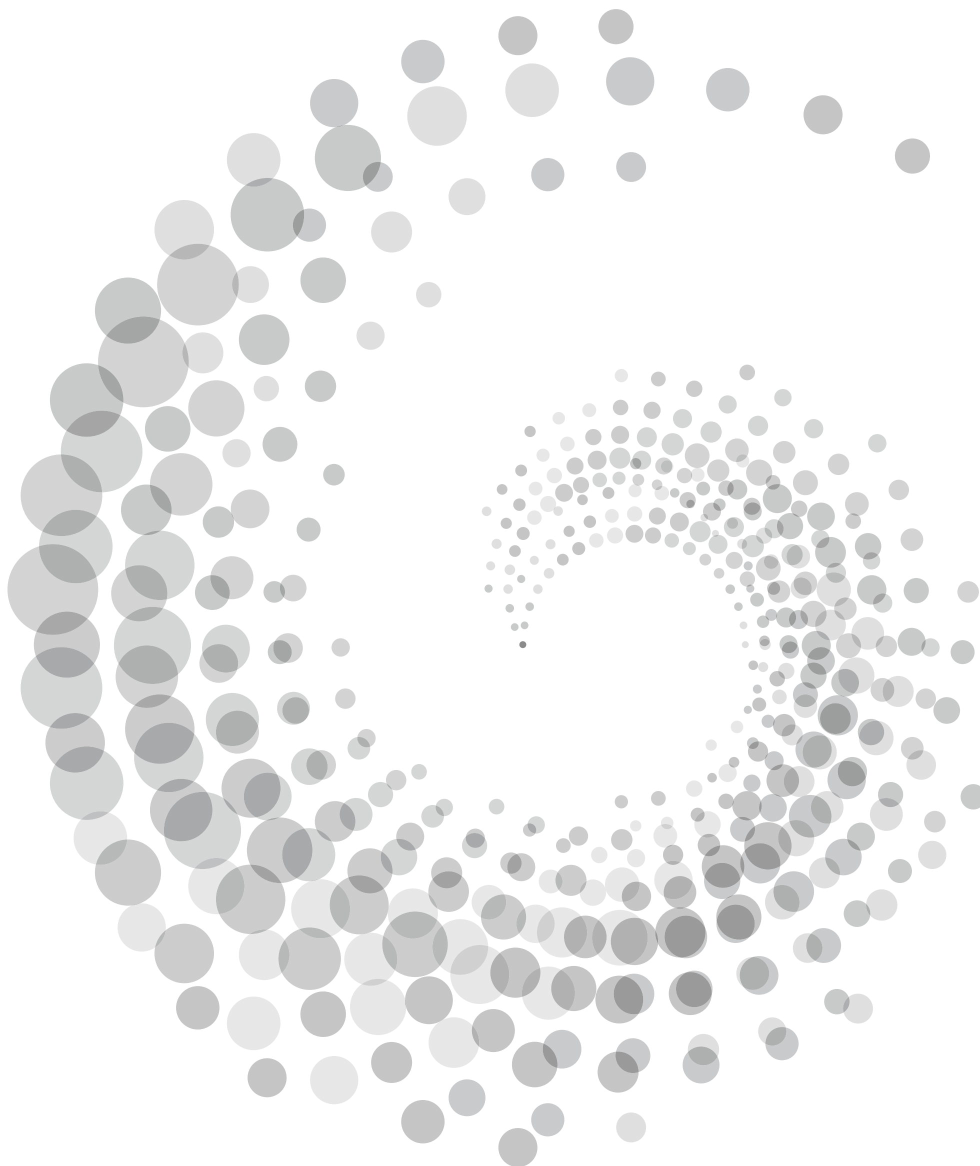
Mitsubishi Corporation

# Financial Section of Annual Report 2011

for the year ended March 31, 2011



# FINANCIAL SECTION OF ANNUAL REPORT <FOR THE YEAR ENDED MARCH 2011>

## CONTENTS


Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . 02
Six-Year Financial Summary . . . . 28
Consolidated Balance Sheets . . . . 30
Consolidated Statements of Income . . . . 32
Consolidated Statements of Comprehensive (Loss) Income . . . . 33
Consolidated Statements of Equity . . . . 34
Consolidated Statements of Cash Flows . . . . 35
Notes to Consolidated Financial Statements . . . . 36
Independent Auditors' Report . . . . 89
Supplementary Explanation . . . . 90
Management Internal Control Report (Translation) . . . . 91
Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan (Translation) . . . . 92
Responsibility Statement . . . . 94


**Forward-Looking Statements**

This financial section of Mitsubishi Corporation's Annual Report for the year ended March 2011 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

The Great East Japan Earthquake (The major earthquake that struck northeastern Japan in March 2011) not only caused massive human suffering, but also considerable physical damage to social infrastructure, production facilities, homes and other assets. Production dropped as a result of interruptions to component supply chains, leading to a large downturn in economic activity. The earthquake is expected to have a continuing impact on the Japanese economy going forward.

Before the disaster, Japan's economy saw a moderate recovery continue through the first half of the year ended March 2011, supported principally by exports to Asia. However, the Japanese economy struggled to grow in the second half, hampered by anemic consumer spending following the end of a subsidy system for new vehicle purchases and other factors.

Contrastingly, the global economy saw healthy growth as a whole in the past fiscal year. In industrialized nations, while unemployment remained at high levels, moderate economic expansion was driven by pump-priming measures and ongoing quantitative easing. Meanwhile, emerging economies such as China and India enjoyed high rates of growth, underpinned by robust domestic demand. That said, some countries tightened monetary policy because of rising inflationary pressures.

Under such circumstances, we saw our total revenues for the year ended March 2011 increase by ¥666.1 billion, or 14.7%, year on year to ¥5,206.9 billion. In addition to a recovery in demand for steel products, this increase reflected higher oil prices and robust growth in automobile and other machinery-related transactions.

Gross profit rose 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.

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.

In other P/L items, there was an improvement in gain on marketable securities and investments—net due primarily to gains on a share transfer at a Chilean iron ore-related subsidiary. Furthermore, dividend income increased from resource-related business investees.

As a result, income before income taxes and equity in earnings of Affiliated companies rose by ¥236.4 billion, or 79.4%, to ¥534.3 billion. Equity in earnings of Affiliated companies was ¥161.5 billion, ¥48.1 billion, or 42.4%, higher year on year. This was the result of strong performances at resource- and automobile-related business investees. Accordingly, net income attributable to Mitsubishi Corporation for the year ended March 2011 climbed by ¥188.3 billion, or 68.5%, to ¥463.2 billion. The impact of the Great East Japan Earthquake on the results for the year ended March 2011 was limited.

Total assets at March 31, 2011 were ¥11,347.4 billion, up ¥490.5 billion, or 4.5%, from March 31, 2010. The year-on-year increase was attributable to raising the level of cash and cash equivalents in preparedness for unexpected demand for funds such as what arose in the wake of the major earthquake that struck northeastern Japan, as well as increased investments in affiliated companies, and higher notes and accounts receivable—trade and inventories in line with recovering market prices.

Total liabilities were ¥7,746.5 billion, up ¥158.3 billion, or 2.1% from March 31, 2010. This was due to borrowing to meet demand for funds.

Interest-bearing liabilities (net), which are interest-bearing liabilities (gross) minus cash and cash equivalents and time deposits, decreased by ¥20.9 billion, or 0.7% to ¥2,947.3 billion. The net debt-to-equity ratio, which is net interest-bearing liabilities divided by total equity, was 0.9.

Total Mitsubishi Corporation shareholders' equity increased by ¥321.9 billion, or 10.9% from March 31, 2010 to ¥3,284.4 billion. This reflected the consolidated net income attributable to Mitsubishi Corporation in the year ended March 2011, which outweighed a deterioration in foreign currency translation adjustments accompanying the yen's appreciation and a decrease due to dividend payments.

Cash and cash equivalents at March 31, 2011 were ¥1,208.7 billion, up ¥128.2 billion, or 11.9%, from March 31, 2010.

Net cash provided by operating activities was ¥331.2 billion, despite an increase in working capital requirements. Cash was mainly provided by strong cash flows from operating transactions, primarily at resource-related subsidiaries, and firm growth in dividend income from business investments, mainly resource-related companies.

Net cash used in investing activities was ¥262.6 billion. Cash was used mainly for subscribing to a capital increase at a Chilean iron ore business, and for capital expenditures and the acquisition of working interests, primarily at overseas subsidiaries, despite proceeds from the sale of shares.

As a result of the above, free cash flow, the sum of operating and investing cash flows, was ¥68.6 billion.

Net cash provided by financing activities was ¥76.7 billion. While cash was used for the payment of dividends, this was outweighed by the procurement of funds by borrowing to meet an increase in working capital requirements and in preparedness for unexpected demand for funds in the wake of the Great East Japan Earthquake.

In terms of our forecast for the year ending March 2012, we are projecting gross profit of ¥1,280.0 billion, ¥130.1 billion higher year on year due to higher coking coal prices and other factors. Combined with the fact that selling, general and

administrative expenses are projected to slightly increase from the year ended March 2011, operating income is forecast to increase by ¥73.9 billion to ¥390.0 billion. In other items, we are forecasting a decrease due to the absence of gains on marketable securities and investments recorded in the previous fiscal year. As a result, consolidated net income attributable to Mitsubishi Corporation is projected to be ¥450.0 billion, a decrease of ¥13.2 billion year on year.

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

## Core Earnings

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2007.3 | 2008.3 | 2009.3 | 2010.3 | **2011.3** |
| Gross profit—SG&A expenses | ¥410,790 | ¥351,097 | ¥599,208 | ¥187,146 | **¥325,280** |
| Interest expense (net of interest income) | (14,390) | (12,294) | (23,319) | (12,647) | **(6,699)** |
| Dividend income | 136,971 | 134,623 | 124,672 | 91,522 | **124,793** |
| Equity in earnings of Affiliated companies | 152,211 | 154,993 | 156,776 | 113,363 | **161,455** |
| Core earnings | ¥685,582 | ¥628,419 | ¥857,337 | ¥379,384 | **¥604,829** |

* Core earnings = Operating income (before the deduction of provision for doubtful receivables) + Interest expense (net of interest income) + Dividend income + Equity in earnings of Affiliated companies.

## 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-on-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 on 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 ¥33.3 billion, or 36.4%, to ¥124.8 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-on-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 less year on year. This reflected impairment losses on property and equipment recorded in the previous fiscal year at real estate-related subsidiaries.

***9) Other Expense (Income)—Net***

We recorded net other income of ¥49.2 billion, down ¥3.2 billion year on year, despite improved funding costs and gains on fund management at the Parent. The overall decrease reflected a deterioration in foreign exchange gains and losses of overseas subsidiaries.

***10) Income from Continuing Operations Before Income Taxes and Equity in Earnings of Affiliated Companies***

Income from continuing operations before income taxes and equity in earnings of Affiliated companies was ¥534.3 billion, up ¥236.4 billion, or 79.4%, year on year. This reflected a ¥133.3 billion, or 13.1%, year-on-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 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, 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***

Equity in earnings of Affiliated companies increased by ¥48.1 billion, or 42.4%, to ¥161.5 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.

### Dividend Income, Equity in Earnings of Affiliated Companies, Interest Expense (net of interest income)

| | Billions of Yen | | |
|---|---|---|---|
| | 2009.3 | 2010.3 | **2011.3** |
| Dividend income | ¥124.7 | ¥ 91.5 | **¥124.8** |
| Equity in Earnings of Affiliated Companies | 156.8 | 113.4 | **161.5** |
| Interest Expenses (net of interest income) | (23.3) | (12.6) | **(6.7)** |

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

Net income attributable to the noncontrolling interest increased by ¥15.8 billion year on year to ¥33.9 billion.

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

Net income attributable to Mitsubishi Corporation increased by ¥188.3 billion, or 68.5%, to ¥463.2 billion. ROE was 14.8%, a 4.5 percentage point improvement from the year ended March 2010.

### Net Income per Share (Diluted EPS), Cash Dividends, Return on Equity (ROE)

| | 2009.3 | 2010.3 | **2011.3** |
|---|---|---|---|
| Diluted EPS (yen) | ¥224.51 | ¥166.89 | **¥281.05** |
| Cash dividends (yen) | 52.00 | 38.00 | **65.00** |
| ROE (%) | 14.1 | 10.3 | **14.8** |

## Year Ended March 2010 vs. Year Ended March 2009

***1) Total Revenues***

Total revenues were ¥4,540.8 billion, down ¥1,615.6 billion, or 26.2%, from the year ended March 2009.

There was a ¥1,485.8 billion, or 27.2%, year-on-year decrease in revenues from trading, manufacturing and other activities to ¥3,967.7 billion. Trading margins and commissions on trading transactions decreased by ¥129.8 billion, or 18.5%, to ¥573.1 billion.

The main reasons for changes were as follows:

- The Energy Business Group saw revenues decrease by ¥584.9 billion, or 37.6%, to ¥969.2 billion, as the result mainly of a decline in earnings on transactions at the Parent and overseas resource-related subsidiaries, due to lower crude oil prices and the stronger yen, which led to a decline in revenues from trading, manufacturing and other activities.
- The Metals Group recorded a ¥651.1 billion, or 49.2%, year-on-year decline in revenues to ¥672.4 billion, reflecting a decrease in revenues from trading, manufacturing and other activities. This decline was attributable to a number of factors, including lower commodity prices and lower transactions at the Parent, lower sales prices at an Australian resource-related subsidiary (coking coal), and lower sales prices for steel products and sales volume at a steel products-related subsidiary.
- The Chemicals Group recorded a ¥156.0 billion, or 17.9%, decline in revenues to ¥715.5 billion, reflecting a decline in revenues from trading, manufacturing and other activities from the previous fiscal year when strong commodity chemical transactions were recorded on the back of soaring prices.
- The Living Essentials Group recorded a ¥163.7 billion, or 9.9%, year-on-year decline in revenues to ¥1,494.2 billion. This reflected a decrease in revenues from trading, manufacturing and other activities due to lower earnings on transactions at the Parent, food-related businesses and general merchandise-related subsidiaries.

***2) Gross Profit***

Gross profit declined by ¥448.4 billion, or 30.6%, to ¥1,016.6 billion, mainly reflecting the impact of lower coking coal prices, lower sales volumes of steel products accompanying soft demand, and declines mainly in resource-related commodity prices.

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

Selling, general and administrative (SG&A) expenses decreased by ¥36.4 billion, or 4.2%, to ¥829.5 billion. This decline resulted from successful efforts to reduce general and administrative expenses, including travel, transportation and entertainment expenses, as well as lower selling expenses in line with a drop in sales volumes.

***4) Provision for Doubtful Receivables***

The expense for provision for doubtful receivables that was recorded during the year ended March 2010 was ¥4.9 billion, which is a ¥3.8 billion or 43.8% decrease from the provision expensed in the previous fiscal year. The decline in provision is a result of a partial recovery in the global economy from the severe economic conditions that existed in the previous fiscal year.

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

Net interest expense was ¥12.6 billion, ¥10.7 billion, or 45.8%, lower year on year. This resulted from lower funding costs due mainly to lower yen interest rates.

***6) Dividend Income***

Dividend income decreased by ¥33.2 billion, or 26.6%, to ¥91.5 billion, due to a drop in dividend income particularly from nonferrous metals-related businesses in line with falling commodity prices. Of the dividend income, resource-related dividend income was ¥68.0 billion and dividend income related to manufacturing, sales and other activities was ¥23.5 billion.

***7) Loss on Marketable Securities and Investments—Net***

In the year ended March 2010, we recorded a net loss of ¥0.2 billion, but this represented a substantial improvement of ¥159.3 billion, or 100.1%, from the previous fiscal year, when we recorded large write-downs of listed shares due to falling share prices across the board. The improvement in the year ended March 2010 reflected the impairment losses in the previous fiscal year as well as an increase in gains on the sale of shares.

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

We recorded a net loss on property and equipment of ¥15.8 billion, ¥29.4 billion, or 65.0%, less than the net loss recorded in the year ended March 2009, when we recorded impairment losses on property and equipment at overseas resource-related projects.

***9) Other (Income) Expense—Net***

We recorded net other income of ¥52.4 billion, an improvement of ¥153.2 billion, or 151.9%, from the net other expense recorded in the year ended March 2009. This primarily reflected an improvement in foreign exchange gains and losses of overseas subsidiaries commensurate with gross profit.

***10) Income from Continuing Operations Before Income Taxes and Equity in Earnings of Affiliated Companies***

Income from continuing operations before income taxes and equity in earnings of Affiliated companies decreased by ¥88.8 billion, or 23.0%, to ¥297.9 billion. This reflected a ¥448.4 billion, or 30.6%, drop in gross profit resulting from lower coking coal prices, lower sales volumes of steel products accompanying falling demand, and falling resource-related and other commodity prices.

The extent of the decline in earnings, however, was limited by reduced selling, general and administrative expenses, in addition to substantial improvements in net loss on marketable securities and investments, net loss on property and equipment, and net other income.

***11) Income Taxes***

Income taxes decreased by ¥29.9 billion, or 20.2%, to ¥118.3 billion, due mainly to the decline in income from continuing operations before income taxes and equity in earnings of Affiliated companies. Our effective tax rate was 39.7%.

***12) Equity in Earnings of Affiliated Companies***

Equity in earnings of Affiliated companies decreased by ¥43.4 billion, or 27.7%, to ¥113.4 billion, primarily due to lower earnings at overseas resource-related companies.

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

Net income attributable to the noncontrolling interest decreased by ¥12.2 billion, or 40.2%, to ¥18.1 billion.

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

Net income attributable to Mitsubishi Corporation decreased by ¥94.7 billion, or 25.6%, to ¥274.8 billion.

## 2. Year Ended March 2011 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 businesses, logistics services, and insurance businesses.

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 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 on 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***

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

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 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 on 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***

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

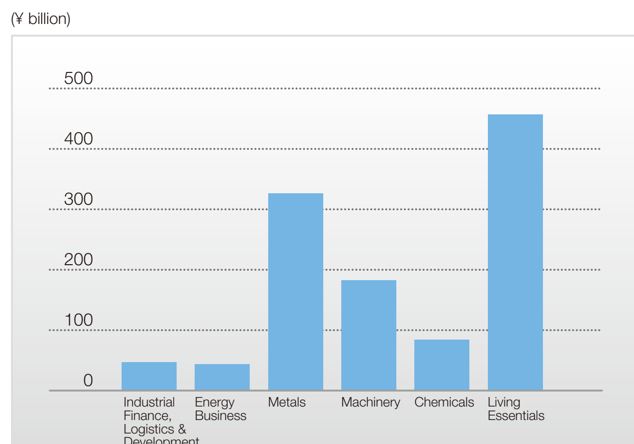
Gross profit increased by ¥94.5 billion, or 40.8%, to ¥326.3 billion, the result mainly of higher transactions at a steel products-related subsidiary, and the absence of losses related to fuel derivative transactions for a JAL subsidiary recorded in the year ended March 2010. Operating income rose by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

Equity in earnings of Affiliated companies climbed by ¥30.1 billion, or 485.5%, to ¥36.3 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 ¥230.1 billion, an increase of ¥92.2 billion, or 66.9%, year on 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.

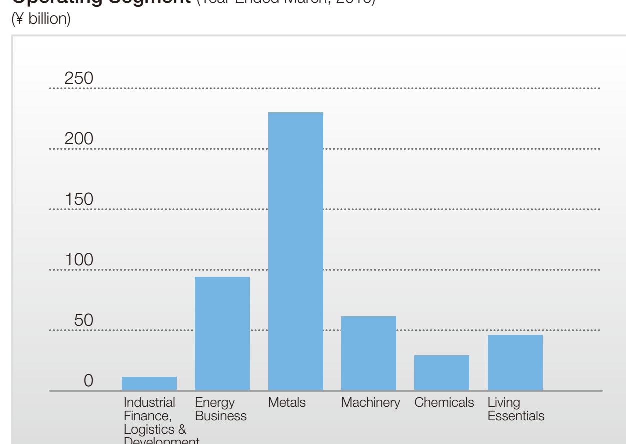
**Gross Profit by Operating Segment** (Year Ended March, 2010)

(¥ billion)




**Net Income by Attributable to Mitsubishi Corporation Operating Segment** (Year Ended March, 2010)

(¥ billion)



*4) Machinery Group*

The Machinery Group trades machinery in a broad range of fields, in which it also develops businesses and invests. These fields extend from large plants for essential industrial materials, including electricity, gas, petroleum, chemicals and steel, to equipment and machinery for transportation and distribution industries, including ships, trains and automobiles. It is also active in the aerospace and defense industries, and in general industrial equipment and machinery, including construction machinery, machine tools, and agricultural machinery.

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 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 on year. In addition to the above reasons, this increase was due to factors such as the absence of a write-down of preferred shares of Mitsubishi Motors Corporation recorded in the year ended March 2010.

*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 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 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 on year.

*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 foods, clothing, paper, packaging materials, cement, construction materials, medical equipment and nursing care. These fields extend from the procurement of raw materials to the consumer market.

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 on 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 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 on 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 on 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 on 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 on 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) U.K.*

In the year ended March 2011, revenues were ¥165.9 billion, ¥18.0 billion, or 12.2%, higher year on 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 on 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.

### Performance of Consolidated Subsidiaries and Affiliates

| | Billions of Yen | |
|---|---|---|
| | 2010.3 | **2011.3** |
| Total profits | ¥359.4 | **¥504.8** |
| No. of companies reporting profits | 425 | **432** |
| Total losses | ¥ (68.8) | **¥ (38.8)** |
| No. of companies reporting losses | 137 | **116** |
| Percentage of profitable group companies | 76% | **79%** |

## 3. Year Ended March 2010 Segment Information

### Operating Segments

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

In the year ended March 2010, segment revenues decreased by ¥14.9 billion, or 13.2%, to ¥97.8 billion, mainly due to lower contract construction and real estate transactions.

Gross profit was ¥44.7 billion, which was the same as that of the year ended March 2009. The segment posted a ¥2.2 billion, or 33.3%, drop in operating income to ¥4.4 billion.

Equity in earnings of Affiliated companies increased by ¥7.7 billion, or 256.7%, to ¥10.7 billion, the result of higher fund investment-related earnings outweighing a drop in equity-method earnings at lease-related businesses.

The segment recorded a net loss attributable to Mitsubishi Corporation of ¥7.6 billion, an improvement of ¥33.7 billion year on year. Although it recorded an impairment of its investment in JAL and certain other shares, the narrower loss reflected the absence of share write-downs recorded in the year ended March 2009.

#### *2) Energy Business Group*

In the year ended March 2010, segment revenues declined by ¥584.9 billion, or 37.6%, to ¥969.2 billion, the result mainly of a decline in earnings on transactions at the Parent and overseas resource-related subsidiaries, due to lower crude oil prices and the stronger yen.

Gross profit declined by ¥29.0 billion, or 42.2%, to ¥39.8 billion. Furthermore, the segment recorded an operating loss of ¥1.4 billion, which was ¥28.4 billion, or 105.2%, worse than the profit recorded in the year ended March 2009.

Equity in earnings of Affiliated companies declined by ¥30.1 billion, or 43.1%, to ¥39.7 billion due to the impact of lower equity-method earnings from overseas resource-related business investees due to lower crude oil prices and the stronger yen.

The segment recorded net income attributable to Mitsubishi Corporation of ¥71.9 billion, a decrease of ¥10.9 billion, or 13.2%, year on year. The absence of impairment losses on property and equipment recorded at overseas resource-related subsidiaries in the previous fiscal year contributed to segment performance. The improvements were offset by losses related to fuel derivative transactions with a JAL subsidiary.

#### *3) Metals Group*

In the year ended March 2010, the segment recorded a ¥651.1 billion, or 49.2%, year-on-year decline in revenues to ¥672.4 billion, reflecting a number of factors. These included lower commodity prices and lower transactions at the Parent, lower sales prices at an Australian resource-related subsidiary (coking coal), and lower sales prices for steel products and sales volume at a steel products-related subsidiary.

Gross profit declined by ¥337.9 billion, or 59.3%, to ¥231.8 billion for the above reasons, as well as the recording of losses related to fuel derivative transactions with a JAL subsidiary. Furthermore, operating income declined by ¥313.8 billion, or 75.2%, to ¥103.4 billion.

Equity in earnings of Affiliated companies dropped by ¥41.7 billion, or 87.1%, to ¥6.2 billion due to lower equity-method earnings from overseas resource-related business investees (iron ore, aluminum and copper) and a steel products-related subsidiary.

The segment recorded net income attributable to Mitsubishi Corporation of ¥137.9 billion, representing a decrease of ¥78.8 billion, or 36.4%, year on year, despite the absence of share write-downs (investment impairments) recorded in the previous fiscal year.

#### *4) Machinery Group*

In the year ended March 2010, this segment saw revenues edge down ¥3.0 billion, or 0.5%, to ¥565.2 billion year on year. In addition to a pull-back from the high ship charter rates in the previous fiscal year, and lower transactions of machinery and

## Performance at Principal Subsidiaries and Affiliates (Profits over ¥1.0 billion or losses over ¥1.0 billion)

### Companies Reporting Profits

| Group | Company Name | Share-holding (%) | Equity in earnings (¥ Billion) Year Ended March 2011 | Year Ended March 2010 | Main Business |
|---|---|---|---|---|---|
| Domestic: | | | | | |
| Metals | JECO Corporation | 70.00 | 15.7 | 7.1 | Investment company for Minera Escondida Ltda. copper mines in Chile |
| Metals | Metal One Corporation | 60.00 | 11.2 | 5.4 | Steel products operations |
| Chemicals | SPDC Ltd. | 30.39 | 9.9 | 16.3 | Investment and petroleum and petrochemicals-related businesses |
| Living Essentials | LAWSON, INC. | 32.44 | 8.2 | 3.6 | Franchise chain of LAWSON convenience stores |
| Energy Business | Mitsubishi Shoji Sekiyu Co., Ltd. | 100.00 | 5.6 | 0.8 | Marketing and sales of petroleum products |
| Industrial Finance, Logistics & Development | Mitsubishi UFJ Lease & Finance Company Ltd. | 20.00 | 5.3 | 2.5 | Leasing, installment sales, other financing |
| Living Essentials | RYOSHOKU LIMITED | 51.17 | 3.6 | 4.1 | Wholesale of food products |
| Chemicals | Kohjin Co., Ltd. | 100.00 | 2.1 | 1.3 | Manufacturing of specialty papers, plastic films, biochemicals and fine chemicals |
| Metals | Mitsubishi Corporation Unimetals Ltd. | 100.00 | 2.0 | 0.2 | Metal trading company |
| Living Essentials | Hokuetsu Kishu Paper, Co., Ltd. | 24.72 | 1.9 | 0.8 | Manufacturing, processing, and sales of paper and pulp |
| Industrial Finance, Logistics & Development | Mitsubishi Corporation LT, Inc. | 100.00 | 1.8 | 1.2 | Warehousing and total logistics services |
| Industrial Finance, Logistics & Development | MC Aviation Partners Inc. | 100.00 | 1.6 | 0.7 | Aircraft leasing and management services |
| Living Essentials | Mitsubishi Shoji Packaging Corporation | 92.15 | 1.6 | 1.4 | Sales and marketing of packaging materials, paper, paperboard and corrugated containerboard, as well as export of paper and paperboard |
| Living Essentials | San-Esu Inc. | 91.93 | 1.6 | 1.4 | Wholesale of confectionery |
| Energy Business | Astomos Energy Corporation | 49.00 | 1.5 | 2.4 | Import, trading, domestic distribution and sales of LPG |
| Machinery | MSK FARM MACHINERY CORPORATION | 100.00 | 1.5 | 0.6 | Sales and service of agricultural machinery and facilities |
| Machinery | Nikken Corporation | 96.83 | 1.5 | (1.6) | Rental and sales of construction machinery and other equipment |
| Living Essentials | Dai-Nippon Meiji Sugar Co., Ltd. | 100.00 | 1.4 | 1.7 | Manufacturing and wholesale of sugar products |
| Chemicals | Mitsubishi Shoji Plastics Corp. | 100.00 | 1.3 | 1.3 | Marketing of synthetic raw materials and plastics |
| Machinery | Mitsubishi Corporation Power Systems, Inc. | 100.00 | 1.2 | 1.1 | Supply, installation work, maintenance, inspection of power generating systems and related equipment, in-plant transportation services |
| Living Essentials | Kentucky Fried Chicken Japan Ltd. | 65.81 | 1.2 | 0.9 | Fast-food restaurant chain and home-delivery pizza stores |
| Living Essentials | MC Healthcare, Inc. | 80.00 | 1.1 | – | Hospital management solutions through procurement of medical supplies and pharmaceuticals |
| Machinery | Mitsubishi Corporation Machinery, Inc. | 100.00 | 1.0 | 1.2 | Export, import and domestic trading of machine parts |
| Living Essentials | Food Service Network Co., Ltd. | 100.00 | 1.0 | 0.6 | Food wholesaling business for convenience stores |
| Overseas: | | | | | |
| Metals | Mitsubishi Development Pty Ltd (Australia) | 100.00 | 135.8 | 112.8 | Investment, production and sales of coal and other metals resources |
| Metals | M.C. Inversiones Limitada (Chile) | 100.00 | 41.7 | 5.3 | Investment company for iron ore mine in Chile |
| Metals | Iron Ore Company of Canada (Canada) | 26.18 | 18.8 | 4.6 | Iron ore production and sales |
| Machinery | Tri Petch Isuzu Sales Co., Ltd. (Thailand) | 88.73 | 14.3 | 6.7 | Distribution of automobiles |
| Machinery | P.T. Krama Yudha Tiga Berlian Motors (Indonesia) | 40.00 | 6.4 | 2.7 | Distribution of automobiles |
| Metals | MC Copper Holdings B.V. (The Netherlands) | 100.00 | 5.6 | 2.8 | Investment company for Los Pelambres copper mine in Chile |
| Corporate Staff | Mitsubishi International Corporation | 100.00 | 4.9 | 7.3 | Trading |
| Machinery | Isuzu Operations (Thailand) Co., Ltd. (Thailand) | 80.00 | 4.7 | 2.9 | Distribution of automobiles |
| Global Environment Business Development Group | Diamond Generating Asia, Limited (Hong Kong) | 100.00 | 4.0 | 4.6 | Independent power producer |
| Living Essentials | Princes Limited (U.K.) | 100.00 | 3.7 | 3.9 | Manufacturing of food products and soft drinks |
| Machinery | Isuzu Motors Co., (Thailand) Ltd. (Thailand) | 27.50 | 3.2 | 2.4 | Manufacturing of automobiles |
| Living Essentials | Alpac Forest Products Inc. (Canada) | 70.00 | 3.2 | (0.4) | Manufacturing and sales of wood pulp |
| Metals | JECO 2 LTD. (U.K.) | 50.00 | 3.1 | – | Investment company for Minera Escondida Ltda. copper mines in Chile |
| Living Essentials | Indiana Packers Corporation (U.S.A.) | 80.00 | 2.8 | 1.3 | Processing and sales of pork |
| Corporate Staff | Mitsubishi Corporation International (Europe) Plc. | 100.00 | 2.6 | 0.2 | Trading |
| Industrial Finance, Logistics & Development | Bow Bells House Investment L-1 (U.K.) | 100.00 | 2.5 | (0.1) | Financial investment company |
| Living Essentials | AGREX Inc. (U.S.A.) | 100.00 | 2.1 | 1.5 | Storage and marketing of grain |
| Machinery | Tri Petch Isuzu Leasing Co., Ltd. (Thailand) | 93.50 | 1.8 | 1.1 | Plant engineering business |
| Corporate Staff | Mitsubishi Corporation (Shanghai) Ltd. | 100.00 | 1.7 | 1.3 | Trading |
| Metals | Triland Metals Limited (U.K.) | 100.00 | 1.3 | 1.9 | Commodity broker and market maker on the London Metal Exchange (LME) |
| Energy Business | Diamond Gas Resources Pty., Ltd. (Australia) | 100.00 | 1.2 | 2.8 | Sales agent of JALP crude oil and condensate |
| Machinery | MCE Bank GmbH (Germany) | 100.00 | 1.2 | 1.0 | Automobile finance |
| Chemicals | Metanol de Oriente, METOR, S.A. (Venezuela) | 25.00 | 1.2 | 0.5 | Manufacturing and marketing of methanol |
| Global Environment Business Development Group | Diamond Generating Corporation (U.S.A.) | 100.00 | 1.1 | 1.9 | Independent power producer |

* Equity in earnings of RYOSHOKU LIMITED has been retrospectively adjusted for the year ended March 2010, since the company had changed its fiscal year ending date.

### Companies Reporting Losses

| Group | Company Name | Share-holding (%) | Equity in earnings (¥ Billion) Year Ended March 2011 | Year Ended March 2010 | Main Business |
|---|---|---|---|---|---|
| Domestic: | | | | | |
| Living Essentials | Loyalty Marketing, Inc. | 90.00 | (1.6) | (0.8) | Managing the operations of Multi-Partner Loyalty Program “Ponta” |
| Living Essentials | Nosan Corporation | 100.00 | (3.4) | 0.8 | Manufacturing and marketing of livestock feed |
| Overseas: | | | | | |
| Energy Business | Energi Mega Pratama Inc. (Indonesia) | 25.00 | (1.2) | (1.5) | Exploration, development, and production of oil and natural gas in Indonesia |
| Metals | Strand Minerals (Indonesia) Pte. Ltd. (Singapore) | 33.40 | (1.7) | (1.0) | Investment company for nickel mine in Indonesia |
| Energy Business | MCX Exploration (USA) Ltd. (U.S.A.) | 100.00 | (2.7) | (1.9) | Exploration, development and production of oil and natural gas |
| Energy Business | ENCORE ENERGY PTE. LTD. (Singapore) | 39.40 | (3.4) | (0.6) | Stockholding company for P.T. Medco Energi Internasional (Indonesia) |

equipment sold in large volumes, the decreased revenues were due to the impact of lower sales in overseas automobile operations and foreign currency fluctuations.

Gross profit decreased by ¥18.5 billion, or 10.7%, to ¥155.1 billion. Furthermore, operating income decreased by ¥17.0 billion, or 29.1%, to ¥41.4 billion.

Equity in earnings of Affiliated companies increased by ¥4.1 billion, or 59.4%, to ¥11.0 billion.

The segment recorded net income attributable to Mitsubishi Corporation of ¥18.1 billion, a loss of ¥1.6 billion, or 8.1%, year on year. Despite the absence of share write-downs (investment impairments) and impairment losses on property and equipment recorded in the previous fiscal year, there was an investment impairment of preferred shares of Mitsubishi Motors Corporation of ¥16.7 billion (after-tax), or ¥28.3 billion (before tax).

#### *5) Chemicals Group*

In the year ended March 2010, segment revenues declined by ¥156.0 billion, or 17.9%, to ¥715.5 billion. This reflected a decline in revenues from trading, manufacturing and other activities from the previous fiscal year when strong commodity chemical transactions were recorded on the back of soaring prices.

Gross profit declined by ¥17.1 billion, or 18.0%, to ¥77.8 billion. Furthermore, operating income declined by ¥11.7 billion, or 33.5%, to ¥23.2 billion.

Equity in earnings of Affiliated companies increased by ¥6.4 billion, or 59.3%, to ¥17.2 billion due to the reversal of deferred tax liabilities at a petrochemical business-related company, despite lower earnings accompanying a fall in market prices.

The segment recorded net income attributable to Mitsubishi Corporation of ¥32.4 billion, an increase of ¥5.6 billion, or 20.9%, year on year due mainly to the absence of share write-downs (investment impairments) recorded in the previous fiscal year.

#### *6) Living Essentials Group*

In the year ended March 2010, the segment recorded a ¥163.7 billion, or 9.9%, decline in revenues to ¥1,494.2 billion. This reflected a decrease in revenues from trading, manufacturing and other activities due to lower earnings on transactions at Parent, food-related businesses and general merchandise-related subsidiaries.

Gross profit declined ¥26.5 billion, or 5.5%, to ¥457.1 billion. Furthermore, operating income declined by ¥12.1 billion, or 16.2%, to ¥62.4 billion.

Equity in earnings of Affiliated companies decreased by ¥2.0 billion, or 9.3%, to ¥19.5 billion primarily due to a decrease resulting from the recording of losses at a LAWSON, INC. subsidiary.

The segment recorded net income attributable to Mitsubishi Corporation of ¥46.8 billion, an increase of ¥13.0 billion, or 38.5%, year on year, the result chiefly of the absence of share write-downs (investment impairments) recorded in the year ended March 2009.

### Geographic Information

#### *1) Japan*

Revenues in the year ended March 2010 were ¥3,388.8 billion, ¥1,220.4 billion, or 26.5%, down year on year. This decline reflected a drop in energy-related transactions at the Parent because of lower crude oil prices and sales volumes, as well as a decrease due to soft demand for steel products at a steel products-related subsidiary.

Gross profit declined by ¥86.9 billion, or 10.9%, to ¥710.3 billion for the same reasons as above.

#### *2) Australia*

In the year ended March 2010, revenues declined by ¥258.4 billion, or 40.0%, to ¥388.3 billion, due primarily to lower coking coal prices at an Australian resource-related subsidiary.

As a result of this decline in revenues, gross profit decreased by ¥250.4 billion, or 66.7%, to ¥125.3 billion.

***3) Thailand***

Revenues in the year ended March 2010 increased by ¥9.2 billion, or 3.2%, to ¥297.3 billion on the back of an increase from a recovery in our automobile operations, among other factors.

Gross profit inched up ¥0.1 billion, or 0.3%, to ¥39.2 billion.

***4) U.K.***

Revenues in the year ended March 2010 dropped by ¥49.1 billion, or 24.9%, to ¥147.9 billion due mainly to losses related to fuel derivative transactions for a JAL subsidiary.

Because of this decline, gross profit fell ¥32.3 billion, or 62.7%, to ¥19.2 billion.

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

Revenues in the year ended March 2010 decreased by ¥51.6 billion, or 27.7%, to ¥134.6 billion. The decline reflected lower transactions at resource-related subsidiaries due to falling commodity prices, lower transactions at food-related subsidiaries, and lower steel products transactions at steel products-related subsidiaries.

Gross profit declined by ¥20.4 billion, or 29.7%, to ¥48.3 billion.

***6) Other***

Revenues in the year ended March 2010 dropped by ¥45.2 billion, or 21.3%, to ¥183.9 billion. Gross profit declined by ¥58.4 billion, or 44.0%, to ¥74.3 billion.

## 4. Year Ended March 2011 Operating Environment and Year Ending March 2012 Outlook

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

Financial markets in the year ended March 2011 generally marked healthy growth as the world recovered from the global financial crisis. In industrialized economies, although persistently high unemployment rates in the U.S. and elsewhere and sovereign debt problems in Europe were a cause for concern, expansionary fiscal policies and monetary easing supported financial markets and contributed to an improvement in the real economy. In contrast, in emerging markets, China, India and other countries achieved high economic growth, driven by buoyant internal demand. That said, warning bells sounded louder for a change in government strategy to tighten monetary policy to rein in inflationary pressures. At the same time, there were concerns about the negative impact on the global economy of increasing instability in the Middle East and North Africa.

In our buyout investment*[1] business in Japan, a fund managed by Marunouchi Capital Co., Ltd. purchased shares in Yamamoto Co., Ltd., which manufactures auto parts using the fine-blanking technology. Yamamoto Co., Ltd. is stepping up overseas business development and taking other measures to raise corporate value.

In the leasing business, we strengthened cooperation with Mitsubishi UFJ Lease & Finance Company Ltd. in various fields and regions, including the environment, ships, real estate and overseas markets, and through MC Aviation Partners Inc. we enhanced our aircraft leasing business. In the airline industry in the year ended March 2011, conditions picked up considerably from the slump witnessed in the aftermath of the global financial crisis. Further, we anticipate continued demand for aircraft operating leases going forward. We will therefore continue to properly manage our fleet of aircraft in the year ending March 2012, while continuing to add to our portfolio of aircraft for leasing.

In the Japanese real estate market in the year ended March 2011, a certain degree of recovery was seen in investment unit prices, in part because of the purchase of Japanese real estate investment trusts by the Bank of Japan as part of its comprehensive qualitative easing strategy. Furthermore, real estate transactions are beginning to show signs of a recovery, despite remaining soft since the onset of the financial crisis. In the year ended March 2011, we established the Real Estate Investment & Management Unit with the aim of creating an earnings structure resilient to changes in market conditions by drawing on the business group's finance, development and construction, and logistics functions. With this move, we have put in place an organizational structure for building a medium- to long-term real estate portfolio and turning properties into financial instruments. In the year ending March 2012, we plan to expand and enhance our real estate business in Japan, while monitoring the impact of the Great East Japan Earthquake. At the same time, we will promote the real estate development business, focusing in particular on the new area for us of residential development in China.

The Japanese logistics industry in the year ending March 2012 is expected to see a temporary drop in freight due to the impact of the Great East Japan Earthquake and impact of planned power outages. On the other hand, transportation volume is forecast to slowly recover on demand associated with recovery efforts in Japan. The distribution sector worldwide is growing, driven by economic growth in China and other emerging markets, and this trend is likely to continue in the year ending March 2012.

While the impact of the Great East Japan Earthquake must continue to be watched closely, we believe that markets have already picked up from the temporary drop caused by the financial crisis. We feel that our operations have gradually increased due to certain proven business frameworks that were established when the group was formed. In the year ending March 2012, in addition to enhancing our portfolio of quality assets and

strengthening asset management capabilities, we will push ahead with efforts to capitalize on growth in emerging markets such as China.

*1: Buyout investment: an investment technique for earning an investment return by investing in an existing company and providing management support to increase the invested company's corporate value.

### *2) Energy Business Group*

The Greek government debt problems that occurred in April 2010 escalated into a crisis for the euro, which caused instability in the price of crude oil throughout the year ended March 2011. Furthermore, in addition to a sharp increase in global oil demand from the previous year, surplus funds from monetary easing in the U.S. and Europe were directed by speculators into crude oil and other commodity markets, driving up prices. In this market environment, the Dubai spot price for crude oil traded in the range of US$70/BBL to US$90/BBL between April and September 2010, continuing the trend from the previous fiscal year. However, anti-government movements demanding democracy that erupted in Tunisia at the end of 2010 quickly spread to many Middle Eastern and North African countries, causing a further noticeable rise in the Dubai spot price to as high as US$100/BBL in February 2011.

With no solution in sight, these problems are expected to become drawn out. The political situation in the regions concerned, which account for approximately 30% of global crude oil production by volume, has a large impact on crude oil supplies to Japan, and developments must be watched going forward. In a more encouraging development, the U.S. economy is recovering from the slump induced by the collapse of Lehman Brothers in 2008, although it continues to lack real strength. Also, emerging markets are growing steadily, with China and India registering GDP growth rates above 10% and Brazil growing at 7.5%.

The crude oil market in the year ending March 2012 is being overshadowed by increasing supply-side concerns surrounding the unrest in the Middle East and North Africa. Nevertheless, the price of crude oil is expected to increase, despite some uncertainly. This forecast is based on more demand for oil spurred by economic recovery in the U.S. and Europe, and stable economic growth in emerging markets, along with the impact of the March 2011 Great East Japan Earthquake and Fukushima nuclear accident.

Our consolidated net income projection for the year ending March 2012 for this business group assumes a crude oil price of US$92/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 recovered steadily in the year ended March 2011. Furthermore, driven by economic growth in China, India, Brazil and other emerging markets, demand and prices for coal and iron ore rose robustly as a whole. In non-ferrous metals, including copper and aluminum, recovering and expanding demand in China and other emerging markets, and healthy demand in the U.S. and Europe, along with the inflow of speculative money with the U.S. dollar weak and interest rates low and other factors led to an upturn in prices as a whole. That said, some commodities performed better than others. The average annual price of copper cathode rose from US$2.77 per pound to US$3.69 per pound for the year ended March 2011, and in February 2011 set a new record price of US$4.62 per pound. The average annual price of aluminum ingots rose from US$1,866 per MT to US$2,257 per MT for the year ended March 2011 on buoyant demand from Europe, the U.S. and Asia. Against this backdrop, net income attributable to Mitsubishi Corporation in the metal resources business in the past fiscal year increased sharply year on year. There were three main factors for this result: a substantial ¥23.0 billion increase in net income to ¥135.8 billion at key Australian resource-related subsidiary MDP due mainly to higher sales prices; higher equity in earnings of overseas resource-related business investees; and gains on a share exchange at a Chilean iron ore-related subsidiary.

In the steel products business in the year ended March 2011, global steel production recovered steadily, growing 15% from the previous year to 1,414 million tons, surpassing 1.4 billion tons for the first time. Prices also rose because of rising prices for key materials such as iron ore and coal, in addition to solid demand. Metal One Corporation, which was established in January 2003 by joint investment of Mitsubishi Corporation (60%) and Sojitz Corporation (40%), worked to capture demand for steel in China and other Asian countries and auto demand worldwide. As a result of these efforts, its results were generally strong on account of higher transaction volumes, and higher sales prices due to an increase in steel prices. It also recorded lower operating expenses.

In terms of the business environment in the year ending March 2012, there are some uncertainties clouding the outlook, namely the impact of the Great East Japan Earthquake and weather conditions in Australia. Nevertheless, with demand expected to continue growing strongly, underpinned by strong

economies in emerging markets like China, we expect consolidated net income in the Metals Group to be almost the same as the year ended March 2011. This projection is premised mainly on higher earnings from higher sales prices and sales volumes for coking coal at MDP, which should offset the absence of the gain on share exchange at a Chilean iron ore-related subsidiary that was recorded in the year ended March 2011.

***4) Machinery Group***

In the year ended March 2011, the Machinery Group posted a steady improvement in performance. One notable performer was automobile operations, especially in Asia, which benefited from economic recovery in emerging markets. For the year ending March 2012, the yen's appreciation and impact of the Great East Japan Earthquake make the operating environment difficult to predict. However, we will actively develop growth markets in ship- and automobile-related businesses, as well as in infrastructure and resource and energy projects, where global demand prospects remain firm.

In plant-related business, the external operating environment began to improve in the year ended March 2011, following a drop in orders in the wake of the global financial crisis as new projects were frozen or postponed. However, overseas plant orders in the year ended March 2011 were only approximately ¥480.0 billion, below the approximate ¥550.0 billion recorded in the year ended March 2010. This decline reflected factors such as stiffer competition with overseas companies due to the impact of the strong yen. In the year ending March 2012, orders for overseas projects may languish due to the impact of the strong yen, and projects in Japan may be put off due to the Great East Japan Earthquake and nuclear accident. For these reasons, we will work to generate earnings by focusing on projects that are highly likely to come to fruition.

In the industrial machinery business where we sell machinery and equipment in large volumes, market conditions improved from the first half of the year ended March 2011. However, with substantial capital investment still elusive, we worked in Japan to raise our earnings power through an ongoing management efficiency drive. We also concentrated on capturing demand in China, Brazil and other emerging markets where we are fielding many inquiries.

In the ship-related business, market conditions were generally firm in the first half of the fiscal year. In the second half, however, China imported less iron ore, the number of vessels on the market increased with the delivery of a large number of new vessels, and coal shipments from Australia were interrupted by flooding. The Great East Japan Earthquake also had an impact on cargo movement. Together, these and other factors depressed the market in the second half, resulting in a largely flat business performance in the ship-related business for the full year. In the year ending March 2012, while a difficult business environment is expected to persist for the time being, we aim to build an earnings structure that is resilient to changing market conditions, while keeping a watchful eye on movements in supply and demand.

In business related to Mitsubishi Motors Corporation (MMC) brand automobiles, performance improved, underpinned by recovery in Asia. In the year ending March 2012, the impact of the Great East Japan Earthquake is making it difficult to form an outlook for obtaining auto parts for production. Together with the strong yen and other factors, there are concerns that the operating environment will worsen. We will strengthen our existing business bases, centered on Indonesia, as well as step up actions in Russia, China and other emerging markets.

In business related to Isuzu Motors Limited brand automobiles, operating results improved considerably, as sales in ASEAN countries, including Thailand, and Australia rose on the back of steadily recovering demand in Asia, Australia and the Middle East. In the year ending March 2012, the impact of the Great East Japan Earthquake, the yen's ongoing appreciation and other factors may make further deterioration in the operating environment unavoidable. We intend to strengthen the foundations of our existing businesses, including a manufacturing and sales business for commercial vehicles in Thailand that is operated as a joint venture with Isuzu Motors Limited. At the same time, we will focus on expanding the export business of completed vehicles from Thailand to other countries.

***5) Chemicals Group***

The chemical products market in the year ended March 2011 saw high growth as a whole due to rising prices for crude oil, a feedstock for many products, and to recovering global demand.

In the Middle East and China, large, new petrochemical plants came on-stream one after another and production capacity was increased at existing plants. However, strong demand from China, Asia, South America, India and elsewhere drove market prices along with the rising price of crude oil.

In terms of the outlook, although the pace of growth may slow, we expect to see continued strong demand centered on emerging markets and the price of oil remain at a relatively high level. 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 expect to see changes in the distribution flows of products. Ethylene-based petrochemicals that use cheap Middle Eastern natural gas in particular are expected to compete in the Asian market with the aforementioned North American products, which may bring about global changes in distribution and supply flows. We see this as an opportunity to showcase our functions.

Some of our main suppliers who were affected by the Great East Japan Earthquake will likely achieve an early recovery in their operations. However, the outlook for other companies is still unclear. As a result of this situation, there are concerns surrounding the procurement of raw materials and the impact on product manufacturing and supply chains. On the other hand, demand is expected to increase as Japanese industry recovers from the disaster. But measuring the future impact of the disaster is challenging with so many unknown variables.

Ever-increasing interest in health, safety, security 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 environment and new energy fields.

We will make organizational changes to respond to the needs of the times, globally developing our trading business 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 2011, in fields closely linked to consumer behavior in the Living Essentials Group's business domains such as food, textiles and retailing, difficult conditions persisted. Political instability outside of Japan, the yen's appreciation, rising materials prices and other factors meant concerns lingered about an economic downturn. Personal consumption was subdued and consumers continued to show a preference for lower-priced products as a result. At the same time, there were signs of recovery in some sectors of the business environment. Pulp prices recovered, and demand was robust in China and other emerging markets for grains and other staple foods and tires and other products.

In the year ending March 2012, the business environment is expected to be even more uncertain due to cooling consumer sentiment and the impact of power supply problems following the Great East Japan Earthquake, among other factors. As the business group that is active in fields closest to consumers, we are determined to help Japan's economy and society stage the quickest recovery possible in fields that are essential for daily life such as food, textiles, general merchandise, healthcare and retailing.

In the food field, there are concerns over tight supplies of grain and other commodities due to the impact of a heat wave in North America in 2010 as well as robust demand from China. In light of this, 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. At the same time, 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 core subsidiaries in each field. In Japan, there are growing moves to restructure intermediary distribution companies against a backdrop of increased domination by a few major players in the retailing sector. In light of this building momentum, four Mitsubishi Corporation food distribution wholesale subsidiaries signed a merger agreement, which culminated in the launch in July 2011 of Mitsubishi Shokuhin Co., Ltd. Overseas, we will continue to actively target our efforts at growth markets. The functions of AGREX, Inc., a U.S. subsidiary engaged in the storage and marketing of grain, and Princes Limited, a U.K. subsidiary manufacturing food products and soft drinks, will play a pivotal role here.

In the textiles field, the business environment remains difficult due to a host of factors including slowing personal consumption and persistent price deflation, along with rising processing costs and soaring cotton prices in China. In order to respond to these changes in our business environment, we established MC Fashion Co., Ltd. by consolidating the functions of three subsidiaries into one entity. This company has begun raising its competitiveness as an apparel OEM (Original Equipment Manufacturing) company. 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 economic crisis. In the second half of the year ended March 2011, however, demand in Southern California turned upward year on year. We expect a gradual recovery going forward. In the first half of the year ended March 2011, pulp prices soared due to an earthquake in Chile and rising demand in China, but have since settled back. While a bona fide recovery in demand is still elusive in the markets served by the General Merchandise Division, we will bolster paper-related businesses, centered on Hokuetsu Kishu Paper Co., Ltd., Mitsubishi Shoji Packaging Corporation and Canadian pulp manufacturing subsidiary Alpac Forest Products Inc. Moreover, we will upgrade the basic capabilities of our cement businesses in the U.S. and China. We will also continue to steadily expand sales of tires in overseas growth markets, including emerging nations.

In the retail and healthcare fields, we integrated operations in the Retail & Healthcare Division in April 2011. The healthcare field is expected to grow in size as a market along with the aging of Japan's population and increasing awareness of lifestyle

diseases. We will also be active in developing new distribution channels and providing sales promotion, payment settlement, loyalty point and other services to cater to changing market needs. At the same time, we aim to further strengthen cooperation between these functions and retail businesses.

## 5. R&D Activities

There were no material R&D activities in the year ended March 2011.

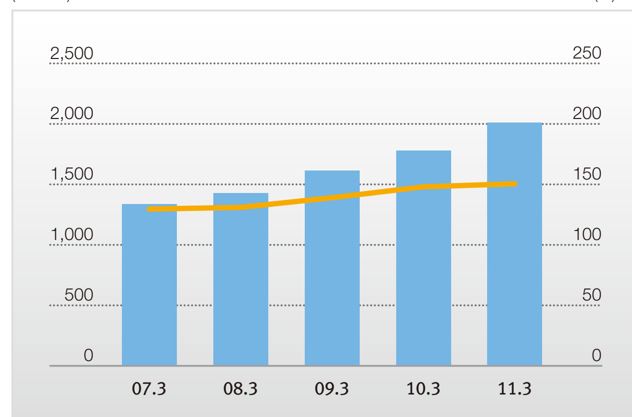
## 6. Liquidity and Capital Resources

***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 2011, instability persisted due to European debt problems, escalating geopolitical risk in the Middle East and North Africa, and the impact of the Great East Japan Earthquake. We continued to diversify our fund procurement channels while ensuring our financial soundness. This included the issuance of foreign currency-denominated straight bonds for the first time in 25 years.

**Working Capital, Current Ratio**




As a result of these funding activities, on March 31, 2011, gross interest-bearing liabilities stood at approximately ¥4,257.6 billion, ¥102.9 billion higher than March 31, 2010. Of these gross interest-bearing liabilities, 84.8% represented long-term financing. Gross interest-bearing liabilities at the Parent were ¥3,107.9 billion, of which 98.8% represented long-term financing, and the average remaining period was about 5 years.

In the year ending March 2012, we plan to continue procuring funds mainly through long-term financing. Furthermore, so as 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, 2011, 81.6% of consolidated gross interest-bearing liabilities were accounted for 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 upgrading consolidated management.

The current ratio as of March 31, 2011 was 150.5% on a consolidated basis. In terms of liquidity, management has judged 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 ¥288.9 billion in short-term debt as of March 31, 2011, 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 a commitment line amounted to ¥1,465.5 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,176.6 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, 2011)

| 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) |

### Interest Coverage Ratio

| | Billions of Yen | | |
|---|---|---|---|
| | 2009.3 | 2010.3 | **2011.3** |
| Operating income | ¥590.5 | ¥182.3 | **¥316.1** |
| Interest income | 59.1 | 37.7 | **33.1** |
| Dividend income | 124.7 | 91.5 | **124.8** |
| Total | 774.3 | 311.5 | **474.0** |
| Interest expense | (82.5) | (50.3) | **(39.8)** |
| Interest coverage ratio (times) | 9.4 | 6.2 | **11.9** |

* Operating income = Gross profit – (Selling, general and administrative expenses + Provision for doubtful receivables)

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

Total assets as of March 31, 2011 were ¥11,347.4 billion, up ¥490.6 billion, or 4.5%, from March 31, 2010, primarily due to an increase in current assets.

Current assets increased by ¥502.0 billion, or 9.1%, to ¥5,993.4 billion. Cash and cash equivalents increased because the level of cash was raised in preparedness mainly for unexpected demand for funds in the wake of the Great East Japan Earthquake. In addition, accounts receivable—trade and inventories increased in line with higher sales resulting from recovering steel product demand and higher crude oil prices.

Cash and cash equivalents increased by ¥128.2 billion, or 11.9%, to ¥1,208.7 billion from March 31, 2010. Accounts receivable—trade increased by ¥114.6 billion, or 5.7%, to ¥2,133.4 billion. Inventories increased by ¥122.2 billion, or 14.4%, to ¥970.7 billion.

Property and equipment decreased by ¥11.4 billion, or 0.2%, to ¥5,354.0 billion from March 31, 2010. There was an increase in investments due to subscription to a capital increase and share exchange at a Chilean iron ore business, which led to an increase in investments in and advances to Affiliated companies. However, this increase was exceeded by a decline in other investments due to the sale of listed shares at the Parent. Investments in and advances to Affiliated companies increased by ¥81.5 billion, or 6.6%, to ¥1,320.1 billion, while other investments decreased by ¥109.2 billion, or 6.7%, to ¥1,522.2 billion.

Total liabilities increased by ¥158.3 billion, or 2.1%, to ¥7,746.5 billion from March 31, 2010 due primarily to an increase in current liabilities, although long-term liabilities declined.

Current liabilities increased by ¥269.9 billion, or 7.3%, from March 31, 2010 to ¥3,981.3 billion at March 31, 2011. One reason was an increase in short-term debt in line with higher demand for working capital and other funds. Also, current maturities of long-term debt increased because of the reclassification from long-term debt. Moreover, trade accounts payable increased due to higher purchases resulting from recovering demand for steel products and other products, and higher crude oil prices.

Short-term debt rose by ¥101.9 billion, or 18.4%, to ¥656.9 billion. Current maturities of long-term debt increased by ¥60.4 billion, or 14.8%, to ¥468.7 billion. Trade accounts payable rose by ¥15.1 billion, or 0.8%, to ¥1,880.0 billion.

Long-term liabilities decreased by ¥111.6 billion, or 2.9%, from March 31, 2010 to ¥3,765.2 billion at March 31, 2011 due mainly to a decline in long-term debt. Long-term debt declined by ¥57.3 billion, or 1.8%, to ¥3,188.7 billion from March 31, 2010 because of the reclassification to current maturities of long-term debt.

Total equity increased by ¥332.3 billion, or 10.2%, from March 31, 2010 to ¥3,601.0 billion at March 31, 2011.

Total Mitsubishi Corporation shareholders' equity rose by ¥321.9 billion, or 10.9%, to ¥3,284.4 billion, despite an increase in foreign currency translation adjustments related to a decrease in net assets denominated in U.S. dollars because of the yen's appreciation. The increase was primarily due to the accumulation of net income attributable to Mitsubishi Corporation. As of March 31, 2011, the U.S. dollar-yen exchange rate was ¥83.15, an appreciation of ¥9.89, or 10.6%, from ¥93.04 at March 31, 2010.

Retained earnings increased by ¥385.9 billion, or 14.0%, from March 31, 2010 to ¥3,135.2 billion at March 31, 2011. Foreign currency translation adjustments increased by ¥71.6 billion, or 22.1%, to negative ¥396.0 billion.

Noncontrolling interest increased by ¥10.4 billion, or 3.4%, to ¥316.6 billion.

Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2011 were ¥2,947.3 billion, a decrease of ¥20.9 billion, or 0.7%, from March 31, 2010. As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total Mitsubishi Corporation shareholders' equity at year-end, was 0.9, which was 0.1 of a point lower than at March 31, 2010.

### Interest-Bearing Liabilities, Net Debt-to-Equity Ratio, Return on Invested Capital (ROIC)

| | Billions of Yen | |
|---|---|---|
| | 2010.3 | **2011.3** |
| Short-term borrowings | ¥ 961.6 | **¥ 1,122.3** |
| Long-term borrowings | 3,193.1 | **3,135.3** |
| Cash and deposits | (1,186.5) | **(1,310.3)** |
| Interest-bearing liabilities (net) | 2,968.2 | **2,947.3** |
| Total Mitsubishi Corporation shareholders' equity | 2,962.5 | **3,284.4** |
| Net debt-to-equity ratio (times) | 1.0 | **0.9** |
| ROIC (core earnings) (%) | 6.4 | **9.7** |

Notes: 1. Interest-bearing liabilities excludes the impact of adopting ASC 815, "Accounting for Derivative Instruments and Hedging Activities."
2. Short-term borrowings above is the total of short-term debt, commercial paper and current maturities of long-term debt. Long-term borrowings is the total of long-term debt and long-term bonds.
3. ROIC (core earnings) = Core earnings / (Total shareholders' equity + Interest-bearing liabilities (net))

***3) Cash Flows***

Cash and cash equivalents at March 31, 2011 were ¥1,208.7 billion, up ¥128.2 billion, or 11.9%, from March 31, 2010.

**(Operating activities)**

Net cash provided by operating activities was ¥331.2 billion, despite an increase in working capital requirements. Cash was mainly provided by strong cash flows from operating transactions primarily at resource-related subsidiaries and firm growth in dividend income from business investments, mainly resource-related companies.

Net cash provided by operating activities decreased by ¥430.4 billion year on year, the result of an increase in working capital requirements, although cash flows from operating transactions increased year on year.

**(Investing activities)**

Net cash used in investing activities was ¥262.6 billion. Net cash was used mainly for subscribing to a capital increase at a Chilean iron ore business, and for capital expenditures and the acquisition of working interests, primarily at overseas subsidiaries, despite proceeds from the sale of shares.

There was an increase of ¥124.1 billion in net cash used by investing activities. This was due to a decrease in proceeds from the sale of shares as well as capital expenditures and investments in Affiliated companies in the year ended March 2011.

As a result of the above, free cash flow, the sum of operating and investing cash flows, was ¥68.6 billion.

**(Financing activities)**

Net cash provided by financing activities was ¥76.7 billion. While cash was used for the payment of dividends, this was outweighed by the procurement of funds by borrowing to meet an increase in working capital requirements and in preparedness for unexpected demand for funds in the wake of the Great East Japan Earthquake.

There was an ¥832.1 billion change from the previous year when cash was used for the repayment of debt in line with a decrease in working capital requirements.

## 7. Strategic Issues

***1) Management Issues and Plans***

**(1) 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 Goals**

The overarching goal of Midterm Corporate Strategy 2012 is creating sustainable corporate value. This new concept of 'Sustainable Corporate Value' comprises three elements: "Economic," "Societal," and "Environmental." We aim to create sustainable corporate value by helping solve global problems through business activities in light of the needs and expectations of all stakeholders.

### Sustainable Corporate Value

**Sustainable Economic Value:** Aim for sound earnings growth and increased corporate value through the proactive reshaping of our business models and portfolio

**Sustainable Societal Value:** Contribute to economic development as a responsible corporate citizen

**Sustainable Environmental Value:** Aim to conserve and contribute to the global environment, recognizing that our planet is our 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 response to our internal business environment, which is undergoing changes in terms of our business portfolio, diversification of our business models and a shift of businesses to subsidiaries and affiliates.

**■ Financial Targets**

Under the new strategy, we will reinforce our earnings base by maintaining capital efficiency and a sound balance sheet. We will target consolidated net income of ¥500 billion in the year ending March 2013, the final year of the plan, with return on equity (ROE) throughout the 3-year plan period of 12–15%. At the same time, as we aim to achieve our earnings target, we aim to maintain a sound balance sheet by targeting a net debt-to-equity ratio (DER) of 1.0–1.5 times. Based on our past basic

policy, we plan to maintain a consolidated 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 the mid-term corporate strategy'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 Strategic Regions**

One of the themes of Midterm Corporate Strategy 2012 is to target high economic growth in emerging nations and new growth markets. In this context, we have designated infrastructure and global environmental businesses as Strategic Domains, and China, India and Brazil as Strategic Regions. We are prioritizing these domains and regions in terms of allocating management resources. By promoting investments in them, we aim to build future earnings drivers.

Specifically, in the Strategic Domains of infrastructure and global environmental businesses, we will respond to new growth markets and help to solve global problems. At the same time, in the Strategic Regions of China, India and Brazil, we plan to capture fast-growing domestic demand in emerging markets.

**■ Leveraging and Solidifying a Diversified Business Portfolio**

We plan to build and introduce tools for enabling visualization of our diversified business portfolio, and set targets according to business model and business risk profile. In this way, we will develop multiple streams of earnings, while strengthening individual businesses and leveraging portfolio diversity.

In terms of solidifying our diversified business portfolio, we have established the Business Development Committee with the brief of discussing policy pertaining to initiatives cutting across business groups and units that relate to the Strategic Domains and Strategic Regions defined by Midterm Corporate Strategy 2012. This Committee is headed by the president of Mitsubishi Corporation. Moreover, we are reviewing our management platform considering management relating to our bases, human resources and IT associated with diversification of business models.

The business environment in the year ending March 2012 is expected to see emerging economies such as China, India and Brazil continue to grow strongly. However, the global economic outlook remains uncertain due to factors such as rising inflationary pressures on goods in emerging economies, and fiscal deficits mainly in industrialized nations. The impact of the Great East Japan Earthquake and subsequent restoration efforts are also factors to watch not just for Japan but for the global economy as well.

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 Mitsubishi Corporation's corporate philosophy, we are determined to support economic activities and contribute to the revival of the Japanese economy through our businesses.

**(2) Response to the Earthquake and Tsunami in Northeastern Japan**

There was no loss of life or personal injury among corporate officers or employees of Mitsubishi Corporation as a result of the Great East Japan Earthquake on March 11, 2011, and Mitsubishi Corporation's Tohoku Branch located in Sendai City suffered only minor damage. However, some business premises of MC Group companies suffered extensive damage. Group companies have worked hard to restore operations in the aftermath of the disaster. Under these circumstances and in line with the spirit of Corporate Responsibility to Society*, one of Mitsubishi Corporation's Three Corporate Principles, we have steadily continued to implement Midterm Corporate Strategy 2012, which was announced in July 2010. We are determined to contribute to the recovery of the Japanese economy by creating sustainable corporate value, which is the overarching goal of the plan. At the same time, we are supporting areas affected by the disaster through the Mitsubishi Corporation East Japan Earthquake Recovery Fund (¥10.0 billion, which will be used over the next 4 years), which we founded in April 2011.

* Corporate Responsibility to Society: Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

***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 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 was announced in July 2010, MC plans to invest between ¥2,000 to ¥2,500 billion over the 3-year period ending March 2013. MC is 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 flexibly purchase treasury stock depending on earnings growth and progress with our investment plans and other factors.

The Board of Directors passed a resolution raising the dividend per common share applicable to the fiscal year ended March 2011 by ¥9 from the previous forecast to ¥65 because consolidated net income attributable to Mitsubishi Corporation at ¥463.2 billion exceeded the forecast announced in October 2010. (The interim dividend applicable to the fiscal year ended March 2011 was ¥26 per common share, making the year-end dividend ¥39 per common share.)

In accordance with the aforementioned policy, we plan to pay a dividend of ¥65 per common share for the year ending March 2012, providing we achieve our forecast for consolidated net income attributable to Mitsubishi Corporation of ¥450.0 billion.

[For Reference: Annual Ordinary Dividends]

Year ended March 2004 = ¥12 per common share
Year ended March 2005 = ¥18 per common share
Year ended March 2006 = ¥35 per common share
Year ended March 2007 = ¥46 per common share
Year ended March 2008 = ¥56 per common share
Year ended March 2009 = ¥52 per common share
Year ended March 2010 = ¥38 per common share
Year ended March 2011 = ¥65 per common share

### *3) Main Investment Activities*

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 midterm corporate strategy'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.

During the year ended March 2011, we invested ¥370.0 billion. The main investments were as follows:

In April 2010, through M.C. Inversiones Limitada (MCI), a consolidated iron ore subsidiary in Chile, we executed an agreement to merge Compania Minera Huasco S.A. (CMH), a 50%-owned equity-method affiliate, with Compania Minera del Pacifico S.A. (CMP), a subsidiary of CAP S.A., a mining and steel producing conglomerate in Chile. We received shares in CMP after the merger in exchange for our 50% stake in CMH. Furthermore, in May 2010, we subscribed to a private placement of shares to raise additional capital by CMP. This resulted in our shareholding in CMP being 25%, making CMP an equity-method affiliate.

The Los Colorados mine owned by CMH, which produces approximately 5.2 million tons of iron ore per year, is expected to be depleted by 2028. However, CMP owns operating mines other than Los Colorados, as well as undeveloped mines. CMP has plans in hand to double current annual capacity by around 2016.

The iron ore business harbors the potential for growth on a global scale. This investment is aimed at further deepening the iron ore business between the two companies based on a friendly relationship between MC and CAP stretching back almost half a century. We will work hand in hand with CAP to promote CMP's growth strategy, which hinges on expansion of production scale.

In May 2010, a joint venture established by MC, JX Nippon Mining & Metals Corporation and Mitsubishi Materials Corporation (MC (50%), JX Nippon Mining & Metals Corporation (40%) and Mitsubishi Materials Corporation (10%)) reached an agreement with International Finance Corporation (Headquarters: Washington D.C., U.S.) to acquire a 2.5% ownership interest in Chilean company Minera Escondida Limitada after obtaining approval of existing shareholders and the Chilean authorities.

Through JECO Corporation, which is an existing joint venture owned 70% by MC, 20% by JX Nippon Mining & Metals Corporation and 10% by Mitsubishi Materials Corporation since 1988, we indirectly held a 7% interest in Minera Escondida Limitada. As a result of the acquisition from International Finance Corporation, we indirectly own 8.25% of Minera Escondida Limitada.

This project commenced production in 1990, and through subsequent expansion phases has increased its production capacity to become the largest copper mine in the world. In 2010, the project produced 1.05 million tons of fine payable copper. Even after completing this acquisition, MC aims to continue expanding its investment in the copper mining sector to acquire prime production assets, including replacing existing copper assets in its portfolio.

In August 2010, we entered into an agreement in connection with investing in a natural gas development project centered on shale gas in the Cordova Embayment in northeastern British Columbia, Canada. The project is owned by a senior independent Canadian oil and natural gas producer, Penn West Energy Trust (PWE)*1, which is headquartered in Calgary. The agreement became effective in September 2010 following approval by our Board of Directors and approval for the acquisition by the Canadian Federal Government and other parties.

Subsequently, Cordova Gas Resources Ltd. (CGR)*2, our subsidiary established in Calgary, acquired a 50% interest in shale gas assets, conventional natural gas assets and related

natural gas facilities in several sections owned by PWE. An unincorporated joint venture formed with PWE will actively develop and produce natural gas.

PWE is a promising partner with a significant position in the Cordova Embayment, which boasts a high-quality shale gas resource comparable to the top tier shale gas resources in North America. PWE has been conducting initial drilling operations since 2006 and, based upon third-party evaluations, we believe that the shale gas resources in this project are approximately 5–8 trillion cubic feet (our estimate, over 100–160 million tons in LNG equivalents). The potential of this enormous resource could greatly exceed Japan's annual demand for natural gas.

The joint venture will develop shale gas in these sections, where the current plans are to lift current output of approximately 30 million cubic feet per day to approximately 500 million cubic feet per day in 2014 (approximately 3.5 million tons of LNG equivalents per year). We will promote development and production in this region over the next 50 years together with PWE and will market natural gas, proportionate to our equity share of production in the North American market, partly through CIMA ENERGY LTD., a U.S.-based gas marketing company in which we have a 34% equity interest.

Shale gas can now be produced in large volumes at competitive cost thanks to recent technological innovations. Because shale gas projects tend to establish large reserves, it has attracted attention worldwide as a new natural gas resource. Leveraging this investment, we intend to build up its knowledge and expertise in the shale gas business with the aim of acquiring more assets in North America. As part of its resource and energy strategy going forward, we also aim to secure a stable supply of energy resources by diversifying its asset holdings, including through the acquisition and development of unconventional natural gas sources such as shale gas.

*[1] Penn West Energy Trust changed its name to Penn West Exploration in January 2011 following conversion from a trust company to a joint-stock company.

*[2] In May 2011, we announced that it transferred 7.5% equity interests in CGR to Chubu Electric Power Co., Inc., Tokyo Gas Co., Ltd. and Osaka Gas Co., Ltd., as well as approximately 10% of the shares of our wholly owned, Amsterdam-headquartered subsidiary Shale Gas Investment B.V., which owns CGR shares, to Japan Oil, Gas and Metals National Corporation (JOGMEC). JOGMEC gained a 7.5% share in CGR through its investment in Shale Gas Investment B.V. As a result of these transfers, our equity interest declined from 50% at the time of acquisition to 35%.

In January 2011, we made a final investment decision (FID) on the Donggi-Senoro LNG (DSLNG) project in Indonesia's Central Sulawesi Province. The project, for the construction and operation of a natural gas liquefaction facility (LNG plant) is being spearheaded by PT Donggi-Senoro (PT DSLNG). The shareholders and shareholdings of PT DSLNG are as follows: Sulawesi LNG Development Limited (MC 75%, Korea Gas Corporation 25%) 59.9%, a subsidiary of Indonesia state-owned oil and gas company PT. Pertamina 29%, and a subsidiary of Indonesia's largest private oil and gas company PT. Medco Energi Internasional Tbk 11.1%.

This project marks the first time we will take the lead in planning and operations following the LNG plant's construction as the largest shareholder. From the second half of 2014, DSLNG plans to begin production and sale of approximately 2 million tons of LNG per year (approximately 45,000 B/D crude oil equivalent), along with associated condensate (approximately 2,300–2,500 B/D crude oil equivalent).

In addition, with the aim of having an involvement in the LNG value chain from upstream to downstream in this project, we have acquired all the shares of Tomori E&P Limited, which owns a 20% working interest in the Senoro-Toili natural gas field, from PT. Medco Energi Internasional Tbk. The Senoro-Toili natural gas field is also located in Central Sulawesi Province.

The Senoro-Toili natural gas field was owned 50:50 by wholly owned subsidiaries of PT. Pertamina, and PT. Medco Energi Internasional Tbk. We acquired a 20% working interest from PT. Medco Energi Internasional Tbk through the acquisition of Tomori E&P Limited. As a result, ownership of the field is now split as follows: PT. Pertamina subsidiary (50%), PT. Medco Energi Internasional Tbk subsidiary (30%), and our subsidiary Tomori E&P Limited (20%).

The field began producing crude oil (approximately 1,900 B/D) in 2005, and will commence development work with the aim of commencing natural gas production in 2014. Natural gas produced at the field will be partially supplied within Indonesia. The remaining amount of the natural gas (approximately 250 million standard cubic feet per day, approximately 1.5 million tons/year LNG equivalent) will be supplied to PT DSLNG and contribute to approximately 75% of the required volume for producing LNG that will be exported from the second half of 2014 to Japan and South Korea.

We will help ensure stable LNG supplies and raise the value of the entire project through integrated management. Together with development of the Kangean oil and gas field and operation of the Tangguh LNG Project, in which we are also participating, this will contribute even further to Indonesia's fast-growing economy.

Note: Forward-looking statements in this annual report are management's current views and beliefs in accordance with data currently available, and are subject to a number of risks, uncertainties and other factors that may cause actual results to differ materially from those projected.

***4) Outlook for Year ending March 2012***

In terms of our forecast for the year ending March 2012, we are projecting gross profit of ¥1,280.0 billion, ¥130.1 billion, higher year on year due to higher coking coal prices and other factors.

Combined with the fact that selling, general and administrative expenses are projected to slightly increase from the year ended March 2011, operating income is forecast to increase by ¥73.9 billion to ¥390.0 billion. In other items, we are forecasting a decrease due to the absence of gains on marketable securities and investments recorded in the previous fiscal year.

As a result, consolidated net income attributable to Mitsubishi Corporation is projected at ¥450.0 billion, a decrease of ¥13.2 billion year on year. Projections are based on the following assumptions.

**Reference: Change of basic assumptions**

| | Year Ended March 2011 (Actual) | Year Ending March 2012 (Forecasts) | Change |
|---|---|---|---|
| Exchange rate | 85.7 JPY/US$1 | 80.0 JPY/US$1 | –5.7 JPY/US$1 |
| Crude oil price | 84.2 US$/BBL | 92.0 US$/BBL | +7.8 US$/BBL |
| Interest rate (TIBOR) | 0.36% | 0.40% | 0.04% |

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 Japanese automakers. 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.

The global economy saw healthy growth as a whole in the past fiscal year. In industrialized nations, while unemployment remained at high levels, moderate economic expansion was driven by pump-priming measures and ongoing quantitative easing. Meanwhile, emerging economies such as China and India enjoyed high rates of growth, underpinned by robust internal demand. That said, some countries tightened monetary policy because of rising inflationary pressures.

### *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 2011. 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, the U.S., including the Gulf of Mexico, 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 around 27–28 million tons of coal per year, mainly coking coal, a ferrous raw material. 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 as they are also significantly affected by fluctuations in exchange rates for the Australian dollar, U.S. dollar and yen, as well as production and sales volumes and production costs.

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 ¥0.5 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 some 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 yen change relative to the U.S. dollar would have an approximate ¥2.5 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, 2011, 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, 2011, we had gross interest-bearing liabilities of approximately ¥4,257.6 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.

However, 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.

However, 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 money or conduct business activities due to 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 ¥130.0 billion as of March 31, 2011. Our risk exposure in connection with investments in businesses, finance, trade receivables and other related business was approximately ¥240.0 billion as of March 31, 2011. 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, 2011.

For the year ended March 2011, MMC posted consolidated sales of ¥1,828.5 billion, operating profit of ¥40.3 billion and a net profit of ¥15.6 billion.

***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, which damages our offices, facilities or systems and affects employees could hinder sales and production activities.

We have established adequate countermeasures, having prepared an employee safety check system; disaster contingency manual for business contingency plan (BCP) execution; 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.

The Great East Japan Earthquake in March 2011 did not result in any significant damage to the Company's offices. However, this natural disaster may lead to an economic downturn, deterioration at many companies, and lower stock prices and have other consequences. The Company's operating

results may be affected by losses on sale or write-downs of shareholdings or financial instruments, or deterioration in the credit condition of customers.

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.

## 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, 2010, we increased our total allowance for doubtful accounts by ¥0.5 billion, or 0.8%, to ¥63.2 billion.

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. The allowance for doubtful accounts represented approximately 1.8% and 1.5% of our total receivables (current and noncurrent) as of March 31, 2010 and 2011, 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, 2009, 2010 and 2011, impairment losses of ¥169.3 billion, ¥68.1 billion, and ¥20.3 billion respectively, were recognized in "Loss (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, 2009, 2010 and 2011, such impairment losses amounted to ¥45.6 billion, ¥18.3 billion and ¥7.2 billion respectively.

During the year ended March 31, 2011, we recognized impairment losses for long-lived assets 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.

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. We decreased the weighted average discount rate to 2.7%, a decrease of 0.4 of a percentage point for the year ended March 31, 2010. For the year ended March 31, 2011, we set the weighted average discount rate at 2.7%, an equal to the previous year.

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 2.1% for the year ended March 31, 2010. For the year ended March 31, 2011, we calculated pension benefit costs using a rate of return of 2.6%, an increase of 0.5 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 expense (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 impact 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 "Other comprehensive (loss) income."

**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 monitor 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, 2010, we adopted ASU No. 2009-16, "Accounting for Transfers of Financial Assets" (formerly SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." ASU No. 2009-16 is a revision to Accounting Standards Codification ("ASC") TOPIC 860, "Transfers and Servicing," which removes the concept of a qualifying special-purpose entity, changes the requirements for

derecognizing financial assets, and requires additional disclosures. The adoption of ASU No. 2009-16 did not have a material impact on our consolidated financial position and results of operations in the fiscal year ended March 31, 2011.

Effective April 1, 2010, we adopted ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" (formerly SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)"). ASU No. 2009-17 is a revision to ASC Topic 810 "Consolidation" and changes how a company determines whether an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The adoption of ASU No. 2009-17 did not have a material impact on our consolidated financial position and results of operations in the fiscal year ended March 31, 2011.

**Recent accounting pronouncements not yet adopted**

In October 2009, the FASB issued 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 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.

ASU No. 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and is required to be adopted no later than the first quarter beginning April 1, 2011. Impact of ASU No. 2009-13 on our consolidated financial position and results is not material.

In April 2010, the FASB issued 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. ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted no later than the first quarter beginning April 1, 2011. ASU No. 2010-17 has no impact on our consolidated financial position and results.

In April 2011, the FASB issued 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. ASU No. 2011-02 is effective for the first interim period or fiscal years beginning on or after June 15, 2011 and is required to be adopted no later than the quarter beginning July 1, 2011. We are currently evaluating ASU No. 2011-02 to determine its impact on our consolidated financial position and results.

In May 2011, the FASB issued 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. ASU No. 2011-04 is effective for the first interim period or fiscal years beginning after December 15, 2011 and is required to be adopted no later than the quarter beginning January 1, 2012. Impact of ASU No. 2011-04 on our consolidated financial position and results is not material.

# Six-Year Financial Summary

Mitsubishi Corporation and Subsidiaries
Years Ended March 31

| | 2006 As Adjusted*4 | 2007 As Adjusted*4 |
|---|---|---|
| **Performance Measure:** | | |
| Operating transactions*1 | ¥19,085,562 | ¥20,526,402 |
| **Results of Operations:** | | |
| Revenues | ¥ 4,813,468 | ¥ 5,068,199 |
| Gross profit | 1,054,371 | 1,144,982 |
| Net income from continuing operations attributable to Mitsubishi Corporation | 360,107 | 424,336 |
| Net income attributable to Mitsubishi Corporation | 356,444 | 419,109 |
| **Financial Position at Year-End:** | | |
| Total assets | ¥10,283,887 | ¥11,399,928 |
| Working capital*2 | 1,243,841 | 1,335,452 |
| Long-term debt, less current maturities | 2,877,050 | 2,863,558 |
| Total Mitsubishi Corporation shareholders' equity | 2,347,451 | 2,917,764 |
| **Amounts per Share:** | | |
| Net income from continuing operations attributable to Mitsubishi Corporation per share: | | |
| Basic EPS | ¥221.58 | ¥251.52 |
| Diluted EPS | 211.55 | 250.15 |
| Net income attributable to Mitsubishi Corporation per share: | | |
| Basic EPS | 219.32 | 248.42 |
| Diluted EPS | 209.39 | 247.07 |
| Cash dividends declared for the year | 35.00 | 46.00 |
| **Common Stock:** | | |
| Number of shares outstanding at year-end*3 | 1,685,767 | 1,688,303 |
| **Exchange Rates into U.S. Currency:** (Per the Federal Reserve Bank of New York) | | |
| At year-end | ¥117.48 | ¥117.56 |
| Average for the year | 113.67 | 116.55 |
| Range: | | |
| Low | 120.93 | 121.81 |
| High | 104.41 | 110.07 |

*Notes: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥83=$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, 2011, certain subsidiaries changed their fiscal year ends from December 31 to March 31 to conform with the Parent's year-end. Accordingly, the Parent has retrospectively adjusted the prior periods' consolidated financial statements to reflect the change. See Note 2.*

| | 2008 As Adjusted*4 | 2009 As Adjusted*4 | 2010 As Adjusted*4 | **2011** | **2011** |
|---|---|---|---|---|---|
| | Millions of Yen | | | | Millions of U.S. Dollars |
| | ¥23,105,053 | ¥22,393,595 | ¥17,102,782 | **¥19,233,443** | **$231,728** |
| | ¥ 6,050,654 | ¥ 6,156,365 | ¥ 4,540,793 | **¥ 5,206,873** | **$ 62,733** |
| | 1,172,665 | 1,465,027 | 1,016,597 | **1,149,902** | **13,854** |
| | 474,464 | 364,973 | 274,846 | **463,188** | **5,581** |
| | 470,860 | 369,543 | 274,846 | **463,188** | **5,581** |
| | ¥11,695,007 | ¥10,871,554 | ¥10,856,850 | **¥11,347,442** | **$136,716** |
| | 1,429,764 | 1,613,776 | 1,780,008 | **2,012,098** | **24,242** |
| | 3,096,818 | 3,467,766 | 3,246,029 | **3,188,749** | **38,418** |
| | 2,872,253 | 2,382,930 | 2,962,521 | **3,284,387** | **39,571** |
| | Yen | | | | U.S. Dollars |
| | ¥285.99 | ¥222.22 | ¥167.28 | **¥281.80** | **$3.40** |
| | 284.72 | 221.73 | 166.89 | **281.05** | **3.39** |
| | 283.82 | 225.00 | 167.28 | **281.80** | **3.40** |
| | 282.55 | 224.51 | 166.89 | **281.05** | **3.39** |
| | 56.00 | 52.00 | 38.00 | **65.00** | **0.78** |
| | Thousands of Shares | | | | |
| | 1,641,203 | 1,642,904 | 1,643,532 | **1,644,074** | |
| | Yen per U.S. Dollar | | | | |
| | ¥ 99.85 | ¥ 99.15 | ¥ 93.40 | **¥ 82.76** | |
| | 113.61 | 100.85 | 92.49 | **85.00** | |
| | 124.09 | 110.48 | 100.71 | **94.68** | |
| | 96.88 | 87.80 | 86.12 | **78.74** | |

# Consolidated Balance Sheets

Mitsubishi Corporation and Subsidiaries
March 31, 2010 and 2011

| ASSETS | Millions of Yen | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| **Current assets:** | | | |
| Cash and cash equivalents (Notes 3 and 10) | ¥ 1,080,544 | **¥ 1,208,742** | **$ 14,563** |
| Time deposits | 105,997 | **101,513** | **1,223** |
| Short-term investments (Notes 3 and 10) | 55,757 | **42,641** | **514** |
| Receivables—trade (Notes 7 and 22): | | | |
| Notes | 306,831 | **329,216** | **3,966** |
| Accounts | 2,018,823 | **2,133,395** | **25,704** |
| Loans and other | 424,065 | **450,082** | **5,423** |
| Affiliated companies | 193,588 | **230,767** | **2,780** |
| Allowance for doubtful receivables (Note 5) | (30,222) | **(23,835)** | **(287)** |
| Inventories | 848,448 | **970,675** | **11,695** |
| Advance payments to suppliers | 146,686 | **164,937** | **1,987** |
| Deferred income taxes (Note 13) | 44,662 | **58,759** | **708** |
| Other current assets (Notes 9, 10 and 14) | 296,218 | **326,503** | **3,934** |
| Total current assets | 5,491,397 | **5,993,395** | **72,210** |
| **Investments and noncurrent receivables:** | | | |
| Investments in and advances to Affiliated companies (Notes 4 and 10) | 1,238,569 | **1,320,102** | **15,905** |
| Other investments (Notes 3, 7 and 10) | 1,631,381 | **1,522,215** | **18,340** |
| Noncurrent notes, loans and accounts receivable—trade (Notes 7 and 22) | 531,860 | **511,107** | **6,158** |
| Allowance for doubtful receivables (Note 5) | (32,941) | **(30,474)** | **(367)** |
| Total investments and noncurrent receivables | 3,368,869 | **3,322,950** | **40,036** |
| **Property and equipment—net** (Notes 6, 7 and 22) | 1,696,600 | **1,735,808** | **20,913** |
| **Goodwill** (Note 8) | 48,361 | **49,206** | **593** |
| **Other intangible assets—net** (Note 8) | 72,631 | **77,068** | **929** |
| **Other assets** (Notes 9, 10, 13 and 14) | 178,992 | **169,015** | **2,035** |
| **Total assets** | ¥10,856,850 | **¥11,347,442** | **$136,716** |

*See notes to consolidated financial statements.*

| LIABILITIES AND EQUITY | Millions of Yen 2010 | Millions of Yen 2011 | Millions of U.S. Dollars (Note 1) 2011 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term debt (Notes 7 and 12) | ¥ 555,001 | ¥ **656,873** | $ **7,914** |
| Current maturities of long-term debt (Notes 7 and 12) | 408,288 | **468,675** | **5,647** |
| Payables—trade: | | | |
| Notes and acceptances | 151,909 | **165,481** | **1,994** |
| Accounts | 1,864,811 | **1,879,958** | **22,650** |
| Affiliated companies | 128,894 | **139,141** | **1,676** |
| Advances from customers | 149,849 | **162,733** | **1,961** |
| Accrued income taxes | 40,989 | **64,290** | **775** |
| Other accrued expenses (Note 14) | 103,844 | **110,591** | **1,332** |
| Other current liabilities (Notes 9, 10, 13 and 15) | 307,804 | **333,555** | **4,019** |
| Total current liabilities | 3,711,389 | **3,981,297** | **47,968** |
| **Noncurrent liabilities:** | | | |
| Long-term debt (Notes 7 and 12) | 3,246,029 | **3,188,749** | **38,418** |
| Accrued pension and severance liabilities (Note 14) | 54,535 | **48,657** | **586** |
| Deferred income taxes (Note 13) | 202,412 | **215,516** | **2,597** |
| Other noncurrent liabilities (Notes 9, 10 and 15) | 373,790 | **312,233** | **3,762** |
| Total noncurrent liabilities | 3,876,766 | **3,765,155** | **45,363** |
| Total liabilities | 7,588,155 | **7,746,452** | **93,331** |
| **Commitments and contingencies** (Note 25) | | | |
| **Mitsubishi Corporation shareholders' equity** (Notes 17, 18 and 27): | | | |
| Common stock—authorized, 2,500,000,000 shares; issued, 2010— 1,696,686,871 shares and 2011— 1,697,268,271 shares; outstanding, 2010— 1,643,531,984 shares and 2011— 1,644,073,790 shares | 203,228 | **203,598** | **2,453** |
| Additional paid-in capital | 254,138 | **256,501** | **3,090** |
| Retained earnings: | | | |
| Appropriated for legal reserve | 43,189 | **43,670** | **526** |
| Unappropriated | 2,706,086 | **3,091,532** | **37,248** |
| Accumulated other comprehensive income (loss): | | | |
| Net unrealized gains on securities available-for-sale | 300,313 | **291,911** | **3,517** |
| Net unrealized gains on derivatives | 11,922 | **24,350** | **293** |
| Defined benefit pension plans | (80,387) | **(79,554)** | **(958)** |
| Foreign currency translation adjustments | (324,396) | **(395,971)** | **(4,771)** |
| Subtotal | (92,548) | **(159,264)** | **(1,919)** |
| Less treasury stock—at cost, 53,154,887 shares in 2010 and 53,194,481 shares in 2011 | (151,572) | **(151,650)** | **(1,827)** |
| Total Mitsubishi Corporation shareholders' equity | 2,962,521 | **3,284,387** | **39,571** |
| **Noncontrolling interest** | 306,174 | **316,603** | **3,814** |
| Total equity | 3,268,695 | **3,600,990** | **43,385** |
| **Total liabilities and equity** | ¥10,856,850 | **¥11,347,442** | **$136,716** |

# Consolidated Statements of Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2009, 2010 and 2011

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| **Revenues** (Notes 9, 10 and 20)**:** | | | | |
| Revenues from trading, manufacturing and other activities | ¥5,453,478 | ¥3,967,714 | **¥4,590,888** | **$55,312** |
| Trading margins and commissions on trading transactions | 702,887 | 573,079 | **615,985** | **7,421** |
| Total revenues | 6,156,365 | 4,540,793 | **5,206,873** | **62,733** |
| [ Operating transactions (Notes 1 and 20): 2009—¥22,393,595 million; 2010—¥17,102,782 million; 2011—¥19,233,443 million—$231,728 million ] | | | | |
| **Cost of revenues from trading, manufacturing and other activities** (Notes 9 and 10) | 4,691,338 | 3,524,196 | **4,056,971** | **48,879** |
| **Gross profit** (Note 20) | 1,465,027 | 1,016,597 | **1,149,902** | **13,854** |
| **Other expenses (income):** | | | | |
| Selling, general and administrative (Note 14) | 865,819 | 829,451 | **824,622** | **9,935** |
| Provision for doubtful receivables (Note 5) | 8,706 | 4,893 | **9,139** | **110** |
| Interest expense (net of interest income of: 2009—¥59,142 million; 2010—¥37,719 million; 2011—¥33,077 million—$399 million) (Note 9) | 23,319 | 12,647 | **6,699** | **81** |
| Dividend income | (124,672) | (91,522) | **(124,793)** | **(1,504)** |
| Loss (gain) on marketable securities and investments—net (Notes 3, 9, 10 and 20) | 159,042 | (212) | **(53,439)** | **(644)** |
| Loss on property and equipment—net (Notes 6 and 8) | 45,260 | 15,829 | **2,557** | **31** |
| Other expense (income)—net (Notes 8, 9 and 21) | 100,876 | (52,361) | **(49,180)** | **(592)** |
| Total | 1,078,350 | 718,725 | **615,605** | **7,417** |
| **Income from continuing operations before income taxes and equity in earnings of Affiliated companies** | 386,677 | 297,872 | **534,297** | **6,437** |
| **Income taxes** (Note 13)**:** | | | | |
| Current | 186,754 | 112,474 | **168,581** | **2,031** |
| Deferred | (38,563) | 5,797 | **30,099** | **363** |
| Total | 148,191 | 118,271 | **198,680** | **2,394** |
| **Income from continuing operations before equity in earnings of Affiliated companies** | 238,486 | 179,601 | **335,617** | **4,043** |
| **Equity in earnings of Affiliated companies** (Notes 4, 9 and 20) | 156,776 | 113,363 | **161,455** | **1,946** |
| **Net income from continuing operations** | 395,262 | 292,964 | **497,072** | **5,989** |
| **Income from discontinued operations, net of tax** (Note 16) | 4,570 | | | |
| **Net income** | 399,832 | 292,964 | **497,072** | **5,989** |
| **Less net income attributable to the noncontrolling interest** | (30,289) | (18,118) | **(33,884)** | **(408)** |
| **Net income attributable to Mitsubishi Corporation** | ¥ 369,543 | ¥ 274,846 | **¥ 463,188** | **$ 5,581** |

| | Yen | | | U.S. Dollars (Note 1) |
|---|---|---|---|---|
| **Net income attributable to Mitsubishi Corporation per share** (Note 19)**:** | | | | |
| Basic | ¥225.00 | ¥167.28 | **¥281.80** | **$3.40** |
| Diluted | 224.51 | 166.89 | **281.05** | **3.39** |

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| **Amounts attributable to Mitsubishi Corporation:** | | | | |
| Net income from continuing operations | ¥364,973 | ¥274,846 | **¥463,188** | **$5,581** |
| Income from discontinued operations, net of tax (Note 16) | 4,570 | | | |
| **Net income** | ¥369,543 | ¥274,846 | **¥463,188** | **$5,581** |

*See notes to consolidated financial statements.*

# Consolidated Statements of Comprehensive (Loss) Income

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2009, 2010 and 2011

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| **Net income** | ¥ 399,832 | ¥292,964 | **¥497,072** | **$5,989** |
| **Other comprehensive (loss) income, net of tax:** | | | | |
| Net unrealized (losses) gains on securities available for sale (Notes 3 and 18) | (293,566) | 159,830 | **(9,455)** | **(114)** |
| Net unrealized (losses) gains on derivatives (Notes 9 and 18) | (35,969) | 35,409 | **12,476** | **150** |
| Defined benefit pension plans (Notes 14 and 18) | (64,449) | 21,934 | **910** | **11** |
| Foreign currency translation adjustments (Note 18) | (396,324) | 162,345 | **(77,761)** | **(937)** |
| Total other comprehensive (loss) income, net of tax | (790,308) | 379,518 | **(73,830)** | **(890)** |
| **Comprehensive (loss) income** | (390,476) | 672,482 | **423,242** | **5,099** |
| Comprehensive loss (income) attributable to the noncontrolling interest | 6,334 | (31,362) | **(26,770)** | **(322)** |
| **Comprehensive (loss) income attributable to Mitsubishi Corporation** | ¥(384,142) | ¥641,120 | **¥396,472** | **$4,777** |

*See notes to consolidated financial statements.*

# Consolidated Statements of Equity

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2009, 2010 and 2011

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| **Common stock:** | | | | |
| Balance, beginning of year—shares issued:<br>2009—1,694,323,909 shares<br>2010—1,696,046,684 shares<br>2011—1,696,686,871 shares | ¥ 201,825 | ¥ 202,817 | **¥ 203,228** | **$ 2,449** |
| Issuance of common stock and reclassification adjustment from additional paid-in capital upon exercise of stock options:<br>2009—531,700 shares<br>2010—598,100 shares<br>2011—581,400 shares (Note 23) | 284 | 387 | **370** | **4** |
| Issuance of common stock upon conversion of convertible bond:<br>2009—1,191,075 shares<br>2010—42,087 shares<br>2011—0 shares (Notes 12 and 26) | 708 | 24 | | |
| Balance, end of year—shares issued:<br>2009—1,696,046,684 shares<br>2010—1,696,686,871 shares<br>2011—1,697,268,271 shares | ¥ 202,817 | ¥ 203,228 | **¥ 203,598** | **$ 2,453** |
| **Additional paid-in capital:** | | | | |
| Balance, beginning of year | ¥ 259,571 | ¥ 261,828 | **¥ 254,138** | **$ 3,061** |
| Compensation costs related to stock options (Note 23) | 1,303 | 1,617 | **1,240** | **15** |
| Issuance of common stock and reclassification adjustment to common stock upon exercise of stock options (Note 23) | 252 | 233 | **122** | **2** |
| Issuance of common stock upon conversion of convertible bond (Notes 12 and 26) | 707 | 25 | | |
| Loss on sales of treasury stock | (5) | (1) | **(1)** | |
| Equity transactions with the noncontrolling interest and others | | (9,564) | **1,002** | **12** |
| Balance, end of year | ¥ 261,828 | ¥ 254,138 | **¥ 256,501** | **$ 3,090** |
| **Retained earnings appropriated for legal reserve:** | | | | |
| Balance, beginning of year | ¥ 41,300 | ¥ 42,142 | **¥ 43,189** | **$ 520** |
| Transfer from unappropriated retained earnings | 842 | 1,047 | **481** | **6** |
| Balance, end of year | ¥ 42,142 | ¥ 43,189 | **¥ 43,670** | **$ 526** |
| **Unappropriated retained earnings:** | | | | |
| Balance, beginning of year | ¥2,226,198 | ¥2,486,513 | **¥2,706,086** | **$32,604** |
| Net income attributable to Mitsubishi Corporation | 369,543 | 274,846 | **463,188** | **5,581** |
| Total | 2,595,741 | 2,761,359 | **3,169,274** | **38,185** |
| Deduct: | | | | |
| Cash dividends paid to Mitsubishi Corporation's shareholders (annual rate per share of:<br>2009—¥66.0<br>2010—¥33.0<br>2011—¥47.0—$0.57) | (108,386) | (54,226) | **(77,261)** | **(931)** |
| Transfer to retained earnings appropriated for legal reserve | (842) | (1,047) | **(481)** | **(6)** |
| Total | (109,228) | (55,273) | **(77,742)** | **(937)** |
| Balance, end of year | ¥2,486,513 | ¥2,706,086 | **¥3,091,532** | **$37,248** |
| **Accumulated other comprehensive income (loss), net of tax:** | | | | |
| Balance, beginning of year | ¥ 294,863 | ¥ (458,822) | **¥ (92,548)** | **$ (1,115)** |
| Other comprehensive (loss) income attributable to Mitsubishi Corporation | (753,685) | 366,274 | **(66,716)** | **(804)** |
| Balance, end of year | ¥ (458,822) | ¥ (92,548) | **¥ (159,264)** | **$ (1,919)** |
| **Treasury stock:** | | | | |
| Balance, beginning of year | ¥ (151,504) | ¥ (151,548) | **¥ (151,572)** | **$ (1,826)** |
| Purchases—net (Note 17) | (44) | (24) | **(78)** | **(1)** |
| Balance, end of year | ¥ (151,548) | ¥ (151,572) | **¥ (151,650)** | **$ (1,827)** |
| **Total Mitsubishi Corporation shareholders' equity** | ¥2,382,930 | ¥2,962,521 | **¥3,284,387** | **$39,571** |
| **Noncontrolling interest:** | | | | |
| Balance, beginning of year | ¥ 332,985 | ¥ 304,565 | **¥ 306,174** | **$ 3,689** |
| Cash dividends paid to the noncontrolling interest | (25,158) | (13,815) | **(21,050)** | **(254)** |
| Equity transactions with the noncontrolling interest and others | 3,072 | (15,938) | **4,709** | **57** |
| Net income attributable to the noncontrolling interest | 30,289 | 18,118 | **33,884** | **408** |
| Other comprehensive (loss) income attributable to the noncontrolling interest, net of tax | (36,623) | 13,244 | **(7,114)** | **(86)** |
| Balance, end of year | ¥ 304,565 | ¥ 306,174 | **¥ 316,603** | **$ 3,814** |
| **Total equity:** | | | | |
| Balance, beginning of year | ¥3,205,238 | ¥2,687,495 | **¥3,268,695** | **$39,382** |
| Issuance of common stock upon exercise of stock options | 536 | 620 | **492** | **6** |
| Compensation expense related to stock options | 1,303 | 1,617 | **1,240** | **15** |
| Issuance of common stock upon conversion of convertible bond | 1,415 | 49 | | |
| Loss on sales of treasury stock | (5) | (1) | **(1)** | |
| Net income | 399,832 | 292,964 | **497,072** | **5,989** |
| Cash dividends paid to Mitsubishi Corporations' shareholders | (108,386) | (54,226) | **(77,261)** | **(931)** |
| Cash dividends paid to the noncontrolling interest | (25,158) | (13,815) | **(21,050)** | **(254)** |
| Other comprehensive (loss) income, net of tax | (790,308) | 379,518 | **(73,830)** | **(890)** |
| Purchases—net of treasury stock | (44) | (24) | **(78)** | **(1)** |
| Equity transactions with the noncontrolling interest and others | 3,072 | (25,502) | **5,711** | **69** |
| Balance, end of year | ¥2,687,495 | ¥3,268,695 | **¥3,600,990** | **$43,385** |

*See notes to consolidated financial statements.*

# Consolidated Statements of Cash Flows

Mitsubishi Corporation and Subsidiaries
Years Ended March 31, 2009, 2010 and 2011

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| **Operating activities:** | | | | |
| Net income | ¥ 399,832 | ¥ 292,964 | **¥ 497,072** | **$ 5,989** |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 149,634 | 138,777 | **143,819** | **1,733** |
| Provision for doubtful receivables | 8,706 | 4,893 | **9,139** | **110** |
| Accrued pension and severance costs, less payments | (7,600) | (2,751) | **(3,746)** | **(45)** |
| Loss (gain) on marketable securities and investments—net | 159,042 | (212) | **(53,439)** | **(644)** |
| Loss on property and equipment—net | 45,260 | 15,829 | **2,557** | **31** |
| Equity in earnings of Affiliated companies, less dividends received | (36,712) | (17,643) | **(18,624)** | **(225)** |
| Deferred income taxes | (38,563) | 5,797 | **30,099** | **363** |
| Changes in operating assets and liabilities: | | | | |
| Short-term investments—trading securities | 20,171 | 15,032 | **(127)** | **(2)** |
| Notes and accounts receivable—trade | 690,582 | (15,795) | **(164,364)** | **(1,980)** |
| Inventories | (55,498) | 155,713 | **(163,488)** | **(1,970)** |
| Notes, acceptances and accounts payable—trade | (563,219) | 137,267 | **74,431** | **897** |
| Advance payments to suppliers | (61,198) | 504 | **27,012** | **325** |
| Advances from customers | 64,421 | (15,249) | **(40,272)** | **(485)** |
| Other receivables | 19,068 | (51,707) | **10,865** | **131** |
| Other payables | (2,090) | (21,270) | **(15,765)** | **(190)** |
| Other accrued expenses | 1,134 | 2,731 | **11,046** | **133** |
| Other current assets | (114,807) | 112,523 | **24,628** | **297** |
| Other current liabilities | (117,686) | (15,300) | **22,803** | **275** |
| Other noncurrent liabilities | (13,846) | 20,479 | **600** | **7** |
| Other—net | 11,595 | (1,009) | **(63,042)** | **(760)** |
| Net cash provided by operating activities | 558,226 | 761,573 | **331,204** | **3,990** |
| **Investing activities:** | | | | |
| Expenditures for property and equipment | (382,494) | (182,448) | **(228,654)** | **(2,755)** |
| Proceeds from sales of property and equipment | 23,908 | 20,317 | **44,366** | **534** |
| Investments in and advances to Affiliated companies | (215,420) | (112,465) | **(141,762)** | **(1,708)** |
| Collection of advances to Affiliated companies | 50,087 | 49,667 | **42,530** | **512** |
| Purchases of available-for-sale securities | (84,795) | (183,806) | **(242,201)** | **(2,918)** |
| Proceeds from sales and maturities of available-for-sale securities | 40,830 | 265,899 | **313,806** | **3,781** |
| Purchases of other investments | (62,152) | (59,829) | **(48,510)** | **(584)** |
| Proceeds from sales of other investments | 41,860 | 102,636 | **65,481** | **789** |
| Increase in loans receivable | (214,448) | (243,357) | **(277,529)** | **(3,344)** |
| Collection of loans receivable | 216,026 | 197,955 | **206,397** | **2,487** |
| Net (increase) decrease in time deposits | (106,952) | 6,929 | **3,475** | **42** |
| Net cash used in investing activities | (693,550) | (138,502) | **(262,601)** | **(3,164)** |
| **Financing activities:** | | | | |
| Net increase (decrease) in short-term debt | 400,214 | (728,733) | **127,216** | **1,533** |
| Proceeds from long-term debt—net of issuance cost | 902,493 | 517,647 | **574,254** | **6,919** |
| Repayment of long-term debt | (519,051) | (457,372) | **(526,435)** | **(6,342)** |
| Payment of dividends | (108,386) | (54,226) | **(77,261)** | **(931)** |
| Payment of dividends to the noncontrolling interest | (25,158) | (13,815) | **(21,050)** | **(254)** |
| Payment for acquisition of subsidiary's interests from the noncontrolling interest | | (19,445) | **(6,620)** | **(80)** |
| Proceeds from sales of subsidiary's interests to the noncontrolling interest | | | **6,172** | **74** |
| Proceeds from issuing common stock upon exercise of stock options | 536 | 620 | **492** | **6** |
| Purchase of treasury stock | (40) | (23) | **(19)** | **0** |
| Net cash provided by (used in) financing activities | 650,608 | (755,347) | **76,749** | **925** |
| **Effect of exchange rate changes on cash and cash equivalents** | (44,800) | 14,085 | **(17,154)** | **(206)** |
| **Net increase (decrease) in cash and cash equivalents** | 470,484 | (118,191) | **128,198** | **1,545** |
| **Cash and cash equivalents, beginning of year** | 728,251 | 1,198,735 | **1,080,544** | **13,018** |
| **Cash and cash equivalents, end of year** | ¥1,198,735 | ¥1,080,544 | **¥1,208,742** | **$14,563** |

*See notes to consolidated financial statements.*

## 1. NATURE OF OPERATIONS AND BASIS OF 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 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, 2011 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83=$1, the rate of exchange as of March 31, 2011. 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.

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 accounts and transactions have been eliminated.

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, 2010 and 2011.

***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 expense (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 realized 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 realized 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).

***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, 2009, 2010 and 2011 were ¥16,335 million, ¥14,136 million and ¥14,513 million ($175 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, 2009, 2010 and 2011 were ¥2,604 million, ¥3,659 million and ¥4,542 million ($55 million), respectively.

***Income Taxes***—The provision for income taxes is computed based on "Income from continuing operations 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.

***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 expense (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 impact 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 "Other comprehensive (loss) income."

***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.

***Discontinued Operations***—The Company presents the results of discontinued operations as a separate line item in the Consolidated Statements of Income under "Income from discontinued operations, net of tax."

***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.

***Change of Subsidiaries' Fiscal Year Ends***—For the year ended March 31, 2011, certain subsidiaries changed their fiscal year ends from December 31 to March 31 to conform with the Parent's year-end. Accordingly, the Parent has retrospectively adjusted the prior periods' consolidated financial statements to reflect the change. As a result, retained earnings as of April 1, 2008 was decreased from ¥2,267,990 million as originally reported to ¥2,267,498 million. The effect of the retrospective application for the years ended March 31, 2009 and 2010 was as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2009 | | 2010 | |
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted |
| Consolidated Balance Sheets: | | | | |
| Total assets | ¥10,918,003 | ¥10,871,554 | ¥10,891,275 | ¥10,856,850 |
| Total liabilities | 8,229,459 | 8,184,059 | 7,624,501 | 7,588,155 |
| Total equity | 2,688,544 | 2,687,495 | 3,266,774 | 3,268,695 |
| Consolidated Statements of Income: | | | | |
| Net income from continuing operations | 396,087 | 395,262 | 289,644 | 292,964 |
| Net income attributable to Mitsubishi Corporation | 369,936 | 369,543 | 273,147 | 274,846 |
| Consolidated Statements of Cash Flows: | | | | |
| Operating activities | 550,441 | 558,226 | 760,568 | 761,573 |
| Investing activities | (691,216) | (693,550) | (141,157) | (138,502) |
| Financing activities | 650,546 | 650,608 | (755,117) | (755,347) |
| Cash and Cash equivalents, end of the year | 1,215,099 | 1,198,735 | 1,093,478 | 1,080,544 |
| | Yen | | | |
| Earnings per share: | | | | |
| Net income from continuing operations | | | | |
| Basic | ¥222.46 | ¥222.22 | ¥166.24 | ¥167.28 |
| Diluted | 221.97 | 221.73 | 165.86 | 166.89 |
| Net income attributable to Mitsubishi Corporation | | | | |
| Basic | 225.24 | 225.00 | 166.24 | 167.28 |
| Diluted | 224.75 | 224.51 | 165.86 | 166.89 |

***Reclassification of Prior Year's Consolidated Financial Statements***—The Company has reclassified "Notes and loans" and "Accounts" lines in the consolidated balance sheets as of March 31, 2010, to "Notes," "Accounts" and "Loans and other" to conform with the current year presentation.

In addition, the Company has reclassified pension and severance payments which were included in "Other-net" in the operating activities section of the consolidated statements of cash flows for the fiscal years ended March 31, 2009 and 2010, to "Accrued pension and severance costs, less payments" line item to conform with the current year presentation.

***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, 2010, the Company adopted ASU No. 2009-16, "Accounting for Transfers of Financial Assets" (formerly SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140." ASU No. 2009-16 is a revision to Accounting Standards Codification ("ASC") TOPIC 860, "Transfers and Servicing," which removes the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. The adoption of ASU No. 2009-16 did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2011.

Effective April 1, 2010, the Company adopted ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" (formerly SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)"). ASU No. 2009-17 is a revision to ASC Topic 810 "Consolidation" and changes how a company determines whether an entity that is insufficiently capitalized or is not controlled through voting or similar rights should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The adoption of ASU No. 2009-17 did not have a material impact on the Company's consolidated financial position and results of operations in the fiscal year ended March 31, 2011.

***Recent accounting pronouncements not yet adopted:***
In October 2009, the FASB issued 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.

ASU No. 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. The impact of ASU No. 2009-13 on the Company's consolidated financial position and results is not material.

In April 2010, the FASB issued 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. ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company no later than the first quarter beginning April 1, 2011. ASU No. 2010-17 has no impact on the Company's consolidated financial position and results.

In April 2011, the FASB issued 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. ASU No. 2011-02 is effective for the first interim period or fiscal years beginning on or after June 15, 2011 and is required to be adopted by the Company no later than the quarter beginning July 1, 2011. The Company is currently evaluating ASU No. 2011-02 to determine its impact on the Company's consolidated financial position and results.

In May 2011, the FASB issued 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. ASU No. 2011-04 is effective for the first interim period or fiscal years beginning after December 15, 2011 and is required to be adopted no later than the quarter beginning January 1, 2012. The impact of ASU No. 2011-04 on the Company's consolidated financial position and results is not material.

## 3. INVESTMENTS IN MARKETABLE AND NONMARKETABLE SECURITIES

Investments in marketable and nonmarketable securities at March 31, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| (Short-term investments) | 2010 | **2011** | **2011** |
| Trading | ¥14,450 | **¥ 9,183** | **$111** |
| Available-for-sale (excluding cash and cash equivalents) | 41,307 | **33,458** | **403** |
| Total | ¥55,757 | **¥42,641** | **$514** |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| (Other investments) | 2010 | **2011** | **2011** |
| Available-for-sale | ¥1,173,334 | **¥1,097,943** | **$13,228** |
| Investments in Other than Debt and Marketable Equity Securities | 458,047 | **424,272** | **5,112** |
| Total | ¥1,631,381 | **¥1,522,215** | **$18,340** |

*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 10. Information regarding each category of securities classified as trading and available-for-sale at March 31, 2010 and 2011 was as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| March 31, 2010 | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Trading | | | | ¥ 14,450 |
| Available-for-sale: | | | | |
| Marketable equity securities | ¥525,796 | ¥567,906 | ¥(9,478) | 1,084,224 |
| Debt securities | 245,594 | 363 | (7,159) | 238,798 |

| | 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 | **¥496,903** | **¥541,242** | **¥(9,902)** | **1,028,243** |
| Debt securities | **121,894** | **1,251** | **(3,390)** | **119,755** |

| March 31, 2011 | Millions of U.S. Dollars Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Securities classified as: | | | | |
| Trading | | | | **$ 111** |
| Available-for-sale: | | | | |
| Marketable equity securities | **$5,986** | **$6,521** | **$(119)** | **12,388** |
| Debt securities | **1,469** | **15** | **(41)** | **1,443** |

Marketable equity securities classified as available-for-sale primarily consist of domestic stocks and debt securities, which primarily consist of commercial paper and corporate bonds, as of March 31, 2010 and 2011.

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 ¥108,381 million and ¥16,597 million ($200 million) at March 31, 2010 and 2011, respectively.

The carrying values of debt securities classified as available-for-sale at March 31, 2010 and 2011, by contractual maturity, were as follows:

| | Millions of Yen 2010 | Millions of Yen 2011 | Millions of U.S. Dollars 2011 |
|---|---|---|---|
| Due in one year or less | ¥149,623 | **¥ 50,056** | **$ 604** |
| Due after one year through five years | 57,311 | **53,325** | **642** |
| Due after five years through ten years | 30,231 | **16,374** | **197** |
| Due after ten years | 1,633 | | |
| Total | ¥238,798 | **¥119,755** | **$1,443** |

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, 2011.

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, 2009, 2010 and 2011 were as follows:

| | Millions of Yen 2009 | Millions of Yen 2010 | Millions of Yen 2011 | Millions of U.S. Dollars 2011 |
|---|---|---|---|---|
| Proceeds from sales | ¥40,830 | ¥96,804 | **¥50,068** | **$603** |
| Gross realized gains | ¥ 5,082 | ¥46,539 | **¥31,774** | **$383** |
| Gross realized losses | (1,048) | (629) | **(485)** | **(6)** |
| Net realized gains | ¥ 4,034 | ¥45,910 | **¥31,289** | **$377** |

The amounts of trading gains and losses for the period that relate to trading securities still held at the reporting date were losses of ¥5,604 million, gains of ¥828 million and losses of ¥316 million ($4 million), for the years ended March 31, 2009, 2010 and 2011, respectively.

For the years ended March 31, 2009, 2010 and 2011, impairment losses of ¥88,623 million, ¥6,415 million and ¥12,073 million ($145 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 debt securities, the Company recognized impairment losses in earnings as the impairments were deemed to be attributable to credit losses. The following table sets forth a 12-month roll forward of such credit losses for debt securities held as of March 31, 2010 and 2011:

| | Millions of Yen 2010 | Millions of Yen 2011 | Millions of U.S. Dollars 2011 |
|---|---|---|---|
| Balance at beginning of year | ¥ 9,449 | **¥8,296** | **$100** |
| Additions for debt securities that have been previously impaired | 139 | **14** | |
| Additions for debt securities that have not been previously impaired | 85 | | |
| Reductions due to sales or redemptions | (1,377) | | |
| Balance at end of year | ¥ 8,296 | **¥8,310** | **$100** |

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, 2010 and 2011:

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| March 31, 2010 | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Marketable equity securities | ¥40,218 | ¥(2,245) | ¥21,095 | ¥ (7,233) | ¥ 61,313 | ¥ (9,478) |
| Debt securities | 2,795 | (123) | 71,931 | (7,036) | 74,726 | (7,159) |
| Total | ¥43,013 | ¥(2,368) | ¥93,026 | ¥(14,269) | ¥136,039 | ¥(16,637) |

| | 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 U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| | 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 | **$1,771** | **$(90)** | **$165** | **$(29)** | **$1,936** | **$(119)** |
| Debt securities | **92** | | **475** | **(41)** | **567** | **(41)** |
| Total | **$1,863** | **$(90)** | **$640** | **$(70)** | **$2,503** | **$(160)** |

*Marketable equity securities*—The Company's unrealized losses on investments in marketable equity securities mainly relate to investments in the common stock of approximately 200 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 35% less than cost. Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value and the fact that the domestic stock markets have gradually showed a certain level of recovery after March 31, 2011, in spite of the Great East Japan Earthquake. The Company does not consider these investments to be other-than-temporarily impaired at March 31, 2011.

*Debt securities*—The Company's unrealized losses on investments in debt securities, mainly relate to approximately 30 corporate bonds with individual fair value of approximately 1% to 23% 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, 2011.

*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 ¥371,768 million and ¥340,254 million ($4,100 million) at March 31, 2010 and 2011, respectively. Other investments also include guarantee deposits, investments in noncurrent time deposits, and others, amounting to ¥86,279 million and ¥84,018 million ($1,012 million) at March 31, 2010 and 2011, respectively.

Investments in nonmarketable equity securities of unaffiliated companies are carried at cost ("cost method investments"), as fair value is not readily 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 10. 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 ¥324,117 million and ¥337,238 million ($4,063 million) at March 31, 2010 and 2011, 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 ¥19,444 million, ¥54,867 million and ¥5,261 million ($63 million) for the years ended March 31, 2009, 2010 and 2011, respectively.

## 4. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to Affiliated companies at March 31, 2009 and 2010 consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Investments in Affiliated companies | ¥1,177,108 | **¥1,265,252** | **$15,244** |
| Advances | 61,461 | **54,850** | **661** |
| Total | ¥1,238,569 | **¥1,320,102** | **$15,905** |

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. (24.72%), SPDC Ltd. (30.39%), Mozal S.A.R.L. (25.00%), ENCORE ENERGY PTE. LTD. (39.40%), Chiyoda Corporation (33.74%) and Mitsubishi UFJ Lease & Finance Company Ltd. (20.00%).

The Company holds a 56% ownership interest in MI Berau, a Netherlands corporation. MI Berau is a joint venture, participating in the Tangguh LNG Project in Indonesia, 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 ¥197,296 million and ¥199,017 million ($2,398 million) at March 31, 2010 and 2011, 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 ¥374,493 million and ¥389,998 million ($4,699 million) at March 31, 2010 and 2011, respectively. Corresponding aggregate quoted market values were ¥401,907 million and ¥379,397 million ($4,571 million), respectively. Included in such amounts was the investment in LAWSON of ¥136,926 million and ¥138,211 million ($1,665 million) with quoted market values of ¥129,273 million and ¥129,921 million ($1,565 million) at March 31, 2010 and 2011, 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, 2009, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Current assets | ¥ 6,413,741 | **¥ 6,929,477** | **$ 83,488** |
| Property and equipment—net | 3,214,447 | **3,303,627** | **39,803** |
| Other assets | 1,819,708 | **1,914,882** | **23,070** |
| Total assets | ¥11,447,896 | **¥12,147,986** | **$146,361** |
| Current liabilities | ¥ 4,824,438 | **¥ 4,712,479** | **$ 56,777** |
| Noncurrent liabilities | 3,091,657 | **3,994,881** | **48,130** |
| Affiliated companies' shareholders' equity | 3,388,614 | **3,683,930** | **44,385** |
| Noncontrolling interest | 143,187 | **(243,304)** | **(2,931)** |
| Total liabilities and equity | ¥11,447,896 | **¥12,147,986** | **$146,361** |

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Revenues | ¥6,944,164 | ¥6,129,049 | **¥6,761,497** | **$81,464** |
| Gross profit | ¥1,977,492 | ¥1,683,923 | **¥2,063,262** | **$24,859** |
| Net income attributable to Affiliated companies | ¥ 526,735 | ¥ 363,840 | **¥ 532,601** | **$ 6,417** |

Total assets, liabilities and equity in the summarized financial information at March 31, 2011 increased because of an increase in the number of consolidated subsidiaries by certain Affiliated companies due to the adoption of ASU No. 2009-17.

The Companies' revenues and purchases from the Affiliated companies for the years ended March 31, 2009, 2010 and 2011 were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Revenues | ¥384,325 | ¥310,792 | **¥392,117** | **$4,724** |
| Purchases | ¥523,261 | ¥444,207 | **¥560,171** | **$6,749** |

Dividends received from the Affiliated companies for the years ended March 31, 2009, 2010 and 2011 were ¥120,064 million, ¥95,720 million and ¥142,831 million ($1,721 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 ($427 million) for the years ended March 31, 2010 and 2011, respectively. The gains were the result of the difference between the carrying value and fair value of the shares exchanged. The gains are recorded in "Loss (gain) on marketable securities and investments—net" in the consolidated statements of income.

This exchange gain for the year ended March 31, 2011 is a pretax gain from the merger between Compania Minera Huasco S.A., a 50% owned affiliated company, and Compania Minera del Pacifico S.A. on April 30, 2010.

## 5. ALLOWANCE FOR DOUBTFUL RECEIVABLES

Effective December 31, 2010, the Company adopted ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit losses" requiring expanded disclosures about financing receivables by credit quality, past due status, and related allowance for credit losses. The disclosures for the allowance for credit losses activity are presented for the quarter ended March 31, 2011. The adoption of ASU No. 2010-20 did not have a significant impact on the Company's consolidated financial position and results of operations in the year ended March 31, 2011.

In addition, ASU No. 2011-01, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20," was issued to temporarily defer the effective date for disclosures related to troubled debt restructurings to coincide with the effective date of ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." See Note 2 for further details. ASU No. 2011-02 and the disclosure requirements for the troubled debt restructurings under ASU No. 2010-20 are effective for the first interim period or fiscal years beginning on or after June 15, 2011 and are required to be adopted by the Company no later than the quarter beginning July 1, 2011.

The Company conducts various transactions where it extends credit to its customers in the form of trade credit, including accounts receivables, 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 risks 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. 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 31,2011 was not material.

Receivables are charged-off when the Company's rights to collect are lost as a result of a legal liquidation of its customer.

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

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

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

The Company determines an allowance for credit losses to be recorded for impaired receivables based upon factors surrounding the collection history, past credit loss experience, credit ratings from applicable agencies and other information. For the valuation of long-term receivables, the Company uses the discounted cash flow method based on assumptions such as an estimate of the future repayment plan and discount rates. 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, 2010 and 2011 consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Recorded investment | | | |
| Corporate customers | | **¥52,573** | **$633** |
| Consumers | | **7,392** | **89** |
| Total | ¥50,038 | **¥59,965** | **$722** |
| Related allowance | | | |
| Corporate customers | | **¥33,966** | **$409** |
| Consumers | | **3,908** | **47** |
| Total | ¥48,508 | **¥37,874** | **$456** |

The average balance of impaired receivables from Corporate customers and Consumers for the quarter ended March 31, 2011 was ¥54,973 million ($662 million) and ¥12,266 million ($148 million), respectively.

The average amounts of outstanding loans receivable that were impaired during the years ended March 31, 2009 and 2010 were ¥40,106 million and ¥45,757 million, respectively.

***The allowance for credit losses related to financing receivables***—Financing receivables include loans and noncurrent accounts receivable—trade that have the characteristics of financings.

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

The activity of the allowance for credit losses related to financing receivables for the quarter ended March 31, 2011 is as follows:

| | Millions of Yen | | Millions of U.S. Dollars | |
|---|---|---|---|---|
| | **2011** | | **2011** | |
| | Corporate customers | Consumers | Corporate customers | Consumers |
| Balance at January 1, 2011 | **¥ 27,266** | **¥ 6,395** | **$ 329** | **$ 77** |
| Provision for credit losses | **1,429** | **387** | **17** | **4** |
| Net charge-offs: | | | | |
| Charge-offs | **(4,897)** | **(502)** | **(59)** | **(6)** |
| Recoveries | **2,222** | **218** | **27** | **3** |
| Total net charge-offs | **(2,675)** | **(284)** | **(32)** | **(3)** |
| Other* | **4,373** | **388** | **52** | **5** |
| Balance at end of year | **¥ 30,393** | **¥ 6,886** | **$ 366** | **$ 83** |
| Ending balance of allowance for credit losses: | | | | |
| Collective impairment allowance (higher credit quality financing receivables) | **2,005** | **2,978** | **24** | **36** |
| Individual impairment allowance** (lower credit quality financing receivables) | **28,388** | **3,908** | **342** | **47** |
| Ending balance of financing receivables: | | | | |
| Higher credit quality receivables | **¥658,407** | **¥206,747** | **$7,932** | **$2,491** |
| Lower credit quality receivables | **41,304** | **7,392** | **498** | **89** |
| Total | **¥699,711** | **¥214,139** | **$8,430** | **$2,580** |

* "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 activity of the allowance for doubtful receivables, including financing receivables and other-than-financing receivables are presented for the years ended March 31, 2009 and 2010 as follows:

| | Millions of Yen | |
|---|---|---|
| | 2009 | 2010 |
| Balance at beginning of year | ¥ 70,431 | ¥62,632 |
| Provision for doubtful receivables | 8,706 | 4,893 |
| Net charge-offs: | | |
| Charge-offs | (15,489) | (8,319) |
| Recoveries | 3,516 | 3,358 |
| Total net charge-offs | (11,973) | (4,961) |
| Other* | (4,532) | 599 |
| Balance at end of year | ¥ 62,632 | ¥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 nonaccrual and past due financing receivables***—Age analysis of nonaccrual and past due financing receivables as of March 31, 2011 is as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | **2011** | **2011** |
| Corporate customers | | |
| Past due in one year or less | **¥ 8,775** | **$106** |
| Past due after one year through two years | **473** | **6** |
| Past due after two years through three years | **755** | **9** |
| Past due after three years through four years | **1,563** | **19** |
| Past due after four years through five years | **2,046** | **24** |
| Past due greater than five years | **13,946** | **168** |
| Total | **¥27,558** | **$332** |

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | **2011** | **2011** |
| Consumers | | |
| Past due in three months or less | **¥10,701** | **$129** |
| Past due after three months through six months | **949** | **12** |
| Past due after six months through one year | **440** | **5** |
| Past due greater than one year | **2,312** | **28** |
| Total | **¥14,402** | **$174** |

## 6. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2010 and 2011 consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Real estate held for development and resale | ¥ 106,742 | **¥ 69,396** | **$ 836** |
| Land | 285,330 | **321,929** | **3,879** |
| Buildings, including leasehold improvements | 745,568 | **780,305** | **9,401** |
| Machinery and equipment | 884,163 | **918,695** | **11,069** |
| Aircraft and vessels | 445,351 | **433,446** | **5,222** |
| Mineral rights | 357,826 | **343,721** | **4,141** |
| Projects in progress | 67,755 | **111,124** | **1,339** |
| Total | 2,892,735 | **2,978,616** | **35,887** |
| Less accumulated depreciation | (1,196,135) | **(1,242,808)** | **(14,974)** |
| Property and equipment—net | ¥ 1,696,600 | **¥ 1,735,808** | **$ 20,913** |

Depreciation expense for the years ended March 31, 2009, 2010 and 2011 was ¥128,637 million, ¥119,576 million and ¥123,223 million ($1,485 million), respectively.

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.

The impairment loss on long-lived assets for the year ended March 31, 2009 was principally attributable to oil and gas properties owned by subsidiaries. These impairments mainly related to lower oil and gas reserve estimates and oil price declines.

Impairment losses recognized for the years ended March 31, 2009, 2010 and 2011 were applicable to the following segments:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| Segment | 2009 | 2010 | **2011** | **2011** |
| Industrial Finance, Logistics & Development | ¥ 690 | ¥ 4,446 | **¥ 248** | **$ 3** |
| Energy Business | 28,624 | 3,933 | **2,920** | **35** |
| Metals | 4,464 | 2,059 | **1,005** | **12** |
| Machinery | 9,682 | 390 | **60** | **1** |
| Chemicals | 1,885 | 673 | **96** | **1** |
| Living Essentials | 272 | 2,798 | **2,878** | **35** |
| Other*1 | | 4,039 | **38** | **–** |
| Total | ¥45,617 | ¥18,338 | **¥7,245** | **$87** |

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

*2 Effective April 1, 2010, the Company transferred parts of the business of "Industrial Finance, Logistics & Development" and "Machinery" to "Other" and effective April 1, 2009, the Company reorganized the "Business Innovation" segment into "Living Essentials" and "Other" and transferred a part of the business of the "Chemicals" segment to "Machinery." The consolidated financial position and the results of operations of related reportable operating segments for the years ended March 31, 2009 and 2010 have also been reclassified accordingly.

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 ¥732 million, ¥205 million and ¥138 million ($2 million) for the years ended March 31, 2009, 2010 and 2011, respectively.

## 7. PLEDGED ASSETS

At March 31, 2010 and 2011, 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 |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Notes, loans and accounts receivable—trade (current and noncurrent) | ¥ 29,243 | **¥ 18,805** | **$ 227** |
| Noncurrent investment securities (carrying value) | 131,564 | **94,478** | **1,138** |
| Property and equipment (net of accumulated depreciation) | 264,885 | **236,221** | **2,846** |
| Other | 52,373 | **25,166** | **303** |
| Total | ¥478,065 | **¥374,670** | **$4,514** |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Short-term debt | ¥ 19,396 | **¥ 17,203** | **$ 207** |
| Long-term debt | 290,336 | **231,784** | **2,793** |
| Guarantees of contracts and others | 168,333 | **125,683** | **1,514** |
| Total | ¥478,065 | **¥374,670** | **$4,514** |

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 12.

## 8. 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, 2010 and 2011:

| | Millions of Yen | | |
|---|---|---|---|
| March 31, 2010 | Gross Carrying Amount | Accumulated Amortization | Net |
| Intangible assets subject to amortization: | | | |
| Software | ¥ 94,610 | ¥(52,951) | ¥41,659 |
| Manufacturing, sales and service licenses and trademarks | 48,032 | (37,176) | 10,856 |
| Customer relationships | 2,300 | (596) | 1,704 |
| Other | 11,770 | (5,837) | 5,933 |
| Total | ¥156,712 | ¥(96,560) | ¥60,152 |
| Intangible assets not subject to amortization: | | | |
| Trade names | | | ¥ 3,334 |
| Rights to use land | | | 2,721 |
| Customer relationships | | | 2,365 |
| Other | | | 4,059 |
| Total | | | 12,479 |
| Intangible assets total | | | ¥72,631 |

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| **March 31, 2011** | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| Intangible assets subject to amortization: | | | | | | |
| Software | **¥104,061** | **¥ (60,563)** | **¥43,498** | **$1,254** | **$ (729)** | **$525** |
| Manufacturing, sales and service licenses and trademarks | **46,544** | **(37,471)** | **9,073** | **561** | **(451)** | **110** |
| Customer relationships | **7,953** | **(1,000)** | **6,953** | **96** | **(12)** | **84** |
| Other | **11,526** | **(6,099)** | **5,427** | **138** | **(74)** | **64** |
| Total | **¥170,084** | **¥(105,133)** | **¥64,951** | **$2,049** | **$(1,266)** | **$783** |
| Intangible assets not subject to amortization: | | | | | | |
| Trade names | | | **¥ 3,233** | | | **$ 39** |
| Rights to use land | | | **2,634** | | | **32** |
| Customer relationships | | | **2,365** | | | **28** |
| Other | | | **3,885** | | | **47** |
| Total | | | **12,117** | | | **146** |
| Intangible assets total | | | **¥77,068** | | | **$929** |

Intangible assets subject to amortization acquired during the year ended March 31, 2010 were ¥14,068 million, which primarily consisted of ¥11,950 million of software. The weighted-average amortization period for intangible assets subject to amortization acquired during the year ended March 31, 2010 is 6 years. The weighted-average amortization period for software is 5 years.

Intangible assets subject to amortization acquired during the year ended March 31, 2011 were ¥23,100 million ($278 million), which primarily consisted of ¥16,533 million ($199 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 not subject to amortization acquired during the years ended March 31, 2010 and 2011 were ¥2,762 million and ¥161 million ($2 million), respectively.

Amortization expense for intangible assets subject to amortization was ¥17,116 million, ¥16,257 million and ¥16,852 million ($203 million) for the years ended March 31, 2009, 2010 and 2011, respectively.

As of March 31, 2011, 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: | | |
| 2012 | ¥15,464 | $186 |
| 2013 | 12,958 | 156 |
| 2014 | 9,527 | 115 |
| 2015 | 5,844 | 70 |
| 2016 | 3,278 | 39 |

Based on the results of impairment testing, impairment losses of ¥313 million, ¥510 million and ¥204 million ($2 million) were recorded for the years ended March 31, 2009, 2010 and 2011, 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, 2010 and 2011:

| | March 31, 2010 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | | | | |
| | Beginning of Year | | | Changes During Year | | | | | End of Year | | |
| Segment | Gross Carrying Amount | Accumulated Impairment Losses | Net | Goodwill Additions | Impair-ment Losses | Divesti-tures | Currency Exchange | Other* | Gross Carrying Amount | Accumulated Impairment Losses | Net |
| Industrial Finance, | | | | | | | | | | | |
| Logistics & Development | ¥ 4,739 | | ¥ 4,739 | ¥59 | | | ¥(249) | ¥ 1,746 | ¥ 7,229 | ¥ (934) | ¥ 6,295 |
| Energy Business | | | | | | | | 296 | 296 | | 296 |
| Metals | 13,464 | ¥(1,446) | 12,018 | | | ¥ (17) | 16 | 4 | 13,467 | (1,446) | 12,021 |
| Machinery | 2,869 | | 2,869 | | | | | (13) | 2,856 | | 2,856 |
| Chemicals | 367 | | 367 | | | | | 4 | 371 | | 371 |
| Living Essentials | 27,746 | (397) | 27,349 | | ¥(7) | (843) | (13) | 36 | 26,926 | (404) | 26,522 |
| Other | 2,617 | (934) | 1,683 | | | (5) | | (1,678) | | | |
| Total | ¥51,802 | ¥(2,777) | ¥49,025 | ¥59 | ¥(7) | ¥(865) | ¥(246) | ¥ 395 | ¥51,145 | ¥(2,784) | ¥48,361 |

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

| | March 31, 2011 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of U.S. Dollars | | | | | | | | | | |
| | Beginning of Year | | | Changes During Year | | | | | End of Year | | |
| Segment | Gross Carrying Amount | Accumulated Impairment Losses | Net | Goodwill Additions | Impair-ment Losses | Divesti-tures | Currency Exchange | Other* | Gross Carrying Amount | Accumulated Impairment Losses | Net |
| Industrial Finance, | | | | | | | | | | | |
| Logistics & Development | $ 87 | $(11) | $ 76 | $ 6 | | | $(6) | | $ 87 | $(11) | $ 76 |
| Energy Business | 4 | | 4 | | | | | | 4 | | 4 |
| Metals | 162 | (17) | 145 | | | | | | 162 | (17) | 145 |
| Machinery | 34 | | 34 | 2 | | | | | 36 | | 36 |
| Chemicals | 5 | | 5 | | | | | | 5 | | 5 |
| Living Essentials | 324 | (5) | 319 | 1 | $(11) | | (1) | | 323 | (16) | 307 |
| Other | | | | 20 | | | | | 20 | | 20 |
| Total | $616 | $(33) | $583 | $29 | $(11) | | $(7) | | $637 | $(44) | $593 |

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

During the years ended March 31, 2009, 2010 and 2011, the Company recognized impairment losses of ¥4,586 million, ¥7 million and ¥891 million ($11 million), respectively, which are included in “Other expense (income)—net” in the consolidated statements of income.

## 9. 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, 2010 and 2011 are as follows:

| | Billions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Interest rate contracts | ¥ 3,003 | **¥ 2,799** | **$ 33,727** |
| Foreign exchange contracts | 1,974 | **2,246** | **27,062** |
| Commodity contracts | 7,895 | **6,864** | **82,696** |
| Total derivative notional amounts | ¥12,872 | **¥11,909** | **$143,485** |

***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 debt to floating-rate assets or debt, as well as convert some floating-rate assets or debt to a fixed basis. The objective of maintaining this mix of fixed- and floating-rate assets and debt 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 non-functional 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 debt.

***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 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. The amount included in the foreign currency translation adjustments was net gains of ¥47,069 million, ¥32,461 million and ¥38,180 million ($460 million) for the years ended March 31, 2009, 2010 and 2011, 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, 2010 and 2011.

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Asset Derivatives | | Liability Derivatives | |
| As of March 31, 2010 | Balance Sheet Line Item | Fair Value | Balance Sheet Line Item | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate contracts | Other current assets | ¥ 364 | Other current liabilities | ¥ 109 |
| | Other assets | 52,854 | Other noncurrent liabilities | 3,442 |
| Foreign exchange contracts | Other current assets | 23,945 | Other current liabilities | 3,850 |
| | Other assets | 6,741 | Other noncurrent liabilities | 1,254 |
| Commodity contracts | Other current assets | 6,507 | Other current liabilities | 8,025 |
| | Other assets | 9,622 | Other noncurrent liabilities | 99 |
| | Total | ¥ 100,033 | | ¥ 16,779 |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate contracts | Other current assets | ¥ 2,448 | Other current liabilities | ¥ 3,985 |
| | Other assets | 14,698 | Other noncurrent liabilities | 17,935 |
| Foreign exchange contracts | Other current assets | 35,187 | Other current liabilities | 14,834 |
| | Other assets | 26,664 | Other noncurrent liabilities | 6,391 |
| Commodity contracts | Other current assets | 349,732 | Other current liabilities | 363,087 |
| | Other assets | 59,974 | Other noncurrent liabilities | 58,422 |
| | Total | ¥ 488,703 | | ¥ 464,654 |
| Total Derivatives (gross basis) | | ¥ 588,736 | | ¥ 481,433 |
| Netting | | ¥(410,185) | | ¥(411,384) |
| Net Derivatives on Consolidated Balance Sheets | | | | |
| | Other current assets | ¥ 84,323 | Other current liabilities | ¥ 43,357 |
| | Other assets | 94,228 | Other noncurrent liabilities | 26,692 |
| Total Net Derivatives on Consolidated Balance Sheets | | ¥ 178,551 | | ¥ 70,049 |

* 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, 2010, the cash collateral receivables and payables that were offset were ¥49,394 million and ¥48,195 million, respectively. The cash collateral receivables and payables that were not offset were ¥8,819 million and ¥32,904 million, respectively.

| Nonderivatives designated as hedging instruments | Balance Sheet Line Item | Carrying Amount Millions of Yen |
|---|---|---|
| Foreign-currency-denominated debt | Current maturities of long-term debt | ¥ 4,466 |
| | Long-term debt | 49,125 |
| | Total | ¥53,591 |

| | 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** |

| As of March 31, 2011 | Asset Derivatives (Millions of U.S. Dollars) | | Liability Derivatives (Millions of U.S. Dollars) | |
|---|---|---|---|---|
| | Balance Sheet Line Item | Fair Value | Balance Sheet Line Item | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Interest rate contracts | Other current assets | $ 10 | Other current liabilities | |
| | Other assets | 719 | Other noncurrent liabilities | $ 94 |
| Foreign exchange contracts | Other current assets | 566 | Other current liabilities | 31 |
| | Other assets | 24 | Other noncurrent liabilities | 28 |
| Commodity contracts | Other current assets | 33 | Other current liabilities | 85 |
| | Other assets | 76 | Other noncurrent liabilities | 1 |
| | Total | $ 1,428 | | $ 239 |
| Derivatives not designated as hedging instruments: | | | | |
| Interest rate contracts | Other current assets | $ 2 | Other current liabilities | $ 5 |
| | Other assets | 142 | Other noncurrent liabilities | 157 |
| Foreign exchange contracts | Other current assets | 561 | Other current liabilities | 221 |
| | Other assets | 210 | Other noncurrent liabilities | 47 |
| Commodity contracts | Other current assets | 2,535 | Other current liabilities | 2,620 |
| | Other assets | 294 | Other noncurrent liabilities | 309 |
| | Total | $ 3,744 | | $ 3,359 |
| Total Derivatives (gross basis) | | $ 5,172 | | $ 3,598 |
| Netting | | $(2,806) | | $(2,792) |
| Net Derivatives on Consolidated Balance Sheets | | | | |
| | Other current assets | $ 1,418 | Other current liabilities | $ 582 |
| | Other assets | 948 | Other noncurrent liabilities | 224 |
| Total Net Derivatives on Consolidated Balance Sheets | | $ 2,366 | | $ 806 |

* 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 ($505 million) and ¥43,119 million ($520 million), respectively. The cash collateral receivables and payables that were not offset were ¥17,019 million ($205 million) and ¥20,285 million ($244 million), respectively.

| Nonderivative designated as hedging instruments | Balance Sheet Line Item | Carrying Amount: Millions of Yen | Carrying Amount: Millions of U.S. Dollars |
|---|---|---|---|
| Foreign-currency-denominated debt | Current maturities of long-term debt | ¥ 3,991 | $ 48 |
| | Long-term debt | 39,912 | 481 |
| | Total | ¥43,903 | $529 |

***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 quarter ended March 31, 2009 (from January 1, 2009 to March 31, 2009) and for the years ended March 31, 2010 and 2011:

During the quarter ended March 31, 2009

**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 expense (income)—net | ¥3,046 | ¥(3,047) |
| Foreign exchange contracts | Other expense (income)—net | 5,638 | (5,567) |

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the quarter ended March 31, 2009.

*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 quarter ended March 31, 2009.

**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 | ¥(1,516) | Interest expense | ¥ 98 |
| | | Equity in earnings of Affiliated companies | (115) |
| Foreign exchange contracts | 2,273 | Other expense (income)—net | 26,492 |
| Commodity contracts | 3,070 | Revenues/(cost of revenues) | (1,722) |
| | | Equity in earnings of Affiliated companies | (131) |

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the quarter ended March 31, 2009.
*2. During the quarter ended March 31, 2009, the amount reclassified from AOCI at the end of the preceding period December 31, 2008 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, was losses of ¥11,884 million.
*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 Net Investment Hedge**

| Derivative type | Amount of Gain or (Loss) Recognized in OCI (effective portion) |
|---|---|
| | Millions of Yen |
| Foreign exchange contracts | ¥18,691 |

*1. Amounts related to hedge ineffectiveness and amounts excluded from the assessment of hedge effectiveness are immaterial for the quarter ended March 31, 2009.
*2. No gains or losses were reclassified from AOCI into earnings for the quarter ended March 31, 2009.

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 expense (income)—net | ¥ 550 | ¥ (569) |
| Foreign exchange contracts | Other expense (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 | 58,141 | Other expense (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 at the end of the preceding period, March 31, 2009, 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) | Loss (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 expense (income)—net | 5,624 |
| Foreign exchange contracts | Interest expense | 6,016 |
| | Other expense (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 U.S. Dollars | Millions of Yen | Millions of U.S. Dollars |
| Interest rate contracts | Other expense (income)—net | **¥(2,700)** | **$(33)** | **¥ 2,722** | **$ 33** |
| Foreign exchange contracts | Other expense (income)—net | **5,348** | **64** | **(5,378)** | **(65)** |
| Commodity contracts | Revenues/(cost of revenues) | **989** | **12** | **(989)** | **(12)** |

*1. Amounts related to ineffective portion and excluded from hedge effective testing are immaterial for the quarter 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 U.S. Dollars | | Millions of Yen | Millions of U.S. Dollars |
| Interest rate contracts | **¥ (2,947)** | **$ (36)** | Interest expense | **¥ 309** | **$ 4** |
| Foreign exchange contracts | **52,021** | **627** | Other expense (income)—net | **(31,410)** | **(378)** |
| Commodity contracts | **(5,073)** | **(61)** | Revenues/(cost of revenues) | **(2,440)** | **(29)** |

*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. Derivative unrealized gains and losses included in AOCI are reclassified into earnings at the time that the associated hedged transactions impact earnings. Approximately ¥26,000 million ($313 million) of net unrealized gains, net of tax, included in AOCI at March 31, 2011, will be reclassified into earnings within 12 months from that date.

*3. During the year ended March 31, 2011, there were no gains or losses reclassified from AOCI at the end of the preceding period, March 31, 2010, 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 | **¥2,277** | **$27** | Loss (gain) on marketable securities and investments—net | **¥(1,115)** | **$(13)** |

*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 on OCI (effective portion) | |
|---|---|---|
| | Millions of Yen | Millions of U.S. Dollars |
| Foreign-currency-denominated debt | **¥6,028** | **$73** |

*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 at the end of the preceding period, March 31, 2010, 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 on Earnings | |
|---|---|---|---|
| | | Millions of Yen | Millions of U.S. Dollars |
| Interest rate contracts | Interest expense | **¥ (2,101)** | **$ (25)** |
| | Other expense (income)—net | **(214)** | **(3)** |
| Foreign exchange contracts | Interest expense | **1,532** | **18** |
| | Other expense (income)—net | **(18,121)** | **(218)** |
| Commodity contracts | Revenues/(cost of revenues) | **(220)** | **(3)** |

## 10. 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, 2010 and 2011:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2010 | Level 1 | Level 2 | Level 3 | Netting | Total |
| Assets: | | | | | |
| Cash equivalents | | ¥108,381 | | | ¥ 108,381 |
| Investments | | | | | |
| Trading securities | | 12 | ¥14,438 | | 14,450 |
| Available-for-sale: | | | | | |
| Equity securities | ¥1,083,787 | 437 | | | 1,084,224 |
| Debt securities | 8,224 | 122,193 | | | 130,417 |
| Total investments | 1,092,011 | 122,642 | 14,438 | | 1,229,091 |
| Derivative assets | | | | | |
| Interest rate contracts | 317 | 70,047 | | | |
| Foreign exchange contracts | 124 | 92,413 | | | |
| Commodity contracts | 24,296 | 399,654 | 1,885 | | |
| Total derivative assets | ¥ 24,737 | ¥562,114 | ¥ 1,885 | ¥(410,185) | ¥ 178,551 |
| Total assets | ¥1,116,748 | ¥793,137 | ¥16,323 | ¥(410,185) | ¥1,516,023 |
| Liabilities: | | | | | |
| Derivative liabilities | | | | | |
| Interest rate contracts | ¥ 364 | ¥ 25,107 | | | |
| Foreign exchange contracts | 162 | 26,167 | | | |
| Commodity contracts | 25,128 | 402,644 | ¥ 1,861 | | |
| Total derivative liabilities | ¥ 25,654 | ¥453,918 | ¥ 1,861 | ¥(411,384) | ¥ 70,049 |
| Total liabilities | ¥ 25,654 | ¥453,918 | ¥ 1,861 | ¥(411,384) | ¥ 70,049 |

| March 31, 2011 | 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 | | ¥ 16,597 | | | ¥ 16,597 | | $ 200 | | | $ 200 |
| Investments | | | | | | | | | | |
| Trading securities | ¥ 23 | | ¥ 9,160 | | 9,183 | | | $111 | | 111 |
| Available-for-sale: | | | | | | | | | | |
| Equity securities | 1,027,887 | 356 | | | 1,028,243 | $12,384 | 4 | | | 12,388 |
| Debt securities | 6,357 | 96,801 | | | 103,158 | 77 | 1,166 | | | 1,243 |
| Total investments | 1,034,267 | 97,157 | 9,160 | | 1,140,584 | 12,461 | 1,170 | 111 | | 13,742 |
| Derivative assets | | | | | | | | | | |
| Interest rate contracts | 164 | 72,367 | | | | 2 | 872 | | | |
| Foreign exchange contracts | 76 | 112,898 | | | | 1 | 1,360 | | | |
| Commodity contracts | 20,125 | 222,344 | 1,351 | | | 242 | 2,679 | 16 | | |
| Total derivative assets | ¥ 20,365 | ¥407,609 | ¥ 1,351 | ¥(232,976) | ¥ 196,349 | $ 245 | $4,911 | $ 16 | $(2,806) | $ 2,366 |
| Total assets | ¥1,054,632 | ¥521,363 | ¥10,511 | ¥(232,976) | ¥1,353,530 | $12,706 | $6,281 | $127 | $(2,806) | $16,308 |
| Liabilities: | | | | | | | | | | |
| Derivative liabilities | | | | | | | | | | |
| Interest rate contracts | ¥ 217 | ¥ 21,057 | | | | $ 3 | $ 254 | | | |
| Foreign exchange contracts | 87 | 27,035 | | | | 1 | 326 | | | |
| Commodity contracts | 22,739 | 226,199 | ¥ 1,328 | | | 274 | 2,725 | $ 16 | | |
| Total derivative liabilities | ¥ 23,043 | ¥274,291 | ¥ 1,328 | ¥(231,792) | ¥ 66,870 | $ 277 | $3,305 | $ 16 | $(2,792) | $ 806 |
| Total liabilities | ¥ 23,043 | ¥274,291 | ¥ 1,328 | ¥(231,792) | ¥ 66,870 | $ 277 | $3,305 | $ 16 | $(2,792) | $ 806 |

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

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, 2010 and 2011 was ¥14,438 million and ¥9,160 million ($111 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. Although certain investments are under procedure of withdrawal, the terms to redemption are currently unknown.

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 that reflect the companies’ own assumptions.

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, 2010 and 2011.

| | Millions of Yen | | | | | | |
|---|---|---|---|---|---|---|---|
| March 31, 2010 | 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 | Transfer in and/or out of Level 3 | Balance at End of Year | Net Change in Unrealized Gains (Losses) Related to Assets Still Held at End of Year |
| Investments | | | | | | | |
| Trading securities | ¥26,946 | ¥ 2,222 | ¥ (10) | ¥(14,720) | | ¥14,438 | ¥828 |
| Derivatives, net | | | | | | | |
| Commodity contracts | 77 | (31,120) | 1,041 | (4,763) | ¥34,789 | 24 | 24 |
| Total | ¥27,023 | ¥(28,898) | ¥1,031 | ¥(19,483) | ¥34,789 | ¥14,462 | ¥852 |

| | 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 Assets 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 U.S. Dollars | | | | | |
|---|---|---|---|---|---|---|
| **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 Assets Still Held at End of Year |
| Investments | | | | | | |
| Trading securities | **$174** | **$ 6** | **$(9)** | **$(60)** | **$111** | **$(4)** |
| Derivatives, net | | | | | | |
| Commodity contracts | | **7** | | **(7)** | | |
| Total | **$174** | **$13** | **$(9)** | **$(67)** | **$111** | **$(4)** |

*1 Certain Level 3 derivative assets and liabilities are netted in these tables for presentation purposes only.
*2 Transfers in and/or out of Level 3 are recognized as of the beginning of the quarter periods.
A transfer into Level 3 resulting from deterioration in the credit of a customer was recognized for the year ended March 31, 2010.

All gains and losses included in earnings are reported in “Loss (gain) on marketable securities and investments—net” for investments and “Revenues/(Cost of revenues)” for derivative assets and liabilities in the consolidated statements of income.

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

The following tables show assets measured at fair value on a nonrecurring basis for the years ended March 31, 2010 and 2011:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| March 31, 2010 | Fair Value Measurement Amount | Level 1 | Level 2 | Level 3 | Total Gains (Losses) |
| Investments | ¥57,022 | ¥6,509 | | ¥50,513 | ¥(61,990) |
| Fixed assets | ¥14,434 | | | ¥14,434 | ¥(18,848) |

* Fair value measurement amount of “Investments” includes investments in Affiliated companies of ¥7,709 million and cost method investments of ¥48,607 million. Total gains (losses) of “Investments” include impairment losses recognized for investments in Affiliated companies of ¥6,810 million and impairment losses recognized for cost method investments of ¥54,867 million.

| March 31, 2011 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Fair Value Measurement Amount | Level 1 | Level 2 | Level 3 | Total Gains (Losses) |
| Investments | ¥ 8,593 | ¥4,126 | ¥61 | ¥ 4,406 | ¥(8,301) |
| Fixed assets | ¥14,741 | | | ¥14,741 | ¥(7,449) |

| March 31, 2011 | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | Fair Value Measurement Amount | Level 1 | Level 2 | Level 3 | Total Gains (Losses) |
| Investments* | $104 | $50 | $1 | $ 53 | $(100) |
| Fixed assets | $178 | | | $178 | $ (90) |

* Fair value measurement amount of “Investments” includes investments in Affiliated companies of ¥5,426 million ($66 million) and cost method investments of ¥3,016 million ($36 million). Total gains (losses) of “Investments” include impairment losses recognized for investments in Affiliated companies of ¥2,953 million ($36 million) and impairment losses recognized for cost method investments of ¥5,261 million ($63 million).

Certain investments and fixed assets are measured at fair value on a nonrecurring basis as a result of other-than-temporary impairments. 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 mainly based on net asset values of investees or the discounted future cash flow method using unobservable inputs, such as estimated cash flows. The fair value of the fixed assets classified as Level 3 instruments above are valued based on independent appraisals or the discounted future cash flow method using unobservable inputs, such as estimated cash flows.

## 11. 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 10. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

***Current Financial Assets and Current Financial Liabilities***—The carrying amounts of time deposits, commercial paper and negotiable certificate of deposits with original maturities of three months or less included in “Cash and cash equivalents” and time deposits, trade receivables and payables, and short-term debts approximate their fair values due to the relatively short maturities of these instruments. See Note 10 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 10 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 10.

***Noncurrent Notes, Loans, Accounts Receivable and Advances to Affiliated Companies***—The fair values of these items are estimated by discounting estimated future cash flows using a rate which is commensurate with the risks involved.

***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 10.

The following table presents the carrying amounts and fair values of financial instruments at March 31, 2010 and 2011. The fair values of derivative instruments are excluded from the table below as they are disclosed in Note 9.

| | Millions of Yen | | | | Millions of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | 2010 | | **2011** | | **2011** | |
| | 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 | ¥4,099,626 | ¥4,099,626 | **¥4,429,880** | **¥4,429,880** | **$53,372** | **$53,372** |
| Short-term investments and other investments, for which it is: | | | | | | |
| Practicable to estimate fair value | 1,277,057 | 1,277,057 | **1,143,600** | **1,143,600** | **13,778** | **13,778** |
| Not practicable to estimate fair value | 410,081 | | **421,256** | | **5,075** | |
| Noncurrent notes, loans and accounts receivable and advances to Affiliated companies, net of allowance for doubtful receivables | 436,624 | 443,447 | **462,150** | **453,458** | **5,568** | **5,463** |
| Financial liabilities: | | | | | | |
| Current financial liabilities | 2,804,459 | 2,804,459 | **2,952,044** | **2,952,044** | **35,567** | **35,567** |
| Long-term debt, including current maturities, and noncurrent trade payables, included in "Other noncurrent liabilities" | 3,871,408 | 3,873,522 | **3,801,767** | **3,782,313** | **45,804** | **45,570** |

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

Short-term debt at March 31, 2010 and 2011 consisted of the following:

| | 2010 | | **2011** | | **2011** |
|---|---|---|---|---|---|
| | Millions of Yen | Interest Rate | Millions of Yen | Interest Rate | Millions of U.S. Dollars |
| Bank loans | ¥479,640 | 1.0% | **¥542,013** | **1.3%** | **$6,530** |
| Commercial paper | 75,361 | 0.3 | **114,860** | **0.4** | **1,384** |
| Total | ¥555,001 | | **¥656,873** | | **$7,914** |

The interest rates represent weighted average rates on outstanding balances at March 31, 2010 and 2011.

Assets pledged as collateral for short-term debt are disclosed in Note 7.

Long-term debt at March 31, 2010 and 2011 consisted of the following:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Long-term debt with collateral (see Note 7): | | | |
| Banks and insurance companies, maturing serially through 2034—principally 0% to 1.9% | ¥ 121,367 | **¥ 110,879** | **$ 1,336** |
| Government-owned banks and government agencies, maturing serially through 2023—principally 1% to 2.9% | 19,084 | **13,114** | **158** |
| Government-owned banks and government agencies, maturing serially through 2013 (payable in foreign currency)—principally 5% to 6.9% | 10,276 | **3,384** | **41** |
| Banks and insurance companies, maturing serially through 2025 (payable in foreign currencies)—principally 1% to 6.9% | 30,894 | **8,005** | **96** |
| Japanese yen bonds (floating rate 2.44%, due 2013) | 4,740 | **560** | **7** |
| U.S. dollar bonds (fixed rate 6.07%, due 2021) | 6,083 | **5,067** | **61** |
| Total | 192,444 | **141,009** | **1,699** |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Long-term debt without collateral: | | | |
| Banks and insurance companies, maturing serially through 2027—principally 0% to 1.9% | ¥2,029,051 | **¥1,978,333** | **$23,835** |
| Government-owned banks and government agencies, maturing serially through 2024—principally 0% to 1.9% | 215,415 | **222,119** | **2,676** |
| Government-owned banks and government agencies, maturing serially through 2021 (payable in foreign currency)—principally 0% to 1.9% | 100,141 | **83,292** | **1,004** |
| Banks and insurance companies, maturing serially through 2026 (payable in foreign currencies)—principally 0% to 3.9% | 160,703 | **236,691** | **2,852** |
| Japanese yen callable bonds (floating rate 1.209% as of March 31, 2010, due 2015) | 10,000 | | |
| Japanese yen callable bonds (adjustable fixed rate 1.5%, due 2015) | 10,000 | **10,000** | **120** |
| Japanese yen bonds (floating rate 2.335% to 2.529% as of March 31, 2010, due 2010) | 57,000 | | |
| Japanese yen bonds (floating rate 0.230% to 2.055% as of March 31, 2011, due 2013–2014) | 85,000 | **85,000** | **1,024** |
| Japanese yen bonds (floating rate 1.599% to 2.188% as of March 31, 2011, due 2015–2016) | 55,000 | **55,000** | **663** |
| Japanese yen bonds (floating rate 0.230% to 1.831% as of March 31, 2011, due 2017–2018) | 50,000 | **50,000** | **602** |
| Japanese yen bonds (floating rate 0.230% as of March 31, 2011, due 2021) | | **10,000** | **120** |
| Japanese yen bonds (fixed rate 2.24%, due 2010) | 35,000 | | |
| Japanese yen bonds (fixed rate 0.91% to 3.18%, due 2011–2019) | 519,000 | **519,000** | **6,253** |
| Japanese yen bonds (fixed rate 0.63% to 1.02%, due 2010) | 120 | | |
| Japanese yen bonds (fixed rate 1.43%, due 2011) | 80 | **40** | **1** |
| Japanese yen bonds (fixed rate 1.231%, due 2020) | | **35,000** | **422** |
| U.S. dollar bonds (fixed rate 2.75%, due 2015) | | **83,150** | **1,002** |
| Japanese yen convertible bond (zero coupon, due 2011) | 905 | **905** | **11** |
| Medium-term notes (payable in Japanese yen), 0.07% to 3.05% as of March 31, 2010, due 2010–2019 0.04% to 3.05% as of March 31, 2011, due 2012–2022 | 54,248 | **64,200** | **773** |
| Medium-term notes (payable in U.S. dollars), 1.46% to 3.10% as of March 31, 2010, due 2014–2018 3.10% as of March 31, 2011, due 2014 | 3,722 | **832** | **10** |
| Medium-term notes (payable in Australian, dollars), 6.00% as of March 31, 2011, due 2013 | | **1,722** | **21** |
| Commercial paper (payable in Japanese yen), with average interest rate of 0.14% | 22,000 | **25,000** | **301** |
| Total | 3,407,385 | **3,460,284** | **41,690** |
| Total long-term debt | 3,599,829 | **3,601,293** | **43,389** |
| Less unamortized issue discount | (54) | **(604)** | **(8)** |
| Add adjustments to fair value under fair value hedge accounting | 54,542 | **56,735** | **684** |
| Total | 3,654,317 | **3,657,424** | **44,065** |
| Less current maturities | (406,582) | **(465,422)** | **(5,608)** |
| Less adjustments to fair value under fair value hedge accounting related to "current maturities" | (1,706) | **(3,253)** | **(39)** |
| Long-term debt, less current maturities | ¥3,246,029 | **¥3,188,749** | **$38,418** |

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 are 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. The bonds were or will be redeemable at the option of the Parent commencing June 17, 2009 through June 16, 2010 at the redemption price of 101% (100% commencing June 17, 2010 through June 16, 2011) of the principal. During the year ended March 31, 2010, ¥50 million of the Convertible Bonds were converted into common stock, at a conversion price of ¥1,188 per share. During the year ended March 31, 2011, no Convertible Bonds were converted into common stock.

The bonds were sold at a premium of ¥3,750 million which has 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 have been included in other assets and are being amortized to interest expense over the term of the bonds.

Annual maturities of long-term debt as of March 31, 2011, 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: | | |
| 2012 (included in current liabilities) | ¥ 465,422 | $ 5,608 |
| 2013 | 439,688 | 5,297 |
| 2014 | 535,727 | 6,455 |
| 2015 | 424,418 | 5,113 |
| 2016 | 533,378 | 6,426 |
| 2017 and thereafter | 1,202,660 | 14,490 |
| Total | ¥3,601,293 | $43,389 |

The Company entered 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 after giving effect to such swap agreements were generally 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 ¥951,408 million and ¥443,086 million, respectively, at March 31, 2010, and ¥833,371 million ($10,041 million) and ¥447,256 million ($5,389 million), respectively, at March 31, 2011.

The lines of credit include Japanese yen facilities of ¥410,000 million ($4,940 million) held by the Parent and ¥90,000 million ($1,084 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, 2011. 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 current debt rating. The Parent and the subsidiaries are required to maintain certain financial covenants to keep these facilities.

The Parent utilizes its long-term portions of unused lines of credit, discussed above, totaling ¥310,000 million which terminate in December 2015, to support the Parent's commercial paper program. The commercial paper program is used from time to time to fund working capital and other general corporate requirements as needed. The outstanding commercial paper of ¥22,000 million at March 31, 2010 and ¥25,000 million ($301 million) at March 31, 2011 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 that the bank may 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, 2010 and 2011, the Company did not receive any request of the kind described above and does not expect that any such request will be received.

## 13. INCOME TAXES

Income taxes in Japan applicable to the Company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a normal effective statutory rate of approximately 41% for the years ended March 31, 2009, 2010 and 2011. On March 31, 2009, the Diet enacted certain revisions to the tax laws. Under the revised tax laws, the majority of dividends received from a foreign company by a domestic corporation is excluded from taxable income. Deferred tax liabilities recorded for undistributed earnings and income tax expense as of March 31, 2009 were reduced by ¥29,243 million as a result of the enactment. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

A reconciliation of the combined statutory income tax rates applied to income from continuing operations before income taxes and equity in earnings of Affiliated companies for the years ended March 31, 2009, 2010 and 2011 to the effective income tax rates on income from continuing operations reflected in the accompanying consolidated statements of income was as follows:

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Combined statutory income tax rate applied to income from continuing operations before income taxes and equity in earnings of Affiliated companies | 41.0% | 41.0% | **41.0%** |
| Expenses not deductible for income tax purposes | 1.1 | 1.1 | **0.8** |
| Changes in valuation allowance | 6.5 | 7.5 | **1.5** |
| Tax benefits recognized for accumulated losses of certain subsidiaries | (1.6) | (4.1) | **(1.0)** |
| Lower income tax rates in certain foreign countries | (10.3) | (7.9) | **(7.0)** |
| Tax effects on undistributed earnings of Affiliated companies | 0.4 | 1.0 | **0.4** |
| Effect of taxation on dividends | 3.0 | 1.6 | **1.0** |
| Tax assessments | (2.3) | 0.3 | **0.6** |
| Other—net | 0.5 | (0.8) | **(0.1)** |
| Effective income tax rate on income from continuing operations | 38.3% | 39.7% | **37.2%** |

Amounts provided for income taxes for the years ended March 31, 2009, 2010 and 2011 were allocated as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2011 |
| Income tax expense on income from continuing operations | ¥ 148,191 | ¥118,271 | **¥198,680** | **$2,394** |
| Income tax benefit on loss from discontinued operations | (9,266) | | | |
| Other comprehensive (loss) income | (300,772) | 154,864 | **(19,886)** | **(240)** |
| Total income tax (benefit) expense | ¥(161,847) | ¥273,135 | **¥178,794** | **$2,154** |

Significant components of deferred tax assets and liabilities at March 31, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| Assets: | | | |
| Allowance for doubtful receivables | ¥ 12,635 | **¥ 10,160** | **$ 122** |
| Pension and severance | 34,434 | **30,669** | **370** |
| Property and equipment | 24,398 | **12,656** | **152** |
| Investments | 124,513 | **93,943** | **1,132** |
| Net operating loss carryforwards | 50,497 | **57,022** | **687** |
| Other accrued expenses | 23,180 | **27,926** | **337** |
| Other | 46,182 | **46,803** | **564** |
| Gross deferred tax assets | 315,839 | **279,179** | **3,364** |
| Less valuation allowance | (47,927) | **(45,792)** | **(552)** |
| Deferred tax assets—less valuation allowance | 267,912 | **233,387** | **2,812** |
| Liabilities: | | | |
| Depreciation | 92,642 | **84,561** | **1,019** |
| Investments | 234,967 | **227,607** | **2,742** |
| Property and equipment | 38,069 | **33,627** | **405** |
| Pension and severance | 1,606 | **1,336** | **16** |
| Other | 33,484 | **28,467** | **343** |
| Gross deferred tax liabilities | 400,768 | **375,598** | **4,525** |
| Net deferred tax liabilities | ¥(132,856) | **¥(142,211)** | **$(1,713)** |

The Company has made certain reclassifications to the table above to present on a gross basis the deferred tax assets and deferred tax liabilities associated with investments for the year ended March 31, 2011. Accordingly, the Company reclassified ¥124,513 million from the "Liabilities—Investments" line to the "Assets—Investments" line for the year ended March 31, 2010 to conform to the current year's presentation. The Company has also reclassified property and equipment and other accrued expense-related items which were previously included in the "Accruals and other" line for the year ended March 31, 2010 to conform to the current year's presentation. These reclassifications were limited to the table above and did not impact the accompanying consolidated financial statements or any other footnotes.

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 ¥17,428 million for the year ended March 31, 2009, increased by ¥3,889 million for the year ended March 31, 2010, and decreased by ¥2,135 million ($26 million) for the year ended March 31, 2011. The decrease in the valuation allowance for the year ended March 31, 2011 was primarily due to an increase in the amount of deferred tax assets considered realizable in certain subsidiaries under the strong economic environment.

Net deferred tax liabilities included in the consolidated balance sheets at March 31, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| Current assets—Deferred income taxes | ¥ 44,662 | **¥ 58,759** | **$ 708** |
| Other assets | 32,229 | **27,101** | **327** |
| Other current liabilities | (7,335) | **(12,555)** | **(151)** |
| Long-term liabilities—Deferred income taxes | (202,412) | **(215,516)** | **(2,597)** |
| Net deferred tax liabilities | ¥(132,856) | **¥(142,211)** | **$(1,713)** |

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, 2010 and 2011, the amount of undistributed earnings of subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated ¥976,747 million and ¥1,039,741 million ($12,527 million), respectively. Determination of the deferred tax liability related to the undistributed earnings of foreign subsidiaries is not practicable.

At March 31, 2011, the Company had aggregate operating loss carryforwards of approximately ¥161,030 million ($1,940 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: | | |
| 2012 | ¥ 2,160 | $ 26 |
| 2013 | 5,651 | 68 |
| 2014 | 8,454 | 102 |
| 2015 | 6,047 | 73 |
| 2016 | 12,590 | 152 |
| 2017 through 2021 | 56,494 | 680 |
| 2022 through 2026 | 2,553 | 31 |
| 2027 and thereafter | 67,081 | 808 |
| Total | ¥161,030 | $1,940 |

The following table presents income from continuing operations before income taxes and equity in earnings of Affiliated companies and components of income taxes for the years ended March 31, 2009, 2010 and 2011:

| | 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, 2009: | | | | | | |
| Income from continuing operations before income taxes and equity in earnings of Affiliated companies | ¥ 40,691 | ¥ 345,986 | ¥ 386,677 | | | |
| Income taxes—Current | (94,062) | (92,692) | (186,754) | | | |
| Income taxes—Deferred | 60,368 | (21,805) | 38,563 | | | |
| Income taxes—Total | ¥ (33,694) | ¥(114,497) | ¥(148,191) | | | |
| Year ended March 31, 2010: | | | | | | |
| Income from continuing operations before income taxes and equity in earnings of Affiliated companies | ¥ 54,401 | ¥ 243,471 | ¥ 297,872 | | | |
| 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 from continuing operations before income taxes and equity in earnings of Affiliated companies | **¥153,481** | **¥ 380,816** | **¥ 534,297** | **$ 1,849** | **$ 4,588** | **$ 6,437** |
| Income taxes—Current | **(77,324)** | **(91,257)** | **(168,581)** | **(932)** | **(1,099)** | **(2,031)** |
| Income taxes—Deferred | **(20,423)** | **(9,676)** | **(30,099)** | **(246)** | **(117)** | **(363)** |
| Income taxes—Total | **¥ (97,747)** | **¥(100,933)** | **¥(198,680)** | **$(1,178)** | **$(1,216)** | **$(2,394)** |

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

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Balance at beginning of year | ¥3,955 | **¥ 4,736** | **$ 57** |
| Additions for tax positions of the current year | | | |
| Additions for tax positions of prior years | 1,525 | **3,906** | **47** |
| Reductions for tax positions of prior years | (262) | | |
| Settlements | (489) | **(1,353)** | **(16)** |
| Other | 7 | **(21)** | |
| Balance at end of year | ¥4,736 | **¥ 7,268** | **$ 88** |

The amounts of unrecognized tax benefits at March 31, 2010 and 2011 that would affect the effective tax rate, if recognized, were ¥4,633 million and ¥7,198 million ($87 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, 2010 and 2011, 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 2008. As of March 31, 2011, the earliest tax years that remain subject to examination by major tax jurisdictions in which the companies operate are the year ended March 31, 2005 for Japan and the year ended March 31, 2007 for Australia.

## 14. 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 |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Change in benefit obligation: | | | |
| Benefit obligation at beginning of year | ¥411,591 | **¥439,296** | **$5,293** |
| Service cost | 11,465 | **12,227** | **147** |
| Interest cost | 11,769 | **11,041** | **133** |
| Employee contributions | 196 | **174** | **2** |
| Plan amendments | (571) | **222** | **3** |
| Actuarial loss | 27,424 | **1,639** | **20** |
| Benefits paid | (19,743) | **(19,918)** | **(240)** |
| Settlements and curtailments | (2,428) | **(3,165)** | **(38)** |
| Acquisitions/divestitures and other—net | (127) | **(796)** | **(10)** |
| Change in foreign currency exchange rates | (280) | **(2,567)** | **(31)** |
| Benefit obligation at end of year | 439,296 | **438,153** | **5,279** |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | 338,931 | **408,397** | **4,920** |
| Actual gain on plan assets | 57,764 | **1,178** | **14** |
| Employer contributions | 31,051 | **27,760** | **334** |
| Employee contributions | 204 | **174** | **2** |
| Benefits paid | (15,993) | **(16,060)** | **(193)** |
| Settlements | (2,428) | **(3,165)** | **(38)** |
| Acquisitions/divestitures and other—net | (825) | **(107)** | **(1)** |
| Change in foreign currency exchange rates | (307) | **(2,267)** | **(27)** |
| Fair value of plan assets at end of year | 408,397 | **415,910** | **5,011** |
| Funded status at end of year | ¥ (30,899) | **¥ (22,243)** | **$ (268)** |
| Amounts recognized in the consolidated balance sheets consist of: | | | |
| Prepaid pension cost included in other current assets and other assets | ¥ 20,915 | **¥ 24,730** | **$ 298** |
| Other accrued expenses | (682) | **(1,023)** | **(12)** |
| Accrued pension liability | (51,132) | **(45,950)** | **(554)** |
| Net amount recognized | ¥ (30,899) | **¥ (22,243)** | **$ (268)** |

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Net loss | ¥(163,367) | ¥(127,300) | **¥(125,693)** | **$(1,514)** |
| Prior service cost | (4,556) | (3,613) | **(3,465)** | **(42)** |
| Accumulated other comprehensive loss | ¥(167,923) | ¥(130,913) | **¥(129,158)** | **$(1,556)** |

Net periodic pension costs related to the Parent's and certain subsidiaries' pension and indemnity plans for the years ended March 31, 2009, 2010 and 2011 include the following components:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Service cost—benefits earned during the period | ¥12,266 | ¥11,465 | **¥12,227** | **$148** |
| Interest cost on projected benefit obligation | 12,323 | 11,769 | **11,041** | **133** |
| Expected return on plan assets | (9,200) | (4,798) | **(7,228)** | **(87)** |
| Recognized net actuarial loss | 3,047 | 10,562 | **7,566** | **91** |
| Amortization of unrecognized prior service cost | 383 | 371 | **369** | **4** |
| Settlement and curtailment loss | 1,799 | 814 | **1,006** | **12** |
| Net periodic pension cost | ¥20,618 | ¥30,183 | **¥24,981** | **$301** |

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Current year actuarial loss (gain) | ¥108,761 | ¥(24,691) | **¥ 6,965** | **$ 83** |
| Recognized net actuarial loss | (3,047) | (10,562) | **(7,566)** | **(91)** |
| Settlement and curtailment loss | (1,799) | (814) | **(1,006)** | **(12)** |
| Prior service cost due to amendments | 27 | (572) | **221** | **3** |
| Amortization of unrecognized prior service cost | (383) | (371) | **(369)** | **(4)** |
| Total recognized in other comprehensive income | ¥103,559 | ¥(37,010) | **¥(1,755)** | **$(21)** |

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, 2012:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | 2012 | 2012 |
| Net loss | ¥7,684 | $93 |
| Prior service cost | 538 | 6 |
| Total | ¥8,222 | $99 |

The total accumulated benefit obligation for the Parent and certain subsidiaries' defined benefit pension plans was ¥410,301 million and ¥408,653 million ($4,924 million) as of March 31, 2010 and 2011, 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, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Aggregate projected benefit obligation | ¥88,768 | **¥88,198** | **$1,063** |
| Aggregate accumulated benefit obligation | 81,618 | **80,960** | **975** |
| Aggregate fair value of plan assets | 36,890 | **44,452** | **536** |

***Plan Assets***

The Parent's and certain subsidiaries' 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, 2012 is to invest in a conservative portfolio. The Parent's target asset allocations as of March 31, 2011, excluding the employee pension trust which primarily consists of equity securities, are 20% equity securities, 60% debt securities, 15% alternative investments and 5% cash and cash equivalents.

The fair values of the benefit pension plan assets of Parent and certain subsidiaries for the years ended March 31, 2010 and 2011, 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, 2010 | Level 1 | Level 2 | Level 3 | Total |
| Equity securities*[1]: | | | | |
| Japanese equity securities | ¥131,024 | ¥ 10,036 | | ¥141,060 |
| Global equity securities | 23,245 | 21,944 | | 45,189 |
| Debt securities*[2]: | | | | |
| Japanese debt securities | | 119,233 | | 119,233 |
| Global debt securities | 497 | 19,133 | ¥ 1,251 | 20,881 |
| Hedge funds | | | 4,728 | 4,728 |
| Private equity funds | | | 4,402 | 4,402 |
| Real estate funds | | | 2,655 | 2,655 |
| Life insurance company accounts*[3] | | 12,775 | 1,240 | 14,015 |
| Cash and cash equivalents | | 50,641 | | 50,641 |
| Other assets*[4] | | 156 | 5,437 | 5,593 |
| Total | ¥154,766 | ¥233,918 | ¥19,713 | ¥408,397 |

| March 31, 2011 | Millions of Yen 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, 2011 | Millions of U.S. Dollars Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity securities*1: | | | | |
| Japanese equity securities | $1,369 | $ 186 | | $1,555 |
| Global equity securities | 277 | 272 | | 549 |
| Debt securities*2: | | | | |
| Japanese debt securities | | 988 | | 988 |
| Global debt securities | 87 | 855 | $ 31 | 973 |
| Hedge funds | | | 54 | 54 |
| Private equity funds | | | 57 | 57 |
| Real estate funds | | | 15 | 15 |
| Life insurance company accounts*3 | | 151 | 29 | 180 |
| Cash and cash equivalents | | 542 | | 542 |
| Other assets*4 | | 2 | 96 | 98 |
| Total | $1,733 | $2,996 | $282 | $5,011 |

*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 using unobservable inputs.

The changes in Level 3 assets for the years ended March 31, 2010 and 2011 were as follows:

| March 31, 2010 | Millions of Yen 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 | | ¥ 62 | ¥ 1,189 | | | ¥ 1,251 |
| Hedge funds | ¥15,207 | 2,694 | (13,173) | | | 4,728 |
| Private equity funds | 4,433 | (434) | 403 | | | 4,402 |
| Real estate funds | 3,967 | (972) | (340) | | | 2,655 |
| Life insurance company accounts | 1,159 | 117 | (47) | | ¥11 | 1,240 |
| Cash and cash equivalents | | | | | | |
| Other assets | 3,598 | 2,017 | (193) | | 15 | 5,437 |
| Total | ¥28,364 | ¥3,484 | ¥(12,161) | | ¥26 | ¥19,713 |

| March 31, 2011 | Millions of Yen 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 |

| March 31, 2011 | Millions of U.S. Dollars 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 | $ 15 | | $ 8 | $ 8 | | $ 31 |
| Hedge funds | 57 | $ (2) | (1) | | | 54 |
| Private equity funds | 53 | | 4 | | | 57 |
| Real estate funds | 32 | (5) | (12) | | | 15 |
| Life insurance company accounts | 15 | 2 | 4 | 10 | $(2) | 29 |
| Cash and cash equivalents | | | | | | |
| Other assets | 66 | 37 | (7) | | | 96 |
| Total | $238 | $32 | $ (4) | $18 | $(2) | $282 |

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

***Assumptions***

The weighted average assumptions used to determine benefit obligations at March 31, 2010 and 2011 were as follows:

| | 2010 | **2011** |
|---|---|---|
| Weighted average discount rate | 2.7% | **2.7%** |
| Average rate of increase in future compensation levels | 2.6 | **2.5** |

The weighted average assumptions used to determine net periodic benefit cost for the years ended March 31, 2009, 2010 and 2011 were as follows:

| | 2009 | 2010 | **2011** |
|---|---|---|---|
| Weighted average discount rate | 3.1% | 3.1% | **2.7%** |
| Average rate of increase in future compensation levels | 2.6 | 2.6 | **2.6** |
| Expected long-term rate of return on plan assets | 3.4 | 2.1 | **2.6** |

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 ¥27,000 million ($325 million) to its defined benefit pension plans during the year ending March 31, 2012.

***Estimated Future Benefit Payments***

Estimated future benefit payments are as follows:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Years ending March 31: | | |
| 2012 | ¥ 23,977 | $ 289 |
| 2013 | 22,910 | 276 |
| 2014 | 22,367 | 269 |
| 2015 | 23,043 | 278 |
| 2016 | 22,680 | 273 |
| 2017 through 2021 | 119,070 | 1,435 |

***Defined Contribution Plans***

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were ¥2,143 million, ¥2,179 million and ¥2,307 million ($28 million) for the years ended March 31, 2009, 2010 and 2011, respectively.

***Early Retirement Program***

The Parent has offered an early retirement program to its employees. At March 31, 2010 and 2011, the liability for applicants to the program, discounted to reflect the present value of the expected cash flows, was ¥5,282 million and ¥4,315 million ($52 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, 2009, 2010 and 2011, included in "Selling, general and administrative expenses" in the accompanying consolidated statements of income, were ¥747 million, ¥796 million and ¥1,079 million ($13 million), respectively.

## 15. 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, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Balance at beginning of year | ¥38,415 | **¥49,643** | **$598** |
| Accretion expense | 2,062 | **3,281** | **40** |
| Payments | (1,683) | **(2,342)** | **(28)** |
| Liabilities incurred | 747 | **9,102** | **110** |
| Revisions in estimated cash flow | 4,812 | **6,542** | **79** |
| Change in foreign currency exchange rates | 5,290 | **(2,285)** | **(29)** |
| Balance at end of year | ¥49,643 | **¥63,941** | **$770** |

## 16. DISCONTINUED OPERATIONS

The Company presents the results of discontinued operations as a separate line item in the consolidated statements of income under "Income from discontinued operations, net of tax."

There were no discontinued operations during the years ended March 31, 2010 and 2011.

In March 2008, the Company decided to sell a chemical products manufacturing operation in the U.S. in the Chemicals segment, and classified the operation as a discontinued operation. The consolidated statements of income and the related notes for the prior years related to the discontinued operation were reclassified in the year ended March 31, 2008. The Company sold the operation during the year ended March 31, 2009 and had no assets and liabilities classified as held-for-sale associated with the operation at March 31, 2009.

Selected financial information for the year ended March 31, 2009 of the discontinued operations classified during the year ended March 31, 2008 were as follows:

| Income from discontinued operations | Millions of Yen 2009 |
|---|---|
| Revenues | |
| Loss from discontinued operations before income taxes | ¥(4,696) |
| Income taxes | 9,266 |
| Income from discontinued operations, net of tax | 4,570 |

## 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, 2009, 2010 and 2011 were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Net income attributable to Mitsubishi Corporation | ¥369,543 | ¥274,846 | **¥463,188** | **$5,581** |
| (Decrease) increase in additional paid-in capital for purchase of certain subsidiaries' common shares | | (9,564) | **1,002** | **12** |
| Change from net income attributable to Mitsubishi Corporation and transfers to noncontrolling interest | ¥369,543 | ¥265,282 | **¥464,190** | **$5,593** |

***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 ¥1,099,987 million ($13,252 million) as of March 31, 2011. 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.

## 18. COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income attributable to Mitsubishi Corporation for the years ended March 31, 2009, 2010 and 2011 consisted of the following:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Net income attributable to Mitsubishi Corporation | ¥ 369,543 | ¥274,846 | **¥463,188** | **$5,581** |
| Other comprehensive (loss) income attributable to Mitsubishi Corporation: | | | | |
| Net unrealized (losses) gains on securities available-for-sale (Note 3): | | | | |
| Net unrealized holding (losses) gains during the year | (557,734) | 292,027 | **(765)** | **(9)** |
| Reclassification adjustments for net losses (gains) included in net income attributable to Mitsubishi Corporation | 81,902 | (39,551) | **(19,763)** | **(238)** |
| Net change during the year | (475,832) | 252,476 | **(20,528)** | **(247)** |
| Income tax benefit (expense) (Note 13) | 193,851 | (99,222) | **12,126** | **146** |
| Total | (281,981) | 153,254 | **(8,402)** | **(101)** |

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Net unrealized (losses) gains on derivatives (Note 9): | | | | |
| Net unrealized (losses) gains during the year | ¥ (52,633) | ¥ 73,817 | **¥ 44,001** | **$ 530** |
| Reclassification adjustments for net gains included in net income attributable to Mitsubishi Corporation | (3,849) | (19,584) | **(27,054)** | **(326)** |
| Net change during the year | (56,482) | 54,233 | **16,947** | **204** |
| Income tax benefit (expense) (Note 13) | 20,513 | (18,847) | **(4,519)** | **(54)** |
| Total | (35,969) | 35,386 | **12,428** | **150** |
| Defined benefit pension plans (Note 14): | | | | |
| Net unrealized (losses) gains during the year | (110,559) | 25,250 | **(7,081)** | **(85)** |
| Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation | 5,052 | 11,618 | **8,892** | **107** |
| Net change during the year | (105,507) | 36,868 | **1,811** | **22** |
| Income tax benefit (expense) (Note 13) | 42,927 | (15,747) | **(978)** | **(12)** |
| Total | (62,580) | 21,121 | **833** | **10** |
| Foreign currency translation adjustments: | | | | |
| Translation adjustments during the year | (417,434) | 174,921 | **(87,966)** | **(1,060)** |
| Reclassification adjustments for net losses included in net income attributable to Mitsubishi Corporation | 798 | 2,640 | **3,134** | **37** |
| Net change during the year | (416,636) | 177,561 | **(84,832)** | **(1,023)** |
| Income tax benefit (expense) (Note 13) | 43,481 | (21,048) | **13,257** | **160** |
| Total | (373,155) | 156,513 | **(71,575)** | **(863)** |
| Total other comprehensive (loss) income attributable to Mitsubishi Corporation | (753,685) | 366,274 | **(66,716)** | **(804)** |
| Comprehensive (loss) income attributable to Mitsubishi Corporation | ¥(384,142) | ¥641,120 | **¥396,472** | **$4,777** |

## 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 |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Numerator: | | | | |
| Net income from continuing operations attributable to Mitsubishi Corporation | ¥364,973 | ¥274,846 | **¥463,188** | **$5,581** |
| Effect of dilutive securities—Japanese yen convertible bond | (11) | | | |
| Diluted net income from continuing operations attributable to Mitsubishi Corporation | ¥364,962 | ¥274,846 | **¥463,188** | **$5,581** |
| Net income from discontinued operations, net of tax | 4,570 | | | |
| Net income attributable to Mitsubishi Corporation | ¥369,543 | ¥274,846 | **¥463,188** | **$5,581** |
| Effect of dilutive securities—Japanese yen convertible bond | (11) | | | |
| Diluted net income attributable to Mitsubishi Corporation | ¥369,532 | ¥274,846 | **¥463,188** | **$5,581** |

| | Thousands of Shares | | |
|---|---|---|---|
| | 2009 | 2010 | **2011** |
| Denominator: | | | |
| Basic weighted average common shares outstanding | 1,642,386 | 1,643,073 | **1,643,687** |
| Effect of dilutive securities: | | | |
| Stock options | 2,564 | 2,971 | **3,610** |
| Japanese yen convertible bond | 1,020 | 804 | **762** |
| Diluted outstanding shares | 1,645,969 | 1,646,848 | **1,648,059** |

| | Yen | | | U.S. Dollars |
|---|---|---|---|---|
| | 2008 | 2009 | **2010** | **2010** |
| Per share amount: | | | | |
| Net income from continuing operations attributable to Mitsubishi Corporation | | | | |
| Basic | ¥222.22 | ¥167.28 | **¥281.80** | **$3.40** |
| Diluted | 221.73 | 166.89 | **281.05** | **3.39** |
| Net income from discontinued operations, net of tax | | | | |
| Basic | 2.78 | | | |
| Diluted | 2.78 | | | |
| Net income attributable to Mitsubishi Corporation | | | | |
| Basic | 225.00 | 167.28 | **281.80** | **3.40** |
| Diluted | 224.51 | 166.89 | **281.05** | **3.39** |

## 20. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate 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 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 LNG (Liquefied Natural Gas) liquefaction projects; and trading of crude oil, petroleum products, carbon materials and products, LNG, and LPG (Liquefied Petroleum Gas) 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 trades machinery in a broad range of fields, in which it also develops businesses and invests. These fields extend from large plants for essential industrial materials, including electricity, gas, petroleum, chemicals and steel, to equipment and machinery for transportation and distribution industries, including ships, trains and automobiles. It is also active in the aerospace and defense industries, and in general industrial equipment and machinery, including construction machinery, machine tools, and agricultural machinery.

***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 foods, clothing, paper, packaging materials, cement, construction materials, medical equipment and nursing care. 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. In addition, management utilizes internally-developed mechanisms for the purpose of internal operating decisions.

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, 2009, 2010 and 2011 was as follows:

| 2009 | Industrial Finance, Logistics & Development | Energy Business | Metals | Machinery | Chemicals | Living Essentials | Total | Other | Adjustments and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | | | |
| Revenues | ¥112,730 | ¥1,554,131 | ¥1,323,490 | ¥ 568,172 | ¥ 871,480 | ¥1,657,863 | ¥ 6,087,866 | ¥ 58,186 | ¥ 10,313 | ¥ 6,156,365 |
| Gross profit | 44,729 | 68,832 | 569,650 | 173,592 | 94,909 | 483,551 | 1,435,263 | 28,762 | 1,002 | 1,465,027 |
| Equity in earnings of Affiliated companies | 3,025 | 69,776 | 47,944 | 6,925 | 10,772 | 21,487 | 159,929 | (3,451) | 298 | 156,776 |
| Net (loss) income attributable to Mitsubishi Corporation | (41,339) | 82,778 | 216,690 | 19,729 | 26,763 | 33,577 | 338,198 | 29,900 | 1,445 | 369,543 |
| Segment assets | 835,733 | 1,342,270 | 2,901,728 | 1,913,424 | 629,087 | 2,157,384 | 9,779,626 | 2,130,356 | (1,038,428) | 10,871,554 |
| Investments in Affiliated companies | 90,436 | 204,688 | 128,309 | 133,505 | 93,487 | 322,067 | 972,492 | 75,966 | 290 | 1,048,748 |
| Depreciation and amortization | 18,865 | 16,301 | 36,466 | 24,407 | 4,432 | 29,431 | 129,902 | 19,732 | | 149,634 |
| Capital expenditures for long-lived assets | 54,421 | 33,974 | 182,267 | 44,528 | 3,922 | 29,468 | 348,580 | 14,399 | (1,372) | 361,607 |
| Operating transactions: | | | | | | | | | | |
| External customers | ¥204,038 | ¥5,152,350 | ¥5,448,600 | ¥3,530,585 | ¥2,127,118 | ¥5,737,801 | ¥22,200,492 | ¥ 182,044 | ¥ 11,059 | ¥22,393,595 |
| Intersegment | 29,598 | 10,735 | 8,104 | 8,779 | 8,927 | 13,932 | 80,075 | 33,618 | (113,693) | |
| Total | ¥233,636 | ¥5,163,085 | ¥5,456,704 | ¥3,539,364 | ¥2,136,045 | ¥5,751,733 | ¥22,280,567 | ¥ 215,662 | ¥ (102,634) | ¥22,393,595 |

| 2010 | Industrial Finance, Logistics & Development | Energy Business | Metals | Machinery | Chemicals | Living Essentials | Total | Other | Adjustments and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | | | |
| 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 | 10,727 | 39,731 | 6,201 | 10,965 | 17,231 | 19,482 | 104,337 | 10,889 | (1,863) | 113,363 |
| Net (loss) income attributable to Mitsubishi Corporation | (7,571) | 71,947 | 137,928 | 18,049 | 32,357 | 46,757 | 299,467 | (26,834) | 2,213 | 274,846 |
| Segment assets | 798,006 | 1,322,918 | 2,866,349 | 1,913,455 | 732,834 | 2,183,877 | 9,817,439 | 1,933,495 | (894,084) | 10,856,850 |
| Investments in Affiliated companies | 128,479 | 213,863 | 147,186 | 152,070 | 108,699 | 327,767 | 1,078,064 | 97,711 | 1,333 | 1,177,108 |
| Depreciation and amortization | 19,137 | 13,685 | 34,697 | 21,539 | 3,987 | 27,309 | 120,354 | 18,423 | | 138,777 |
| Capital expenditures for long-lived assets | 19,890 | 31,703 | 55,084 | 18,819 | 2,203 | 24,627 | 152,326 | 11,036 | | 163,362 |
| Operating transactions: | | | | | | | | | | |
| External customers | ¥171,222 | ¥3,212,434 | ¥3,631,561 | ¥3,112,928 | ¥1,784,159 | ¥5,111,257 | ¥17,023,561 | ¥ 81,453 | ¥ (2,232) | ¥17,102,782 |
| Intersegment | 17,833 | 16,258 | 2,724 | 7,374 | 7,440 | 7,420 | 59,049 | 30,791 | (89,840) | |
| Total | ¥189,055 | ¥3,228,692 | ¥3,634,285 | ¥3,120,302 | ¥1,791,599 | ¥5,118,677 | ¥17,082,610 | ¥ 112,244 | ¥ (92,072) | ¥17,102,782 |

| **2011** | Industrial Finance, Logistics & Development | Energy Business | Metals | Machinery | Chemicals | Living Essentials | Total | Other | Adjustments and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | | | | |
| 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 | **8,892** | **55,720** | **36,333** | **18,441** | **14,688** | **23,308** | **157,382** | **6,483** | **(2,410)** | **161,455** |
| Net income (loss) attributable to Mitsubishi Corporation | **11,553** | **94,007** | **230,113** | **61,369** | **29,117** | **46,260** | **472,419** | **(14,157)** | **4,926** | **463,188** |
| Segment assets | **793,265** | **1,279,639** | **3,104,933** | **1,848,878** | **708,598** | **2,183,855** | **9,919,168** | **2,287,373** | **(859,099)** | **11,347,442** |
| Investments in Affiliated companies | **132,400** | **194,843** | **228,212** | **159,784** | **105,098** | **337,389** | **1,157,726** | **105,973** | **1,553** | **1,265,252** |
| 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** |

| **2011** | Industrial Finance, Logistics & Development | Energy Business | Metals | Machinery | Chemicals | Living Essentials | Total | Other | Adjustments and Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of U.S. Dollars | | | | | | | | | |
| Revenues | **$1,116** | **$15,047** | **$10,058** | **$ 8,166** | **$ 9,683** | **$18,384** | **$ 62,454** | **$ 408** | **$ (129)** | **$ 62,733** |
| Gross profit | **568** | **528** | **3,931** | **2,193** | **1,014** | **5,503** | **13,737** | **245** | **(128)** | **13,854** |
| Equity in earnings of Affiliated companies | **107** | **671** | **438** | **222** | **177** | **281** | **1,896** | **79** | **(29)** | **1,946** |
| Net income(loss) attributable to Mitsubishi Corporation | **139** | **1,133** | **2,772** | **739** | **351** | **557** | **5,691** | **(171)** | **61** | **5,581** |
| Segment assets | **9,557** | **15,417** | **37,409** | **22,276** | **8,537** | **26,312** | **119,508** | **27,559** | **(10,351)** | **136,716** |
| Investments in Affiliated companies | **1,595** | **2,348** | **2,750** | **1,925** | **1,266** | **4,065** | **13,949** | **1,277** | **18** | **15,244** |
| Depreciation and amortization | **235** | **226** | **454** | **230** | **44** | **341** | **1,530** | **203** | | **1,733** |
| Capital expenditures for long-lived assets | **503** | **463** | **820** | **272** | **54** | **311** | **2,423** | **110** | | **2,533** |
| Operating transactions: | | | | | | | | | | |
| External customers | **$1,805** | **$46,507** | **$53,097** | **$42,398** | **$24,329** | **$63,930** | **$232,066** | **$ 1,187** | **$ (1,525)** | **$231,728** |
| Intersegment | **262** | **169** | **21** | **63** | **98** | **90** | **703** | **340** | **(1,043)** | |
| Total | **$2,067** | **$46,676** | **$53,118** | **$42,461** | **$24,427** | **$64,020** | **$232,769** | **$ 1,527** | **$ (2,568)** | **$231,728** |

(1) "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
(2) "Adjustments and Eliminations" include certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
(3) For the year ended March 31, 2009, the amount includes other-than-temporary impairment losses for certain investment in equity and debt securities held by "Industrial Finance, Logistics & Development," "Metals," "Machinery," and "Living Essentials" of ¥47,715 million, ¥55,773 million, ¥20,900 million, and ¥26,464 million (before tax), respectively. For the year ended March 31, 2010, the amount includes other-than-temporary impairment losses for certain investment 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 includes gains on a share exchange held by "Metals" of ¥36,619 million ($441 million) (before tax).
(4) Effective April 1, 2010, the Company transferred parts of the business of "Industrial Finance, Logistics & Development" and "Machinery" to "Other." The consolidated financial position and the results of operations of related reportable operating segments for the years ended March 31,2009 and 2010 have also been reclassified accordingly.

***Geographic Information***

Revenues are attributed to geographic areas based on the location of the assets producing such revenues. Revenues, gross profit, long-lived assets and operating transactions at and for the years ended March 31, 2009, 2010 and 2011 were as follows:

| | Millions of Yen | | | U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Revenues: | | | | |
| Japan | ¥ 4,609,252 | ¥ 3,388,811 | **¥ 3,812,066** | **$ 45,929** |
| Australia | 646,669 | 388,289 | **493,399** | **5,945** |
| Thailand | 288,093 | 297,288 | **380,969** | **4,590** |
| Other | 612,351 | 466,405 | **520,439** | **6,269** |
| Total | ¥ 6,156,365 | ¥ 4,540,793 | **¥ 5,206,873** | **$ 62,733** |
| Gross profit: | | | | |
| Japan | ¥ 797,238 | ¥ 710,343 | **¥ 735,109** | **$ 8,857** |
| Australia | 375,791 | 125,347 | **175,844** | **2,119** |
| Thailand | 39,106 | 39,241 | **53,278** | **642** |
| Other | 252,892 | 141,666 | **185,671** | **2,236** |
| Total | ¥ 1,465,027 | ¥ 1,016,597 | **¥ 1,149,902** | **$ 13,854** |
| Long-lived assets: | | | | |
| Japan | ¥ 690,202 | ¥ 660,154 | **¥ 703,255** | **$ 8,473** |
| Australia | 333,168 | 450,777 | **494,690** | **5,960** |
| U.S.A. | 122,860 | 118,735 | **80,350** | **968** |
| Canada | 52,057 | 60,238 | **75,547** | **910** |
| Other | 274,128 | 299,954 | **312,570** | **3,766** |
| Total | ¥ 1,472,415 | ¥ 1,589,858 | **¥ 1,666,412** | **$ 20,077** |
| Operating transactions*: | | | | |
| Japan | ¥18,149,975 | ¥14,132,828 | **¥15,667,224** | **$188,762** |
| U.S.A. | 1,289,333 | 752,055 | **886,257** | **10,678** |
| Thailand | 503,910 | 492,750 | **634,555** | **7,645** |
| Other | 2,450,377 | 1,725,149 | **2,045,407** | **24,643** |
| Total | ¥22,393,595 | ¥17,102,782 | **¥19,233,443** | **$231,728** |

* "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, 2009, 2010 and 2011, respectively.

## 21. OTHER EXPENSE (INCOME)—NET

"Other expense (income)—net" for the years ended March 31, 2009, 2010 and 2011 consisted of the following:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Net foreign exchange losses (gains) | ¥101,073 | ¥(45,600) | **¥(45,205)** | **$(545)** |
| Impairment loss of goodwill (See Note 8) | 4,586 | 7 | **891** | **11** |
| Miscellaneous | (4,783) | (6,768) | **(4,866)** | **(58)** |
| Total | ¥100,876 | ¥(52,361) | **¥(49,180)** | **$(592)** |

## 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 "Receivables—trade" and noncurrent portion, included in "Noncurrent notes, loans and accounts receivable—trade" of net investments in direct financing leases at March 31, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Total minimum lease payments to be received | ¥271,064 | **¥339,858** | **$4,095** |
| Estimated unguaranteed residual value of leased assets | 1,861 | **1,579** | **19** |
| Less—unearned income | (41,112) | **(53,980)** | **(650)** |
| Investment in direct financing leases | 231,813 | **287,457** | **3,464** |
| Less—allowance for doubtful receivables | (1,220) | **(3,127)** | **(38)** |
| Net investment in direct financing leases | ¥230,593 | **¥284,330** | **$3,426** |

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, 2011:

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net | Cost | Accumulated Depreciation | Net |
| Land | **¥ 54,875** | | **¥ 54,875** | **$ 661** | | **$ 661** |
| Buildings | **78,029** | **¥ (10,162)** | **67,867** | **940** | **$ (122)** | **818** |
| Machinery and equipment | **66,003** | **(44,580)** | **21,423** | **795** | **(537)** | **258** |
| Aircraft | **264,853** | **(96,087)** | **168,766** | **3,191** | **(1,158)** | **2,033** |
| Vessels and vehicles | **112,462** | **(65,816)** | **46,646** | **1,355** | **(793)** | **562** |
| Total | **¥576,222** | **¥(216,645)** | **¥359,577** | **$6,942** | **$(2,610)** | **$4,332** |

Future minimum lease payments to be received as of March 31, 2011 are as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | Direct Financing Leases | Noncancelable Operating Leases | Total | Total |
| Years Ending March 31: | | | | |
| 2012 | ¥ 99,893 | ¥ 38,783 | ¥138,676 | $1,671 |
| 2013 | 80,726 | 30,728 | 111,454 | 1,343 |
| 2014 | 52,668 | 30,711 | 83,379 | 1,004 |
| 2015 | 27,318 | 25,491 | 52,809 | 636 |
| 2016 | 22,678 | 17,880 | 40,558 | 489 |
| 2017 and thereafter | 56,575 | 44,242 | 100,817 | 1,215 |
| Total | ¥339,858 | ¥187,835 | ¥527,693 | $6,358 |

Contingent rentals for the years ended March 31, 2009, 2010 and 2011 were ¥1,428 million, ¥2,488 million and ¥45 million ($1 million), respectively.

***Lessee***

The Company leases, as lessee, equipment, real estate and others under capital leases. The following provides the Company's leased assets recorded under capital leases as of March 31, 2010 and 2011:

| 2010 | Millions of Yen Cost | Accumulated Depreciation | Net |
|---|---|---|---|
| Buildings | ¥14,528 | ¥ (7,027) | ¥ 7,501 |
| Machinery and equipment | 41,981 | (20,927) | 21,054 |
| Vessels and vehicles | 4,855 | (2,805) | 2,050 |
| Total | ¥61,364 | ¥(30,759) | ¥30,605 |

| | Millions of Yen | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|
| **2011** | Cost | Accumulated Depreciation | Net | Cost | Accumulated Depreciation | Net |
| Buildings | **¥11,863** | **¥ (5,904)** | **¥ 5,959** | **$143** | **$ (71)** | **$ 72** |
| Machinery and equipment | **43,562** | **(23,545)** | **20,017** | **525** | **(284)** | **241** |
| Vessels and vehicles | **4,346** | **(2,294)** | **2,052** | **52** | **(27)** | **25** |
| Total | **¥59,771** | **¥(31,743)** | **¥28,028** | **$720** | **$(382)** | **$338** |

Future minimum lease payments under capital leases together with components of the present value of the net minimum lease payments as of March 31, 2011 are as follows:

| Years Ending March 31: | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| 2012 | ¥13,421 | $162 |
| 2013 | 10,579 | 127 |
| 2014 | 8,211 | 99 |
| 2015 | 6,736 | 81 |
| 2016 | 4,498 | 54 |
| 2017 and thereafter | 20,068 | 242 |
| Total minimum lease payments | 63,513 | 765 |
| Less amount representing interest | (5,328) | (64) |
| Present value of net minimum lease payments | 58,185 | 701 |
| Current capital lease obligations | 12,492 | 151 |
| Long-term capital lease obligations | ¥45,693 | $550 |

Minimum payments have not been reduced by minimum sublease revenues of ¥26,455 million ($319 million) due in the future under subleases.

The Company leases office space and certain other assets under operating leases. Total rental expenses under operating leases for the years ended March 31, 2009, 2010 and 2011 were ¥43,469 million, ¥51,616 million and ¥56,554 million ($681 million), respectively. Sublease rental income for the years ended March 31, 2009, 2010 and 2011 were ¥3,837 million, ¥4,607 million and ¥6,608 million ($80 million), respectively.

Future minimum lease payments under noncancelable leases as of March 31, 2011 are as follows:

| Years Ending March 31: | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| 2012 | ¥ 42,980 | $ 518 |
| 2013 | 32,467 | 391 |
| 2014 | 27,358 | 330 |
| 2015 | 22,837 | 275 |
| 2016 | 21,627 | 260 |
| 2017 and thereafter | 90,311 | 1,088 |
| Total | ¥237,580 | $2,862 |

Minimum payments have not been reduced by minimum sublease rentals of ¥23,348 million ($281 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, 2009, 2010 and 2011 was ¥1,303 million, ¥1,617 million and ¥1,240 million ($15 million), respectively. The total tax benefit recognized related thereto for the years ended March 31, 2009, 2010 and 2011 was ¥475 million, ¥663 million and ¥508 million ($6 million), respectively. The tax benefit realized from stock options exercised for the years ended March 31, 2009, 2010 and 2011 was ¥7 million, ¥63 million and ¥102 million ($1 million), respectively. No stock-based compensation cost was capitalized for the years ended March 31, 2009, 2010 and 2011.

The weighted-average fair value of options granted under the Parent's stock option plan for the years ended March 31, 2009, 2010 and 2011 was ¥2,645, ¥1,540 and ¥1,600 ($19.28) 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.

| | 2009 | 2010 | **2011** |
|---|---|---|---|
| Risk-free interest rate | 1.17%–1.54% | 1.14%–1.30% | **0.71%–0.85%** |
| Expected volatility | 35.78%–35.91% | 41.88%–42.01% | **40.88%–40.99%** |
| Expected dividend yield | 1.53%–1.89% | 2.71%–2.74% | **2.02%–2.04%** |
| Expected life | 7 years | 8 years | **8 years** |

The following table summarizes information about stock option activities for the years ended March 31, 2009, 2010 and 2011:

| | 2009 | | 2010 | | **2011** | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price | |
| Years Ended March 31 | | Yen | | Yen | | Yen | U.S. Dollars |
| Outstanding at beginning of the fiscal year | 5,621,500 | ¥1,331 | 5,519,500 | ¥1,259 | **6,079,000** | **¥1,041** | **$12.5** |
| Granted | 434,200 | 1 | 1,163,800 | 1 | **665,400** | **1** | |
| Canceled or expired | (4,500) | 1 | (6,200) | 1 | **(2,100)** | **1** | |
| Exercised | (531,700) | 1,007 | (598,100) | 1,036 | **(581,400)** | **847** | **10.2** |
| Outstanding at end of the fiscal year | 5,519,500 | 1,259 | 6,079,000 | 1,041 | **6,160,900** | **947** | **11.4** |
| Exercisable at end of the fiscal year | 4,415,900 | 1,573 | 4,308,700 | 1,468 | **4,113,900** | **1,418** | **17.1** |

The following table summarizes information for options outstanding and exercisable at March 31, 2011:

| | Exercise Price Range | Number of Shares | Weighted Average Remaining Life | Aggregate Intrinsic Value | |
|---|---|---|---|---|---|
| | Yen | | Years | Millions of Yen | Millions of U.S. Dollars |
| Outstanding | **¥1–2,435** | **6,160,900** | **14.1** | **¥8,391** | **$101** |
| Exercisable | **¥1–2,435** | **4,113,900** | **7.2** | **3,665** | **44** |

The total intrinsic value of options exercised during the years ended March 31, 2009, 2010 and 2011 was ¥687 million, ¥558 million and ¥730 million ($9 million), respectively. As of March 31, 2011, the total unrecognized compensation cost related to nonvested stock options granted under the plans was ¥239 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 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, 2010 and 2011.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Total assets of the VIEs | ¥170,965 | **¥207,525** | **$2,500** |
| Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets | 165,796 | **207,147** | **2,496** |
| Carrying amount of the VIEs' total liabilities on the Consolidated Balance Sheets | 83,445 | **79,245** | **955** |

Carrying amount of the VIEs' total assets on the Consolidated Balance Sheets consisted primarily of property and equipment 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 ¥104,634 million and ¥106,386 million ($1,282 million) as of March 31, 2010 and 2011, respectively, and was primarily classified as property and equipment in the Consolidated Balance Sheets.

Several consolidated VIEs of the Company as of March 31, 2010 were no longer consolidated as of March 31, 2011 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, 2011 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 execute project financing in the infrastructure business or to conduct 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, 2010 and 2011. Total assets of the VIEs represent the latest information available to the Company.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Total assets of the VIEs | ¥484,358 | **¥768,040** | **$9,253** |
| 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 | 76,830 | **93,533** | **1,127** |
| 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 | 7,285 | **7,291** | **88** |
| Maximum exposures to losses | 95,850 | **116,094** | **1,399** |

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 noncurrent loans, 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 advances from customers. 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, machinery, and chemical 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, 2011, the outstanding long-term purchase commitments amounted to ¥4,512,092 million ($54,363 million) for which deliveries are scheduled for various dates through 2038.

Purchases made under unconditional purchase obligations for the years ended March 31, 2009, 2010 and 2011 were ¥814,727 million, ¥716,006 million and ¥840,407 million ($10,125 million), respectively.

The Company also had long-term financing commitments aggregating ¥160,167 million ($1,930 million) at March 31, 2011 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, 2010 and 2011, the Company provided ¥316,524 million and ¥245,958 million ($2,963 million), respectively, of credit guarantees for certain customers and suppliers, and ¥46,745 million and ¥75,822 million ($914 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, 2011 will expire within ten years, with certain credit guarantees expiring by the end of 2036. 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, 2010 and 2011, the amount of possible recoveries under recourse provisions from third parties or from collateral pledged was ¥37,522 million and ¥12,249 million ($148 million), respectively.

The liabilities for these credit guarantees were ¥3,219 million and ¥2,546 million ($31 million) at March 31, 2010 and 2011, respectively.

As of March 31, 2011, 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, had provided a credit guarantee for an investee (10% owned by the Company) to obtain $6,700 million (¥560 billion) of financing for an overseas project. This guarantee was cancelable upon the completion of the construction which includes, among other things, registration of the title of certain properties by the investee.

In the year ended March 31, 2011, the Company canceled this guarantee by entering into an agreement to indemnify the financing party from any loss that might incur due to the investee's failure to register the title of the properties associated with the project. The obligations under the indemnification will terminate on the date the title is duly registered and the related mortgage is created and perfected.

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, 2010 and 2011 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2010 | **2011** | **2011** |
| Balance at beginning of year | ¥3,572 | **¥ 3,184** | **$ 38** |
| Accrued cost | 919 | **1,058** | **13** |
| Payments | (847) | **(630)** | **(8)** |
| Other* | (460) | **(1,012)** | **(12)** |
| Balance at end of year | ¥3,184 | **¥ 2,600** | **$ 31** |

* "Other" principally includes the effect of changes in estimate for previously accrued warranties and the effect of changes in foreign currency exchange rates.

***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 |
|---|---|---|---|---|
| | 2009 | 2010 | **2011** | **2011** |
| Cash paid during the year for: | | | | |
| Interest, less amounts capitalized | ¥ 84,911 | ¥ 55,031 | **¥ 41,109** | **$ 495** |
| Income taxes | 201,245 | 108,959 | **139,507** | **1,681** |
| Noncash investing and financing activities: | | | | |
| Exchange of shares in connection with business combinations and reorganizations involving investees (Notes 4) : | | | | |
| Fair market value of shares received | 12,431 | 12,812 | **45,909** | **553** |
| Cost of shares surrendered | 5,374 | 4,013 | **10,465** | **126** |
| Acquisition of subsidiaries : | | | | |
| Fair value of assets acquired (including goodwill) | 53,622 | 5,153 | **39,556** | **476** |
| Fair value of liabilities assumed | 42,052 | 2,973 | **4,008** | **48** |
| Noncontrolling interest in acquirees | 443 | 623 | | |
| Cash paid, net | 11,127 | 1,557 | **35,548** | **428** |
| Assets transferred to direct finance leases | | | **10,127** | **122** |
| Issuance of common stock upon conversion of convertible bonds | 1,415 | 49 | | |

## 27. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 24, 2011.

***Retirement of treasury stock***

In accordance with the resolution by the Board of Directors at a meeting held on May 10, 2011, 45 million shares of treasury stock were retired on May 31, 2011 in an on-going effort to further improve and strengthen the capital efficiency of the Company.

***Dividends***

At the general shareholders' meeting held on June 24, 2011, the Parent was authorized to pay a cash dividend of ¥39 ($0.47) per share, or a total of ¥64,129 million ($773 million) to shareholders of record on March 31, 2011.

## 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, 2009 | Total | Australia | Indonesia | Total |
| Proved oil and gas properties | ¥104,137 | – | – | – |
| Unproved oil and gas properties | 21,352 | – | – | – |
| Subtotal | 125,489 | – | – | – |
| Accumulated depreciation, depletion, amortization and valuation allowances | (32,847) | – | – | – |
| Net capitalized costs | ¥ 92,642 | ¥68,610 | ¥128,630 | ¥197,240 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| March 31, 2010 | Total | 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 | 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 U.S. Dollars | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| **March 31, 2011** | Total | Australia | Indonesia | Total |
| Proved oil and gas properties | **$1,585** | **$ 2,293** | **$1,469** | **$ 3,762** |
| Unproved oil and gas properties | **527** | | **417** | **417** |
| Subtotal | **2,112** | **2,293** | **1,886** | **4,179** |
| Accumulated depreciation, depletion, amortization and valuation allowances | **(593)** | **(1,159)** | **(390)** | **(1,549)** |
| Net capitalized costs | **$1,519** | **$ 1,134** | **$1,496** | **$ 2,630** |

**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, 2009 | Total | Australia | Indonesia | Total |
| Acquisition of proved properties | ¥ 3,722 | – | – | – |
| Acquisition of unproved properties | 245 | – | – | – |
| Exploration costs | 6,630 | – | – | – |
| Development costs | 19,869 | – | – | – |
| Total costs incurred | ¥30,516 | ¥17,354 | ¥48,336 | ¥65,720 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| Year Ended March 31, 2010 | Total | 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 | 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 U.S. Dollars | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| **Year Ended March 31, 2011** | Total | Australia | Indonesia | Total |
| Acquisition of proved properties | **$323** | | | |
| Acquisition of unproved properties | **144** | | | |
| Exploration costs | **68** | | **$ 8** | **$ 8** |
| Development costs | **111** | **$108** | **62** | **170** |
| Total costs incurred | **$646** | **$108** | **$70** | **$178** |

### Table 3: Results of Operations for Producing Activities

| Year Ended March 31, 2009 | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| | Total | Australia | Indonesia | Total |
| Revenues: | | | | |
| Sales to external customers | ¥ 38,503 | – | – | – |
| Intersegment sales | 15,569 | – | – | – |
| Expenses: | | | | |
| Production costs | 20,738 | – | – | – |
| Exploration costs | 5,727 | – | – | – |
| Depreciation, depletion, amortization and valuation allowances | 39,240 | – | – | – |
| Income tax expense | 2,485 | – | – | – |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | ¥(14,118) | ¥43,052 | ¥3,060 | ¥46,112 |

| Year Ended March 31, 2010 | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| | Total | Australia | Indonesia | Total |
| Revenues: | | | | |
| Sales to external customers | ¥21,092 | ¥68,012 | ¥ 4,400 | ¥72,412 |
| Intersegment sales | 11,739 | | 5,786 | 5,786 |
| Expenses: | | | | |
| Production costs | 17,235 | 20,546 | 6,343 | 26,889 |
| Exploration costs | 2,491 | 254 | 828 | 1,082 |
| Depreciation, depletion, amortization and valuation allowances | 12,304 | 6,594 | 4,065 | 10,659 |
| Income tax expense | 448 | 12,140 | 1,064 | 13,204 |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | ¥ 353 | ¥28,478 | ¥(2,114) | ¥26,364 |

| **Year Ended March 31, 2011** | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| | Total | Australia | Indonesia | Total |
| Revenues: | | | | |
| Sales to external customers | **¥27,451** | **¥88,332** | **¥14,135** | **¥102,467** |
| Intersegment sales | **11,284** | | **5,806** | **5,806** |
| Expenses: | | | | |
| Production costs | **16,739** | **21,983** | **8,886** | **30,869** |
| Exploration costs | **5,416** | **85** | **434** | **519** |
| Depreciation, depletion, amortization and valuation allowances | **17,067** | **8,378** | **5,580** | **13,958** |
| Income tax expense | **1,241** | **17,336** | **3,508** | **20,844** |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | **¥ (1,728)** | **¥40,550** | **¥ 1,532** | **¥ 42,082** |

| **Year Ended March 31, 2011** | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| | Total | Australia | Indonesia | Total |
| Revenues: | | | | |
| Sales to external customers | **$331** | **$1,064** | **$170** | **$1,234** |
| Intersegment sales | **136** | | **70** | **70** |
| Expenses: | | | | |
| Production costs | **202** | **265** | **107** | **372** |
| Exploration costs | **65** | **1** | **5** | **6** |
| Depreciation, depletion, amortization and valuation allowances | **206** | **101** | **67** | **168** |
| Income tax expense | **15** | **209** | **42** | **251** |
| Results of operations from producing activities (excluding corporate overhead and interest costs) | **$ (21)** | **$ 488** | **$ 19** | **$ 507** |

### 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 for the years ended March 31, 2010 and 2011 were calculated based on the average of the price as of the first day of each month during the fiscal year. Amounts for the year ended March 31, 2009 were computed using end-of-year prices and costs.

| | Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels) | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| Year Ended March 31, 2009*1*2 | Total | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | |
| Beginning of year | 45 | – | – | – |
| Revisions of previous estimates | 5 | – | – | – |
| Improved recovery | | – | – | – |
| Extensions and discoveries | 7 | – | – | – |
| Purchases | | – | – | – |
| Sales | | – | – | – |
| Production | (4) | – | – | – |
| End of year | 53 | 32 | 18 | 50 |
| Proved developed reserves—end of year | 44 | – | – | – |

| | Natural Gas (Billions of Cubic Feet) | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| | Total | Australia | Indonesia | Total |
| Proved developed and undeveloped reserves: | | | | |
| Beginning of year | 39 | – | – | – |
| Revisions of previous estimates | (14) | – | – | – |
| Improved recovery | | – | – | – |
| Extensions and discoveries | 36 | – | – | – |
| Purchases | 10 | – | – | – |
| Sales | | – | – | – |
| Production | (4) | – | – | – |
| End of year | 67 | 714 | 795 | 1,509 |
| Proved developed reserves—end of year | 19 | – | – | – |

| | Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels) | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| Year Ended March 31, 2010*1*3 | Total | 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 |
| Extensions and discoveries | | | | |
| 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 | 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 |
| Extensions and discoveries | | | | |
| 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 |

| | Crude Oil , Condensate and Natural Gas Liquids (Millions of Barrels) | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| **Year Ended March 31, 2011**[*1*3] | Total | 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** |
| Extensions and discoveries | | | | |
| 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 | 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** |
| Extensions and discoveries | | | | |
| 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** |

### 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 for the years ended March 31, 2010 and 2011 were calculated based on the average of the price as of the first day of each month during the fiscal year. Amounts for the year ended March 31, 2009 were computed using end-of-year prices and costs. 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, 2009*2 | Total | Australia | Indonesia | Total |
| Future cash inflows | ¥ 260,522 | – | – | – |
| Future production costs | (130,043) | – | – | – |
| Future development costs | (75,367) | – | – | – |
| Future income taxes | (14,965) | – | – | – |
| Undiscounted future net cash flows | 40,147 | – | – | – |
| 10% annual discount for estimated timing of cash flows | (17,264) | – | – | – |
| Standardized measure of discounted future net cash flows | ¥ 22,883 | ¥109,034 | ¥40,910 | ¥149,944 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| Year Ended March 31, 2010*3 | Total | 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*3** | Total | 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 U.S. Dollars | | | |
|---|---|---|---|---|
| | Consolidated Companies | Affiliated Companies | | |
| **Year Ended March 31, 2011*3** | Total | Australia | Indonesia | Total |
| Future cash inflows | **$ 4,081** | **$ 8,489** | **$ 4,993** | **$13,482** |
| Future production costs | **(1,269)** | **(2,173)** | **(1,253)** | **(3,426)** |
| Future development costs | **(696)** | **(916)** | **(499)** | **(1,415)** |
| Future income taxes | **(460)** | **(1,570)** | **(1,079)** | **(2,649)** |
| Undiscounted future net cash flows | **1,656** | **3,830** | **2,162** | **5,992** |
| 10% annual discount for estimated timing of cash flows | **(736)** | **(1,522)** | **(855)** | **(2,377)** |
| Standardized measure of discounted future net cash flows | **$ 920** | **$ 2,308** | **$ 1,307** | **$ 3,615** |

(2) Details of Changes for the Year

| Year Ended March 31, 2009*2 | Consolidated Companies Total (Millions of Yen) | Affiliated Companies Australia (Millions of Yen) | Affiliated Companies Indonesia (Millions of Yen) | Affiliated Companies Total (Millions of Yen) |
|---|---|---|---|---|
| Discounted future net cash flows at April 1 | ¥ 89,912 | ¥ 280,093 | ¥ 67,979 | ¥ 348,072 |
| Sales and transfer of oil and gas produced, net of production costs | (28,340) | (42,690) | (10,994) | (53,684) |
| Development costs incurred | 14,399 | 10,450 | 11,182 | 21,632 |
| Purchases of reserves | (1,490) | | | |
| Net changes in sales and transfer prices and production costs related to future production | (88,784) | (88,682) | 12,702 | (75,980) |
| Extensions, discoveries and improved recovery, less related costs | 6,870 | | | |
| Revisions of previous quantity estimates | 13,922 | 11,256 | (20,652) | (9,396) |
| Accretion of discount (10%) | 9,410 | 17,505 | (11,075) | 6,430 |
| Net change in income taxes | 16,396 | 26,143 | 5,538 | 31,681 |
| Difference of foreign exchange rates | (9,412) | (105,042) | (13,769) | (118,811) |
| Discounted future net cash flows at March 31 | ¥ 22,883 | ¥ 109,033 | ¥ 40,911 | ¥ 149,944 |

| Year Ended March 31, 2010*3 | Consolidated Companies Total (Millions of Yen) | Affiliated Companies Australia (Millions of Yen) | Affiliated Companies Indonesia (Millions of Yen) | Affiliated Companies Total (Millions of Yen) |
|---|---|---|---|---|
| Discounted future net cash flows at April 1 | ¥ 22,883 | ¥109,034 | ¥ 40,911 | ¥149,945 |
| Sales and transfer of oil and gas produced, net of production costs | (14,119) | (52,842) | 16,652 | (36,190) |
| Development costs incurred | 22,567 | 14,504 | 12,073 | 26,577 |
| Purchases of reserves | 341 | | | |
| Net changes in sales and transfer prices and production costs related to future production | 9,707 | (7,142) | (28,179) | (35,321) |
| Changes in estimated future development costs | (27,387) | (15,446) | (7,707) | (23,153) |
| Extensions, discoveries and improved recovery, less related costs | | | | |
| Revisions of previous quantity estimates | 8,141 | 28,945 | (12,651) | 16,294 |
| Accretion of discount (10%) | 5,339 | 14,329 | 12,149 | 26,478 |
| Net change in income taxes | 13,299 | 12,267 | 2,397 | 14,664 |
| Difference of foreign exchange rates | 146 | 34,253 | 483 | 34,736 |
| Discounted future net cash flows at March 31 | ¥ 40,917 | ¥137,902 | ¥ 36,128 | ¥174,030 |

| **Year Ended March 31, 2011*3** | Consolidated Companies Total (Millions of Yen) | Affiliated Companies Australia (Millions of Yen) | Affiliated Companies Indonesia (Millions of Yen) | Affiliated Companies Total (Millions of Yen) |
|---|---|---|---|---|
| Discounted future net cash flows at April 1 | **¥ 40,917** | **¥137,902** | **¥ 36,128** | **¥174,030** |
| Sales and transfer of oil and gas produced, net of production costs | **(19,677)** | **(68,457)** | **18,353** | **(50,104)** |
| Development costs incurred | **8,584** | **9,234** | **2,336** | **11,570** |
| Purchases of reserves | **20,948** | | | |
| Sales of reserves | | | **(4,029)** | **(4,029)** |
| Net changes in sales and transfer prices and production costs related to future production | **34,094** | **92,833** | **112,657** | **205,490** |
| Changes in estimated future development costs | **19,159** | **4,610** | **(813)** | **3,797** |
| Revisions of previous quantity estimates | **(16,793)** | **115** | **1,982** | **2,097** |
| Accretion of discount (10%) | **4,661** | **13,933** | **(6,791)** | **7,142** |
| Net change in income taxes | **(13,579)** | **2** | **(47,200)** | **(47,198)** |
| Difference of foreign exchange rates | **(2,043)** | **1,425** | **(4,162)** | **(2,737)** |
| Discounted future net cash flows at March 31 | **¥ 76,271** | **¥191,597** | **¥108,461** | **¥300,058** |

| **Year Ended March 31, 2011*3** | Consolidated Companies Total (Millions of U.S. Dollars) | Affiliated Companies Australia (Millions of U.S. Dollars) | Affiliated Companies Indonesia (Millions of U.S. Dollars) | Affiliated Companies Total (Millions of U.S. Dollars) |
|---|---|---|---|---|
| Discounted future net cash flows at April 1 | **$ 493** | **$1,661** | **$ 435** | **$2,096** |
| Sales and transfer of oil and gas produced, net of production costs | **(237)** | **(825)** | **221** | **(604)** |
| Development costs incurred | **104** | **111** | **28** | **139** |
| Purchases of reserves | **253** | | | |
| Sales of reserves | | | **(49)** | **(49)** |
| Net changes in sales and transfer prices and production costs related to future production | **411** | **1,119** | **1,358** | **2,477** |
| Changes in estimated future development costs | **231** | **56** | **(10)** | **46** |
| Revisions of previous quantity estimates | **(202)** | **1** | **24** | **25** |
| Accretion of discount (10%) | **56** | **168** | **(82)** | **86** |
| Net change in income taxes | **(164)** | | **(568)** | **(568)** |
| Difference of foreign exchange rates | **(25)** | **17** | **(50)** | **(33)** |
| Discounted future net cash flows at March 31 | **$ 920** | **$2,308** | **$1,307** | **$3,615** |

*1 Includes year-end reserve 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 60 percent, 59 percent, and 66 percent of the total reserve quantities for the years ended March 31, 2009, 2010, and 2011 respectively.

*2 Based on end-of-year price.

*3 Based on the average of the price as of the first day of each month during the fiscal year.

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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, 2010 and 2011, and the related consolidated statements of income, comprehensive (loss) income, equity, and cash flows for each of the three years in the period ended March 31, 2011 (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, 2010 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2011

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 auditors of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditors' 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, 2011 in accordance with "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2011, we concluded that our internal control system over financial reporting as of March 31, 2011 was effective and reported as such in the Management Internal Control Report.

Our Independent Auditors, 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 Auditors' 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 of 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 Kiyoshi Fujimura, Director and Executive Vice President, are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

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, 2011, 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 Auditors' Report filed under the Financial Instruments and Exchange Act of Japan (Translation)

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of 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 auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express 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 Auditors' Report

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

June 24, 2011

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 March 31, 2011 of Mitsubishi Corporation (the "Company") and consolidated subsidiaries, and the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for the fiscal year from April 1, 2010 to March 31, 2011. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and consolidated subsidiaries as of March 31, 2011, and the consolidated 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 (Refer to "Preparing of consolidated financial statements").

< Audit of Internal Control over Financial Reporting >

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 Mitsubishi Corporation as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our 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 over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial 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.)

June 24, 2011

## 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 the United Kingdom Listing Authority, which apply to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Ken Kobayashi, President and CEO, 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

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