.4 billion, or 5.4%, to ¥47.1 billion due mainly to higher transaction volumes in distribution-related businesses. The segment posted a ¥4.8 billion, or 109.1%, increase in operating income to ¥9.2 billion.

Equity in earnings of Affiliated companies and other decreased by ¥1.8 billion, or 16.8%, to ¥8.9 billion, despite gains on the sale of overseas real estate and an improvement in lease-related business earnings. The overall decrease was the result mainly of fund investment-related earnings recorded in the year ended March 2010.

The segment recorded net income attributable to Mitsubishi Corporation of ¥11.6 billion, an improvement of ¥19.2 billion year over year. In addition to the above reasons, this result reflected factors such as the absence of share write-downs on Japan Airlines Corporation (JAL) and other shares recorded in the year ended March 2010.

### *2) Energy Business Group*

In the year ended March 2011, segment revenues increased by ¥279.7 billion, or 28.9%, to ¥1,248.9 billion in line with rising crude oil and other commodity prices and increased sales volumes.

Gross profit increased by ¥4.0 billion, or 10.1%, to ¥43.8 billion. The segment recorded operating income of ¥3.7 billion, a ¥5.1 billion improvement from the year ended March 2010.

Equity in earnings of Affiliated companies and other increased by ¥16.0 billion, or 40.3%, to ¥55.7 billion. This increase was the result of higher equity in earnings of overseas resource-related business investees due to higher oil prices.

The segment recorded net income attributable to Mitsubishi Corporation of ¥94.0 billion, an increase of ¥22.1 billion, or 30.7%, year over year. In addition to the above reasons, this result reflected factors such as the absence of losses related to fuel derivative transactions for a JAL subsidiary recorded in the year ended March 2010.

### *3) Metals Group*

In the year ended March 2011, the segment recorded a ¥162.4 billion, or 24.2%, year over year increase in revenues to ¥834.8 billion. This was chiefly due to rising sales prices at an Australian resource-related subsidiary (coking coal).

Gross profit increased by ¥94.5 billion, or 40.8%, to ¥326.3 billion, the result mainly of higher transactions at a steel products-related subsidiary, and the absence of losses related to fuel derivative transactions for a JAL subsidiary recorded in the year ended March 2010. Operating income rose by ¥81.6 billion, or 78.9%, to ¥185.0 billion.

Equity in earnings of Affiliated companies and other climbed by ¥31.2 billion, or 291.6%, to ¥41.9 billion due to higher equity-method earnings from iron ore- and copper-related business investees.

The segment recorded net income attributable to Mitsubishi Corporation of ¥231.5 billion, an increase of ¥92.6 billion, or 66.7%, year over year. In addition to the above reasons, this earnings increase resulted mainly from gains on a share transfer at a Chilean iron ore-related subsidiary.

### *4) Machinery Group*

In the year ended March 2011, this segment saw revenues increase by ¥112.5 billion, or 19.9%, to ¥677.7 billion. This result was mainly attributable to higher sales in overseas automobile-related operations, particularly in Asia.

Gross profit increased by ¥26.9 billion, or 17.3%, to ¥182.0 billion. Furthermore, operating income climbed by ¥25.0 billion, or 60.4%, to ¥66.4 billion.

Equity in earnings of Affiliated companies and other increased by ¥7.4 billion, or 67.3%, to ¥18.4 billion due primarily to increased equity in earnings of Asian automobile-related operations.

The segment recorded net income attributable to Mitsubishi Corporation of ¥61.4 billion, an increase of ¥43.3 billion, or 239.2%, year over year. In addition to the above reasons, this increase was due to factors such as the absence of a writedown of preferred shares of Mitsubishi Motors Corporation recorded in the year ended March 2010.

### *5) Chemicals Group*

In the year ended March 2011, segment revenues increased by ¥88.2 billion, or 12.3%, to ¥803.7 billion. This reflected strong transactions at the Parent, overseas regional subsidiaries and specialty paper business-related subsidiaries.

Gross profit increased by ¥6.4 billion, or 8.2%, to ¥84.2 billion. Furthermore, operating income rose by ¥6.0 billion, or 25.9%, to ¥29.2 billion.

Equity in earnings of Affiliated companies and other decreased by ¥2.5 billion, or 14.5%, to ¥14.7 billion. Although equity-method earnings of petrochemical business-related companies increased on strong transactions, the overall decrease resulted from the absence of a gain on reversal of deferred tax liabilities recorded in the year ended March 2010.

The segment recorded net income attributable to Mitsubishi Corporation of ¥29.1 billion, down ¥3.3 billion, or 10.2%, year over year.

### *6) Living Essentials Group*

In the year ended March 2011, the segment recorded a ¥31.6 billion, or 2.1%, increase in revenues to ¥1,525.8 billion. This mainly reflected higher grain prices.

Gross profit declined by ¥0.3 billion year over year to ¥456.8 billion, despite higher earnings on transactions at general merchandise-related subsidiaries. The overall decrease reflected the deconsolidation of and lower earnings on transactions at healthcare and marketing service-related subsidiaries, as well as lower earnings on transactions at food- and feed-related subsidiaries. Operating income rose by ¥7.0 billion, or 11.2%, to ¥69.4 billion.

Equity in earnings of Affiliated companies and other increased by ¥3.8 billion, or 19.5%, to ¥23.3 billion due to higher equity-method earnings of general merchandise- and food-related companies.

The segment recorded net income attributable to Mitsubishi Corporation of ¥46.3 billion, a slight decrease of ¥0.5 billion, or 1.1%, year over year. In addition to the above reasons, the decrease was due to factors such as the recording of tax expenses related to the consolidated tax system to be adopted from the year ending March 2012 onward.

## Geographic Information

### *1) Japan*

Revenues in the year ended March 2011 were ¥3,812.1 billion, up ¥423.3 billion, or 12.5%, year over year. This increase mainly reflected higher revenues in energy-related businesses due to higher crude oil prices.

Gross profit increased by ¥24.8 billion, or 3.5%, to ¥735.1 billion due to higher transactions at steel products related subsidiaries.

### *2) Australia*

In the year ended March 2011, revenues were ¥493.4 billion, ¥105.1 billion, or 27.1%, higher year over year. This increase was primarily attributable to higher sales prices at an Australian resource-related subsidiary (coking coal).

Gross profit was ¥175.8 billion, up ¥50.5 billion, or 40.3%, because of the increased revenues.

### *3) Thailand*

In the year ended March 2011, revenues were ¥381.0 billion, up ¥83.7 billion, or 28.2%, year over year. This mainly reflected higher sales in automobile-related operations.

Because of this increase, gross profit rose by ¥14.1 billion, or 36.0%, to ¥53.3 billion.

### *4) United Kingdom*

In the year ended March 2011, revenues were ¥165.9 billion, ¥18.0 billion, or 12.2%, higher year over year. This increase mainly reflected the absence of losses related to fuel derivative transactions for a JAL subsidiary recorded in the year ended March 2010.

Because of this increase, gross profit rose by ¥23.6 billion, or 122.9%, to ¥42.8 billion.

### *5) U.S.A.*

In the year ended March 2011, revenues were ¥150.6 billion, up ¥16.0 billion, or 11.9%, year over year. This increase mainly reflected higher revenues at overseas regional subsidiaries due to rising commodity prices, and at food-related subsidiaries.

Because of this increase, gross profit rose by ¥1.6 billion, or 3.3%, to ¥49.9 billion.

### *6) Other*

In the year ended March 2011, revenues rose by ¥20.0 billion, or 10.9%, to ¥203.9 billion. Gross profit increased by ¥18.7 billion, or 25.2%, to ¥93.0 billion.

## 4. Year Ended March 2012 Operating Environment and Year Ending March 2013 Outlook

### *1) Industrial Finance, Logistics & Development Group*

In the year ended March 2012, the global economy initially trended toward recovery, seemingly putting the global financial crisis behind it. However, the recovery stalled as the European debt problems arose. With industrialized nations, except the U.S., proceeding to exercise fiscal restraint, and emerging markets prioritizing policies to curb inflation over economic growth, the global economy stagnated. In financial markets, it was a year of increased volatility for various financial assets against a backdrop of rising uncertainty about the global economy. In Japan, the government maintained a policy of monetary easing to support the recovery from the Great East Japan Earthquake and effects of the yen's appreciation.

For the year ending March 2013, an uncertain operating environment will continue to prevail for this business group due to factors such as the European debt problem and yen's appreciation. However, while keeping a close eye on developments in financial markets in Japan and overseas, we will develop innovative industrial finance businesses globally, providing finance to industry and offering investment opportunities to investors.

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

In the real estate business domain, we saw signs of recovery during the year ended March 2012 in both transaction volumes and size in Japan, as the market appeared to bottom out after slumping due to the global financial crisis and suffering the effects of the Great East Japan Earthquake. Furthermore, there was also a recovery in investment unit prices, in part because of the ongoing purchase of Japanese real estate investment trusts by the Bank of Japan as part of its comprehensive qualitative easing strategy.

For the year ending March 2013, we expect to see a steady recovery in demand from Japanese and overseas investors for real estate, listed REITs and private real estate funds.

In China, where unabated economic growth continues, there was a correction in prices during the year ended March 2012, reflecting a decline in speculative transactions as the government implemented measures to curb inflation such as placing restrictions on house purchases. However, housing demand in regional cities remains brisk.

For the year ending March 2013, real estate prices are expected to bottom out and transaction volumes increase due in part to expectations for deregulation designed to stimulate the economy along with robust demand.

In the business domain of aircraft operating leases, the year ended March 2012 saw robust demand for operating leases as a means of procuring aircraft in the airline industry, which continues to recover from the downturn after the global financial crisis. We expect demand for operating leases to continue rising for the year ending March 2013 on higher demand from emerging markets, and demand to replace aircraft with more economical models due to spiraling fuel costs.

Although freight volumes fell temporarily due to the impact of the Great East Japan Earthquake and planned power outages, the Japanese logistics industry in the year ended March 2012 staged a quick recovery.

For the year ending March 2013, a slight increase is projected due to solid internal demand expansion and a rebound from the decrease in freight volumes in the previous fiscal year.

In bulk carriers and containerships, sluggish market conditions are expected to continue for around the next one or two years. These sluggish conditions have been caused by a large number of new vessels coming onto the market, the European debt problem, and slowing economic growth in emerging markets, which has resulted in lower freight volumes.

### *2) Energy Business Group*

The Dubai spot price in the year ended March 2012 showed much volatility, trading at the US$105/BBL level in the first half and strengthening toward US$125/BBL during the fourth quarter.

Although the price of crude oil softened in the wake of the Great East Japan Earthquake that occurred in the year ended March 2011, it made a strong comeback on expectations that demand for crude oil would increase as a substitute for nuclear power generation and because of ongoing turmoil in the Middle East. The Greek debt problem came into the spotlight again at the end of April 2011, as it did a year earlier. The Greek fiscal crisis will be difficult to resolve in the short term because structural problems are a major factor, raising the possibility of the country defaulting. Fears of contagion to other European countries and turmoil in European economies caused the price of crude oil to reverse course, collapsing along with prices of other commodities. The price subsequently slowly rebounded, but after the International Energy Agency decided in June 2011 to release reserves of 60 million barrels of oil, the Dubai spot price fell close to US$100/BBL, and then temporarily dropped as low as US$96/BBL when the problem of the U.S. raising its debt ceiling in August 2011 surfaced, compounding the situation. December 2011 saw the price turn upward and strengthen further from the end of the year through March 2012. With internal strife continuing in Libya and supplies from non-OPEC countries dwindling, the decline in OECD country oil stocks came into sharp relief. Rising tensions in the Middle East spurred by countries imposing sanctions on Iran after the International Atomic Energy Agency (IAEA) accused Iran of developing its nuclear program boosted the oil price.

The crude oil market for the year ending March 2013 is expected to see unstable movement in prices due to a complicated mix of both positive and negative variables. Emerging markets, which drive demand, are expected to experience slower economic growth rates, although they will remain comparatively high. Concerns surrounding government finances in Greece and other Southern European countries appear to remain a factor for the year ending March 2013. Furthermore, the Iranian nuclear development problem will cause volatility in the crude oil market. In addition, the trend to expand production of shale gas, which has increased rapidly in the U.S., could widen to other resource countries including China.

Our consolidated net income projection for the year ending March 2013 for this business group assumes a crude oil price of US$120/BBL (Dubai spot price). The Energy Business Group holds upstream rights to LNG and crude oil, and/or liquefaction facilities in Australia, Malaysia, Brunei, Sakhalin, Indonesia, the U.S., including the Gulf of Mexico, Gabon, Angola and other parts of the world. Therefore, our operating results are subject to the effect of fluctuations in the price of crude oil. A US$1/BBL change in the price of crude oil has an approximate ¥1.0 billion effect on net income attributable to Mitsubishi Corporation in this business group, mainly through a change in equity-method earnings. However, because of timing differences, this price fluctuation might not be immediately reflected in our operating results in the fiscal year in which it occurs.

### *3) Metals Group*

In the metal resources business, global steel production in the year ended March 2012 was a record, reaching 1.5 billion tons for the first time. However, demand and prices for coal and iron ore entered a correction phase in the second half of the fiscal year, due to lackluster steel product prices caused by the European debt problem, fiscal tightening in China and other factors. In non-ferrous metals, including copper and aluminum, prices remained firm in the first half of the fiscal year, supported by solid demand in China and other emerging markets, and economic recovery in European countries, the U.S. and other industrialized nations. In the second half of the fiscal year, however, market prices dropped and have remained weak since, reflecting mainly the European debt problem and the apparent Chinese economic slowdown. The average annual price of copper cathode rose marginally from US$3.69 per pound to US$3.84 per pound for the year ended March 2012. The average annual price of aluminum ingots was also slightly higher, rising from US$2,257 per MT to US$2,318 per MT for the year ended March 2012.

Due to the aforementioned factors, net income attributable to Mitsubishi Corporation in the metal resources business in the year ended March 2012 declined year over year due mainly to lower sales volumes at key Australian resource-related subsidiary Mitsubishi Development Pty Ltd and to the absence of the gains on a share exchange at a Chilean iron ore-related company that were recorded in the year ended March 2011.

In the steel products business, Metal One Corporation, which was established in January 2003 by joint investment of Mitsubishi Corporation (60%) and Sojitz Corporation (40%), recorded lower net income year over year. While sales unit prices rose due to an increase in steel prices, transaction volumes dropped, mainly at subsidiaries. Such decrease was the result of the heavy direct and indirect impacts on domestic businesses and automobile-related operations of the Great East Japan Earthquake and flooding in Thailand.

In terms of the business environment for the year ending March 2013, there are some uncertainties overshadowing the outlook, most notably indications of an economic slowdown in China and other emerging markets. Nevertheless, over the medium and long terms, demand for metals resources and related products as well as prices are expected to increase strongly, with economic growth in emerging markets driving the global economy. For the year ending March 2013, we project an increase in consolidated net income in the Metals Group year over year, premised mainly on higher earnings from copper-related businesses and higher earnings from steel product-related subsidiaries.

### *4) Machinery Group*

In the year ended March 2012, the business environment of the Machinery Group as a whole was difficult due to the impact of the historically strong yen, major floods in Thailand and other factors. However, demand was robust in emerging markets, particularly in Asia, and resource-rich nations. For the year ending March 2013, although similar trends are expected, excluding the impact of the Thailand floods, performances are expected to improve in business related to Mitsubishi Motors Corporation (MMC) and Isuzu Motors Limited brand automobiles.

In plant-related business, we expect to see a pickup in demand for the year ending March 2013 particularly for resource, energy and heavy machinery-related projects in emerging markets and elsewhere. Although the strong yen could fuel more intense competition with overseas companies, we will focus on winning orders for new projects and improving efficiency at existing businesses as we work to raise earnings.

In the industrial machinery business where we sell machinery and equipment in large volumes, Japan will still not see substantial capital investment, while capital expenditure is expected to be robust in Asia and other emerging markets. In China, the largest overseas market for construction machinery, the government's monetary policy tightening had an impact in the year ended March 2012. The business environment, however, is expected to stage a turnaround in the second half of the year ending March 2013. Regarding the construction machinery rental business in Japan, another year of strong demand is forecasted for the year ending March 2013.

In the ship-related business, market conditions were sluggish in the year ended March 2012, mainly due to the delivery of a large number of new vessels in the market, which were ordered when market conditions were buoyant before the onset of the global financial crisis. Although the operating environment is projected to remain challenging for the year ending March 2013, we will focus on securing prime assets to strengthen our competitiveness.

In business related to Mitsubishi Motors Corporation, demand was robust in emerging markets, particularly in Asia, as highlighted by record automobile demand of 918,000 units in Indonesia, one of our main markets. That said, we encountered a difficult operating environment in the year ended March 2012 because of the yen's appreciation and the flooding in Thailand. For the year ending March 2013, although there are concerns that the strong yen will prolong the difficult operating environment, we expect to generate higher profits through a focus on expanding sales in the prospective growth markets of China and Russia, and in Indonesia.

In business related to Isuzu Motors Limited brand automobiles, the operating market was extremely tough due to the strong yen as well as flooding in the mainstay Thailand market. Automobile demand in Thailand in the year ended March 2012 was only 794,000 units, which was less than the previous fiscal year, due to the flooding. However, demand in emerging markets and resource-rich nations remains strong, and we expect demand in Thailand to exceed 1 million units for the year ending March 2013. Despite concerns about the strong yen prolonging the difficult operating environment, we forecast a recovery in performance on a bounce back from the lower sales caused by the flooding in Thailand, and the expected benefits for sales of new model launches in the second half of the fiscal year.

### *5) Chemicals Group*

The chemical products market in the year ended March 2012 remained lackluster in the first half, reflecting mainly the slow global economic recovery. From the second half, however, crude oil and naphtha prices rose due mainly to instability in the Middle East, boosting prices in general for petrochemical products. Demand though lacked strength as a whole on account on softening demand growth in China and the European economic downturn. With expected demand slow to recover in China after the Chinese New Year period, there was no major change in the chemical products market in Asia, which continued to weigh on prices.

Regarding the outlook for the business environment, the impact of the European economic malaise is expected to persist for some time. On the other hand, China is relaxing its fiscal policy, as evidenced by the lowering of the reserve deposit rate in stages since December 2011. We intend to watch how this situation unfolds as well as trends in demand. We also expect to see structural changes in the petrochemical industry in the form of industry restructuring and facility closings and integrations resulting from increasing supplies and competitiveness of ethylene-based petrochemicals using shale gas in North America. We also anticipate changes in distribution and product supply flows worldwide. We see this as an opportunity to showcase our capabilities.

Many of our main suppliers affected by the Great East Japan Earthquake have the restoration of production under control, so the impact on the procurement of raw materials and product manufacturing and supply systems has been limited. Looking ahead, we expect to see a further increase in demand stemming from recovery efforts after the disaster.

Steadily increasing interest in health, safety, comfort and the environment caused by environmental problems and trends such as aging societies and falling birthrates are expected to continue underpinning growing demand in the life science and environmental and new energy fields.

We will respond to the needs of the times by developing our trading business globally and making related business investments, as we seek to tap into growth markets in Japan and other countries.

At the same time as strengthening core businesses, namely Saudi Arabian petrochemical operations, Venezuelan methanol business and aromatics in Malaysia, we will continue to develop the business chain in midstream and downstream sectors and strengthen consolidated businesses.

### *6) Living Essentials Group*

In the year ended March 2012, there were concerns that the economy would experience a downturn due to direct damage, deteriorating consumer sentiment and power supply problems following the Great East Japan Earthquake. However, while consumption was sluggish and consumers showed a preference for lower-priced products in Japan, some bright signs emerged in some sectors of the consumer market. On the other hand, amid prolonged malaise in the economies of industrialized nations, the global economy's center of gravity has begun to shift to Asia and Oceania, especially to emerging markets. In this context, we believe that capturing expanding domestic demand in these emerging markets holds the key to our business expansion going forward.

In the food field, amid expectations for continued tight supplies of grain and other commodities, we will push ahead with efforts to strengthen our framework for procuring raw materials globally in order to respond to market needs, such as for the stable supply of food and for quality food products, while keeping an eye on changes in the global supply-demand balance. Specifically, we plan to build and reinforce integrated value chains extending from raw materials to transportation and processing, and product distribution and sales. These value chains will revolve around entities such as AGREX, Inc., a U.S. subsidiary engaged in the storage and marketing of grain, and Los Grobo Ceagro do Brasil S.A. (Ceagro), which we invested in during the year ended March 2012. In Japan, four Mitsubishi Corporation food distribution wholesale subsidiaries completed a merger, making a new start as Mitsubishi Shokuhin Co., Ltd. in April 2012. Overseas, we will continue to make progress expanding business in overseas growth markets, with subsidiaries such as Princes Limited, a U.K. subsidiary manufacturing food products and soft drinks, playing a pivotal role.

In the textiles field, the business environment remains difficult due to a host of factors, including slowing personal consumption and price-based competition with foreign companies and others. In order to respond to this business environment, we are working to raise our competitiveness further through means such as expansion of overseas procurement networks. Playing a key role here is MC Fashion Co., Ltd., a core subsidiary that runs an apparel OEM (Original Equipment Manufacturing) business. Furthermore, we will continue looking to actively sell environment-related products and materials for optical communications, among other highly functional materials.

In general merchandise, our U.S. cement operations had faced a tough business environment due to the economic downturn in the wake of the global financial crisis. In the year ended March 2012, however, demand in Southern California turned upward year over year. We expect a gradual recovery going forward. Moreover, we will bolster paper- and packaging-related businesses, led by Hokuetsu Kishu Paper Co., Ltd., Mitsubishi Shoji Packaging Corporation and Canadian pulp manufacturing subsidiary Alpac Forest Products Inc. We will also continue to steadily expand sales of tires in overseas growth markets, including emerging nations.

In the healthcare field, the operating environment for medical institutions remains challenging in the face of government policies designed to decelerate the escalating medical expenses for the citizens of Japan as the population ages. In light of this, demand is growing for outsourcing services to cut costs. MC Healthcare, Inc., which was established in April 2010 from the integration of three subsidiaries, is at the heart of our efforts here. This company is providing comprehensive services mainly through the supply of medical equipment and supplies to meet various hospital needs. Looking ahead, we intend to aggressively expand our business as one of the largest companies in Japan providing outsourcing services for hospitals.

In April 2012, we established the Global Consumer Business Development Unit, which reports directly to the CEO of the Living Essentials Group. This unit is charged with adapting business models to emerging markets, particularly the high-growth Asian region, which have been developed in the Japanese market by the Living Essentials Group. The aim is to create new streams of earnings.

## 5. R&D Activities

There were no material R&D activities in the year ended March 2012.

## 6. Liquidity and Capital Resources

### *1) Fund Procurement and Liquidity Management*

Our basic policy concerning the procurement of funds to support business activities is to procure funds in a stable and cost-effective manner. For funding purposes, we select and utilize, as needed, both direct financing, such as commercial paper and corporate 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 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.

In the year ended March 2012, instability persisted due to ongoing market turmoil caused by the European debt problems, the impact of the Great East Japan Earthquake and other factors. We continued to diversify our fund procurement channels while ensuring our financial soundness. This included continuing to issue foreign currency-denominated straight bonds.

As a result of these funding activities, as of March 31, 2012, gross interest-bearing liabilities stood at ¥5,016.4 billion, ¥758.8 billion higher than March 31, 2011. Of these gross interest-bearing liabilities, 82.3% represented long-term financing. Gross interest-bearing liabilities at the Parent were ¥3,604.5 billion, of which 97.5% represented long-term financing, and the average remaining period was approximately 5 years.

For the year ending March 2013, we plan to continue procuring funds mainly through long-term financing. Furthermore, in order to prepare for future demand for funds, we will seek to diversify funding sources and at the same time look to continue raising funding efficiency on a consolidated basis. Moreover, because financial markets remain unpredictable, we will remain vigilant and secure sufficient cash and deposits, and bank commitment lines, to enhance our liquidity further.

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, 2012, 80.0% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance companies, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, especially in light of our stated management policy of continuously improving consolidated management.

The current ratio as of March 31, 2012 was 138.3% on a consolidated basis. In terms of liquidity, we believe that the Parent has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.) and Mitsubishi Corporation Finance PLC (U.K.) had ¥295.0 billion in short-term debt as of March 31, 2012, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits, bond investments due to mature within a year, and securities for trading purpose together with commitment lines secured on a fee basis amounted to ¥1,623.2 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,328.2 billion. The Parent has a yen-denominated commitment line of ¥410.0 billion with major Japanese banks, a commitment line of US$1.0 billion and a soft currency facility equivalent to US$0.3 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, and Standard and Poor's (S&P). Our current ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A1/P-1 (outlook stable) by Moody's, and A+/A-1 (outlook stable) by S&P.

**Rating Information** (As of June 1, 2012)

| Credit Agency | Long-Term／Short-Term |
|---|---|
| Rating and Investment Information, Inc. (R&I) | AA–／a-1+ (outlook stable) |
| Moody’s Investors Service | A1／P-1 (outlook stable) |
| Standard and Poor’s (S&P) | A+／A-1 (outlook stable) |

### *2) Total Assets, Liabilities and Total Equity*

Total assets at March 31, 2012 were ¥12,588.5 billion, up ¥1,315.7 billion, or 11.7%, from March 31, 2011. The year over year increase was mainly attributable to an increase in property and equipment.

Current assets increased by ¥181.9 billion, or 3.0%, to ¥6,175.3 billion. The main reasons were increases in cash and cash equivalents and accounts receivables, which outweighed a year over year decrease in other current assets.

Cash and cash equivalents increased by ¥44.2 billion, or 3.7%, to ¥1,253.0 billion at March 31, 2012 due to raising the level of cash on hand to secure funds for making new investments. Accounts receivables rose by ¥246.5 billion, or 11.6%, to ¥2,379.9 billion on account of higher crude oil prices and sales volumes in Energy Business-related transactions, and a recovery in market conditions in steel products-related transactions after the Great East Japan Earthquake. On the other hand, other current assets decreased by ¥67.6 billion, or 20.7%, to ¥259.0 billion due mainly to the redemption of currency interest swaps at the Parent and a decrease in derivative assets, reflecting changes in market prices.

Non-current assets increased by ¥1,133.9 billion, or 21.5%, to ¥6,413.2 billion from March 31, 2011.

There was an increase in investments in and advances to Affiliated companies and other investments, as a result of making large investments, namely the acquisition of natural gas interests in Canada, investments in companies owning copper asset rights in Chile and Peru, and the acquisition of working interests by an Australian resource-related subsidiary (coking coal). The overall increase in investments and non-current receivables was also due to an increase in property and equipment-net because of capital expenditures at an Australian resource-related subsidiary (coking coal), as well as the acquisition of leasing assets such as real estate and aircraft.

Investments in and advances to Affiliated companies at March 31, 2012 stood at ¥1,660.4 billion, up ¥324.1 billion, or 24.3%, year over year. Other investments were ¥1,854.6 billion, up ¥423.3 billion, or 29.6%. Property and equipment-net was ¥1,970.9 billion, up ¥235.1 billion, or 13.5%.

Total liabilities at March 31, 2012 were ¥8,760.2 billion, up ¥1,037.4 billion, or 13.4%, due to increases in both current liabilities and long-term liabilities.

Current liabilities increased by ¥484.7 billion, or 12.2%, to ¥4,466.0 billion.

This mainly reflected an increase in short-term debt, with the aim of meeting increased demand for working capital at energy business-, metals resource- and steel products-related subsidiaries; and an increase in accounts payable-trade, the result of higher accounts payable commensurate with the increase in accounts receivables due to higher crude oil prices and sales volumes in Energy Business-related transactions, and a recovery in market conditions in steel products-related transactions after the Great East Japan Earthquake.

Short-term debt at March 31, 2012 stood at ¥886.4 billion, up ¥229.6 billion, or 34.9%. Accounts payable-trade was ¥2,108.2 billion, up ¥228.2 billion, or 12.1%.

Total non-current liabilities were ¥4,294.3 billion, up ¥552.7 billion, or 14.8%, due mainly to an increase in long-term debt.

Long-term debt increased by ¥571.4 billion, or 17.9%, to ¥3,760.1 billion, the result of raising long-term funds through direct financing and indirect financing mainly at the Parent in order to make new large investments. On the other hand, other non-current liabilities decreased by ¥27.2 billion, or 8.7%, to ¥285.1 billion, reflecting a decrease in advances from customers on long-term transactions and other factors.

Total equity increased by ¥278.3 billion, or 7.8%, from March 31, 2011 to ¥3,828.3 billion at March 31, 2012, due mainly to an increase in total Mitsubishi Corporation shareholders' equity.

Total Mitsubishi Corporation shareholders' equity increased by ¥276.0 billion, or 8.5%, to ¥3,509.3 billion at March 31, 2012, as positive factors outweighed negative factors. The main contributor was an increase in retained earnings due to the net income attributable to Mitsubishi Corporation. Factors that lowered the overall figure were the payment of dividends, the retirement of treasury stock, deterioration in foreign currency translation adjustments as a result of a decline in net assets denominated in the euro, Australian dollar and other currencies due to the yen's appreciation, and a decrease in net unrealized gains on securities available-for-sale, which reflected lower stock prices.

Noncontrolling interest increased by ¥2.4 billion, or 0.7%, to ¥319.0 billion.

Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2012 were ¥3,647.4 billion, up ¥700.1 billion, or 23.8% year over year. As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total Mitsubishi Corporation shareholders' equity, was 1.0, which was 0.1 of a point higher than at March 31, 2011.

### *3) Cash Flows*

Cash and cash equivalents at March 31, 2012 were ¥1,253.0 billion, up ¥44.2 billion, or 3.7% from March 31, 2011.

**(Operating activities)**
Net cash provided by operating activities was ¥550.7 billion.

Operating activities provided net cash due to strong cash flows from operating transactions primarily at resource-related subsidiaries and firm growth in dividend income from investees, mainly resource-related business investees. This was despite an increase in working capital requirements due to increases in accounts receivables-trade and inventories mainly at the Parent.

Net cash provided by operating activities increased by ¥219.5 billion year over year, as a result mainly of an improvement in working capital requirements.

**(Investing activities)**
Net cash used in investing activities was ¥1,100.9 billion.

The main outflows were investments in Chilean and Peruvian copper asset rights holding companies, the acquisition of natural gas interests in Canada, and the acquisition of interests and capital expenditures at an Australian resource-related subsidiary.

There was an increase of ¥838.3 billion in net cash used by investing activities. This was mainly due to the large investments mentioned above.

As a result of the above, free cash flow, which is the sum of operating and investing cash flows, was negative ¥550.2 billion.

**(Financing activities)**
Net cash provided by financing activities was ¥599.1 billion.

Although the payment of dividends at the Parent and repayment of long-term debt used cash, this was outweighed by the procurement of short-term debt to fund an increase in working capital needs, as well as fundraising through bonds and long-term debt to provide funds for new investments.

There was a ¥522.3 billion year over year increase in net cash provided by financing activities, the result of the abovementioned increases in short- and long-term debt, despite an increase in dividend payments to shareholders of Mitsubishi Corporation.

## 7. Strategic Issues

### *1) Management Issues and Plans - Midterm Corporate Strategy 2012*
In July 2010, we released our new three-year management plan, the Midterm Corporate Strategy 2012, which covers the year ended March 2011 through the year ending March 2013.

■ Management Objectives
Under Midterm Corporate Strategy 2012, we will aim to create “sustainable corporate value.” “Sustainable corporate value” is a new concept that integrates “sustainable economic value”, “sustainable societal value” and “sustainable environmental value.” We will aim to create “sustainable corporate value” by helping to solve global problems through business activities in light of the needs and expectations of all stakeholders.

| | |
|---|---|
| Sustainable Corporate Value | Sustainable Economic Value: We will aim for sound earnings growth and increased corporate value through the proactive reshaping of its business models and portfolio.<br><br>Sustainable Societal Value: We will contribute to economic development as a responsible corporate citizen.<br><br>Sustainable Environmental Value: We will aim to conserve and contribute to the global environment, recognizing our planet as its greatest stakeholder. |

We will strengthen existing earnings drivers and develop new business for future growth in light of changes in the external business environment, including fast-growing emerging economies and stagnating OECD countries, the birth of new growth markets triggered by changing values, technological innovation and the rise of emerging economies, and our expanding stakeholder base. Midterm Corporate Strategy 2012 has also been drawn up in light of our internal business environment, which is undergoing changes in terms of the company's business portfolio, diversification of its business models and a shift of businesses to subsidiaries and affiliates.

■ Quantitative Objectives and Indicators

We are seeking profit growth while giving due consideration to capital efficiency and financial soundness as it strengthens its earnings base. Under Midterm Corporate Strategy 2012, we are targeting ¥500 billion in consolidated net income in its last year, the year ending March 2013, with a return on equity (ROE) throughout the three-year period at 12-15%. Also, as we aim to achieve its income target, we will maintain a sound balance sheet by targeting a net debt-equity ratio (net DER) of 1.0-1.5 times. The company will maintain a dividend payout ratio in the range of 20-25%.

■ Investment Plans

We will maintain investment at a constant ¥700-800 billion per year, with a total of ¥2.0-2.5 trillion invested over Midterm Corporate Strategy 2012's three–year period. Specifically, we will invest ¥400-500 billion in strategic domains and regions, ¥1.0-1.2 trillion in mineral resources, and oil and gas resources, and ¥600-800 billion in other areas.

■ Strategic Domains and Regions

We will respond to fast-growing emerging economies and new growth markets by designating infrastructure and global environmental businesses as strategic domains and China, India and Brazil as strategic regions, aiming to build its future earnings base by promoting investment through prioritized resource allocation.

■ Initiatives to Leverage and Solidify Our Diversified Business Portfolio

Regarding the leveraging of our diversified business portfolio, we will cultivate several earnings drivers by building and implementing a tool capable of visualizing its diversified business portfolio and setting targets according to business models and business risk profiles, while leveraging its diversified business portfolio and business models.

Regarding the solidifying of our diversified business portfolio, we have established the Business Development Committee in order to promote investment in company-wide projects and strategic domains/regions designated under Midterm Corporate Strategy 2012. Furthermore, we will review its management platform, including regional offices, human resources and IT governance, in light of the diversification of its business models.

In terms of the operating environment, looking ahead, economic growth is expected to slow in China, India, Brazil and other emerging markets in line with the economic slowdown in industrialized nations. The global economy is expected to continue experiencing heightened uncertainty, such as financial market turmoil caused by fiscal deficits mainly in industrialized nations.

Conscious of these conditions, we will forge ahead with Midterm Corporate Strategy 2012 as we work to create an even stronger earnings base and financial position. In tandem, through our diverse businesses, we aim to create sustainable corporate value while helping solve global problems. Moreover, guided by the spirit of the Three Corporate Principles, which form our corporate philosophy, we are determined to support economic activities and contribute to society through our businesses.

## *2) Basic Policy Regarding the Appropriation of Profits*

**(1) Investment Plans**

We plan to invest in the mineral resources and oil and gas resources fields, which we expect to remain key earnings drivers, as well as global environmental businesses, and the industrial finance, machinery, chemicals, living essentials and other fields, including Strategic Regions and Strategic Fields, which we see as future sources of earnings. All investments will be made with the aim of sustaining our growth.

Under Midterm Corporate Strategy 2012, which was announced in July 2010, we plan to invest between ¥2,000 to 2,500 billion over the 3-year period ending March 31, 2013. We are targeting annual investments of ¥700 to 800 billion during this period.

**(2) Capital Structure Policy and Dividend Policy**

Our basic policy is to sustain growth and maximize corporate value by balancing earnings growth, capital efficiency and financial soundness. For this, we will continue to utilize retained earnings for investments to drive growth, while maintaining our financial soundness.

In terms of shareholder returns, our basic policy is to increase the annual dividend per share through earnings growth with a targeted consolidated dividend payout ratio in the range of 20% to 25% throughout the period of Midterm Corporate Strategy 2012. We will also purchase treasury stock flexibly depending on earnings growth, progress with our investment plans and other factors.

The Board of Directors passed a resolution setting a dividend per common share applicable to the fiscal year ended March 31, 2012 of ¥65, which is consistent with the forecast in May 2011, because consolidated net income attributable to Mitsubishi Corporation at ¥453.8 billion met the forecast of ¥450.0 billion. (The interim dividend applicable to the fiscal year ended March 31, 2012 was ¥32 per common share, making the year-end dividend ¥33 per common share.)

In accordance with the aforementioned policy, we plan to pay a dividend of ¥70 per common share for the year ending March 2013, providing we achieve our forecast for consolidated net income attributable to Mitsubishi Corporation of ¥500.0 billion.

[For Reference: Annual Ordinary Dividends]

Year ended March 2005 = 18 yen per common share
Year ended March 2006 = 35 yen per common share
Year ended March 2007 = 46 yen per common share
Year ended March 2008 = 56 yen per common share
Year ended March 2009 = 52 yen per common share
Year ended March 2010 = 38 yen per common share
Year ended March 2011 = 65 yen per common share
Year ended March 2012 = 65 yen per common share

## *3) Main Investment Activities*

We plan to invest in the mineral resources and oil and gas resources fields, which we expect to remain key earnings drivers, as well as the global environmental business, industrial finance, machinery, chemicals, living essentials and other fields, including Strategic Regions and Strategic Domains, which we see as future sources of earnings. All investments will be made with the aim of sustaining our growth.

Under Midterm Corporate Strategy 2012, which we formulated in July 2010, we plan to maintain investment at a constant ¥700-800 billion per year, with a total of ¥2.0-2.5 trillion invested over the plan's three-year period to the end of March 2013. In the year ended March 2012, we invested a total of ¥1,340.0 billion. The main investments were as follows:

### ■ Acquisition of Shale Gas Interests in Canada (Cutbank Dawson Gas Resources Ltd.'s Acquisition of Cutbank Ridge Partnership Equity Interest)

In February 2012, we acquired a 40% partnership interest in the Cutbank Ridge Partnership (CRP) through a newly established subsidiary, Cutbank Dawson Gas Resources Ltd., from leading Canadian natural gas producer Encana Corporation. CRP is developing natural gas resources in the Montney region of British Columbia.

We paid CAD$1.45 billion (approx. ¥116.0 billion) to Encana as an upfront payment upon closing, and will also pay another CAD$1.45 billion (approx. ¥116.0 billion) over the coming 5 years that will be used to fund an incremental 30%, in addition to our 40% of the partnership capital investments, to develop CRP's asset in accordance with an agreed-upon development plan.

CRP was originally formed by Encana, and an Encana affiliate. CRP holds 409,000 net acres of high-quality undeveloped Montney land, plus additional undeveloped similar size land targeting other opportunities including Cadomin and Doig geological formations.

Encana, Managing Partner of CRP, has an excellent track record and innovative production technologies for developing natural gas resources. CRP's land position is one of the largest and highest quality undeveloped natural gas assets in the Western Canadian Sedimentary Basin. When coupled with Encana's extensive knowledge of natural gas development in the Montney region with more than 290 highly efficient producing wells, we believe that CRP's land stands as the best development opportunity currently available in the region.

The total estimated ultimate recoverable resources from CRP's land are more than 35 trillion cubic feet (equivalent to approximately 720 million tons of liquefied natural gas (LNG)). These huge reserves equate to approximately nine years of Japan's annual natural gas demand. The partnership plans to invest more than CAD$6 billion (approx. ¥480.0 billion) over the next 5 years to drill approximately 600 horizontal production wells to develop the asset. The asset is expected to have more than 50 years of production life and reach production of more than 3 billion cubic feet per day (equivalent to approximately 22.5 million tons of LNG per year) during the coming decade.

We are currently undertaking natural gas development in the Cordova Embayment in British Columbia with Penn West Exploration, Chubu Electric Power Co., Inc., Tokyo Gas Co., Ltd., Osaka Gas Co., Ltd., Japan Oil, Gas and Metals National Corporation ("JOGMEC") and Korea Gas Corporation. In addition, we are currently pursuing the export of natural gas in the form of LNG with the anticipation of sourcing natural gas produced from our asset portfolio as feedgas. With this additional acquisition of natural gas resources, we will accelerate the LNG feasibility studies. Going forward, we will contribute to economic development and job creation in Canada, while ensuring stable supplies of energy to Japan and the rest of Eastern Asia.

Natural gas can now be produced in large volumes at competitive cost due to technological innovations developed in recent years. Given the large potential reserves and resources, natural gas has attracted attention worldwide. We intend to continue to build our knowledge and expertise in natural gas development. As part of our resource and energy strategy going forward, we also aim to secure a stable supply of energy resources by diversifying our asset holdings.

### ■ Acquisition of Western Australian Iron Ore-Related Assets and Interests (Mitsubishi Development Pty Ltd's Acquisition of Equity Interests in Crosslands Resources Ltd and Oakajee Port and Rail)

On February 20, 2012, our wholly owned subsidiary Mitsubishi Development Pty Ltd (MDP) completed the acquisition of Murchison Metals Ltd's (Murchison) interests in Crosslands Resources Ltd ("Crosslands"), which is the owner of the Jack Hills iron ore deposit, and in the associated rail and port infrastructure project in the Mid West region of Western Australia ("Oakajee Port and Rail" or "OPR") (together with Crosslands, the "Project").

The acquired shares and assets are Murchison's 50% share in Crosslands—the other 50% is owned by MDP, and 50% economic interests in OPR. As a result of this acquisition, MDP's interest, including existing interests, in Crosslands and OPR came to 100%, making Crosslands and OPR wholly consolidated entities of MDP.

MDP has been conducting feasibility studies toward project development since 2007. Going forward, MDP will support Crosslands and OPR in key activities, including the finalization of feasibility studies and obtaining necessary approvals for the Project. When appropriate and in due course, MDP intends to introduce suitably capitalized partner(s) or investor(s) to take up the acquired interests.

The introduction of such partner(s) will assist in securing funding for developing the Project and promoting negotiations with potential customers who will use the Oakajee Port and Rail infrastructure.

### ■ Acquisition of Interests in Australian Thermal Coal Business Assets (Mitsubishi Development Pty Ltd's Purchase of Shares of Coal & Allied Industries Limited)

On December 15, 2011, our subsidiary Mitsubishi Development Pty Ltd (MDP) and Rio Tinto Limited acquired all the shares of Coal & Allied Industries Limited (C&A) that were not previously held for A$125 per share via Hunter Valley Resources Pty Ltd, a jointly owned bid vehicle. As a result of MDP raising its equity interest from 10.20% to 20.00%, C&A became an equity-method affiliate of MDP. (Rio Tinto's equity interest increased from 75.71% to 80.00%).

C&A is one of the major thermal coal producers in Australia. C&A has three producing operations in the Hunter Valley region of New South Wales, namely Mount Thorley Warkworth, Hunter Valley Operations and Bengalla. C&A is also progressing with studies of various other potential thermal coal mining projects including the Mount Pleasant project, Hunter Valley Operations South and extending mining within the Mount Thorley Warkworth lease.

We believe that making C&A an equity-method affiliate will lead to further expansion of our coal business since C&A owns long-life, cost-competitive mines and businesses with strong growth potential.

### ■ Acquisition of Copper Asset Rights in Chile and Peru

During the year ended March 2012, we acquired shares in two companies in Chile and Peru with copper asset rights. We have designated the expansion of investments in high-quality resource businesses and the expansion of our resource portfolio with sustainable growth as important areas. Through these share acquisitions, we will continue to grow our business.

#### ➢ Acquisition of Copper Asset Rights in Chile—MC RESOURCE DEVELOPMENT LTD.'s Purchase of Anglo American Sur, S.A. Shares

We acquired 24.5% of Anglo American Sur, S.A. (AAS) for US$5.39 billion (approx. ¥420.0 billion) on November 10, 2011. AAS is a Chilean copper mining and smelting company, wholly owned by Anglo American plc (AAC). The acquisition is the result of a sales process initiated by AAC.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres smelter and large-scale prospective exploration properties. AAS completed an expansion project at the Los Bronces mine in November 2011. When full production is achieved in 2012, AAS is expected to produce approximately 440,000 tonnes of copper per annum.

In Chile, we own 8.25% of the Escondida copper mine, and 5% of the Los Pelambres copper mine. Meanwhile, in Peru, we own 10% of the Antamina copper mine. Our equity share of copper production from these three projects is approximately 140,000 tonnes per annum.

As a result of the purchase of AAS shares, we will own 24.5% of AAS's copper assets. This means that when full production is achieved in 2012, our attributable copper production will rise to approximately 250,000 tonnes per annum.

➢ **Acquisition of Copper Asset Rights in Peru—MCQ COPPER LTD.'s Purchase of Anglo American Quellaveco S.A. Shares**

On February 17, 2012, we acquired International Finance Corporation's ("IFC") 18.1% stake in Anglo American Quellaveco S.A. (AAQSA), which is developing the Quellaveco copper project ("Quellaveco") located in Peru.

We decided to consider acquiring rights in this project according to a competitive divestment process initiated by IFC in late 2010 to early 2011 after IFC had confirmed that there was no pre-emptive right in relation to the divested stake.

Quellaveco's current copper reserve is approximately 10 million tonnes (content metal basis), with an initial mine life of 28 years at approximately 225,000 tonnes per annum. Subject to community support and related required approvals, AAQSA aims to make its decision on the timing of development for commencing production in 2016. Our attributable copper production is expected to increase by approximately 40,000 tonnes per annum in 2016 after production commences as a result of this acquisition.

■ **Acquisition of Chuo Kagaku Co., Ltd. Shares**

During the year ended March 2012, we purchased 9,318,900 shares of Chuo Kagaku Co., Ltd. via a tender offer at a price of ¥386 per share, raising our shareholding on a consolidated basis (including direct and indirect holdings) from 13.73% (2,888,800 shares) to 58.02% (12,207,700 shares; voting rights of 60.59%). As a result of this tender offer, Chuo Kagaku Co., Ltd. became a consolidated subsidiary on October 26, 2011.

The food and beverage market in Japan has hit a growth ceiling amid an aging and declining population. In fast-growing Asian countries, particularly China, meanwhile, there are expectations for volume expansion and improved quality for food packaging containers, spurred by an increase in affluence and growing interest in food safety and quality, in addition to market expansion resulting from population growth. Chuo Kagaku is a leading manufacturer of plastic food packaging and containers; it is ranked as second largest in Japan in terms of sales. Since its foundation in 1961, Chuo Kagaku has developed proprietary technologies, ranging from materials to molding technologies, in line with the changing environment. Up until now, the company has acquired many patents, as well as utility models in Japan and overseas. It also leads the industry in terms of addressing environmental problems. Chuo Kagaku has developed a broad range of products and services, including materials with a low environmental load and various recycling systems. It has also brought to market nonconventional recycled products.

We will pursue synergies by making this company a consolidated subsidiary, and at the same time strengthen earnings drivers in Japan, and ramp up production at Chuo Kagaku manufacturing bases in China, among other actions. Our goals here are to drive growth of this company and raise its corporate value.

### *4) Outlook for Year ending March 2013*

We are forecasting gross profit of ¥1,250.0 billion, ¥122.1 billion, or 10.8%, higher year over year due primarily to higher transaction volumes in coking coal and steel products.

Combined with the fact that selling, general and administrative expenses are projected to slightly increase from the year ended March 2012, operating income is forecasted to increase by ¥68.9 billion, or 25.4%, to ¥340.0 billion. In other items, Mitsubishi Corporation is forecasting a deterioration in foreign exchange related accounts.

As a result, consolidated net income attributable to Mitsubishi Corporation is projected at ¥500.0 billion, an increase of ¥46.2 billion, or 10.2%, year over year. Projections are based on the following assumptions.

Reference: Change of basic assumptions

| | Year Ended March 2012 (Actual) | Year Ending March 2013 (Forecasts) | Change |
|---|---|---|---|
| Exchange rate | 79.1 JPY/US$1 | 80.0 JPY/US$1 | 0.9 JPY/US$1 |
| Crude oil price | 110.1 US$/BBL | 120.0 US$/BBL | 9.9 US$/BBL |
| Interest rate (TIBOR) | 0.34% | 0.40% | 0.06% |

Note:
Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. Actual results may therefore differ materially from these statements for various reasons.

## 8. Business Risks

### *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 transactions 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 and sales companies and financial services companies jointly established with automakers in Japan. Because automobile sales volume reflects internal demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant bearing on earnings from our automobile operations.

In the year ended March 2012, the economies of industrialized nations have slowed due to the impact of the implementation of austerity measures and turbulent financial markets as a result of the deepening of the European government debt problems. Meanwhile, in emerging economies, although there was sluggish growth in exports, in the major countries such as China and India the economies expanded as a whole due to strong domestic demand.

### *2) Market Risks*

(Unless otherwise stated, calculations of effects on future consolidated net income are based on consolidated net income for the year ended March 2012. Consolidated net income, as used hereinafter, refers to “Consolidated net income attributable to Mitsubishi Corporation.”)

**(1) Commodity Market Risk**

In the course of our business activities, we are exposed to various risks relating to movements in prices of commodities 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 hold upstream rights to LNG and crude oil, and/or liquefaction facilities in Australia, Malaysia, Brunei, Sakhalin, Indonesia, Gulf of Mexico (United States), Gabon, Angola and other regions. Movements in LNG and crude oil prices may have a significant impact on operating results in these businesses.

Fundamentally, LNG prices are linked to crude oil prices. As an estimate, a US$1/BBL fluctuation in the price of crude oil would have an approximate ¥1.0 billion effect on consolidated net income for LNG and crude oil combined, mainly through a change in equity-method earnings. However, fluctuations in the price of LNG and crude oil might not be immediately reflected in our operating results because of timing differences.

**(Metal Resources)**

Through wholly owned Australian subsidiary Mitsubishi Development Pty Ltd (MDP), we sell coking coal, which is used for steel manufacturing, and thermal coal, which is used for electricity generation. Fluctuations in the price of coking coal may affect our consolidated 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 for the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper and aluminum. Regarding copper, a US$100 fluctuation in the price per MT of copper would have a ¥1.3 billion effect on our net income. However, variables besides 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 cannot be determined by the copper price alone. Regarding aluminum, a US$100 fluctuation in the price per MT of aluminum would have a ¥1.0 billion effect on our consolidated net income.

**(Petrochemical Products)**

We are engaged in a broad range of trading activities for petrochemical products manufactured from raw materials such as naphtha and natural gas. The prices of petrochemical products are largely determined for each product on an individual basis based on the prices of the above raw materials, supply-demand dynamics and other factors. Fluctuations in the prices of these raw materials may affect earnings from these trading transactions.

We have made investments in manufacturing and sales companies for petrochemicals such as ethylene glycol, paraxylene and methanol in Saudi Arabia, Malaysia and Venezuela. Our equity-method earnings would be affected by changes in the operating results of these companies due to price movements.

**(2) Foreign Currency Risk**

We bear risk of fluctuations in foreign currency rates relative to 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 equity-method affiliates are relatively high in proportion to our consolidated net income. 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 consolidated net income. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥2.7 billion effect on consolidated net income.

Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders' equity through a negative effect on the foreign currency translation adjustments account. 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, 2012, we owned approximately ¥1,400.0 billion (market value basis) of marketable securities, mostly equity issues of customers, suppliers and Affiliated companies. These investments expose us to the risk of fluctuations in stock prices. As of the same date, we had net unrealized gains of approximately ¥500.0 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 managed are marketable stocks. Accordingly, a fall in stock prices could cause an increase in pension expenses by reducing pension assets.

**(4) Interest Rate Risk**

As of March 31, 2012, we had gross interest-bearing liabilities of approximately ¥5,016.4 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 are corresponding 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 time lag, 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 asset holdings.

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

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

### *3) Credit Risk*

We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, finance, guarantees and investments due to our various operating transactions. We are therefore exposed to credit risk 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 risks. In this case, we are exposed to the credit risk of the counterparties to these derivative instruments.

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 risk 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, under which country risk is managed through a country risk countermeasure system. The country risk countermeasure system classifies countries with which we trade into six categories based on risk money in terms of the sum total of the amount of investments, advances, and guarantees, and the amount of trade receivables, net of hedges, as well as creditworthiness by country (country rating). 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 we have ongoing projects. Such eventualities may have a significant 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 and being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the investment meaning and purpose, quantitatively grasp the downside risk of investments and evaluate whether the investment return exceeds the minimum expected rate of return, which is determined internally according to the extent of the risk. After investing, we manage risk on an individual basis with respect to business investments to achieve the investment goals set forth in the business plan formulated every year. Furthermore, we apply exit rules for the early sale of our equity interest or the liquidation of the investee in order to efficiently replace assets in our portfolio.

While 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, we may incur losses resulting from such actions as the withdrawal from an investment.

### *6) Risks Related to Specific Investments*

**(Investment in and Operations with Mitsubishi Motors Corporation)**

Following requests from Mitsubishi Motors Corporation (MMC), we injected equity totaling ¥140.0 billion in MMC from June 2004 through January 2006 by subscribing to ordinary and preferred MMC shares. We cooperate with MMC developing business at sales companies mainly outside of Japan and across the related value chain. Our risk exposure to MMC proper was approximately ¥120.0 billion as of March 31, 2012. Our risk exposure in connection with investments in businesses, finance, trade receivables and other related business was approximately ¥250.0 billion as of March 31, 2012. Our total MMC-related risk exposure, including both the aforementioned risk exposure to MMC proper and our risk exposure to related business, was thus around ¥370.0 billion as of March 31, 2012.

For the year ended March 2012, MMC posted consolidated sales of ¥1,807.3 billion, operating profit of ¥63.7 billion and a net profit of ¥23.9 billion.

**(Acquisition of Interest in Chilean Copper Asset)**
On November 10, 2011, we completed the acquisition of 24.5% of Anglo American Sur, S.A. (AAS) for US$5.39 billion (approximately ¥420.0 billion). AAS is a Chilean copper mining and smelting company, wholly owned by Anglo American plc (AAC). The acquisition is the result of a sales process initiated by AAC. As of March 31, 2012, the risk exposure equals the acquisition amount of approximately ¥420.0 billion.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres smelter and large-scale prospective exploration properties. AAS completed the Los Bronces expansion project in November 2011, which is expected to increase AAS's annual production of copper to approximately 440,000 tonnes when the Los Bronces mine is at full production in 2012.

We also hold 8.25% of the Escondida copper mine and 5% of the Los Pelambres copper mine in Chile and 10% of the Antamina copper mine in Peru. Our attributable copper production from these three projects is approximately 140,000 tonnes per annum. As a result of the newly acquired 24.5% equity interest in AAS, our attributable copper production is expected to rise to approximately 250,000 tonnes per annum in 2012, assuming operation at full capacity.

We have designated the expansion of high-quality resource investments and the expansion of its resource portfolio with sustainable growth as an important area. Through this share acquisition, we will continue to grow its business.

## *7) Risks Related to Compliance*

We are engaged in businesses in all industries through our 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. This officer also directs and supervises compliance with laws and regulations on a consolidated basis.

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 Disasters*

A natural disaster, such as an earthquake, heavy rain or flood, that damages our offices, facilities or systems and affects employees 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); and introduced a program of disaster prevention drills. 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 the company's operating results.

Note:
Earnings forecasts and other forward-looking statements in this release 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.

## 9. 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. On an ongoing basis, management reviews its estimates and judgments, including the valuation of receivables, investments, long-lived assets, inventories, revenue recognition, income taxes, financing activities, restructuring costs, pension benefits, contingencies, litigation and others. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be 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 the following are our critical accounting policies and estimates. These policies and estimates were considered "critical" because:

- the estimate requires us to make assumptions about matters that are highly uncertain at the time the estimate is made, and
- different assumptions that we reasonably could have used in the current period could have a material impact on the presentation of our financial condition, changes in financial condition, or results of operations.

### *1) Valuation of Receivables*

The valuation of receivables is a critical accounting estimate, as the balance of our trade receivables, notes and loans is significant. We perform ongoing credit valuations of our customers and adjust credit limits based upon the customer's payment history and current credit worthiness, as determined by our review of the customer's current credit information. We continuously monitor collections and payments from our customers. We establish credit limits and an allowance for doubtful accounts based upon factors surrounding specific customer collection issues that we have identified, past credit loss experience, historical trends, evaluation of potential losses in the receivables outstanding, credit ratings from applicable agencies and other information.

For each of our customers, we monitor financial condition, credit level and collections on receivables as part of an effort to reach an appropriate accounting estimate for the allowance for doubtful accounts. Also, for the valuation of long-term loans receivable, we use the discounted cash flow method, which is based on assumptions such as an estimate of the future repayment plan and discount rates.

For the year ended March 31, 2011, we decreased our total allowance for doubtful accounts by ¥8.9 billion, or 14.0%, to ¥54.3 billion.

For the year ended March 31, 2012, our total allowance for doubtful accounts was an equal level to the previous year which was ¥54.3 billion. The allowance for doubtful accounts represented approximately 1.5% and 1.3% of our total receivables (current and noncurrent) as of March 31, 2011 and 2012, respectively.

Management believes that the evaluation of receivables is reasonable, the balance of the allowance for doubtful accounts is adequate and the receivables are presented at net realizable value; however, these valuations include uncertainties that may result in the need for the Company to increase the allowance for doubtful accounts in the future.

### *2) Valuation of Investments*

The valuation of investments is a critical accounting estimate because fair value is susceptible to change from period to period, and also because the outstanding balance of our investments is significant.

We assess impairment of investments by considering whether a decline in value is other-than-temporary based on, among others, the length of time and the extent to which the fair value has been less than the carrying value and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. We assess impairment of available-for-sale securities based on their market values, while equity-method investments and other investments are assessed by considering their market values, financial condition, performance, business circumstance, near-term prospects and future cash flows of the issuer.

If the decline in value is judged to be other-than-temporary, the carrying value of the investment is written down to fair value.

In each of the last three years, we have assessed investments for impairment using similar methods and determined that, based on our assumptions, certain investments have been other-than-temporarily impaired. For the years ended March 31, 2010, 2011 and 2012, impairment losses of ¥68.1 billion, ¥20.3 billion, and ¥25.5 billion respectively, were recognized in "Gain on marketable securities and investments—net" in the consolidated statements of income to reflect the declines in fair value of certain available-for-sale securities, investments in Affiliated companies and other investments that were considered to be other-than-temporary.

Management believes that the carrying value of its investments and evaluation of its investments determined not to be other-than-temporarily impaired is reasonable. However, these valuations are subject to a number of uncertainties which may require further write-downs in the future.

### *3) Impairment of Long-Lived Assets*

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated discounted future cash flows, an impairment loss is recognized in the amount by which the carrying amount of the assets exceeds the fair value of the assets. A long-lived asset to be disposed of by sale is reported at the lower of the carrying amount or fair value less costs to sell and is no longer depreciated. A long-lived asset to be disposed of other than by sale is considered as held and used until disposed of.

Estimated fair values of assets are primarily determined based on independent appraisals and discounted cash flow analysis. These evaluations use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives of utilization of the assets, discount rates and other factors.

In each of the last three years, we have determined that, based on our estimates and assumptions, certain long-lived assets were impaired. These amounts were included in "Loss on property and equipment—net" in the consolidated statements of income. For the years ended March 31, 2010, 2011 and 2012, such impairment losses amounted to ¥18.3 billion, ¥7.2 billion and ¥5.8 billion respectively.

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

Management believes that the estimates of discounted cash flows and fair values are reasonable; however, these valuations are subject to a number of uncertainties that may change the valuation of the long-lived assets due to unforeseen changes in business assumptions. As a result, we may be required to recognize further impairment in the future.

### *4) Pension Benefit Costs and Obligations*

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. The discount rate and the expected long-term rate of return on plan assets are two critical assumptions in determining periodic pension benefit costs and pension liabilities. We evaluate these assumptions annually or when events occur that may have an impact on these critical assumptions.

The discount rate assumptions are determined on the rate available on high-quality fixed-income investments with a duration that approximately matches our employees' estimated period of service and benefit payments at the respective measurement dates of each plan. For the year ended March 31, 2011, we set the weighted average discount rate at 2.7%, an equal to the previous year. We decreased weighted average discount rate to 2.6%, a decrease of 0.1 of a percentage point for the year ended March 31, 2012.

The assumption for the expected long-term return on plan assets is determined after considering the investment policy, long-term historical returns, asset allocation, and future estimates of long-term investment returns. We used the expected long-term rate of return of 2.6% for the year ended March 31, 2011. For the year ended March 31, 2012, we calculated pension benefit costs using a rate of return of 2.5%, a decrease of 0.1 of a percentage point from the previous year.

In accordance with U.S.GAAP, the difference between actual results and assumptions is accumulated and amortized over future periods. Therefore, actual results generally affect the expenses recognized in future periods. Management believes that the actuarial assumptions and methods used are appropriate in the circumstances. However, differences in actual experience or changes in assumptions may affect the pension obligations and future expenses.

### *5) Revenue Recognition*

We recognize revenues when there is persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

We manufacture a wide variety of products, such as metals, machinery, chemicals and general consumer merchandise, and develop natural resources. We also trade a wide variety of commodities and may take ownership risk of such inventory or merely facilitate our customer's purchase and sale of commodities and other products, where we earn a commission for this service.

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

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

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

We also perform other activities, which consist of services and rental or leasing activities. Service-related activities include performance of various services such as financial and logistics services, information and communications, technical support and other service-related activities. We are engaged in certain rental activities or leasing of properties, including office buildings, aircraft and other industrial assets. Revenues from service-related activities are recognized when the contracted services have been rendered to third-party customers pursuant to the agreement. For direct financing leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the term of underlying leases on a straight-line basis.

We act as an agent and record revenues earned from margins and commissions related to various trading transactions in which we act as an agent. Through these trading activities, we facilitate our customers' purchases and sales of commodities and other products and earn a commission for this service. The trading margins and commissions are recognized when all other revenue recognition criteria have been met.

### *6) Derivatives*

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

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

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

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

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

Derivative Instruments Used for Other than Hedging Activities—
We enter into derivative instruments as part of our brokerage services in commodity futures markets and our trading activities. We clearly distinguish derivatives used for brokerage services and trading activities from derivatives used for risk management purposes. As part of our internal control policies, we have set strict limits on the positions which can be taken in order to manage potential losses for these derivative transactions, and periodically monitors the open positions for compliance.
Changes in fair value of derivatives not designated as hedging instruments and held or issued for trading purposes are recorded in earnings. We offset the fair value amounts recognized for cash collateral against the fair value of amounts recognized for derivative instruments that are executed with the same counterparty under the same master netting

arrangement.

### *7) Recent Accounting Pronouncements*

**Recently adopted accounting pronouncements**

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

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

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

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

**Recent accounting pronouncements not yet adopted**

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

In December 2011, the FASB issued ASU No.2011-10, “Property, Plant, and Equipment-Derecognition of in-substance Real Estate a Scope Clarification.” Under the ASU No.2011-10, the reporting entity should apply the guidance in ASC

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

# Six-Year Financial Summary

Mitsubishi Corporation and Subsidiaries
Years Ended March 31

| | 2007 As Adjusted*4 | 2008 As Adjusted*4 |
|---|---|---|
| Performance Measure: | | |
| Operating transactions*1 | ¥20,526,402 | ¥23,105,053 |
| Results of Operations: | | |
| Revenues | ¥5,068,199 | ¥6,050,654 |
| Gross profit | 1,144,982 | 1,172,665 |
| Net income from continuing operations attributable to Mitsubishi Corporation | 424,192 | 474,866 |
| Net income attributable to Mitsubishi Corporation | 418,965 | 471,262 |
| Financial Position at Year-End: | | |
| Total assets | ¥11,350,293 | ¥11,638,265 |
| Working capital*2 | 1,335,452 | 1,429,764 |
| Long-term debt, less current maturities | 2,863,558 | 3,096,818 |
| Total Mitsubishi Corporation shareholders' equity | 2,882,924 | 2,832,293 |
| Amounts per Share: | | |
| Net income from continuing operations attributable to Mitsubishi Corporation per share: | | |
| Basic EPS | ¥251.44 | ¥286.23 |
| Diluted EPS | 250.07 | 284.96 |
| Net income attributable to Mitsubishi Corporation per share: | | |
| Basic EPS | 248.34 | 284.06 |
| Diluted EPS | 246.99 | 282.79 |
| Cash dividends declared for the year | 46.00 | 56.00 |
| Common Stock: | | |
| Number of shares outstanding at year-end*3 | 1,688,303 | 1,641,203 |
| Exchange Rates into U.S. Currency: (Per the Federal Reserve Bank of New York) | | |
| At year-end | ¥117.56 | ¥99.85 |
| Average for the year | 116.55 | 113.61 |
| Range: | | |
| Low | 121.81 | 124.09 |
| High | 110.07 | 96.88 |

Notes: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥82=$1.

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

*2 Working capital consists of all current assets and liabilities, including cash and short-term debt.

*3 Treasury stock is not included.

*4 For the year ended March 31, 2012, the Parent acquired additional investments in cost method investees, and accounted for the Parent's ownership interest in investees under the equity method. Accordingly, the Parent has retrospectively adjusted the prior periods' consolidated financial statements. See Note 2 "Acquisition of additional interests in Affiliated companies" section.

| Millions of Yen | | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| 2009 | 2010 | 2011 | 2012 | 2012 |
| As Adjusted*4 | As Adjusted*4 | As Adjusted*4 | | |
| ¥22,393,595 | ¥17,102,782 | ¥19,233,443 | ¥20,126,321 | $245,443 |
| ¥6,156,365 | ¥4,540,793 | ¥5,206,873 | ¥5,565,832 | $67,876 |
| 1,465,027 | 1,016,597 | 1,149,902 | 1,127,860 | 13,754 |
| 366,417 | 275,787 | 464,543 | 453,849 | 5,535 |
| 370,987 | 275,787 | 464,543 | 453,849 | 5,535 |
| ¥10,837,537 | ¥10,803,702 | ¥11,272,775 | ¥12,588,513 | $153,518 |
| 1,613,776 | 1,780,008 | 2,012,098 | 1,709,310 | 20,845 |
| 3,467,766 | 3,246,029 | 3,188,749 | 3,760,101 | 45,855 |
| 2,359,397 | 2,926,094 | 3,233,342 | 3,509,328 | 42,796 |
| Yen | | | | U.S. Dollars |
| ¥223.10 | ¥167.85 | ¥282.62 | ¥275.83 | $3.36 |
| 222.61 | 167.46 | 281.87 | 275.22 | 3.36 |
| 225.88 | 167.85 | 282.62 | 275.83 | 3.36 |
| 225.38 | 167.46 | 281.87 | 275.22 | 3.36 |
| 52.00 | 38.00 | 65.00 | 65.00 | 0.79 |
| Thousands of Shares | | | | |
| 1,642,904 | 1,643,532 | 1,644,074 | 1,646,173 | |
| Yen per U.S. Dollar | | | | |
| ¥99.15 | ¥93.40 | ¥82.76 | ¥82.41 | |
| 100.85 | 92.49 | 85.00 | 78.86 | |
| 110.48 | 100.71 | 94.68 | 85.26 | |
| 87.80 | 86.12 | 78.74 | 75.72 | |

# Independent Auditors' Report

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

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

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

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

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

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

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

/s/ Deloitte Touche Tohmatsu LLC

June 26, 2012

Member of
**Deloitte Touche Tohmatsu Limited**

NOTE TO READERS:
Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

# Supplementary Explanation

**Internal Controls Over Financial Reporting in Japan**

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

We have thus evaluated our internal controls over financial reporting as of March 31, 2012 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council on March 30, 2011.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2012, we concluded that our internal control system over financial reporting as of March 31, 2012 was effective and reported as such in the Management Internal Control Report.

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

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

Mitsubishi Corporation

# Management Internal Control Report (Translation)

NOTE TO READERS:

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

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

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

(TRANSLATION)

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

Ken Kobayashi, President and CEO, and Ryoichi Ueda, Director and Senior Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of Misubishi Corporation (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by Business Accounting Council on March 30, 2011.

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

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

The assessment of internal control over financial reporting was performed as of March 31, 2012, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

Regarding the scope of assessment of internal control over business processes, we accumulated locations and business units in descending order of total assets (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany transactions) for the prior fiscal year, and those locations and business units whose combined amount of total assets reaches approximately 70% of total assets on a consolidated basis and those locations and business units whose combined amount of income before income taxes reaches approximately 70% of consolidated income before income taxes on a consolidated basis were selected as "significant locations and business units." At the selected significant locations and business units, we included, in the scope of assessment, (i) those business processes leading to sales or revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of the Company, and (ii) those business processes leading to other quantitatively-material accounts. Further, not only at selected significant locations and business units, but also at other locations and business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (i) those business processes relating to greater likelihood of material misstatements and significant accounts involving estimates and the management's judgment, and (ii) those business processes relating to businesses or operations dealing with high-risk transactions.

**3 [Matters relating to the results of the assessment]**

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

**4 [Supplementary information]**

Not applicable

**5 [Special information]**

Not applicable

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

NOTE TO READERS:

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

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

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

(TRANSLATION)

Independent Auditor's Report

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

June 26, 2012

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

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

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

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

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

< Audit of Financial Statements >

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

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, pursuant to the provisions of Article 95 of the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit Opinion

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

< Audit of Internal Control >

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2012.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

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

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

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

Interest

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

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

# Consolidated Balance Sheets

Mitsubishi Corporation and Subsidiaries
March 31, 2011 and 2012

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

See notes to consolidated financial statements.

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

# Consolidated Statements of Income

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

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

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

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

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

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

See notes to consolidated financial statements.

# Consolidated Statements of Equity

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

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

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 |
| Unappropriated retained earnings: | | | | |
| Balance, beginning of year | ¥2,488,033 | ¥2,708,547 | ¥3,095,348 | $37,747 |
| Net income attributable to Mitsubishi Corporation | 275,787 | 464,543 | 453,849 | 5,535 |
| Total | 2,763,820 | 3,173,090 | 3,549,197 | 43,282 |
| Deduct: | | | | |
| Cash dividends paid to Mitsubishi Corporation's shareholders (annual rate per share of: 2010—¥33.0 2011—¥47.0 2012—¥71.0—$ 0.87) | (54,226) | (77,261) | (116,802) | (1,424) |
| Transfer to retained earnings appropriated for legal reserve | (1,047) | (481) | (463) | (6) |
| Sales of treasury stock upon exercise of stock options (Note 23) | | | (1,237) | (15) |
| Losses on sales of treasury stock | | | (1) | |
| Retirement of treasury stock (Note 17) | | | (128,601) | (1,568) |
| Total | (55,273) | (77,742) | (247,104) | (3,013) |
| Balance, end of year | ¥2,708,547 | ¥3,095,348 | ¥3,302,093 | $40,269 |
| Accumulated other comprehensive income (loss), net of tax: | | | | |
| Balance, beginning of year | ¥(483,875) | ¥(131,436) | ¥(214,125) | $(2,611) |
| Net unrealized gains (losses) on securities available for sale (Notes 4 and 18) | 138,700 | (24,505) | (6,430) | (79) |
| Net unrealized gains (losses) on derivatives (Notes 10 and 18) | 35,691 | 12,445 | (32,775) | (399) |
| Defined benefit pension plans (Notes 15 and 18) | 21,121 | 833 | 1,236 | 15 |
| Foreign currency translation adjustments (Note 18) | 156,927 | (71,462) | (30,725) | (375) |
| Balance, end of year | ¥(131,436) | ¥(214,125) | ¥(282,819) | $(3,449) |
| Treasury stock: | | | | |
| Balance, beginning of year | ¥(151,548) | ¥(151,572) | ¥(151,650) | $(1,849) |
| Sales of treasury stock upon exercise of stock options (Note 23) | | | 2,491 | 30 |
| Purchases and sales—net (Note 17) | (24) | (78) | (16) | |
| Retirement (Note 17) | | | 128,610 | 1,568 |
| Balance, end of year | ¥(151,572) | ¥(151,650) | ¥(20,565) | $(251) |
| Total Mitsubishi Corporation shareholders' equity | ¥2,926,094 | ¥3,233,342 | ¥3,509,328 | $42,796 |
| Noncontrolling interest: | | | | |
| Balance, beginning of year | ¥304,565 | ¥306,174 | ¥316,603 | $3,862 |
| Cash dividends paid to the noncontrolling interest | (13,815) | (21,050) | (20,870) | (255) |
| Equity transactions with the noncontrolling interest and others | (15,938) | 4,709 | 1,097 | 13 |
| Net income attributable to the noncontrolling interest | 18,118 | 33,884 | 26,452 | 322 |
| Net unrealized gains (losses) on securities available for sale, net of tax | 6,576 | (1,053) | (1,746) | (21) |
| Net unrealized gains (losses) on derivatives, net of tax | 23 | 48 | (562) | (7) |
| Defined benefit pension plans, net of tax | 813 | 77 | (26) | |
| Foreign currency translation adjustments, net of tax | 5,832 | (6,186) | (1,989) | (24) |
| Balance, end of year | ¥306,174 | ¥316,603 | ¥318,959 | $3,890 |

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

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

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

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

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

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements
Mitsubishi Corporation and Subsidiaries

## 1. NATURE OF OPERATIONS AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

Nature of Operations—

Mitsubishi Corporation (the "Parent"), together with its consolidated domestic and foreign subsidiaries (collectively, the "Company"), is a diversified organization engaged in a wide variety of business activities, providing various types of products and services on a global basis. Through the Company's domestic and overseas network, the Company is engaged in general trading, including the purchasing, supplying and manufacturing of a wide range of products related to energy, metals, machinery, chemicals and living essentials, in addition to natural resources development, infrastructure-related businesses and financial businesses. The Company is also engaged in the development of new business models in the new energy, environmental and new technology fields.

Basis of Consolidated Financial Statements—

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation and Investments in Subsidiaries and Affiliated Companies—

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

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

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

Foreign Currency Translation—

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

Cash Equivalents—

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

Investment in Marketable and Nonmarketable Securities—

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

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

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

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

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

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

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

Allowance for Doubtful Receivables—

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

Inventories—

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

Investments in real estates subject to joint control—

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

Property and Equipment—

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

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

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

Leases—

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

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

Impairment of Long-lived Assets—

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

Business Combinations—

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

Goodwill and Other Intangible Assets—

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

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

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

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

Oil and Gas Exploration and Development—

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

Mining Operations—

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as mineral rights and are amortized using the unit-of-production method based on the proven and probable reserves.

The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of the inventory produced during the period that the stripping costs are incurred.

Employee Benefit Plans—

The Company has defined benefit pension plans, defined contribution pension plans and unfunded severance indemnity plans. The costs of defined benefit pension plans and unfunded severance indemnity plans are accrued based on amounts determined using actuarial methods.

The Company amortizes the prior service cost principally over the average remaining service period of employees expected to receive related benefits.

The Company amortizes the net actuarial loss principally over the average remaining service period of active employees expected to receive benefits.

Asset Retirement Obligations—

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

Stock-based Compensation—

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

Revenue Recognition—

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

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

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

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

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

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

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

Advertising Costs—

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

Research and Development Costs—

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

Income Taxes—

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

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

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

Derivatives—

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

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

Fair Value Hedge—

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

Cash Flow Hedge—

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

Hedge of the Net Investment in Foreign Operations—

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

Derivative Instruments Used for Other than Hedging Activities—

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

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

Use of Estimates in the Preparation of the Financial Statements—

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

Earnings per Share (“EPS”)—

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

Guarantees—

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

Fair Value Measurements—

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

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

Level 2—Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

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

Fair Value Option—

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

Acquisition of additional interests in Affiliated companies—

For the year ended March 31, 2012, the Company acquired additional interests in Coal & Allied Industries Limited, former available-for-sale securities, which increased its shareholding ratio up to 20.00%. As the Company has had the ability to exert significant influence over the operations of Coal & Allied Industries Limited since acquiring the additional interests, the Company applies the equity method to the investments for the year ended March 31, 2012. The equity method is applied in a manner consistent with the accounting for a step-by-step acquisition. Accordingly, the investment in Coal & Allied Industries Limited and retained earnings of the Company in prior years have been adjusted retrospectively. The effect of the retrospective application is as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2010 | | 2011 | |
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted |
| Consolidated Balance Sheets: | | | | |
| Investments in and advances to Affiliated companies | ¥1,238,569 | ¥1,253,157 | ¥1,320,102 | ¥1,336,288 |
| Other investments | 1,631,381 | 1,563,645 | 1,522,215 | 1,431,362 |
| Noncurrent liabilities-Deferred income taxes | 202,412 | 185,691 | 215,516 | 191,894 |
| Retained earning-Unappropriated | 2,706,086 | 2,708,547 | 3,091,532 | 3,095,348 |
| Net unrealized gains on securities available-for-sale | 300,313 | 261,297 | 291,911 | 236,792 |
| Consolidated Statements of Income: | | | | |
| Dividend income | 91,522 | 87,969 | 124,793 | 120,601 |
| Equity in earnings of Affiliated companies | 113,363 | 117,857 | 161,455 | 167,002 |
| Net income | 292,964 | 293,905 | 497,072 | 498,427 |
| Net income attributable to Mitsubishi Corporation | 274,846 | 275,787 | 463,188 | 464,543 |
| | Yen | | | |
| Earnings per share: | | | | |
| Net income attributable to Mitsubishi Corporation | | | | |
| Basic | ¥167.28 | ¥167.85 | ¥281.80 | ¥282.62 |
| Diluted | 166.89 | 167.46 | 281.05 | 281.87 |

Reclassification of Prior Year's Consolidated Financial Statements—

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

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

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

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

Subsequent Events—

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

New Accounting Standards—

Recently adopted accounting pronouncements:

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

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

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

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

Recent accounting pronouncements not yet adopted:

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

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

## 3. BUSINESS COMBINATIONS

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

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

Acquisition of Chuo Kagaku Co., Ltd.

On October 26, 2011 (the acquisition date), the Company acquired through a tender offer an additional 46.25% of voting rights in Chuo Kagaku Co., Ltd. ("Chuo Kagaku") whose business involves the manufacture and sale of plastic food packaging products.

These rights, added to its previously held equity interest, raised the Company's ownership of Chuo Kagaku to 60.59% of voting rights. As a result, Chuo Kagaku became a subsidiary of the Company as the Company obtained control of Chuo Kagaku. The acquisition of Chuo Kagaku is to expand the earnings power in the plastics business and the scope of business in China.

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

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

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

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

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

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

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

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

Acquisition of Crosslands Resources Ltd and Oakajee Port and Rail

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

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

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

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

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

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

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

The goodwill is included in the Metals segment.

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

## 4. INVESTMENTS IN MARKETABLE AND NONMARKETABLE SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company acquired a 24.5% ownership interest of Anglo American Sur S.A. (”Anglo Sur”, Headquarters : Santiago, Chile) which owns copper interests in Chile for U.S. $5.39 billion (approximately 420 billion yen) in November 2011.

As the result, the Company owns a 24.5% voting rights of Anglo Sur and the remaining 75.5% voting rights are held by Anglo American plc (”Anglo”, Headquarters : London, United Kingdom) at March 31, 2012.

Anglo exclusively holds decision-making rights in the decision-making body of Anglo Sur and it is considered to be difficult for the Company to exercise significant influence on the management of Anglo Sur. Therefore, the Company applies cost method for the investment in Anglo Sur and the amount of the investment is included in “Other investments” on the consolidated balance sheets at March 31, 2012.

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

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

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

## 5. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

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

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

Affiliated companies include, among others, LAWSON, INC. (“LAWSON,” 32.44%), Japan Australia LNG (MIMI) Pty, Ltd. (50.00%), MI Berau B.V. (“MI Berau,” 56.00%), Hokuetsu Kishu Paper Co., Ltd. (25.35%), SPDC Ltd. (30.39%), Mozal S.A.R.L. (25.00%), ENCORE ENERGY PTE. LTD. (39.40%), Chiyoda Corporation (33.74%), Mitsubishi UFJ Lease & Finance Company Ltd. (20.00%), Coal & Allied Industries Limited (20.00%), Cutbank Ridge Partnership (40.00%), Compania Minera del Pacifico S.A. (25.00%) and Iron Ore Company of Canada (26.18%).

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, established with INPEX CORPORATION (“INPEX”), a minority shareholder holding a 44% ownership interest. Under the joint venture agreement with INPEX, significant decisions regarding MI Berau’s operations require unanimous consent by the Company and INPEX. The rights given to INPEX in the joint venture agreement are considered substantive participating rights, and control over the operations or assets of MI Berau does not rest with the Company. Accordingly, the Company accounts for its investment in MI Berau using the equity method.

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

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

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

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

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

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

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

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

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

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

## 6. ALLOWANCE FOR DOUBTFUL RECEIVABLES

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

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

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

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

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

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

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

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

Corporate customers—

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

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

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

Consumers—

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

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

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

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

Impaired receivables—

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

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

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

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

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

The allowance for credit losses related to financing receivables—

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

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

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

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

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

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

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

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

* "Other" principally includes the effect of consolidation and deconsolidation of certain subsidiaries and the effect of changes in foreign currency exchange rates.
**Finance receivables are individually evaluated for impairment and the related allowance is included in impaired receivables.

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

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

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

Age analysis of past due financing receivables—

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

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

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

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

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

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

Troubled Debt Restructuring ("TDR")—

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

Corporate customers—

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

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

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

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

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

Consumers—

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

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

## 7. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

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

## 8. PLEDGED ASSETS

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

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

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

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

Trust receipts issued under customary import financing arrangements give banks a security interest in the merchandise imported and/or sales proceeds resulting from the sale of such merchandise. The Company follows the practice of repaying the related notes and acceptances payable at maturity without applying the sales proceeds to specific notes or acceptances. Due to the large volume of transactions, it is impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

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

## 9. GOODWILL AND OTHER INTANGIBLE ASSETS

Other Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

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

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

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

## 10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Overall Risk Management—

The Company, in the normal course of business, is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposures to these risks, the Company generally identifies its net exposures and takes advantage of natural offsets. Additionally, the Company enters into various derivative transactions pursuant to the Company's risk management policies in response to counterparty exposure and to hedge specific risks.

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

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

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

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

Interest Rate Risk Management—

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

Foreign Currency Risk Management—

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

Commodity Price Risk Management—

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

Fair Value Hedge—

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

Cash Flow Hedge—

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

Hedge of the Net Investment in Foreign Operations—

The Parent uses foreign exchange contracts and nonderivative financial instruments such as foreign-currency-denominated debt in order to reduce the foreign currency exposure in the net investment in a foreign operation. The amount included in the foreign currency translation adjustments was net gains of ¥32,461 million, ¥38,180 million and ¥17,108 million ($209 million) for the years ended March 31, 2010, 2011 and 2012, respectively.

Derivative Instruments Used for Other than Hedging Activities—

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

Impact of Derivatives and Hedging on the Consolidated Balance Sheets—

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

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

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

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

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

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

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

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

Impact of Derivatives and Hedged Items on the Consolidated Statements of Income and on Other Comprehensive Income—

The following are the pretax effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012:

During the year ended March 31, 2010

Derivatives Designated as Fair Value Hedge

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

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

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

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

Derivatives Designated as Cash Flow Hedge

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

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

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

Derivatives Designated as Net Investment Hedge

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

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

Derivatives Not Designated as Hedging Instruments

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

During the year ended March 31, 2011

Derivatives Designated as Fair Value Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011.
*2. There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2011.
*3. The line items in the Consolidated Statements of Income corresponding to "Revenues/(cost of revenues)" are "Total revenues" and "Cost of revenues from trading, manufacturing and other activities." The same applies to the succeeding tables.

Derivatives Designated as Cash Flow Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011.
*2. During the year ended March 31, 2011, there were no gains or losses reclassified from AOCI into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period.

Derivatives Designated as Net Investment Hedge

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

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

Nonderivatives Designated as Net Investment Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2011.
*2. During the year ended March 31, 2011, there were no gains or losses reclassified from AOCI into earnings.

Derivatives Not Designated as Hedging Instruments

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

During the year ended March 31, 2012

Derivatives Designated as Fair Value Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of the hedge effectiveness are immaterial for the year ended March 31, 2012.
*2. There were no gains or losses recognized in earnings as a result of hedged firm commitments no longer qualifying as fair value hedge during the year ended March 31, 2012.
*3. The line items in the Consolidated Statements of Income corresponding to “Revenues/(cost of revenues)” are “Total revenues” and “Cost of revenues from trading, manufacturing and other activities.” The same applies to the succeeding tables.

Derivatives Designated as Cash Flow Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2012.
*2. Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact earnings. Approximately ¥500 million ($6 million) of net unrealized gains, net of tax, included in AOCI at March 31, 2012, will be reclassified into earnings within 12 months from that date.
*3. During the year ended March 31, 2012, there were no gains or losses reclassified from AOCI into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period.

Derivatives Designated as Net Investment Hedge

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

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

Nonderivatives Designated as Net Investment Hedge

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

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the year ended March 31, 2012.
*2. During the year ended March 31, 2012, there were no gains or losses reclassified from AOCI into earnings.

Derivatives Not Designated as Hedging Instruments

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

## 11. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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

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

*1 The Company offsets fair value amounts recognized for derivative instruments against fair value amounts recognized for cash collateral receivables or cash collateral payables arising from derivative instruments executed with the same counterparty when a legally enforceable master netting agreement exists.
*2 There were no transfers between Level 1 and Level 2.

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

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

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

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

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

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

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

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

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

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

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

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Current Financial Assets other than Short-term Investments and Current Financial Liabilities—

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

Short-term Investments and Other Investments—

Investments in marketable equity securities and debt securities classified as available-for-sale securities valued using quoted market prices in active markets are designated as Level 1, investments valued using quoted prices for identical or similar assets in nonactive markets are designated as Level 2, and investments classified as trading securities valued based on net asset value per share of investees and nonmarketable investments measured on a nonrecurring basis as a result of other-than-temporary impairments are designated as Level 3.

The fair values designated as Level 1, Level 2, and Level 3 related to these items at March 31, 2012 are ¥926,417 million ($11,298 million), ¥58,083 million ($708 million), and ¥10,768 million ($131 million), respectively.

Noncurrent Notes, Loans, Accounts Receivable and Advances to Affiliated Companies—

The fair values to which unobservable inputs are significant to the entire measurement are designated as Level 3, and the fair values to which unobservable inputs are not significant to the entire measurement are designated as Level 2.

The fair values designated as Level 2, and Level 3 related to these items at March 31, 2012 are ¥54,068 million ($659 million), and ¥247,017 million ($3,013 million), respectively.

Long-term Debt—

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

## 13. SHORT-TERM AND LONG-TERM DEBT

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

| | 2011 | | 2012 | | 2012 |
|---|---|---|---|---|---|
| | Millions of Yen | Interest Rate | Millions of Yen | Interest Rate | Millions of U.S. Dollars |
| Bank loans | ¥542,013 | 1.3% | ¥731,329 | 1.7% | $8,919 |
| Commercial paper | 114,860 | 0.4 | 155,102 | 0.8 | 1,891 |
| Total | ¥656,873 | | ¥886,431 | | $10,810 |

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

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

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Long-term debt with collateral (Note 8): | | | |
| Banks and insurance companies, maturing serially through 2034—principally 0% to 1.9% | ¥110,879 | ¥108,700 | $1,325 |
| Government-owned banks and government agencies, maturing serially through 2023—principally 0% to 2.9% | 13,114 | 5,893 | 72 |
| Banks and insurance companies, maturing serially through 2017 (payable in foreign currencies)—principally 1% to 6.9% | 8,005 | 15,481 | 189 |
| Government-owned banks and government agencies, maturing serially through 2013 (payable in foreign currency)—principally 6% to 6.9% | 3,384 | 1,849 | 23 |
| Japanese yen bonds (floating rate 0.49% to 2.44% as of March 31, 2012, due 2013) | 560 | 580 | 7 |
| U.S. dollar bonds (fixed rate 6.08%, due 2021) | 5,067 | 4,513 | 55 |
| Total | 141,009 | 137,016 | 1,671 |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Long-term debt without collateral: | | | |
| Banks and insurance companies, maturing serially through 2032—principally 0% to 1.9% | ¥1,978,333 | ¥2,133,577 | $26,020 |
| Government-owned banks and government agencies, maturing serially through 2024—principally 0% to 1.9% | 222,119 | 231,357 | 2,821 |
| Banks and insurance companies, maturing serially through 2024 (payable in foreign currencies)—principally 0% to 1.9% | 236,691 | 437,572 | 5,336 |
| Government-owned banks and government agencies, maturing serially through 2026 (payable in foreign currency)—principally 0% to 1.9% | 83,292 | 91,876 | 1,120 |
| Japanese yen callable bonds (adjustable fixed rate 1.5%, due 2015) | 10,000 | 10,000 | 122 |
| Japanese yen bonds (floating rate 0.230% to 1.967% as of March 31, 2012, due 2013-2021) | 200,000 | 200,000 | 2,439 |
| Japanese yen bonds (fixed rate 0.56% to 3.18%, due 2012-2022) | 554,040 | 624,000 | 7,610 |
| U.S. dollar bonds (fixed rate 2.25% to 2.75%, due 2015-2016) | 83,150 | 123,285 | 1,503 |
| Japanese yen convertible bond (zero coupon, due 2011) | 905 | | |
| Medium-term notes (payable in Japanese yen), 0.04% to 3.05% as of March 31, 2011, due 2012-2022; 0.05% to 2.01 % as of March 31, 2012, due 2012-2022 | 64,200 | 64,420 | 786 |
| Medium-term notes (payable in U.S. dollars), 3.10% as of March 31, 2011, due 2014; 3.10% as of March 31, 2012, due 2014 | 832 | 821 | 10 |
| Medium-term notes (payable in Australian dollars), 6.00% as of March 31, 2011, due 2013; 6.00% as of March 31, 2012, due 2013 | 1,722 | 1,705 | 21 |
| Commercial paper (payable in Japanese yen), with average interest rate of 0.11% | 25,000 | 75,000 | 915 |
| Total | 3,460,284 | 3,993,613 | 48,703 |
| Total long-term debt | 3,601,293 | 4,130,629 | 50,374 |
| Less unamortized issue discount | (604) | (672) | (9) |
| Add adjustments to fair value under fair value hedge accounting | 56,735 | 65,365 | 797 |
| Total | 3,657,424 | 4,195,322 | 51,162 |
| Less current maturities | (465,422) | (435,349) | (5,309) |
| Less adjustments to fair value under fair value hedge accounting related to "current maturities" | (3,253) | 128 | 2 |
| Long-term debt, less current maturities | ¥3,188,749 | ¥3,760,101 | $45,855 |

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

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

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

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

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

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

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

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

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

## 14. INCOME TAXES

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

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

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Combined statutory income tax rate applied to income before income taxes and equity in earnings of Affiliated companies and other | 41.0% | 41.0% | 41.0% |
| Expenses not deductible for income tax purposes | 1.1 | 0.8 | 0.9 |
| Changes in valuation allowance | 7.6 | 1.5 | 0.5 |
| Tax benefits recognized for accumulated losses of certain subsidiaries | (4.1) | (1.0) | (0.7) |
| Lower income tax rates in certain foreign countries | (7.9) | (7.0) | (7.0) |
| Tax effects on undistributed earnings of Affiliated companies | 1.0 | 0.4 | 2.0 |
| Effect of taxation on dividends | 2.2 | 1.3 | (0.4) |
| Tax assessments | 0.3 | 0.6 | 0.6 |
| Other—net | (1.0) | (0.1) | |
| Effective income tax rate on income before income taxes and equity in earnings of Affiliated companies and other | 40.2% | 37.5% | 36.9% |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 15. ACCRUED PENSION AND SEVERANCE LIABILITIES

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

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

In addition to the pension plans, most of the domestic subsidiaries have unfunded severance indemnity plans under which their employees, other than directors, are entitled, under most circumstances, to lump-sum severance indemnities upon mandatory retirement at normal retirement age or earlier termination of employment. The benefits for these plans are based upon years of service, compensation at the time of severance and other factors.

The Company uses a March 31 measurement date for the pension plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

Plan Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assumptions

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

| . | 2011 | 2012 |
|---|---|---|
| Weighted average discount rate | 2.7% | 2.6% |
| Average rate of increase in future compensation levels | 2.5 | 2.6 |

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Weighted average discount rate | 3.1% | 2.7% | 2.7% |
| Average rate of increase in future compensation levels | 2.6 | 2.6 | 2.5 |
| Expected long-term rate of return on plan assets | 2.1 | 2.6 | 2.5 |

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

Contributions

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

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

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

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

Defined Contribution Plans

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

Early Retirement Program

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

## 16. ASSET RETIREMENT OBLIGATIONS

The Company accounts for asset retirement obligations ("AROs"), consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining and oil and gas facilities.

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

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

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

## 17. SHAREHOLDERS' EQUITY

Common Stock—

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

Additional Paid-in Capital and Retained Earnings—

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock amount.

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

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

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

Dividends—

Under the Companies Act, the total amount for dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's general books of accounts maintained in accordance with accounting principles generally accepted in Japan. The adjustments to the consolidated financial statements to conform with U.S. GAAP have no effect on the determination of the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥1,305,731 million ($15,923 million) as of March 31, 2012. The distributable amount may fluctuate until the effective date for the distribution of dividends as a result of, for example, subsequent purchases of treasury stocks.

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

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

Purchase of Treasury Stock—

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and others of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows the Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed under the Articles of Incorporation, subject to limitations imposed by the Companies Act.

At the ordinary general meeting of shareholders held on June 24, 2004, it was approved that the Parent amended the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.

In the year ended March 2012, the Parent retired treasury stock (45 million shares) subject to approval of the Board of Directors. As a result, additional paid-in capital decreased by ¥9 million ($0.1 million), unappropriated retained earnings decreased by ¥128,601 million ($1,568 million) and treasury stock decreased by ¥128,610 million ($1,568 million). The retirement of treasury stock does not affect total Mitsubishi Corporation shareholders' equity.

## 18. COMPREHENSIVE INCOME

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

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

## 19. EARNINGS PER SHARE

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

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

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

| | Yen | | | U.S. Dollars |
|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 |
| Per share amount: | | | | |
| Basic | ¥167.85 | ¥282.62 | ¥275.83 | $3.36 |
| Diluted | 167.46 | 281.87 | 275.22 | 3.36 |

## 20. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engages in business activities from which revenue may be earned and expenses incurred for which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

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

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

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

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

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

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

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

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

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

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

Millions of Yen

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

Millions of Yen

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

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

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

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

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

*2. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.

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

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

Geographic Information

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

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

*1. Revenues, gross profit and operating transactions are attributed to geographic areas based on the location of the assets producing such revenues, gross profit and operating transactions.
*2. "Operating transactions" is a voluntary disclosure commonly made by Japanese trading companies, and is not meant to represent sales or revenues in accordance with U.S. GAAP. See Note 1.

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2010, 2011 and 2012, respectively.

## 21. OTHER INCOME—NET

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

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

## 22. LEASES

Lessor

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

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

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

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

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

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

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

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

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

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

Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

## 23. STOCK-BASED COMPENSATION

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

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

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

Under the Class B plan, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the Class B stock option is 30 years. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. Notwithstanding the above, if the stock option holders do not leave their position as both director and executive officer of the Parent, they may exercise their right from the day after 25 years from the grant date. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure period from the grant date.

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

Under the unified plan, the right to purchase the shares of the Parent is granted at an exercise price of ¥1 per share. The contractual term of the stock option is 30 years. The stock options are vested and exercisable from the earlier of either the day after 23 months from the grant date or the day after leaving their position as both director and executive officer of the Parent. The stock option holders may exercise their stock acquisition right during the 10-year period starting on the day after leaving their position as both director and executive officer of the Parent. If they leave their position before June 30 of the next year after the grant date, the exercisable number is determined based on the tenure period from the grant date.

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

The weighted-average fair value of options granted under the Parent's stock option plan for the years ended March 31, 2010, 2011 and 2012 was ¥1,540, ¥1,600 and ¥1,569 ($19.13) per share, respectively.

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

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| Risk-free interest rate | 1.14%–1.30% | 0.71%–0.85% | 0.76%–0.86% |
| Expected volatility | 41.88%–42.01% | 40.88%–40.99% | 40.49%–40.68% |
| Expected dividend yield | 2.71%–2.74% | 2.02%–2.04% | 3.16%–3.33% |
| Expected life | 8 years | 8 years | 8 years |

The following table summarizes information about stock option activities for the years ended March 31, 2010, 2011 and 2012:

| Years Ended March 31 | 2010 Number of Shares | 2010 Weighted Average Exercise Price (Yen) | 2011 Number of Shares | 2011 Weighted Average Exercise Price (Yen) | 2012 Number of Shares | 2012 Weighted Average Exercise Price (Yen) | 2012 Weighted Average Exercise Price (U.S. Dollars) |
|---|---|---|---|---|---|---|---|
| Outstanding at beginning of the fiscal year | 5,519,500 | ¥1,259 | 6,079,000 | ¥1,041 | 6,160,900 | ¥947 | $11.5 |
| Granted | 1,163,800 | 1 | 665,400 | 1 | 796,100 | 1 | |
| Canceled or expired | (6,200) | 1 | (2,100) | 1 | (400) | 1 | |
| Exercised | (598,100) | 1,036 | (581,400) | 847 | (1,347,500) | 666 | 8.1 |
| Outstanding at end of the fiscal year | 6,079,000 | 1,041 | 6,160,900 | 947 | 5,609,100 | 881 | 10.7 |
| Exercisable at end of the fiscal year | 4,308,700 | 1,468 | 4,113,900 | 1,418 | 4,319,000 | 1,144 | 14.0 |

The following table summarizes information for options outstanding and exercisable at March 31, 2012:

| | Exercise Price Range (Yen) | Number of Shares | Weighted Average Remaining Life (Years) | Aggregate Intrinsic Value (Millions of Yen) | Aggregate Intrinsic Value (Millions of U.S. Dollars) |
|---|---|---|---|---|---|
| Outstanding | ¥1–2,435 | 5,609,100 | 13.7 | ¥5,828 | $71 |
| Exercisable | ¥1–2,435 | 4,319,000 | 9.4 | 3,352 | 41 |

The total intrinsic value of options exercised during the years ended March 31, 2010, 2011 and 2012 was ¥558 million, ¥730 million and ¥1,582 million ($19 million), respectively. As of March 31, 2012, the total unrecognized compensation cost related to nonvested stock options granted under the plans was ¥232 million ($3 million), which is expected to be recognized over a weighted-average period of 0.3 years.

## 24. VARIABLE INTEREST ENTITIES

The Company evaluates its involvement with VIEs to determine whether the Company has variable interests in VIEs. If the Company is determined to have variable interests in a VIE, the Company evaluates its power to direct the activities of the VIE that most significantly impact the economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the VIE to determine whether the Company is the primary beneficiary.

For VIEs that meet certain criteria, the Company is determined to be the primary beneficiary if the Company absorbs a majority of the VIE’s expected losses or receives a majority of the VIE’s expected residual returns.

The following is the information regarding the VIEs that are consolidated and not consolidated by the Company.

### Consolidated VIEs

The Company utilizes VIEs primarily in the real estate development business. The Company purchases real estate or beneficial interests in real estate with the intention to resell after enhancing its value by developing real estate properties. These VIEs are financed mainly by borrowings. The Company utilizes these VIEs to obtain nonrecourse loans from third parties to limit the Company’s risks on activities related to the real estate development and real estate investment trusts businesses.

The following table summarizes total assets of the VIEs and carrying amount of the VIEs' total assets and liabilities on the Consolidated Balance Sheets as of March 31, 2011 and 2012.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Total assets of the VIEs | ¥207,525 | ¥195,452 | $2,384 |
| Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets | 207,147 | 194,080 | 2,367 |
| Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets | 79,245 | 73,018 | 890 |

Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets consisted primarily of property and equipment and joint investments in real estates that could be used only to settle long-term debt of the consolidated VIEs. Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets consisted primarily of long-term debt for which creditors or beneficial interest holders do not have recourse of the general credit of the Company.

A portion of the assets are pledged as collateral for the long-term debt of these VIEs. The carrying amount was ¥106,386 million and ¥112,884 million ($1,377 million) as of March 31, 2011 and 2012, respectively, and was primarily classified as property and equipment and joint investments in real estates in the Consolidated Balance Sheets.

Several consolidated VIEs of the Company as of March 31, 2011 were no longer consolidated as of March 31, 2012 due to the Company’s disposition of interests in the VIEs and the liquidation of the VIEs. The effect on the consolidated financial statements for the year ended March 31, 2012 was not material.

Nonconsolidated VIEs

The Company has variable interests in VIEs involved in various businesses in the form of equity investments, guarantees and loans for which the Company is not the primary beneficiary. These VIEs are financed mainly by borrowings. Most of the VIEs are entities established to conduct project financing in the infrastructure business, shipping-related business or real-estate-related business.

The following table summarizes total assets of the VIEs, carrying amounts of assets and liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs, and the Company's maximum exposures to losses as a result of the Company's involvement in these VIEs as of March 31, 2011 and 2012. Total assets of the VIEs represent the latest information available to the Company.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Total assets of the VIEs | ¥768,040 | ¥873,238 | $10,649 |
| Carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs | 93,533 | 92,246 | 1,125 |
| Carrying amounts of liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs | 7,291 | 5,046 | 62 |
| Maximum exposures to losses | 116,094 | 133,561 | 1,629 |

Carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs consisted primarily of investments in and advances to Affiliated companies, and carrying amounts of liabilities in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs consisted primarily of payables to Affiliates companies. There is a difference between carrying amounts of assets in the Company's Consolidated Balance Sheets of financial position that relate to the Company's variable interests in the VIEs and maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these VIEs. Maximum exposures to losses do not represent anticipated losses generally to incur from the Company's involvement with the VIEs, and are considered to exceed the anticipated losses considerably.

## 25. COMMITMENTS AND CONTINGENCIES

### Long-term Commitments

The Company, in the normal course of trading operations, enters into substantial long-term purchase commitments for various commodities, principally metals, chemical, LNG and crude oil products at fixed prices or basis prices adjustable to market. Such purchase commitments are, in most instances, matched with counterparty sales contracts. At March 31, 2012, the outstanding long-term purchase commitments amounted to ¥4,217,094 million ($51,428 million) for which deliveries are scheduled for various dates through 2038.

Purchases made under unconditional purchase obligations for the years ended March 31, 2010, 2011 and 2012 were ¥716,006 million, ¥868,762 million and ¥996,915 million ($12,158 million), respectively.

The Company also had long-term financing commitments aggregating ¥62,768 million ($765 million) at March 31, 2012 for loans, investments in equity capital and financing on a deferred-payment basis for the cost of equipment to be purchased by customers.

### Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for the Affiliated companies, customers and suppliers of the Company.

### Credit Guarantees

As of March 31, 2011 and 2012, the Company provided ¥245,958 million and ¥258,084 million ($3,147 million), respectively, of credit guarantees for certain customers and suppliers, and ¥75,822 million and ¥107,445 million ($1,310 million), respectively, for the Affiliated companies, in the form of standby letters of credit and performance guarantees. These credit guarantees enable the Company's customers, suppliers and the Affiliated companies to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2012 will expire within ten years, with certain credit guarantees expiring by the end of 2037. Should the customers, suppliers and the Affiliated companies fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2011 and 2012, the amount of possible recoveries under recourse provisions from third parties or from collateral pledged was ¥12,249 million and ¥16,697 million ($204 million), respectively.

The liabilities for these credit guarantees were ¥2,546 million and ¥1,571 million ($19 million) at March 31, 2011 and 2012, respectively.

As of March 31, 2012, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee.

The Company, along with other shareholders, provided an agreement to indemnify the financing party from any loss that might incur due to the failure of the investee (10% owned by the Company) to register the title of the properties associated with an overseas project to obtain $6,700 million financing for the project.

The amount of maximum future payment under this indemnification is not included in the amount of the credit guarantee described above because it cannot be estimated due to the nature of the indemnification. No provisions have been recorded for the indemnification as the Company's obligation under the indemnification is not probable and estimable.

### Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases which already have been claimed.

Product Warranties

Certain subsidiaries accrue estimated product warranty cost, in relation to their sales of products, to provide for warranty claims.

The changes in the accrued product warranty cost for the years ended March 31, 2011 and 2012 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2011 | 2012 | 2012 |
| Balance at beginning of year | ¥3,184 | ¥2,600 | $32 |
| Accrued cost | 1,058 | 782 | 9 |
| Payments | (630) | (550) | (7) |
| Other* | (1,012) | (854) | (10) |
| Balance at end of year | ¥2,600 | ¥1,978 | $24 |

* "Other" principally includes the effect of changes in estimate for previously accrued warranties and the effect of divestiture of certain subsidiaries.

Litigation

The Company is a party to litigation arising in the ordinary course of business. In the opinion of management, the liability of the Company, if any, when ultimately determined from the progress of the litigation, will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

## 26. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the Consolidated Statements of Cash Flows is as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 |
| Cash paid during the year for: | | | | |
| Interest, less amounts capitalized | ¥55,031 | ¥41,109 | ¥40,894 | $499 |
| Income taxes | 108,959 | 139,507 | 178,790 | 2,180 |
| Noncash investing and financing activities: | | | | |
| Exchange of shares in connection with business combinations and reorganizations involving investees (Note 5) : | | | | |
| Fair market value of shares received | 12,812 | 45,909 | | |
| Cost of shares surrendered | 4,013 | 10,465 | | |
| Acquisition of businesses (Note 3) : | | | | |
| Fair value of assets acquired (including goodwill) | 5,153 | 39,556 | 176,602 | 2,154 |
| Fair value of liabilities assumed | 2,973 | 4,008 | 70,569 | 861 |
| Noncontrolling interest in acquirees | 623 | | 5,024 | 61 |
| Acquisition-date carrying amount of previously held equity interests | | | 20,713 | 253 |
| Gain on remeasuring the previously held equity interests to fair value—net and gain on bargain purchase | | | 23,220 | 283 |
| Cash paid, net | 1,557 | 35,548 | 57,076 | 696 |
| Assets transferred to direct finance leases | | 10,127 | 5,116 | 62 |
| Issuance of common stock upon conversion of convertible bonds | 49 | | 905 | 11 |

## 27. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 26, 2012.

### Dividends

At the general shareholders' meeting held on June 26, 2012, the Parent was authorized to pay a cash dividend of ¥33 ($0.40) per share, or a total of ¥54,332 million ($663 million) to shareholders of record on March 31, 2012.

## SUPPLEMENTAL OIL AND GAS INFORMATION (Unaudited)

The Company's oil and gas exploration, development and production activities are conducted through subsidiaries and Affiliated companies in offshore and onshore areas of the Pacific Rim, America, Africa and Europe. The tables below present supplementary information on these activities.

In the following tables, natural gas producing activities include liquefied natural gas ("LNG") producing activities.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Proved oil and gas properties | ¥126,944 | | ¥181,316 | ¥132,620 | ¥313,936 |
| Unproved oil and gas properties | 19,055 | | | 38,324 | 38,324 |
| Subtotal | 145,999 | | 181,316 | 170,944 | 352,260 |
| Accumulated depreciation, depletion, amortization and valuation allowances | (40,473) | | (89,879) | (31,515) | (121,394) |
| Net capitalized costs | ¥105,526 | | ¥91,437 | ¥139,429 | ¥230,866 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| March 31, 2011 | Total | North America | Australia | Indonesia | Total |
| Proved oil and gas properties | ¥131,552 | | ¥190,294 | ¥121,892 | ¥312,186 |
| Unproved oil and gas properties | 43,722 | | | 34,586 | 34,586 |
| Subtotal | 175,274 | | ¥190,294 | 156,478 | 346,772 |
| Accumulated depreciation, depletion, amortization and valuation allowances | (49,247) | | (96,203) | (32,384) | (128,587) |
| Net capitalized costs | ¥126,027 | | ¥94,091 | ¥124,094 | ¥218,185 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Proved oil and gas properties | ¥121,177 | ¥34,053 | ¥188,939 | ¥122,712 | ¥345,704 |
| Unproved oil and gas properties | 43,393 | 84,124 | | 33,778 | 117,902 |
| Subtotal | 164,570 | 118,177 | 188,939 | 156,490 | 463,606 |
| Accumulated depreciation, depletion, amortization and valuation allowances | (36,131) | | (95,181) | (37,132) | (132,313) |
| Net capitalized costs | ¥128,439 | ¥118,177 | ¥93,758 | ¥119,358 | ¥331,293 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Proved oil and gas properties | $1,478 | $415 | $2,304 | $1,496 | $4,215 |
| Unproved oil and gas properties | 529 | 1,026 | | 412 | 1,438 |
| Subtotal | 2,007 | 1,441 | 2,304 | 1,908 | 5,653 |
| Accumulated depreciation, depletion, amortization and valuation allowances | (441) | | (1,161) | (453) | (1,614) |
| Net capitalized costs | $1,566 | $1,441 | $1,143 | $1,455 | $4,039 |

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

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Acquisition of proved properties | | | | ¥531 | ¥531 |
| Acquisition of unproved properties | ¥252 | | | | |
| Exploration costs | 3,845 | | ¥132 | 680 | 812 |
| Development costs | 22,768 | | 13,029 | 17,284 | 30,313 |
| Total costs incurred | ¥26,865 | | ¥13,161 | ¥18,495 | ¥31,656 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2011 | Total | North America | Australia | Indonesia | Total |
| Acquisition of proved properties | ¥26,792 | | | | |
| Acquisition of unproved properties | 11,986 | | | | |
| Exploration costs | 5,666 | | ¥6 | ¥640 | ¥646 |
| Development costs | 9,189 | | 8,950 | 5,175 | 14,125 |
| Total costs incurred | ¥53,633 | | ¥8,956 | ¥5,815 | ¥14,771 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Acquisition of proved properties | | ¥36,091 | | | ¥36,091 |
| Acquisition of unproved properties | ¥14,319 | 82,058 | | | 82,058 |
| Exploration costs | 4,960 | 7,098 | ¥693 | ¥559 | 8,350 |
| Development costs | 8,142 | | 10,114 | 7,887 | 18,001 |
| Total costs incurred | ¥27,421 | ¥125,247 | ¥10,807 | ¥8,446 | ¥144,500 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Acquisition of proved properties | | $440 | | | $440 |
| Acquisition of unproved properties | $175 | 1,001 | | | 1,001 |
| Exploration costs | 60 | 87 | $8 | $7 | 102 |
| Development costs | 99 | | 123 | 96 | 219 |
| Total costs incurred | $334 | $1,528 | $131 | $103 | $1,762 |

Table 3: Results of Operations for Producing Activities

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Revenues: | | | | | |
| Sales to external customers | ¥21,092 | | ¥68,012 | ¥4,400 | ¥72,412 |
| Intersegment sales | 11,739 | | | 5,786 | 5,786 |
| Expenses: | | | | | |
| Production costs | 17,235 | | 20,546 | 6,343 | 26,889 |
| Exploration costs | 2,491 | | 254 | 828 | 1,082 |
| Depreciation, depletion, amortization and valuation allowances | 12,304 | | 6,594 | 4,065 | 10,659 |
| Income tax expense | 448 | | 12,140 | 1,064 | 13,204 |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | ¥353 | | ¥28,478 | ¥(2,114) | ¥26,364 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2011 | Total | North America | Australia | Indonesia | Total |
| Revenues: | | | | | |
| Sales to external customers | ¥27,451 | | ¥88,332 | ¥14,135 | ¥102,467 |
| Intersegment sales | 11,284 | | | 5,806 | 5,806 |
| Expenses: | | | | | |
| Production costs | 16,739 | | 21,983 | 8,886 | 30,869 |
| Exploration costs | 5,416 | | 85 | 434 | 519 |
| Depreciation, depletion, amortization and valuation allowances | 17,067 | | 8,378 | 5,580 | 13,958 |
| Income tax expense | 1,241 | | 17,336 | 3,508 | 20,844 |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | ¥(1,728) | | ¥40,550 | ¥1,532 | ¥42,082 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Revenues: | | | | | |
| Sales to external customers | ¥35,417 | | ¥91,656 | ¥25,317 | ¥116,973 |
| Intersegment sales | 10,727 | | | 6,401 | 6,401 |
| Expenses: | | | | | |
| Production costs | 18,412 | | 24,006 | 11,607 | 35,613 |
| Exploration costs | 3,074 | | 1,039 | 549 | 1,588 |
| Depreciation, depletion, amortization and valuation allowances | 12,185 | | 8,885 | 7,378 | 16,263 |
| Income tax expense | 4,610 | | 17,455 | 3,906 | 21,361 |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | ¥7,863 | | ¥40,271 | ¥8,278 | ¥48,549 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Revenues: | | | | | |
| Sales to external customers | $432 | | $1,118 | $309 | $1,427 |
| Intersegment sales | 131 | | | 78 | 78 |
| Expenses: | | | | | |
| Production costs | 225 | | 293 | 142 | 435 |
| Exploration costs | 37 | | 13 | 7 | 20 |
| Depreciation, depletion, amortization and valuation allowances | 149 | | 108 | 90 | 198 |
| Income tax expense | 56 | | 213 | 48 | 261 |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | $96 | | $491 | $100 | $591 |

Table 4: Reserve Quantity Information

Proved gas reserves are constrained to those volumes that are related to firm sales commitments. The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based. Amounts were calculated based on the average of the price as of the first day of each month during the fiscal year. Reserves in the following tables include quantities related to production-sharing contracts ("PSC").Of the total reserve quantities of crude oil, condensate, natural gas liquids, and natural gas in barrels of oil equivalents, the PSC-related reserve quantities comprise 59 percent, 66 percent, and 57 percent of the total reserve quantities for the years ended March 31, 2010, 2011, and 2012 respectively.

| | Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels) | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 53 | | 32 | 18 | 50 |
| Revisions of previous estimates | (5) | | 6 | (1) | 5 |
| Improved recovery | | | | 6 | 6 |
| Purchases | 1 | | | (1) | (1) |
| Sales | | | | | |
| Production | (4) | | (5) | (3) | (8) |
| End of year | 45 | | 33 | 19 | 52 |
| Proved developed reserves—end of year | 28 | | 17 | 17 | 34 |

| | Natural Gas (Billions of Cubic Feet) | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| | Total | North America | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 67 | | 714 | 795 | 1,509 |
| Revisions of previous estimates | (16) | | 30 | 329 | 359 |
| Improved recovery | | | | 145 | 145 |
| Purchases | | | | 3 | 3 |
| Sales | | | | (6) | (6) |
| Production | 3 | | (54) | (10) | (64) |
| End of year | 54 | | 690 | 1,256 | 1,946 |
| Proved developed reserves—end of year | 16 | | 315 | 1,004 | 1,319 |

| Year Ended March 31, 2011 | Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels) | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| | Total | North America | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 45 | | 33 | 19 | 52 |
| Revisions of previous estimates | 13 | | 2 | 1 | 3 |
| Improved recovery | | | | 2 | 2 |
| Purchases | 4 | | | | |
| Sales | | | | (1) | (1) |
| Production | (7) | | (5) | (2) | (7) |
| End of year | 55 | | 30 | 19 | 49 |
| Proved developed reserves—end of year | 44 | | 13 | 16 | 29 |

| | Natural Gas (Billions of Cubic Feet) | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| | Total | North America | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 54 | | 690 | 1,256 | 1,946 |
| Revisions of previous estimates | 1 | | (12) | 30 | 18 |
| Improved recovery | | | | 28 | 28 |
| Purchases | 259 | | | | |
| Sales | | | | (48) | (48) |
| Production | (7) | | (59) | (39) | (98) |
| End of year | 307 | | 619 | 1,227 | 1,846 |
| Proved developed reserves—end of year | 33 | | 255 | 986 | 1,241 |

| Year Ended March 31, 2012 | Crude Oil, Condensate and Natural Gas Liquids (Millions of Barrels) — Consolidated Companies: Total | Affiliated Companies: North America | Affiliated Companies: Australia | Affiliated Companies: Indonesia | Affiliated Companies: Total |
|---|---|---|---|---|---|
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 55 | | 30 | 19 | 49 |
| Revisions of previous estimates | 12 | | 1 | (1) | |
| Extensions and discoveries | 1 | | | | |
| Purchases | | 1 | | | 1 |
| Sales | (1) | | | | |
| Production | (8) | | (4) | (3) | (7) |
| End of year | 59 | 1 | 27 | 15 | 43 |
| Proved developed reserves—end of year | 44 | | 14 | 13 | 27 |

| | Natural Gas (Billions of Cubic Feet) — Consolidated Companies: Total | Affiliated Companies: North America | Affiliated Companies: Australia | Affiliated Companies: Indonesia | Affiliated Companies: Total |
|---|---|---|---|---|---|
| Proved developed and undeveloped reserves: | | | | | |
| Beginning of year | 307 | | 619 | 1,227 | 1,846 |
| Revisions of previous estimates | (12) | | 2 | (3) | (1) |
| Improved recovery | 9 | | | | |
| Purchases | | 380 | | | 380 |
| Sales | (27) | | | | |
| Production | (12) | | (57) | (43) | (100) |
| End of year | 265 | 380 | 564 | 1,181 | 2,125 |
| Proved developed reserves—end of year | 19 | | 209 | 942 | 1,151 |

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

A standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs, currently enacted tax rates and a 10% annual discount factor. Prices and costs were calculated based on the average of the price as of the first day of each month during the fiscal year. The natural gas activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the integrated Production Sharing Agreement. On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information).

The proved gas reserves are constrained to those volumes that are related to firm sales commitments. The natural gas reserves at the end of each year are therefore only a fraction of the volume that is expected to be committed to sales over time and upon which the decision to proceed with development was based. Estimates of proved reserve quantities may change over time as new sales commitments become available. Consequently, the information provided here does not represent management's estimate of the Company's expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Future cash inflows | ¥265,303 | | ¥619,827 | ¥251,957 | ¥871,784 |
| Future production costs | (102,064) | | (183,213) | (71,611) | (254,824) |
| Future development costs | (82,991) | | (91,828) | (46,567) | (138,395) |
| Future income taxes | (15,554) | | (112,723) | (47,951) | (160,674) |
| Undiscounted future net cash flows | 64,694 | | 232,063 | 85,828 | 317,891 |
| 10% annual discount for estimated timing of cash flows | (23,777) | | (94,161) | (49,700) | (143,861) |
| Standardized measure of discounted future net cash flows | ¥40,917 | | ¥137,902 | ¥36,128 | ¥174,030 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2011 | Total | North America | Australia | Indonesia | Total |
| Future cash inflows | ¥338,683 | | ¥704,576 | ¥414,411 | ¥1,118,987 |
| Future production costs | (105,358) | | (180,322) | (103,968) | (284,290) |
| Future development costs | (57,729) | | (76,064) | (41,410) | (117,474) |
| Future income taxes | (38,210) | | (130,306) | (89,628) | (219,934) |
| Undiscounted future net cash flows | 137,386 | | 317,884 | 179,405 | 497,289 |
| 10% annual discount for estimated timing of cash flows | (61,115) | | (126,287) | (70,944) | (197,231) |
| Standardized measure of discounted future net cash flows | ¥76,271 | | ¥191,597 | ¥108,461 | ¥300,058 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Future cash inflows | ¥450,186 | ¥116,018 | ¥762,612 | ¥434,972 | ¥1,313,602 |
| Future production costs | (125,312) | (48,425) | (197,524) | (100,532) | (346,481) |
| Future development costs | (74,067) | (49,521) | (98,953) | (36,691) | (185,165) |
| Future income taxes | (85,385) | | (142,192) | (114,708) | (256,900) |
| Undiscounted future net cash flows | 165,422 | 18,072 | 323,943 | 183,041 | 525,056 |
| 10% annual discount for estimated timing of cash flows | (58,256) | (21,421) | (118,385) | (59,428) | (199,234) |
| Standardized measure of discounted future net cash flows | ¥107,166 | ¥(3,349) | ¥205,558 | ¥123,613 | ¥325,822 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Future cash inflows | $5,490 | $1,415 | $9,300 | $5,305 | $16,020 |
| Future production costs | (1,529) | (590) | (2,409) | (1,226) | (4,225) |
| Future development costs | (903) | (604) | (1,207) | (447) | (2,258) |
| Future income taxes | (1,041) | | (1,734) | (1,399) | (3,133) |
| Undiscounted future net cash flows | 2,017 | 221 | 3,950 | 2,233 | 6,404 |
| 10% annual discount for estimated timing of cash flows | (710) | (261) | (1,444) | (725) | (2,430) |
| Standardized measure of discounted future net cash flows | $1,307 | $(40) | $2,506 | $1,508 | $3,974 |

(2) Details of Changes for the Year

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2010 | Total | North America | Australia | Indonesia | Total |
| Discounted future net cash flows at April 1 | ¥22,883 | | ¥109,034 | ¥40,911 | ¥149,945 |
| Sales and transfer of oil and gas produced, net of production costs | (14,119) | | (52,842) | 16,652 | (36,190) |
| Development costs incurred | 22,567 | | 14,504 | 12,073 | 26,577 |
| Purchases of reserves | 341 | | | | |
| Net changes in sales and transfer prices and production costs related to future production | 9,707 | | (7,142) | (28,179) | (35,321) |
| Changes in estimated future development costs | (27,387) | | (15,446) | (7,707) | (23,153) |
| Revisions of previous quantity estimates | 8,141 | | 28,945 | (12,651) | 16,294 |
| Accretion of discount (10%) | 5,339 | | 14,329 | 12,149 | 26,478 |
| Net change in income taxes | 13,299 | | 12,267 | 2,397 | 14,664 |
| Difference of foreign exchange rates | 146 | | 34,253 | 483 | 34,736 |
| Discounted future net cash flows at March 31 | ¥40,917 | | ¥137,902 | ¥36,128 | ¥174,030 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2011 | Total | North America | Australia | Indonesia | Total |
| Discounted future net cash flows at April 1 | ¥40,917 | | ¥137,902 | ¥36,128 | ¥174,030 |
| Sales and transfer of oil and gas produced, net of production costs | (19,677) | | (68,457) | 18,353 | (50,104) |
| Development costs incurred | 8,584 | | 9,234 | 2,336 | 11,570 |
| Purchases of reserves | 20,948 | | | | |
| Sales of reserves | | | | (4,029) | (4,029) |
| Net changes in sales and transfer prices and production costs related to future production | 34,094 | | 92,833 | 112,657 | 205,490 |
| Changes in estimated future development costs | 19,159 | | 4,610 | (813) | 3,797 |
| Revisions of previous quantity estimates | (16,793) | | 115 | 1,982 | 2,097 |
| Accretion of discount (10%) | 4,661 | | 13,933 | (6,791) | 7,142 |
| Net change in income taxes | (13,579) | | 2 | (47,200) | (47,198) |
| Difference of foreign exchange rates | (2,043) | | 1,425 | (4,162) | (2,737) |
| Discounted future net cash flows at March 31 | ¥76,271 | | ¥191,597 | ¥108,461 | ¥300,058 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Discounted future net cash flows at April 1 | ¥76,271 | | ¥191,597 | ¥108,461 | ¥300,058 |
| Sales and transfer of oil and gas produced, net of production costs | (25,973) | | (64,918) | (4,593) | (69,511) |
| Development costs incurred | 7,855 | | 9,705 | 6,146 | 15,851 |
| Purchases of reserves | | ¥(3,349) | | | (3,349) |
| Sales of reserves | (1,574) | | | | |
| Net changes in sales and transfer prices and production costs related to future production | 105,990 | | 99,532 | 41,722 | 141,254 |
| Changes in estimated future development costs | (22,933) | | (37,531) | 1,908 | (35,623) |
| Extensions, discoveries and improved recovery, less related costs | 2,898 | | | | |
| Revisions of previous quantity estimates | 7,485 | | 6,172 | (3,748) | 2,424 |
| Accretion of discount (10%) | 9,862 | | 18,235 | 7,912 | 26,147 |
| Net change in income taxes | (50,432) | | (7,992) | (29,204) | (37,196) |
| Difference of foreign exchange rates | (2,283) | | (9,242) | (4,991) | (14,233) |
| Discounted future net cash flows at March 31 | ¥107,166 | ¥(3,349) | ¥205,558 | ¥123,613 | ¥325,822 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | | |
| Year Ended March 31, 2012 | Total | North America | Australia | Indonesia | Total |
| Discounted future net cash flows at April 1 | $930 | | $2,337 | $1,323 | $3,660 |
| Sales and transfer of oil and gas produced, net of production costs | (317) | | (792) | (56) | (848) |
| Development costs incurred | 96 | | 118 | 75 | 193 |
| Purchases of reserves | | $(40) | | | (40) |
| Sales of reserves | (19) | | | | |
| Net changes in sales and transfer prices and production costs related to future production | 1,294 | | 1,214 | 510 | 1,724 |
| Changes in estimated future development costs | (280) | | (458) | 23 | (435) |
| Extensions, discoveries and improved recovery, less related costs | 35 | | | | |
| Revisions of previous quantity estimates | 91 | | 75 | (46) | 29 |
| Accretion of discount (10%) | 120 | | 222 | 96 | 318 |
| Net change in income taxes | (615) | | (97) | (356) | (453) |
| Difference of foreign exchange rates | (28) | | (113) | (61) | (174) |
| Discounted future net cash flows at March 31 | $1,307 | $(40) | $2,506 | $1,508 | $3,974 |

# Responsibility Statement

June 26, 2012

## Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the Disclosure Rules and the Transparency Rules of the United Kingdom Financial Services Authority in its capacity as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Ryoichi Ueda, CFO, confirms that, to the best of his knowledge, the financial statements were prepared fairly in all material respects in accordance with accounting principles generally accepted in the United States of America and that, to the best of his knowledge, the management report was prepared fairly in all material respects including the information about 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 the principal risks and uncertainties that they face.

Mitsubishi Corporation

www.mitsubishicorp.com

Printed in Japan