Mitsubishi Corporation

Financial Section of Integrated Report 2017

For the year ended March 31, 2017

RAISING THE POWER OF MC

ANNUAL FINANCIAL REPORT
<FOR THE YEAR ENDED MARCH 2017>

CONTENTS

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

1. Results of Operations

Operating Results

In the year ended March 2017, the U.S. economy continued to experience solid growth, driven by consumer spending. Certain emerging countries also staged a gradual economic recovery, helped in part by a rebound in resource prices. Moreover, international financial markets showed signs of strength, based on expectations for the new U.S. administration to implement pro-growth economic policies, although the general policies of the new administration still remain unclear. The Japanese economy continued to experience a gradual pace of growth, led by external demand.

Under such circumstances, revenues were ¥6,425.8 billion, a decrease of ¥499.8 billion, or 7% year over year, due in part to lower sales volumes in line with lower market prices and the impact of exchange rates.

Gross profit was ¥1,328.6 billion, an increase of ¥229.7 billion, or 21% year over year, mainly due to reduced production costs in the Australian coal business and the significant contribution of higher market prices, despite changes in consolidation of certain consolidated subsidiaries.

Selling, general and administrative expenses improved by ¥83.4 billion, or 8% year over year, to ¥932.6 billion, due to changes in consolidation of certain consolidated subsidiaries and the impact of exchange rates.

Gains on investments increased ¥37.0 billion, or 80% year over year, to ¥83.3 billion, mainly due to one-off gains associated with the management integration of related companies and a rebound from impairment losses recognized in the previous fiscal year.

Share of profit (loss) of investments accounted for using the equity method increased by ¥292.9 billion year over year, to ¥117.5 billion, mainly due to a rebound from impairment losses on resource-related assets recorded in the previous fiscal year.

As a result, profit for the year attributable to owners of the Parent for the year grew ¥589.7 billion year over year, to ¥440.3 billion.

Year Ended March 2017 vs. Year Ended March 2016

1) Total Revenues
Revenues in the year ended March 2017 were ¥6,425.8 billion, a decrease of ¥499.8 billion, or 7%, year over year.

Revenues from the sale of goods decreased ¥391.7 billion, or 7%, to ¥5,558.4 billion. Revenues from the rendering of services and others decreased ¥108.1 billion, or 11%, to ¥867.4 billion.

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

- The Living Essentials Group revenues decreased by ¥358.6 billion, or 14%, to ¥2,204.2 billion, mainly due to the management integration of related companies in the meat business and the impact of exchange rates.
- The Metals Group revenues increased by ¥235.7 billion, or 34%, to ¥936.6 billion, mainly due to the impact of higher market prices in the Australian coal business.
- The Energy Business Group revenues decreased by ¥179.2 billion, or 13%, to ¥1,189.3 billion, mainly due to the lower sales volumes and the impact of exchange rates.

2) Gross Profit
Gross profit was ¥1,328.6 billion, an increase of ¥229.7 billion, or 21% year over year, mainly due to reduced production costs in the Australian coal business and the significant contribution of higher market prices, despite changes in consolidation of certain consolidated subsidiaries.

3) Selling, General and Administrative Expenses
Selling, general and administrative expenses improved ¥83.4 billion, or 8% year over year, to ¥932.6 billion, due to changes in consolidation of certain consolidated subsidiaries and the impact of exchange rates.

4) Gains on investments
Gains on investments were ¥83.3 billion, an increase of ¥37.0 billion, or 80%, year over year, mainly due to one-off gains associated with the management integration of related companies and a rebound from impairment losses recognized in the previous fiscal year.

5) Gains on disposal of property, plant and equipment
Gains on disposal of property, plant and equipment were ¥14.4 billion, a decrease of ¥7.0 billion, or 33%, year over year.

6) Impairment losses on property, plant and equipment and others
The Company recorded impairment losses on property, plant and equipment and others of ¥103.2 billion, mostly the same as in the previous fiscal year.

7) Other income (expense)—net
The Company recorded net other income of ¥10.6 billion, an improvement of ¥48.4 billion from net other expense in the previous fiscal year, mainly due to the impact of exchange rates.

8) Finance income
Finance income increased by ¥9.3 billion, or 8%, year over year to ¥132.4 billion, mainly due to higher dividend income from resource-related investees.

9) Finance costs
The Company recorded finance costs of ¥49.5 billion, mostly the same as in the previous fiscal year.

10) Share of profit (loss) of investments accounted for using the equity method
Share of profit (loss) of investments accounted for using the equity method increased by ¥292.9 billion year over year, to ¥117.5 billion, mainly due to a rebound from impairment losses on resource-related assets recorded in the previous fiscal year.

11) Profit (loss) before tax
Profit (loss) before tax increased by ¥694.2 billion year over year to ¥601.4 billion, for the above reasons.

12) Income taxes
Income taxes increased by ¥81.6 billion, or 205%, year over year to ¥121.4 billion, in line with the increase in profit before tax.

13) Profit (loss) for the year attributable to non-controlling interest
Profit (loss) for the year attributable to non-controlling interest was ¥39.8 billion, up ¥23.1 billion, or 138%, year over year.

14) Profit (loss) for the year attributable to owners of the Parent
As a result of the above, profit (loss) for the year attributable to owners of the Parent increased by ¥589.7 billion year over year to ¥440.3 billion.

2. Year Ended March 2017 Segment Information

Operating Segments
(Profit for the year, as used hereinafter, refers to “Profit for the year attributable to owners of the Parent”)

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

In the year ended March 2017, segment revenues increased by ¥10.3 billion, or 18%, to ¥69.1 billion.

Gross profit increased by ¥0.2 billion, or 1%, to ¥38.0 billion.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥5.6 billion, or 19%, to ¥23.2 billion, reflecting mainly lower equity income from Chiyoda Corporation, although income from the overseas power generation business increased.

The segment recorded profit for the year of ¥23.4 billion, a decrease of ¥5.8 billion, or 20%, year over year.

In addition to the reasons above, the lower earnings mainly reflected an absence of reversal of the provision for losses on guarantee obligations for the North Sea oil project of US$127 million (¥15.3billion) reported in other income (expense)-net for the year ended March 31, 2016.

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

In the year ended March 2017, segment revenues decreased by ¥21.4 billion, or 14%, to ¥132.8 billion.

Gross profit decreased by ¥1.6 billion, or 3%, to ¥60.2 billion.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥3.8 billion, or 22%, to ¥13.7 billion, reflecting mainly a decrease in earnings from the China real estate business and the lease business.

The segment recorded profit for the year of ¥35.5 billion, a decrease of ¥4.8 billion, or 12%, year over year.

In addition to the reasons above, the lower earnings mainly reflected a decrease in earnings from the aircraft-related business.

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

In the year ended March 2017, segment revenues decreased by ¥179.2 billion, or 13%, to ¥1,189.3 billion.

Gross profit increased by ¥2.3 billion, or 6%, to ¥37.7 billion. This increase mainly reflected higher transaction volumes in the North American gas business.

Share of profit (loss) of investments accounted for using the equity method increased by ¥29.3 billion to ¥25.3 billion, reflecting mainly a rebound from impairment losses recorded in the previous fiscal year, despite lower equity method earnings due to lower market prices.

The segment recorded profit for the year of ¥55.5 billion, an increase of ¥65.3 billion year over year.

In addition to the reasons above, the higher earnings mainly reflected a rebound from impairment losses recorded in the previous fiscal year; one-off gains on business restructuring in the shale gas business, including ¥16.4 billion in other income (expense)–net; and sales of investment in the Asia E&P business.

4) Metals Group
The Metals Group trades, develops business, 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 2017, segment revenues increased by ¥235.7 billion, or 34%, to ¥936.6 billion.

Gross profit increased by ¥275.7 billion, or 198%, to ¥414.8 billion. This increase mainly reflected reduced production costs in the Australian coal business and higher market prices.

Share of profit (loss) of investments accounted for using the equity method increased by ¥281.6 billion to ¥2.7 billion, reflecting mainly improved equity income primarily due to a rebound from impairment losses recorded in the previous fiscal year, as well as cost improvements and higher prices.

For the above reasons, the segment recorded profit for the year of ¥147.9 billion, an increase of ¥508.6 billion year over year.

5) Machinery Group
The Machinery Group handles sales, finance and logistics across many different sectors, in which it also invests. These fields include machine tools, agricultural machinery, construction machinery, mining machinery, elevators, escalators, ships, aerospace-related equipment and motor vehicles.

In the year ended March 2017, segment revenues decreased by ¥30.6 billion, or 4%, to ¥747.0 billion.

Gross profit decreased by ¥15.9 billion, or 8%, to ¥182.1 billion. This decrease mainly reflected a decline in earnings on transactions in the automobile business and lower profitability in the ship-related business.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥19.8 billion, or 79%, to ¥5.3 billion, reflecting mainly a decrease in equity method earnings from impairment losses recorded at ship-related business investees, lower sales in the automobile business and the impact of yen appreciation.

For the above reasons, the segment recorded profit for the year of ¥29.4 billion, a decrease of ¥32.8 billion, or 53%, year over year.

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

In the year ended March 2017, segment revenues were ¥1,134.1 billion, a decrease of ¥168.0 billion, or 13%, from the previous fiscal year.

Gross profit increased by ¥0.4 billion, to ¥113.0 billion.

Share of profit (loss) of investments accounted for using the equity method decreased by ¥3.3 billion, or 21%, to ¥12.1 billion, reflecting mainly a decrease in equity income primarily from petrochemical-related business due to lower market prices and yen appreciation.

For the above reasons, the segment recorded profit for the year of ¥26.7 billion, a decrease of ¥3.8 billion, or 12%, year over year.

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

In the year ended March 2017, segment revenues decreased by ¥358.6 billion, or 14%, to ¥2,204.2 billion.

Gross profit decreased by ¥31.8 billion, or 6%, to ¥473.2 billion. This was mainly due to the conversion of a food-service business subsidiary and meat business subsidiaries into associates, and the sale of a pulp and paper business subsidiary.

Share of profit (loss) of investments accounted for using the equity method increased by ¥14.7 billion, or 73%, to ¥34.9 billion. This result mainly reflected an increase in equity income in the meat-related business and the start of the consolidation of a subsidiary for the full year in the food materials business.

The segment recorded profit for the year of ¥121.3 billion, an increase of ¥47.8 billion, or 65%, year over year. In addition to the reasons above, this increase mainly reflected an increase in earnings from the salmon farming business due to market price recovery, and one-off gains recognized through acquiring Lawson as a subsidiary and the management integration of related companies in the meat business.

Geographic Information

1) Japan
In the year ended March 2017, revenues were ¥3,793.7 billion, down ¥754.7 billion, or 17%. This was mainly due to decrease in sales volumes derived from lower prices in the Energy Business Group and the management integration of related companies in the meat business in the Living Essentials Group.

2) U.S.A.
In the year ended March 2017, revenues were ¥797.7 billion, up ¥158.9 billion, or 25%. This increase was mainly due to higher transaction volumes in the North American gas business in the Energy Business Group.

3) Australia
In the year ended March 2017, revenues were ¥765.0 billion, up ¥219.0 billion, or 40%. This increase was mainly due to higher market prices in the coal business in the Metals Group.

4) Other
In the year ended March 2017, revenues decreased by ¥123.1 billion, or 10%, to ¥1,069.3 billion.

3. Year Ended March 2017 Operating Environment and Year Ending March 2018 Outlook

(Profit for the year, as used hereinafter, refers to "Profit for the year attributable to owners of the Parent")

1) Global Environmental & Infrastructure Business Group

In the year ended March 2017, the U.S. and European economies experienced moderate growth on the whole, and the Japanese economy continued to follow a gradual recovery path. Meanwhile, emerging countries saw a slowdown in economic conditions. In this environment, the Global Environmental & Infrastructure Business Group posted a decrease in earnings, mainly reflecting an absence of one-off gains recorded in the previous fiscal year and lower equity income from Chiyoda Corporation, although income from the overseas power generation business increased.

In the year ending March 2018, solid demand is expected for social and industrial infrastructure, such as power, water, transportation, and plant infrastructure, primarily in emerging countries. The Group's business domains also offer abundant business opportunities over the medium and long terms. Accordingly, we believe that we will continue to see steady growth in the prevailing business environment.

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

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

In the water business, we are building and operating water supply and sewerage-related facilities through investees and other parties in Japan, Dubai and the U.K. In South America, we are undertaking a seawater desalination business. In Japan, the Japanese government is considering the development of concessions for water supply and sewerage projects as part of its national growth strategy. In addition, we expect to continue to see business opportunities based on strong demand for water supply and sewerage treatment plants and seawater desalination plants primarily in Asia, the Middle East and Africa.

We will push ahead with the airport operation project we joined in Myanmar in a prior fiscal year together with the concession for development, operation and maintenance of a light rail transit system in Australia that we acquired in the fiscal year ended March 2017. In the equipment supply and construction sectors, we are steadily executing projects such as a construction project for a new airport in Mongolia that were contracted in prior fiscal years. We believe that demand for transportation infrastructure will remain extremely buoyant and the business environment will facilitate our efforts to build a steady revenue base.

In the plant & engineering business, despite a temporary slowdown in certain projects in connection with sluggish oil prices, we believe that competitive projects will steadily emerge given that demand for energy on a macro level is projected to continue growing over the medium and long terms. Therefore, we believe that the business environment offers prospects for a certain degree of demand for new plant projects.

In the environment-related business, we are involved in businesses such as the development and manufacturing of lithium-ion batteries for electric vehicles and plug-in hybrid vehicles, electricity storage businesses that contribute to the spread of renewable energy, safety assurance for the power distribution grid and other ends, and the development of next-generation energy such as hydrogen to help realize a low carbon society.

In regard to batteries, substantial market growth is anticipated for automotive applications and industrial battery systems going forward. In this environment, we will work to develop batteries with the aim of capturing future demand.

2) Industrial Finance, Logistics & Development Group

In the year ended March 2017, although the Japanese and U.S. real estate businesses continued to trend steadily, equity income decreased in the China real estate business, the aircraft-related business and the lease business. As a result, the Industrial Finance, Logistics & Development Group saw profit for the year decrease year over year.

In the year ending March 2018, we expect to see the benefits of support from fiscal economic stimulus measures primarily in the U.S. and a recovery in the economies of resource-rich nations. Meanwhile, despite some concerns about a decline in the potential economic growth rate of major countries, geopolitical risk in the Middle East and East Asia and other factors, we expect business conditions in the markets served by this Group to trend steadily as a whole.

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

In the private equity (PE) business in Japan, the number of deals in the PE market in Japan during the year ended March 2017 returned to the level before the Lehman Brothers bankruptcy. There has been notable growth in the number of business succession deals, and the introduction of the Japanese Stewardship Code and measures by companies to concentrate resources on carefully selected businesses have been proceeding at an accelerated pace. Based on these trends, we anticipate further growth in the market in Japan.

In the leasing business, in terms of leasing demand in Japan, market participants continue to take a cautious approach to the leasing business based on concerns about the outlook for economic conditions in Japan and abroad. Meanwhile, conditions have continued to gradually improve in line with improving corporate earnings and business conditions in Japan and overseas. We believe that the leasing business will be underpinned by the need for facility maintenance in response to the aging of existing facilities, along with investment in facility replacement and construction investment in non-manufacturing sectors, such as lodging facilities. Cumulative leasing volume from April 2016 to February 2017 amounted to approximately ¥4,300.0 billion, representing 97.9% of the level in the same period of the previous fiscal year.

In the real estate-related business in Japan, investors remain highly eager to purchase real estate assets in the ongoing low-interest environment underpinned by ongoing monetary easing. However, due in part to the impact of the limited supply of properties brought to market, commercial real estate transactions totaled approximately ¥3 trillion, a decrease of about 20% from the year ended March 2016, marking the second straight year of decline. Meanwhile, the amount of equity funds raised through public offerings (including new publicly offered capital increases) was ¥384.2 billion (as of the end of January 2017), which represented only about 60% of the ¥646.8 billion raised in the year ended March 2016. There was an increase of five J-REITs, partly offset by a decrease of two J-REITs due to mergers, increasing the total number of J-REITs to 57 and total assets to ¥15.5 trillion (as of the end of 2016). In the year ending March 2018, we anticipate an uncertain market environment based on international political events and expectations of interest rate hikes in the U.S. However, we expect real estate market conditions to trend firmly.

Looking at the overseas real estate-related business, in the U.S., if the new Trump administration is able to steadily implement economic growth policies, such as fiscal stimulus (infrastructure investment, etc.) and tax cuts, the U.S. is projected to experience steady economic growth over the next few years, and the real estate market is also expected to grow. In China, there has been a trend toward growing disparity in real estate market conditions from city to city in line with the country's slowing economic growth rate. Depending on trends in economic reforms, this could lead to further changes in the real estate market. In the ASEAN region, the real estate market is projected to expand steadily, based on continued high rates of economic growth in each country.

In the logistics business, trends such as equity alliances between logistics companies and in-house logistics are taking strong hold against the backdrop of an increase in demand from e-commerce. Going forward, the shortage of workers in Japan is expected to accelerate the use of AI and robotics, as well as the shift to joint logistics operations and rail transportation. In addition, with supply outstripping demand on a global scale in the logistics sector, we expect to see continued industry consolidation in the logistics and shipping industry.

3) Energy Business Group

In the year ended March 2017, although global demand for oil increased steadily primarily in Asia, the oil market remained oversupplied in terms of supply-demand conditions. At the beginning of April 2016, the crude oil price (Brent) stood at the US$39 range, but the price then rose to the US$50 range in June, reflecting a positive market response to signs of declining U.S. shale oil production. Thereafter, the oil price fluctuated in the range of roughly US$40 to US$50 based on the impact of expectations for production cuts by OPEC and trends in oil inventories. However, with no signs of any specific steps to cut production, the crude oil price fell to the US$40 range from the end of October to November. Under these conditions, OPEC members agreed at their general meeting on November 30, 2016 to cut oil production. Expectations of an improving supply-demand balance pushed the crude oil price back up to the US$50 range. Moreover, on December 10, 2016, it was reported that core non-OPEC members centered on Russia would implement cooperative production cuts for the first time in 15 years. These reports triggered a rapid increase in the oil price to the mid-US$50 range by the end of February 2017. Thereafter, continued increases in U.S. oil inventories from early March 2017 stripped away expectations for a rebalancing of supply-demand, and the oil price fell below US$50 at one time in late March 2017.

In the year ending March 2018, the supply-demand balance is expected to gradually improve, as oil demand is projected to increase primarily in Asia and oil producing countries are expected to continue reducing production. However, it is expected to take more than six months to draw down the high levels of inventories. There remains no clear direction for crude oil prices going forward, and we must continue to watch crude oil price trends carefully.

Our projection of profit for the year ending March 2018 for the Energy Business Group assumes a crude oil price of US$50/BBL (Dubai spot price).

4) Metals Group

In the year ended March 2017, steel and metals market prices generally returned to a recovery path. Steel prices improved, supported by a policy announced by the Chinese government to reduce excessive production capacity, the accelerated spread of protectionism centered on the U.S., and the rise in metallurgical coal prices discussed below.

Global steel output for the 2016 calendar year reached approximately 1.6 billion tonnes, up approximately 1% year over year, remaining mostly unchanged. Metallurgical coal prices increased due to restrictions on supply due mainly to production disruptions in Australia and China as well as limits on the number of operating days at coal mines in China. Moreover, the price of copper cathodes started to increase from the second half of the fiscal year, mainly due to strike action at a copper mine in Chile, a major copper producer, as well as supply uncertainties caused mainly by delays in renewing export licenses from Indonesian copper mines. Other factors behind the higher price of copper cathodes included improving economic indicators in China and expectations for pro-growth economic policies in the U.S., such as infrastructure investment. The average annual price of copper cathodes was US$5,155 per metric tonne in the year ended March 2017.

For the fiscal year ended March 2017, the Metals Group saw profit for the year increase year over year. This mainly reflected a rebound from impairment losses recorded in the previous fiscal year and improved costs due to the continuation of productivity enhancement measures at Mitsubishi Development Pty Ltd, a wholly owned subsidiary of Mitsubishi Corporation engaged in the Australian metal resources business, along with higher market prices from the previous fiscal year.

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

5) Machinery Group

In the year ended March 2017, the business environment surrounding the Machinery Group was challenging, reflecting mainly weak economic growth trends in emerging markets and sluggish shipping market conditions. In this environment, the Machinery Group posted lower earnings year over year, due mainly to the downward revision of charter fee assumptions in the shipping-related business, impairment losses in line with optimizing fleet sizes and the impact of yen appreciation. While trends in emerging markets warrant continued vigilance, in preparation for an improvement in the business environment over the medium and long terms, we will continue to upgrade and expand our business platform and strengthen our business functions to capture future growth.

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

In the industrial machinery business, the construction machinery rental business in Japan has remained strong, supported by surging construction investment, notably earthquake reconstruction projects, projects to rebuild aging infrastructure, along with numerous construction investments related to the Tokyo Olympic Games. In the year ending March 2018, we expect the same level of construction investment to remain in place. In the elevator business, we expect steady growth to continue with the background of solid construction investment in the ASEAN region. In the machine tools business, order volume in Japan has tracked a gradual recovery path since the second half of the year ended March 2017, and the order volume is expected to trend even more firmly in the year ending March 2018. The U.S. market is projected to start gathering new momentum from the second half of the fiscal year ending March 2018.

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

In the shipping-related business, the business environment in the year ended March 2017 came under significant pressure as market conditions for bulk carriers continued to trend in a low price range, although the market is recovering from historically weak levels. If speculative orders for new ships decline in step with steady growth in the global economy, the business environment is expected to turn upwards. However, we will need to cautiously monitor the supply-demand balance in terms of cargo volumes and fleet sizes.

In the gas carrier and related marine special purpose ships business, the extended slump in crude oil prices has had impacts such as the postponement of certain new LNG project developments. However, we anticipate that the business will improve over the medium and long terms based on higher demand for LNG on a global basis.

In business related to Mitsubishi Motors Corporation, the business as a whole slowed down mainly due to decelerating growth in emerging economies. However, we will continue to upgrade and expand our business platform in key markets such as Indonesia, with the aim of capturing future growth, in conjunction with bolstering sales in other markets.

In business related to Isuzu Motors Limited brand automobiles, automobile demand in the mainstay Thailand market decreased by around 4% year over year, reflecting the impact of weak economic conditions. However, aggregate demand for automobiles in Thailand, which had been experiencing a continuous downtrend since 2012, bottomed out in the year ended March 2017, and is expected to start improving at a gradual pace from the year ending March 2018 onward. Going forward, we will continue to step up activities in Thailand and other emerging countries, with the aim of achieving growth over the medium and long terms.

6) Chemicals Group

The chemicals product market in the year ended March 2017 trended upwards as a whole, in step with a rebound in crude oil and other resource prices. Meanwhile, demand is recovering as the U.S. economy returns to a growth trajectory and China and other emerging economies move out of a sluggish period. This recovery in demand also had an impact on the lowering product prices.

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

In the medium term, we anticipate structural changes (industry realignment, consolidation and closure of facilities) in the global petrochemical industry as the emergence of shale gas makes the North American petrochemical industry more competitive and boosts its supply capacity. This development is also expected to transform the flow of logistics and the supply of products. Therefore, we expect to see more and more opportunities to emerge that will make the most of our capabilities.

Meanwhile, there is greater interest in the themes of health, safety, comfort and good taste, driven by an ever-increasing middle class and improving living standards in emerging markets, and aging populations in developed countries. As a result, demand in the life science field, including food science, is projected to expand firmly.

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

7) Living Essentials Group

The consumer market in Japan in the year ended March 2017 started to see a gradual recovery in business confidence, mainly due to the positive effects of the Japanese government's economic stimulus measures. Meanwhile, the global economic outlook is highly uncertain, with the market remaining only halfway to a full recovery. Although the size of the consumer market in Japan is contracting in line with the country's declining population, we expect to capture new sources of demand arising from changes in lifestyles in line with the ongoing aging of society.

In overseas markets, despite slowing economic growth in emerging countries primarily in Asia, consumer spending continues to expand in terms of both quality and quantity as a result of improving income levels.

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

In the year ended March 2017, profit for the year in the Living Essentials Group increased year over year, mainly due to improved earnings in the salmon farming business and one-off gains recognized through acquiring Lawson as a subsidiary. In the year ending March 2018, we project a decrease in profit in the Group based on the absence of the one-off gains recognized in the year ended March 2017.

4. Significant Contracts

There were no significant contracts in the year ended March 2017.

5. R&D Activities

There were no material R&D activities in the year ended March 2017.

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 the capital markets. Regarding indirect financing, we maintain good relationships with a broad range of financial institutions in addition to our main banks, including foreign-owned banks, life insurance companies and regional banks. This diversity allows us to procure funds on terms that are cost competitive.

Looking at funding activities in the year ended March 2017, following on from the year ended March 2016, we continued to pursue extended fundraising periods, and to make efforts to improve financial soundness including undertaking hybrid finance, a funding method that incorporates features of equity.

As a result of these funding activities, as of March 31, 2017, gross interest-bearing liabilities stood at ¥5,383.9 billion, ¥658.7 billion lower than at March 31, 2016. Of these gross interest-bearing liabilities, 88% represented long-term financing. Hybrid finance accounted for ¥600.0 billion of interest-bearing liabilities. Rating agencies treat 50% of this balance, or ¥300.0 billion, as equity. Gross interest-bearing liabilities at the Parent were ¥3,797.4 billion, of which 95% represented long-term financing, with an average remaining period was approximately 6 years.

For the year ending March 2018, we plan to continue procuring funds mainly through long-term financing. Furthermore, we will continue undertaking efforts to diversify funding sources and raise 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 maintain our liquidity.

Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2017, 83% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance companies, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, with a view to refining consolidated management.

The current ratio as of March 31, 2017 was 138% on a consolidated basis. In terms of liquidity, we believe that the Parent has a high level of financial soundness. The Parent, Mitsubishi International Corporation (U.S.A.), Mitsubishi Corporation Finance PLC (U.K.), MC Finance & Consulting Asia Pte. Ltd., and MC Finance Australia Pty Ltd. had ¥420.4 billion in short-term debt as of March 31, 2017, 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 purposes together with commitment lines secured on a fee basis amounted to ¥1,699.6 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,279.2 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion with major Japanese banks, a commitment line of US$2.0 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 (Moody's), and Standard and Poor's (S&P). As of May 17, 2017, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A2/P-1 (outlook negative) by Moody's, and A/A-1 (outlook stable) by S&P.

2) Total Assets, Liabilities and Total Equity

Total assets at March 31, 2017 was ¥15,753.6 billion, an increase of ¥837.3 billion or 6% from March 31, 2016.

Current assets was ¥6,467.3 billion, a decrease of ¥89.9 billion or 1%, mainly due to a decrease in cash and cash equivalents because of the repayment of borrowings.

Non-current assets was ¥9,286.3 billion, an increase of ¥927.2 billion or 11%, mainly due to a rise in intangible assets and goodwill because of the acquisition of Lawson as a subsidiary.

Total liabilities at March 31, 2017 was ¥9,964.5 billion, an increase of ¥65.8 billion or 1% from March 31, 2016.

Current liabilities was ¥4,677.8 billion, an increase of ¥244.6 billion or 6%, mainly due to a rise in trade and other payables because of the acquisition of Lawson as a subsidiary and higher transaction volumes.

Non-current liabilities was ¥5,286.7 billion, a decrease of ¥178.8 billion or 3%, mainly due to a decrease in borrowings because of reclassification to current liabilities.

Total equity at March 31, 2017 was ¥5,789.0 billion, an increase of ¥771.5 billion or 15% from March 31, 2016.

Equity attributable to owners of the Parent was ¥4,917.2 billion, an increase of ¥324.7 billion or 7%, mainly due to the accumulation of profit for the period.

Non-controlling interest was ¥871.8 billion, an increase of ¥446.8 billion or 105%, mainly due to the acquisition of Lawson as a subsidiary.

Net interest-bearing liabilities, which is gross interest-bearing liabilities minus cash, cash equivalents and time deposits, at March 31, 2017 was ¥3,991.5 billion, a decrease of ¥324.0 billion or 8% from March 31, 2016.

As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by equity attributable to owners of the Parent, was 0.8, a decrease of 0.1 from March 31, 2016.

3) Cash Flows
Cash and cash equivalents as of March 31, 2017 was ¥1,145.5 billion, down ¥355.5 billion from March 31, 2016.

(Operating activities)
Net cash provided by operating activities was ¥583.0 billion, mainly due to cash flows from operating transactions and dividend income, despite an increase in working capital requirements.

Net cash provided by operating activities decreased ¥117.1 billion year over year mainly due to an increase in working capital requirements, despite an increase in operating transactions.

(Investing activities)
Net cash used in investing activities was ¥179.6 billion. The main use of cash was for capital expenditures, real estate business payments, and the acquisition of shares in Lawson, despite cash provided by the collection of loans receivable.

Net cash used in investing activities decreased by ¥324.3 billion year over year, mainly due to rebound from investments in energy resource businesses and the acquisition of shares in Olam International Limited, an agricultural production-related company, recorded in the previous fiscal year.

As a result, free cash flow, the sum of operating and investing cash flows, was positive ¥403.4 billion.

(Financing activities)
Net cash used in financing activities was ¥752.2 billion, mainly due to the repayment of borrowings, redemption of bonds, and the payment of dividends by the Parent, despite cash provided by the issuance of subordinated bonds (hybrid bonds), etc.

Net cash used in financing activities increased by ¥387.7 billion year over year, mainly due to the repayment of borrowings.

7. Strategic Issues

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

In May 2016, Mitsubishi Corporation established its new management strategy.

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

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

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

Reforming the Management Platform

<u>Rebalancing of "Resources" and "Non-resources"</u>
In Resources, Mitsubishi Corporation shall focus its investments in metallurgical coal, copper, and natural gas, optimizing the quality of its portfolios while maintaining their overall sizes. In Non-resources, Mitsubishi Corporation shall re-profile the composition of its portfolios but increase their sizes by investing in growing businesses where Mitsubishi Corporation can demonstrate its strengths.

As noted below, from fiscal year 2016, Mitsubishi Corporation has revised its business categorization to the "market-related sector" and the "business-related sector," thereby replacing the previous categorization of resources and non-resources.

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

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

Growth initiatives

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

Until now, Mitsubishi Corporation has generated growth primarily by investing in businesses; however, the new strategy shall focus more on proactively managing the businesses, enabling our management partners to benefit from Mitsubishi Corporation's unique strengths and functions, and generating continuous value together.

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

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

■ Initiatives Based on the Midterm Strategy Management Directions

In fiscal year 2016, Mitsubishi Corporation completed the introduction of a framework based on its management directions.

(1) Achievement of an optimal portfolio balance and visualization of the shift toward "managing" businesses

Mitsubishi Corporation has revised its business categorization to the "market-related sector" and the "business-related sector," based on market risk sensitivity, thereby replacing the previous categorization of resources and non-resources. By doing so, Mitsubishi Corporation will assume an optimal portfolio balance by the end of the fiscal year 2018 by keeping the "market-related" portfolio size unchanged. In addition, Mitsubishi Corporation has introduced a framework to make the shift toward "managing" businesses visible by dividing the "business-related" sector into three sub-categories. Mitsubishi Corporation has clarified the direction toward growth: value creation leveraging management capabilities.

(2) Companywide capital allocation toward growth

Mitsubishi Corporation will increase the number of options in its capital allocation policy and drive company-wide growth beyond the business segment boundaries by retaining a fixed percentage of business segment profits on the corporate level. Mitsubishi Corporation has steadily promoted autonomous management of the business segments by continuing cash-flow-focused management at the business segment level.

■ Future of the Mitsubishi Corporation Group
Mitsubishi Corporation will create multiple core businesses by further advancing the shift to "managing" businesses through the newly introduced framework, along with putting the efforts of the entire company behind achieving sizable growth. In addition to businesses expected to become core businesses, Mitsubishi Corporation also has a large number of potential core businesses within its business portfolio. Mitsubishi Corporation will dynamically allocate management resources such as personnel and funds to develop sizable core businesses.

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

2) Main Investment Activities

Under Midterm Corporate Strategy 2018, which was announced in the year ended March 2017, Mitsubishi Corporation has set out to undertake further evolution from "investing" to "managing" and accelerated "lifecycle-based" portfolio re-profiling as part of its growth initiatives. Accordingly, we plan to continuously invest in business fields comprising the global environmental and infrastructure business, the industrial finance, logistics and development business, metals, the energy business, machinery, chemicals, and living essentials.

During the year ended March 2017, we invested a total of ¥570.0 billion. The main investments made by Mitsubishi Corporation were the acquisition of Lawson, Inc. as a subsidiary through the purchase of additional Lawson, Inc. shares, additional investments in the shale business, and investments related to the overseas real estate business.

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

3) Forecast for the Year Ending March 2018

For the year ending March 2018, we forecast profit for the year of ¥450.0 billion. Please note that the basic assumptions for this forecast are as follows:

Reference: Change of basic assumptions

	Year Ended March 2017 (Actual)	Year Ending March 2018 (Forecasts)	Change
Exchange rate	¥108.38 /US$	¥110.00 /US$	¥1.62 /US$
Crude oil price	US$47 /BBL	US$50 /BBL	US$3 /BBL
Interest rate (TIBOR)	0.06%	0.10 %	0.04%

8. Business Risks

(Unless otherwise stated, calculations of effects on future consolidated profit for the year are based on consolidated profit for the year ended March 2017. Consolidated profit for the year, as used hereinafter, refers to "Profit for the year attributable to owners of the Parent")

1) Risks of Changes in Global Macroeconomic Conditions

As we conduct businesses on a global scale, our operating results are impacted by economic trends in overseas countries as well as those in Japan.

For instance, a decline in prices of energy and metal resources could have a large impact on our resource-related import 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. Since automobile sales volume reflects internal demand in each of these countries, economic trends in both Thailand and Indonesia may have a significant bearing on earnings from our automobile operations.

In the year ended March 2017, the global economy saw increasing volatility in financial markets, mainly due to concerns about the forecast for the Chinese economy, uncertainty about the outlook for negotiations surrounding the U.K. decision to leave the E.U., along with rising geopolitical risk in the Middle East and other areas. In emerging countries, the pace of economic growth has slowed even among major countries such as China and Brazil, mainly due to slower growth in investment and exports, compounded by structural problems within these countries.

2) Market Risks

(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 crude oil and/or LNG in Australia, Malaysia, Brunei, Sakhalin, Indonesia, Gulf of Mexico (United States), Gabon, Angola and other regions. Movements in the prices of these resources may have a significant impact on our operating results.

With crude oil prices (Brent) having hit the upper US$30 range in April 2016, a downward trend in U.S. shale oil production became apparent, and prices rose back into the US$50 range in early June 2016. After that point, market expectations of reduced production by OPEC and oil inventory fluctuations caused prices to move generally from US$40 to the low US$50 range. However, as specific moves to lower production were not forthcoming, oil prices moved into the US$40 range from late October to November 2016.

Under these conditions, an OPEC meeting on November 30, 2016 resulted in an agreement to reduce production. Crude oil prices accordingly recovered to the US$50 range on expectations of supply–demand rebalancing. Furthermore, on December 10, 2016, non-OPEC oil-producing nations, centered on Russia, announced an accord to lower production, prompting oil prices to remain generally in the middle of the US$50 range through the end of February 2017.

Thereafter, expectations of supply–demand rebalancing waned due to ongoing increases in U.S. oil inventories from early March 2017. After falling into the low US$50 range, oil prices maintained this level through the end of March 2017.

We will continue to monitor market trends for supply–demand rebalancing, including reductions in output by key oil-producing nations and the market status of U.S. shale oil. Nevertheless, we expect the crude oil outlook to remain unclear.

Fundamentally, LNG prices are linked to crude oil prices. It is estimated that a US$1/BBL fluctuation in the price of crude oil would have a 2.0 billion yen effect on our profit for the year for LNG and crude oil combined in a given year, 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 Brisbane, Australia, subsidiary Mitsubishi Development Pty Ltd (MDP), we sell coking coal, which is used for steel manufacturing, and thermal coal, which is used for electricity generation. Fluctuations in the price of coking coal may affect our operating results through MDP's earnings. MDP's operating results cannot be determined by the coal price alone since MDP's results are also significantly affected by fluctuations in exchange rates for the Australian dollar, U.S. dollar and yen, as well as adverse weather and labor disputes.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper. A US$100 fluctuation in the price per metric tonne of copper would have a ¥1.3 billion effect on our profit for the year (a US¢10 price fluctuation per pound of copper would have a ¥2.9 billion effect on our profit for the year). However, variables beside price fluctuations can also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings cannot be determined by the copper price alone.

(Petrochemical Products)
We are engaged in a broad range of trading activities for petrochemical products, such as polyethylene, ethylene glycol, paraxylene, and methanol, manufactured from raw materials such as naphtha and natural gas in countries including Saudi Arabia, Malaysia, and Venezuela. 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 our earnings from these businesses trading transactions.

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

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and affiliates are relatively high in proportion to our profit for the year. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, an appreciation in the yen relative to foreign currencies has a negative impact on profit for the year. In terms of sensitivity, a 1 yen change relative to the U.S. dollar would have a ¥2.5 billion effect on profit for the year.

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

(3) Stock Price Risk
As of March 31, 2017, we owned approximately ¥1,290.0 billion (market value) of marketable securities, mostly equity issues of customers, suppliers and affiliated companies. These investments expose us to the risk of fluctuations in stock prices. The valuation above represented net unrealized gains of approximately ¥410.0 billion based on market prices, a figure that could change depending on future trends in stock prices. In our corporate pension fund, some of the pension assets are managed by marketable stocks. Accordingly, a fall in stock prices could reduce pension assets.

(4) Interest Rate Risk
As of March 31, 2017, we had gross interest-bearing liabilities of ¥5,383.9 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

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

3) Credit Risk
We extend credit to customers in the form of trade credit, including accounts receivables and advance payments, finance, guarantees and investments due to our various operating transactions. We are therefore exposed to credit risk in the form

of losses arising from deterioration in the credit of or bankruptcy of customers. Furthermore, we utilize derivative instruments, primarily swaps, options and futures, for the purpose of hedging risks. In this case, we are exposed to the credit risk of the counterparties to these derivative instruments.

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

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

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

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

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

Notwithstanding these initiatives, although we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, our operating results could be affected by changes in the business environment and 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. Based on the Mitsubishi Motors Capital Restructuring Plan announced by MMC on November 6, 2013, we invested part of MMC’s preferred shares that we own in an anonymous association, and converted all the remaining shares into MMC’s common shares on March 5, 2014. On July 6, 2016, we agreed to dissolve the anonymous association agreement with a view to the receipt of new shares in MMC by Nissan Motor Co., Ltd., through a third-party allotment (executed on October 20, 2016), and we have received from MMC shares provided as investment in kind. As the returned shares were included in the risk exposure announced by us, the return of these shares has no impact on our risk exposure. Furthermore, we cooperate with MMC to develop business at sales companies mainly outside of Japan and across the related value chain. Our risk exposure to MMC itself was approximately ¥100.0 billion as of March 31, 2017. Our risk exposure in connection with investments in businesses, finance, trade receivables and other related business was approximately ¥250.0 billion as of March 31, 2017 (of which, risk exposure in connection with the sales finance business was approximately ¥120.0 billion). Our total MMC-related risk exposure, including both the aforementioned risk exposure to MMC itself and our risk exposure to related business, was thus around ¥350.0 billion as of March 31, 2017.

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

In November 1968, we established a wholly owned subsidiary Mitsubishi Development Pty Ltd (MDP), headquartered in Brisbane, Australia, to engage in coal development. In 2001, we acquired through MDP a 50% interest in the BMA coking coal business (BMA) in Queensland, Australia, for approximately ¥100.0 billion, and engage in this business with a partner, BHP Billiton Limited, headquartered in Melbourne, Australia. BMA has grown into one of the world's largest coking coal businesses, currently producing 69 million tonnes per year. In addition to coking coal, MDP engages in the exploration, development, production and sale of other metal resources (thermal coal, iron ore and uranium). As of March 31, 2017, the book value of MDP's fixed assets amounted to approximately ¥970.0 billion.

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

(Investments in Interests in Chilean Copper Assets and Other Resource Interests)

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

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres copper smelter and large-scale prospective exploration properties. (AAS' total copper production was approximately 350,000 tonnes in 2016.)

We apply the equity method to its investment in AAS. As an investment accounted for using the equity method, during the year we conducted an impairment test on our investment in AAS. As AAS' production and development plans are long-term, we judged that an evaluation was necessary from a medium- to long-term perspective, including revisions in copper price forecasts. In relation to copper prices, we formulated a forecast, taking into account fundamentals such as the future supply/demand environment and the data provided by external financial institutions and other organizations. Because AAS' production and development plans are long-term, medium- to long-term price forecasts have a more significant impact on the valuation of our investment in AAS than do price fluctuations in the short term. Taking into overall consideration sluggish copper market prices and the extended timeframe for the development of mining projects, on March 31, 2016, we recorded an impairment loss of ¥271.2 billion, resulting in a book value of our interests in AAS of approximately ¥180.0 billion as of March 31, 2017.

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

7) Risks Related to Compliance

We are engaged in businesses in all industries through 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, the 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 and Other Types of Disasters

An unforeseeable event, such as a natural disaster like an earthquake, heavy rain or flood, abnormal climatic conditions, or infectious diseases such as a new strain of influenza, or a large-scale accident, acts of terrorism or riots, that affects our employees and damages our offices, facilities or systems could hinder sales and production activities.

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

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. The achievement of said forecasts cannot be promised. 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. Management bases its estimates on historical experience and on various other factors which it believes reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

1) Fair Value Measurement of Financial Instruments
The fair value measurement of financial instruments is a critical accounting estimate as the balance of financial instruments measured at fair value, such as securities and derivatives, is significant.

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

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

2) Impairment Loss on Receivables Measured at Amortized Cost
The valuation of receivables measured at amortized cost is a critical accounting estimate as the balance of our receivables measured at amortized cost, such as trade receivables, notes and loans, is significant.

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

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

3) Impairment of Non-financial Assets
We estimate the recoverable amount of non-financial assets excluding inventories and deferred tax assets whenever events or changes in circumstances indicate that there are signs of impairment, i.e., the carrying amount of an asset may not be recoverable. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is the present value of the estimated future cash flows, calculated by applying a pre-tax discount rate that reflects risks specific to the asset.

Value in use is based on assumptions such as future market growth, forecast revenue and costs, and the estimated useful lives of utilization of the asset.

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

4) Pension Benefit Obligations and Costs

Employee pension benefit obligations and costs are estimated using actuarial calculations based on assumptions such as the discount rate, the average rate of increase in future compensation levels, the retirement rate, and the mortality rate. Among these, the discount rate is a particularly critical assumption for determining pension benefit obligations and costs. The discount rate is determined based on the rate available on high quality fixed income investments over our employees' projected average period of service remaining until the payment of benefits, at the respective measurement dates. Management believes that the assumptions and methods employed in the actuarial calculations are appropriate. However, these assumptions include uncertainties that are beyond the control of management. Therefore, if differences arise between the assumptions and actual experience, or the assumptions are changed, our pension benefit obligations and costs could be impacted.

5) Recoverability of Deferred Tax Assets

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

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

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Mitsubishi Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Corporation and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and its subsidiaries as of March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

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

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

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

/s/ Deloitte Touche Tohmatsu LLC

June 23, 2017

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

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

We have thus evaluated our ICFR as of March 31, 2017 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council on March 30, 2011.

As a result of conducting an evaluation of ICFR in the fiscal year ended March 31, 2017, we concluded that our internal control system over financial reporting as of March 31, 2017 was effective and reported as such in the Management Internal Control Report.

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

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

Mitsubishi Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

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

(TRANSLATION)

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

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

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

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

The assessment of internal control over financial reporting was performed as of March 31, 2017, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

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

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

3 [Matters relating to the results of the assessment]

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

4 [Supplementary information]

Not applicable

5 [Special information]

Not applicable

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

NOTE TO READERS:

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2017

To the Board of Directors of Mitsubishi Corporation

Deloitte Touche Tohmatsu LLC

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

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

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

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

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows of Mitsubishi Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from April 1, 2016 to March 31, 2017 , and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, pursuant to the provisions of Article 93 of Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitsubishi Corporation and its consolidated subsidiaries as of March 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Mitsubishi Corporation as of March 31, 2017.

Management's Responsibility for the Report on Internal Control

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

Auditor's Responsibility

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

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Mitsubishi Corporation as of March 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

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

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

Consolidated Financial Statements
Consolidated Statement of Financial Position
March 31, 2016 and 2017

	Millions of Yen		Millions of U.S. Dollars (Note 2)
ASSETS	2016	2017	2017
Current assets			
Cash and cash equivalents (Note 30)	¥1,500,960	¥1,145,514	$10,228
Time deposits (Note 30)	226,186	246,922	2,205
Short-term investments (Notes 7 and 30)	28,763	22,867	204
Trade and other receivables (Notes 8, 16, 20, 30, 31, 34, 35 and 39)	2,923,060	3,125,504	27,906
Other financial assets (Notes 30, 31 and 32)	148,718	115,734	1,033
Inventories (Notes 9 and 30)	1,033,752	1,110,138	9,912
Biological assets (Note 10)	65,261	67,241	601
Advance payments to suppliers	222,299	229,819	2,052
Assets classified as held for sale (Note 11)	91,864	39,330	351
Other current assets (Notes 30 and 31)	316,328	364,196	3,252
Total current assets	6,557,191	6,467,265	57,744
Non-current assets			
Investments accounted for using the equity method	2,869,873	2,651,317	23,672
Other investments (Notes 7, 16 and 30)	1,990,215	2,291,465	20,460
Trade and other receivables (Notes 8, 16, 20, 30, 34, 35 and 39)	488,817	500,853	4,472
Other financial assets (Notes 30, 31 and 32)	139,593	109,443	977
Property, plant and equipment (Notes 12, 15, 16 and 35)	2,297,384	2,484,714	22,185
Investment property (Notes 13 and 16)	70,578	47,959	428
Intangible assets and goodwill (Note 14)	291,116	1,010,310	9,021
Deferred tax assets (Note 28)	91,349	37,883	338
Other non-current assets (Notes 10 and 20)	120,140	152,348	1,360
Total non-current assets	8,359,065	9,286,292	82,913
Total assets (Note 6)	¥14,916,256	¥15,753,557	$140,657

See notes to the consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 2)
LIABILITIES AND EQUITY	2016	2017	2017
Current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34 and 39)	¥1,482,348	¥1,248,231	$11,145
Trade and other payables (Notes 18, 30, 33, 35 and 39)	2,153,748	2,542,191	22,698
Other financial liabilities (Notes 30, 31, 32 and 33)	84,252	106,456	950
Advances from customers	213,058	222,373	1,985
Income tax payables	38,104	106,612	952
Provisions (Note 20)	55,121	50,689	453
Liabilities directly associated with assets classified as held for sale (Note 11)	26,235	6,094	54
Other current liabilities (Notes 30 and 31)	380,371	395,196	3,529
Total current liabilities	4,433,237	4,677,842	41,766
Non-current liabilities			
Bonds and borrowings (Notes 17, 30, 32, 33, 34 and 39)	4,560,258	4,135,680	36,926
Trade and other payables (Notes 18, 30, 33, 35 and 39)	84,078	204,657	1,828
Other financial liabilities (Notes 30, 31, 32 and 33)	18,647	18,936	169
Retirement benefit obligation (Note 19)	64,914	79,261	708
Provisions (Note 20)	233,779	239,259	2,136
Deferred tax liabilities (Note 28)	469,589	576,941	5,151
Other non-current liabilities	34,232	31,970	285
Total non-current liabilities	5,465,497	5,286,704	47,203
Total liabilities	9,898,734	9,964,546	88,969
Equity			
Common stock (Note 21)	204,447	204,447	1,825
Additional paid-in capital (Note 21)	262,738	220,761	1,971
Treasury stock (Note 21)	(14,509)	(12,154)	(109)
Other components of equity			
Other investments designated as FVTOCI	364,386	451,086	4,028
Cash flow hedges	(18,664)	(17,953)	(160)
Exchange differences on translating foreign operations	568,217	445,816	3,981
Total other components of equity (Notes 22 and 32)	913,939	878,949	7,849
Retained earnings (Notes 7 and 21)	3,225,901	3,625,244	32,368
Equity attributable to owners of the Parent	4,592,516	4,917,247	43,904
Non-controlling interests	425,006	871,764	7,784
Total equity	5,017,522	5,789,011	51,688
Total liabilities and equity	¥14,916,256	¥15,753,557	$140,657

See notes to the consolidated financial statements.

Consolidated Statement of Income

For the years ended March 31, 2016 and 2017

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2016	2017	2017
Revenues (Notes 6, 24, 26 and 32)	¥6,925,582	¥6,425,761	$57,373
Cost of revenues (Notes 9, 14, 26 and 32)	(5,826,705)	(5,097,123)	(45,510)
Gross profit (Note 6)	1,098,877	1,328,638	11,863
Selling, general and administrative expenses (Notes 14, 19 and 25)	(1,015,968)	(932,607)	(8,327)
Gains on investments (Notes 26, 30, 32 and 38)	46,334	83,288	743
Gains on disposal and sale of property, plant and equipment	21,392	14,419	129
Impairment losses on property, plant and equipment and others (Notes 12, 13, 14 and 15)	(102,544)	(103,181)	(921)
Other income (expense)-net (Notes 10, 14, 15, 20, 26, 27, 30, 32 and 34)	(37,787)	10,581	94
Finance income (Notes 7 and 26)	123,124	132,389	1,182
Finance costs (Notes 26 and 32)	(50,862)	(49,537)	(442)
Share of (loss) profit of investments accounted for using the equity method (Notes 6 and 39)	(175,389)	117,450	1,049
Profit (loss) before tax	(92,823)	601,440	5,370
Income taxes (Note 28)	(39,841)	(121,366)	(1,084)
Profit (loss) for the year	¥(132,664)	¥480,074	$4,286
Profit (loss) for the year attributable to:			
Owners of the Parent (Note 6)	¥(149,395)	¥440,293	$3,931
Non-controlling interests	16,731	39,781	355
	¥(132,664)	¥480,074	$4,286
Profit (loss) for the year attributable to Owners of the Parent per share (in Yen)			
Basic (Note 29)	¥(93.68)	¥277.79	$2.48
Diluted (Note 29)	(93.68)	277.16	2.47

See notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended March 31, 2016 and 2017

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2016	2017	2017
Profit (loss) for the year	¥(132,664)	¥480,074	$4,286
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss for the year:			
(Losses) gains on other investments designated as FVTOCI (Note 22)	(294,716)	111,869	999
Remeasurement of defined benefit pension plans (Note 22)	(49,636)	26,832	239
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 39)	(25,493)	5,471	49
Total	(369,845)	144,172	1,287
Items that may be reclassified to profit or loss for the year:			
Cash flow hedges (Note 22)	2,259	1,359	12
Exchange differences on translating foreign operations (Note 22)	(274,809)	(62,975)	(562)
Share of other comprehensive income (loss) of investments accounted for using the equity method (Notes 22 and 39)	(35,336)	(65,307)	(583)
Total	(307,886)	(126,923)	(1,133)
Total other comprehensive income (loss) (Note 22)	(677,731)	17,249	154
Total comprehensive income	¥(810,395)	¥497,323	$4,440
Comprehensive income attributable to:			
Owners of the Parent	¥(788,323)	¥452,465	$4,040
Non-controlling interests	(22,072)	44,858	400
	¥(810,395)	¥497,323	$4,440

See notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended March 31, 2016 and 2017

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2016	2017	2017
Common stock: (Note 21)			
Balance at the beginning of the year	¥204,447	¥204,447	$1,825
Balance at the end of the year	204,447	204,447	1,825
Additional paid-in capital: (Note 21)			
Balance at the beginning of the year	266,688	262,738	2,346
Compensation costs related to stock options (Note 23)	1,175	1,621	15
Sales of treasury stock upon exercise of stock options	(1,268)	(1,420)	(13)
Equity transactions with non-controlling interests and others (Note 38)	(3,857)	(42,178)	(377)
Balance at the end of the year	262,738	220,761	1,971
Treasury stock: (Note 21)			
Balance at the beginning of the year	(7,796)	(14,509)	(130)
Sales of treasury stock upon exercise of stock options	2,937	2,364	21
Purchases and sales—net	(99,969)	(9)	(0)
Cancellation	90,319	—	—
Balance at the end of the year	(14,509)	(12,154)	(109)
Other components of equity: (Note 22)			
Balance at the beginning of the year	1,515,691	913,939	8,160
Other comprehensive income (loss) attributable to owners of the Parent	(638,928)	12,172	109
Transfer to retained earnings	37,176	(47,162)	(420)
Balance at the end of the year	913,939	878,949	7,849
Retained earnings: (Note 21)			
Balance at the beginning of the year	3,591,447	3,225,901	28,803
Profit (loss) for the year attributable to owners of the Parent	(149,395)	440,293	3,931
Cash dividends paid to owners of the Parent	(88,223)	(87,170)	(778)
Sales of treasury stock upon exercise of stock options	(433)	(942)	(9)
Cancellation of treasury stock	(90,319)	—	—
Transfer from other components of equity	(37,176)	47,162	421
Balance at the end of the year	3,225,901	3,625,244	32,368
Equity attributable to owners of the Parent	4,592,516	4,917,247	43,904
Non-controlling interests:			
Balance at the beginning of the year	485,078	425,006	3,795
Cash dividends paid to non-controlling interests	(25,199)	(19,722)	(176)
Equity transactions with non-controlling interests and others	(12,801)	421,622	3,765
Profit for the year attributable to non-controlling interests	16,731	39,781	355
Other comprehensive income (loss) attributable to non-controlling interests (Note 22)	(38,803)	5,077	45
Balance at the end of the year	425,006	871,764	7,784
Total equity	¥5,017,522	¥5,789,011	$51,688
Comprehensive income attributable to:			
Owners of the Parent	¥(788,323)	¥452,465	$4,040
Non-controlling interests	(22,072)	44,858	400
Total comprehensive income	¥(810,395)	¥497,323	$4,440

See notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended March 31, 2016 and 2017

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2016	2017	2017
Operating activities:			
Profit (loss) for the year	¥(132,664)	¥480,074	$ 4,286
Adjustments to reconcile profit (loss) for the year to net cash provided by (used in) operating activities:			
Depreciation and amortization	219,699	201,117	1,796
Gains on investments	(46,334)	(83,288)	(743)
Losses on property, plant and equipment	81,152	88,762	792
Finance (income) — net of finance costs	(72,262)	(82,852)	(740)
Share of loss (profit) of investments accounted for using the equity method	175,389	(117,450)	(1,049)
Income taxes	39,841	121,366	1,084
Changes in trade receivables	300,823	(226,319)	(2,021)
Changes in inventories	211,722	(115,595)	(1,032)
Changes in trade payables	(293,040)	194,692	1,738
Other — net	85,751	(55,342)	(494)
Dividends received	216,206	218,960	1,955
Interest received	87,112	85,010	759
Interest paid	(70,594)	(64,797)	(578)
Income taxes paid	(102,696)	(61,334)	(548)
Net cash provided by (used in) operating activities	700,105	583,004	5,205
Investing activities:			
Payments for property, plant and equipment	(249,062)	(160,055)	(1,429)
Proceeds from disposal of property, plant and equipment	45,582	26,924	241
Payments for investment property	(23,317)	(8,696)	(78)
Proceeds from disposal of investment property	28,233	26,893	240
Purchases of investments accounted for using the equity method (Note 39)	(336,495)	(139,747)	(1,247)
Proceeds from disposal of investments accounted for using the equity method	68,749	98,475	879
Acquisitions of businesses — net of cash acquired (Note 37)	(12,873)	(74,694)	(667)
Proceeds from disposal of businesses — net of cash divested (Note 37)	12,208	1,365	12
Purchases of other investments (Note 30)	(314,697)	(117,283)	(1,047)
Proceeds from disposal of other investments	139,489	135,994	1,214
Increase in loans receivable	(77,302)	(43,331)	(387)
Collection of loans receivable	290,513	100,307	896
Net (increase) decrease in time deposits	(74,882)	(25,737)	(230)
Net cash provided by (used in) investing activities	(503,854)	(179,585)	(1,603)
Financing activities:			
Net increase (decrease) in short-term debts	(19,719)	(111,480)	(996)
Proceeds from long-term debts — net of issuance costs (Note 17)	979,730	671,204	5,993
Repayments of long-term debts	(1,109,316)	(1,190,052)	(10,626)
Dividends paid to owners of the Parent	(88,223)	(87,170)	(778)
Dividends paid to non-controlling interests	(25,199)	(19,722)	(176)
Payments for acquisition of subsidiary's interests from the non-controlling interest	(6,001)	(31,469)	(281)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	2,976	16,535	148
Net (increase) decrease in treasury stock	(98,776)	(8)	0
Net cash provided by (used in) financing activities	(364,528)	(752,162)	(6,716)
Effect of exchange rate changes on cash and cash equivalents	(55,952)	(6,703)	(59)
Net increase (decrease) in cash and cash equivalents	(224,229)	(355,446)	(3,173)
Cash and cash equivalents at the beginning of the year	1,725,189	1,500,960	13,401
Cash and cash equivalents at the end of the year	¥1,500,960	¥1,145,514	$10,228

See notes to the consolidated financial statements

Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Mitsubishi Corporation (the "Parent") is a public company located in Japan. The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company"), is a diversified organization engaged in a wide variety of business activities, providing various types of products and services on a global basis. Through the Company's domestic and overseas network, the Company is engaged in 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. The principal business activities of the Company are disclosed in Note 6 "Segment Information". The consolidated financial statements of the Parent comprise the accounts of the Company, including the interests in associates and joint arrangements.

2. BASIS OF PREPARATION

(1) Compliance with International Financial Reporting Standards (IFRS)
These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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

(3) Functional currency and presentation currency
The consolidated financial statements are presented in Japanese yen, which is the Parent's functional currency. All financial information presented in Japanese yen is rounded to the nearest million Japanese yen. Translation of Japanese yen amounts into U.S. dollars amounts for the year ended March 31, 2017 is included solely for the convenience of readers outside of Japan and has been made at the rate of ¥112=US$1, the approximate rate of exchange at March 31, 2017. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

(4) New major standards and interpretations applied
The new major standards and interpretations applied from the year ended March 31, 2017 are as follows:

Standards and interpretations	Outline
IFRS 11 Joint Arrangements (Amended)	Clarification of the accounting for acquisitions of interests in joint operations
IAS 16 Property, Plant and Equipment (Amended)	Accounting for produce growing on bearer plants
IAS 41 Agriculture (Amended)	

The adoption of new standards including those above and interpretations had no significant impact on the consolidated financial statements for the year ended March 31, 2017.

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

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

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

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

Significant changes in accounting judgments, estimates and assumptions in the consolidated financial statements for the year ended March 31, 2017 are included in the following notes:

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

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2018 is included in the following notes:

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

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

All intercompany accounts and transactions have been eliminated.

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

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

Please refer to Appendix for the major consolidated subsidiaries.

(ii) Business combinations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(vi) Reporting Date

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

(2) Foreign currency translation

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

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

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

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

(3) Financial instruments

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

(i) Non-derivative financial assets

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

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

(ii) Financial assets measured at amortized cost

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

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

(vii) Non-derivative financial liabilities
The Company initially recognizes debt securities and subordinated debt instruments issued by the Company on the issue date. All other financial liabilities are recognized on the transaction date on which the Company becomes a party to the contract concerning the financial instruments.
The Company derecognizes financial liabilities when the obligation specified in the contract is discharged or canceled or expires.
Financial liabilities are initially recognized at fair value, net of direct transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments (including all fees paid, transaction costs, and other premium/discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition. There is no financial liability irrevocably designated as measured at fair value through profit or loss at the time of initial recognition.

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

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

(ix) Hedge accounting and derivatives
The Company utilizes derivative instruments primarily to manage interest rate risks to reduce exposure to movements in foreign exchange rates, and to hedge the commodity price risk of various inventory and trading commitments. All derivative instruments are reported at fair value as assets or liabilities.

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

Hedges of net investment in foreign operations

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

Derivative instruments used for other than hedging activities

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

Changes in fair value of derivatives not designated as hedging instruments or held for trading purposes are recognized in profit.

(x) Financial guarantee contracts

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

• The amount of contractual obligations calculated in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent

Assets"; or

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

(xi) Offsetting financial assets and financial liabilities

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

(4) Inventories

Inventories are recognized at the lower of cost or net realizable value based on the moving average method or identified cost method. Net realizable value is presented in the amount of estimated selling price of inventories, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories acquired with the purpose of generating a profit from short-term price fluctuations are measured at fair value less costs to sell.

(5) Biological assets

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

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

(6) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are recognized at cost, net of accumulated depreciation and accumulated impairment losses.

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

(ii) Depreciation

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

Buildings and structures	2 to 60 years
Machinery and equipment	2 to 45 years
Aircraft and vessels	1 to 30 years

Assets related to the acquisition of contractual right for the exploration, evaluation, development, and production of oil and gas or mining resources are classified as mineral resources-related property.

Mineral resources-related property is amortized principally using the unit-of-production method based on the proven or probable reserves. Improvements in finance lease assets are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

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

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

(iii) Derecognition

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

(7) Investment property

Investment property is property held to earn rentals, for long-term capital appreciation or both. Real estate held for sale in the ordinary course of business (real estate held for development and resale) and real estate held to use in the production or supply of goods or services or for administrative purposes (property, plant and equipment) are not included. The Company applies the cost method to investment property, and measures investment property at cost, net of accumulated depreciation and accumulated impairment losses. Investment property is depreciated using the straight-line method over its estimated useful life, which is mainly 1 to 50 years. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the derecognition of an investment property is included in profit when the investment property is derecognized.

(8) Intangible assets and goodwill

(i) Research and development costs

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

(ii) Other intangible assets

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

(iii) Goodwill

Initial recognition

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

Measurement after initial recognition

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

At the time of disposal of related cash-generating units, goodwill is derecognized and the amount is recognized in profit.

(iv) Amortization

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

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

Software	2 to 15 years
Customer relationships	4 to 32 years
Trade names	9 to 25 years
Trademarks	5 to 36 years

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

(9) Leases

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

Leases other than finance leases are classified as operating leases.

(i) Lease as lessor

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

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

(ii) Lease as lessee

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

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

(10) Oil and gas exploration and development

Oil and gas exploration and evaluation activity includes:

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

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

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

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

(11) Mining operations

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

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

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

(12) Non-current assets held for sale

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

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

(13) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(14) Impairment of non-financial assets

(i) Assessment for impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(17) Stock-based compensation

Stock-based compensation cost is measured at the grant date, based on the estimated fair value of stock-based awards made to directors other than outside directors and executive officers, and is recognized on a straight-line basis over the vesting period with a corresponding increase in equity. The fair values of stock options are estimated using the Black-Scholes option-pricing model.

(18) Revenues

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

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

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

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

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

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

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

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

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

(i) Various streams of revenue

(a) Sale of products and commodities

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

(b) Construction contracts

The Company enters into long-term construction contracts as part of its manufacturing business. Revenues from long-term construction projects are accounted for using the percentage-of-completion method in cases where the estimated costs to complete and extent of progress toward completion of long-term contracts are measured reliably and there is an enforceable agreement between the parties who can fulfill the obligations. Otherwise, construction revenue is recognized to the extent of construction costs that are deemed recoverable.

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

(c) Rendering of services and other services

The Company performs other activities, which consist of services and rental or leasing activities. Service-related activities include performance of various services such as financial and logistics services, information and communications, technical support, and other service-related activities. The Company is engaged in certain rental activities or leasing of properties, including office buildings, aircraft, and other industrial assets. Revenues from service-related activities are recognized when the contracted services have been rendered to third-party customers pursuant to the agreement. Refer to (9) Leases for revenues from rental or leasing activities.

(ii) Transactions performed as an agent

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

(iii) Gross and net presentation of revenues

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

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

(19) Service concession arrangements

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

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

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

(20) Government grants

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

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

(21) Income taxes

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

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

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

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

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

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

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

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

(22) Fair value measurements

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

(i) Level 1

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

(ii) Level 2

Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

(iii) Level 3

Unobservable inputs for the assets or liabilities that reflect the assumptions that market participants would use when pricing the assets or liabilities. The Company develops unobservable inputs using the best information available in the circumstances, which might include the Company's own data.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

New or revised major Standards and Interpretations that were issued as of the date of approval of the consolidated financial statements but were not yet applied by the Company as of March 31, 2017 are as follows. As of March 31, 2017, potential impacts that application of these standards will have on the consolidated financial statements cannot be reasonably estimated.

Standards and Interpretations	Title	Date of mandatory application (fiscal year of commencement thereafter)	Reporting periods of application by the Company (The reporting period ended)	Outline of new/revised Standards and Interpretations
IAS 7 (Revised)	Statement of Cash Flows	January 1, 2017	March 31, 2018	Additional disclosure requirements for reconciliation of liabilities arising from financing activities
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Changes in accounting and disclosure requirements for revenue recognition
IFRS 9 (Revised in July 2014)	Financial Instruments	January 1, 2018	March 31, 2019	Partial changes in classification and measurement of financial instruments, and implementation of expected credit loss model for impairment losses
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	March 31, 2019	Additional requirements on exchange rate to be used for foreign currency transactions when payment is made or received in advance
IFRS 16	Leases	January 1, 2019	March 31, 2020	Changes in accounting and disclosure requirements for operating leases in the financial statements of lessees

5. BUSINESS COMBINATIONS AND ACQUISITION OF JOINT OPERATIONS

The significant business combination and acquisition of joint operation for the year ended March 31, 2016 were as follows:

Hunter Valley Operations

Through an Australian resource related subsidiary, Mitsubishi Development Pty Ltd (MDP), the Parent held 20% of the voting rights of an Australian thermal coal sales and production company, Coal & Allied Industries Limited (C&A), and had applied the equity-method to this investment.
On February 2, 2016, the Company sold all of the shares of C&A to Rio Tinto Limited (Rio Tinto), a joint venture partner, and on February 3, 2016 (the acquisition date) acquired a 32.4% interest in a coal mine, Hunter Valley Operations (HVO), in which C&A had owned a 100% interest. The consideration for HVO was offset by the consideration for the shares of C&A, and the remaining amount was settled in cash with Rio Tinto.
There is an arrangement which requires that resolutions of all important matters that affect the profit from the coal mine be decided by unanimous consent of the Company and the partner, Rio Tinto, (arrangement of joint control), and therefore the Company and Rio Tinto have rights to the assets and obligations for the liabilities relating to the arrangement in substance.
For these reasons, the Company has accounted for the investment in HVO as a joint operation.
The reason for selling the shares of C&A, which invests in several coal mines, and acquiring the interest in HVO was that HVO had the richest resource reserve and future upside potential in the coal mines in which C&A had invested.

Regarding the initial measurement of the acquisition, the Company reported provisional amounts for the items in the consolidated financial statements for the year ended March 31, 2016 because the purchase price allocation was not completed. The measurement was completed in the year ended March 31, 2017. The following table summarizes the estimated fair values of the consideration paid, as well as the assets acquired and liabilities assumed at the acquisition date. The amount of the measurement period adjustments is immaterial to the consolidated financial statements.

	Millions of Yen
	2016
Fair value of consideration paid	¥122,689
Fair value of assets acquired and liabilities assumed:	
Trade and other receivables (current)	¥1,808
Inventories	1,624
Property, plant and equipment	126,904
Current liabilities	(4,524)
Non-current liabilities	(3,123)
Total	¥122,689

The amounts of revenue and profit or loss since the acquisition date and pro forma results of operations for the above acquisition of joint operation are not presented because the effects are immaterial to the consolidated financial statements.

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

Acquisition of Lawson, Inc.

On February 9, 2017 (the acquisition date), the Company acquired through a tender offer for shares an additional 16.6% (16,649,900 shares) of the total number of issued shares (100,300,000 shares) of Lawson, Inc. (Lawson), a company engaged in the operation of a franchising system for and directly-managed stores of the convenience store "LAWSON," for cash consideration of ¥144,022 million ($1,286 million). As a result, together with the 33.4% (33,500,200 shares) held as of December 31, 2016, the Company has become the owner of a majority (50,150,100 shares) of the total number of issued shares of Lawson; as such, Lawson is now a consolidated subsidiary of the Company.
The Company will effectively utilize its networks and human resources on a greater scale than before in Lawson's domestic convenience store business, overseas convenience store business and other peripheral businesses, with the aim of further strengthening Lawson's business platform by enhancing collaboration.

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

	Millions of Yen	Millions of U.S. Dollars
	2017	2017
Fair value of consideration paid	¥144,022	$1,286
Fair value of the previously held equity interest	265,322	2,369
Fair value of non-controlling interests	410,624	3,666
Total	¥819,968	$7,321
Fair value of assets acquired, liabilities assumed:		
Cash and cash equivalents	¥67,902	$606
Trade and other receivables (current)	(Notes) 150,913	1,347
Other investments	105,524	942
Trade and other receivables (non-current)	43,643	390
Property, plant and equipment	365,109	3,260
Intangible assets	428,702	3,828
Other assets	60,913	544
Bonds and borrowings (current)	(31,105)	(278)
Trade and other payables (current)	(Notes) (318,099)	(2,840)
Bonds and borrowings (non-current)	(56,704)	(506)
Trade and other payables (non-current)	(121,187)	(1,082)
Deferred tax liabilities	(105,190)	(939)
Other liabilities	(60,649)	(542)
Identifiable net assets	¥529,772	$4,730
Amount of goodwill recognized	¥290,196	$2,591
Total	¥819,968	$7,321

Notes:
As of the acquisition date, the amount of intercompany transactions included in Trade and other receivables (current) and Trade and other payables (current) in the above figure was ¥26,777 million ($239 million) and ¥81,097 million ($724 million) respectively, which were eliminated in the consolidated statement of financial position against Trade and other payables (current) and Trade and other receivables (current) which the Company held with Lawson.

The Company had previously used the equity method to account for the equity interest held by the Company in Lawson. The Company remeasured the previously held equity interest in conjunction with the business combination above. Consequently, the Company recorded a gain of ¥8,153 million ($73 million) under gains on investments in the Living Essentials segment for the year ended March 31, 2017. The fair values of the previously held equity interest and non-controlling interests were measured at a value that reflects a control premium included in the tender offer price, and the market price.

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

For taxable temporary differences concerning consolidated subsidiaries, deferred tax liabilities are not recognized in cases where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, in conjunction with the business combination above, the Company has reversed deferred tax liabilities of ¥21,588 million ($193 million).

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

	Millions of Yen	Millions of U.S. Dollars
	2017	2017
Revenues	¥6,909,919	$61,696
Profit for the year	465,503	4,156
Profit for the year attributable to Owners of the Parent	411,980	3,678

6. SEGMENT INFORMATION

[Operating segment information]

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

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

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

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

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

The Company's segment information at and for the years ended March 31, 2016 and 2017 was as follows:

	Millions of Yen										
2016	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	¥58,839	¥154,208	¥1,368,508	¥700,887	¥777,551	¥1,302,053	¥2,562,763	¥6,924,809	¥13,325	¥(12,552)	¥6,925,582
Gross profit	37,834	61,774	35,405	139,109	198,021	112,564	505,041	1,089,748	10,114	(985)	1,098,877
Share of profit (loss) of investments accounted for using the equity method	28,787	17,536	(3,985)	(278,896)	25,133	15,424	20,190	(175,811)	1,123	(701)	(175,389)
Profit (loss) for the year attributable to owners of the Parent	29,228	40,307	(9,763)	(360,732)	62,224	30,513	73,474	(134,749)	4,071	(18,717)	(149,395)
Total assets	1,011,818	870,322	2,036,199	3,557,899	1,726,900	870,506	3,169,251	13,242,895	3,319,226	(1,645,865)	14,916,256

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

	Millions of U.S. Dollars										
2017	Global Environmental & Infrastructure Business	Industrial Finance, Logistics & Development	Energy Business	Metals	Machinery	Chemicals	Living Essentials	Total	Other	Adjustments and Eliminations	Consolidated
Revenues	$617	$1,185	$10,618	$8,362	$6,669	$10,126	$19,681	$57,258	$97	$18	$57,373
Gross profit	339	537	336	3,703	1,626	1,009	4,225	11,775	70	18	11,863
Share of profit (loss) of investments accounted for using the equity method	207	123	226	24	47	108	311	1,046	11	(8)	1,049
Profit (loss) for the year attributable to owners of the Parent	209	317	495	1,321	263	239	1,083	3,927	(11)	15	3,931
Total assets	8,979	7,514	18,911	33,074	15,532	8,428	38,777	131,215	23,494	(14,052)	140,657

Notes:

1. "Other" represents the corporate departments which primarily provide services and operational support to the Company and Affiliated companies. This column also includes certain revenues and expenses from business activities related to financing and human resource services that are not allocated to reportable operating segments. Unallocated corporate assets categorized in "Other" consist primarily of cash, time deposits and securities for financial and investment activities.
2. "Adjustments and Eliminations" includes certain income and expense items that are not allocated to reportable operating segments and intersegment eliminations.
3. From the fiscal year ending March 31, 2017, the environment-related business of the Global Environmental & Infrastructure Business Group is determined as an operating segment in the same manner as the infrastructure-related business. In line with this change, although previously presented in "Other," the environment-related business is now included within the "Global Environmental & Infrastructure Business." Segment information for the year ended March 31, 2016 has been reclassified accordingly.
4. As for the effect of the restructuring of the shale gas business of this fiscal year, please refer to "2) Energy Business Group" under "2. One-Off Gains' Information" of Appendix.
5. As for the effect of the change in estimates of provisions in the previous fiscal year, please refer to "1) Global Environment & Infrastructure Business Group" under "2. One-Off Gains' Information" of Appendix.

[Geographic Information]
Revenues and non-current assets at and for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Revenues:			
Japan	¥4,548,391	¥3,793,690	$33,872
U.S.A	638,761	797,713	7,122
Australia	545,998	765,043	6,831
Other	1,192,432	1,069,315	9,548
Total	¥6,925,582	¥6,425,761	$57,373
Non-current assets (excluding financial assets, deferred tax assets and post-employment benefit assets)			
Japan	¥646,226	¥1,737,683	$15,515
Australia	1,123,242	1,001,006	8,938
Other	987,736	900,298	8,038
Total	¥2,757,204	¥3,638,987	$32,491

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

Neither the Company nor any of its segments depended on any single customer, small group of customers, or government for more than 10% of the Company's revenues for the years ended March 31, 2016 and 2017.

7. SHORT-TERM INVESTMENTS AND OTHER INVESTMENTS

The following is a breakdown of the carrying amounts of short-term investments and other investments at March 31, 2016 and 2017.

	Millions of Yen			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2016)				
Short-term investments	¥4,028	—	¥24,735	¥28,763
Other investments	101,441	¥1,775,926	112,848	1,990,215
(March 31, 2017)				
Short-term investments	4,292	—	18,575	22,867
Other investments	143,285	1,889,775	258,405	2,291,465

	Millions of U.S. Dollars			
	FVTPL	FVTOCI	Amortized cost	Total
(March 31, 2017)				
Short-term investments	$38	—	$166	$204
Other investments	1,280	$16,873	2,307	20,460

The following is a breakdown of the fair values of financial assets measured at FVTOCI at March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Marketable	¥887,568	¥960,809	$8,579
Non-marketable	888,358	928,966	8,294
Total	¥1,775,926	¥1,889,775	$16,873

Of the above, the fair values of the main marketable securities at March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Security name	2016	2017	2017
AYALA	¥116,378	¥119,393	$1,066
ISUZU MOTORS	73,942	93,700	837
MITSUBISHI MOTORS CORPORATION	83,494	92,110	822
AEON	71,213	71,190	636
NISSIN FOODS HOLDINGS	49,894	51,449	459
CAP	9,518	37,842	338
HOKUETSU KISHU PAPER	24,571	28,416	254
JXTG HOLDINGS	21,090	26,578	237
RYOHIN KEIKAKU	25,664	26,300	235
THAI UNION GROUP	23,185	24,260	217
YAMAZAKI BAKING	23,354	22,556	201
MITSUBISHI ESTATE	21,927	21,293	190
SUMBER ALFARIA TRIJAYA	18,993	20,410	182
INPEX CORPORATION	12,481	16,005	143
KIRIN HOLDINGS	10,589	14,095	126
NISSHIN SEIFUN GROUP	15,114	14,033	125
MITSUBISHI HEAVY INDUSTRIES	11,128	11,886	106
CHINA AGRI-INDUSTRIES HOLDINGS	6,387	10,385	93
TOYO TIRE & RUBBER	6,536	7,781	69
SHIN-ETSU CHEMICAL	4,660	7,716	69

The non-marketable securities primarily consisted of investments related to mineral resources. These investments principally included Sakhalin Energy Investment Company and Malaysia LNG Dua for LNG, and also included Minera Escondida and Compania Minera Antamina for copper.
Fair values of the investments related to LNG were ¥387,952 million and ¥389,058 million ($3,474 million), and fair values of the investments related to copper were ¥273,721 million and ¥330,327 million ($2,949 million) for the years ended March 31, 2016 and 2017, respectively.

The amounts of dividend income from financial assets measured at FVTOCI held at March 31, 2016 and 2017 that were recognized for the years ended March 31, 2016 and 2017 were ¥75,702 million and ¥93,819 million ($838 million), respectively.

With respect to financial assets measured at FVTOCI derecognized as a result of sale through the continuous modification of the Company's portfolio strategy, the fair values at the time of derecognition and accumulated gains or losses on disposal (before tax) for the years ended March 31, 2016 and 2017 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Fair value at the time of derecognition	¥57,740	¥48,086	$429
Accumulated gain or loss on disposal (before tax)	8,048	17,220	154

The amounts of dividend income from derecognized financial assets measured at FVTOCI were immaterial for the years ended March 31, 2016 and 2017.

With respect to financial assets measured at FVTOCI, accumulated gain or loss (after tax) recorded as other components of equity at the time of derecognition, tax deduction etc., was transferred to retained earnings. The amounts transferred were ¥17,582 million and ¥19,335 million ($173 million) for the years ended March 31, 2016 and 2017, respectively.

8. TRADE AND OTHER RECEIVABLES

The following is a breakdown of the carrying amounts of "Trade and other receivables" at March 31, 2016 and 2017.

Classification	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
Current trade and other receivables			
Notes receivable-trade	¥273,341	¥319,876	$2,856
Accounts receivable-trade and other	2,497,280	2,724,087	24,322
Amount not expected to be collected within 1 year included within the above account	48,091	66,479	594
Loans and other receivables	183,468	113,299	1,012
Allowance for doubtful receivables	(31,029)	(31,758)	(284)
Total current trade and other receivables	¥2,923,060	¥3,125,504	$27,906
Non-current trade and other receivables			
Loans receivable	¥135,998	¥176,380	$1,575
Other receivables	410,827	360,975	3,223
Allowance for doubtful receivables	(58,008)	(36,502)	(326)
Total non-current trade and other receivables	¥488,817	¥500,853	$4,472

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

The changes in "Allowance for doubtful receivables" for the years ended March 31, 2016 and 2017 were as follows.

	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
Balance at the beginning of the year	¥69,149	¥89,037	$795
Provision for credit losses	31,660	8,280	74
Charge-offs	(5,729)	(28,669)	(256)
Other*	(6,043)	(388)	(4)
Balance at the end of the year	¥89,037	¥68,260	$609

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

Impairment losses (including provision for credit losses) recorded for the years ended March 31, 2016 and 2017 were ¥30,020 million and ¥7,835 million ($70 million), respectively, and were predominantly due to a deterioration of the business condition of a customer. For the year ended March 31, 2016, the Company recorded a provision for doubtful receivables of ¥10,707 million mainly due to the reduction in value of the collateral resulting from the decline in vessel market prices.

For the year ended March 31, 2017, trade and lease receivables, including those impaired individually, were derecognized due to cancellation of charter contracts in vessel transactions, resulting in charge-offs of the corresponding allowance for doubtful receivables.

The following is an analysis of the balance of trade and other receivables impaired individually, and the corresponding allowance for doubtful receivables at March 31, 2016 and 2017.

	Millions of Yen				Millions of U.S. Dollars	
	2016		2017		2017	
	Balance	Allowance	Balance	Allowance	Balance	Allowance
Trade receivables	¥37,965	¥(29,172)	¥31,900	¥(23,096)	$285	$(206)
Lease receivables	34,551	(10,557)	593	(314)	5	(3)
Loans	26,414	(24,515)	27,880	(25,964)	249	(232)
Total	¥98,930	¥(64,244)	¥60,373	¥(49,374)	$539	$(441)

The Company holds collateral and other credit enhancements related to impaired financial assets in connection with lease receivables from vessel leasing transactions. The fair value of the collateral and other credit enhancements was ¥23,842 million at March 31, 2016. The fair value of the collateral and other credit enhancements was immaterial at March 31, 2017.

The following is an analysis of the age of receivables that are past due but not impaired individually at March 31, 2016 and 2017.

	Millions of Yen			
March 31, 2016	Past due within 30 days	Past due over 30 days through 90 days	Past due over 90 days	Total
Trade receivables and loans	¥50,816	¥13,495	¥26,872	¥91,183
Lease receivables	21,944	12,265	5,589	39,798
Total	¥72,760	¥25,760	¥32,461	¥130,981

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

	Millions of U.S. Dollars			
March 31, 2017	Past due within 30 days	Past due over 30 days through 90 days	Past due over 90 days	Total
Trade receivables and loans	$448	$117	$244	$809
Lease receivables	161	125	36	322
Total	$609	$242	$280	$1,131

Loans are aggregated with trade receivables because these are immaterial.

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

9. INVENTORIES

The breakdown of inventories at March 31, 2016 and 2017 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Merchandise and finished goods	¥782,808	¥867,937	$ 7,749
Raw materials, work in progress and supplies	186,164	186,435	1,665
Real estate held for development and resale	64,780	55,766	498
Total	¥1,033,752	¥1,110,138	$9,912
Carrying amount of inventories carried at fair value less costs to sell included above (refer to Note 30)	¥119,983	¥204,397	$1,825

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

The amount of inventories recognized as "Costs of revenues" for the years ended March 31, 2016 and 2017 was ¥5,541,269 million and ¥4,868,111 million ($43,465 million), respectively.

Amounts related to write-down of inventories recognized as expenses were immaterial for the years ended March 31, 2016 and 2017.

10. BIOLOGICAL ASSETS

The following is a breakdown of cost of biological assets, fair value adjustments and carrying amounts of biological assets at March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Cost of biological assets	¥52,232	¥60,087	$537
Fair value adjustments	13,481	7,621	68
Carrying amounts	¥65,713	¥67,708	$605

The following is a breakdown of changes in the carrying amounts of biological assets for the year ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Balance at the beginning of year	¥69,600	¥65,713	$587
Increase due to production	146,856	100,112	894
Decrease due to sales / harvest / mortality	(154,441)	(92,801)	(829)
Reclassification to assets held for sale	(674)	—	—
Fair value adjustments	9,098	(5,001)	(45)
Exchange translations and others	(4,726)	(315)	(2)
Balance at the end of year	¥65,713	¥67,708	$605

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

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

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

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

The following is a breakdown of changes in the live weight (tonnes) of biological assets held in the business of salmon farming for the year ended March 31, 2016 and 2017.

	Tonnes	
	2016	2017
Balance at the beginning of year	103,649	88,084
Increase due to production	193,962	163,790
Decrease due to sales/harvest/mortality	(209,527)	(151,566)
Balance at the end of year	88,084	100,308

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

The following non-current assets or disposal groups are classified as held for sale as of March 31, 2016 and 2017 since the sale is highly probable and the sale and delivery is expected to be completed within 1 year.
Impairment losses for assets classified as held for sale are included in "Impairment losses on property, plant and equipment and others" or "Gains on investments" in the consolidated statement of income.

Non-current assets classified as held for sale
Investment property of ¥9,287 million and Property, plant and equipment (Aircraft) of ¥4,907 million in the Industrial Finance, Logistics & Development segment, etc., were classified as held for sale as of March 31, 2016. The non-current assets held for sale were disposed during the year ended March 31, 2017.
Other investments (Marketable equity securities related to oil and gas exploration and development) of ¥14,677 million ($131 million) in the Energy Business segment was classified as held for sale as of March 31, 2017 based on the settlement of the sales and purchase agreement, and was measured at fair value less cost to sell in Level 1. The Company expects to execute the sales of the corresponding non-current asset during the year ending March 31, 2018.
Property, plant and equipment (Aircraft) of ¥9,976 million ($89 million) in the Industrial, Finance, Logistics and Development segment (partly measured at fair value less cost to sell in Level 2), etc., were classified as held for sale as of March 31, 2017.

Disposal groups classified as held for sale
Yonekyu Corporation, which was formerly a consolidated subsidiary in the Living Essentials segment, was classified as a disposal group held for sale as of March 31, 2016, since it became certain that Yonekyu Corporation would be a wholly-owned subsidiary of Itoham Yonekyu Holdings Inc. effective on April 1, 2016 and, as a result, the Parent would lose control. As a result of this transaction, Itoham Yonekyu Holdings Inc. is a 38.94% owned associate of the Parent. The following is a breakdown of assets and liabilities classified as held for sale as of March 31, 2016. The Parent lost control of the disposal group held for sale due to the transaction above during the year ended March 31, 2017.

Item	Millions of Yen
Cash and cash equivalents	¥18,066
Trade and other receivables	17,240
Inventories	9,277
Property, plant and equipment	18,901
Other	5,400
Total assets	¥68,884
Trade and other payables	20,074
Other	6,161
Total liabilities	¥26,235

Amounts related to disposal groups held for sale were immaterial for the year ended March 31, 2017.

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

12. PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of the gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amounts of property, plant and equipment at March 31, 2016 and 2017.

	Millions of Yen						
	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
(March 31, 2016)							
Gross carrying amount	¥219,888	¥583,316	¥745,432	¥514,677	¥1,923,616	¥34,451	¥4,021,380
Accumulated depreciation and accumulated impairment losses	14,175	354,377	502,818	152,722	699,650	254	1,723,996
Carrying amount	¥205,713	¥228,939	¥242,614	¥361,955	¥1,223,966	¥34,197	¥2,297,384
(March 31, 2017)							
Gross carrying amount	¥231,003	¥823,162	¥880,167	¥520,389	¥1,806,445	¥34,533	¥4,295,699
Accumulated depreciation and accumulated impairment losses	13,558	371,970	520,053	180,904	718,518	5,982	1,810,985
Carrying amount	¥217,445	¥451,192	¥360,114	¥339,485	¥1,087,927	¥28,551	¥2,484,714

	Millions of U.S. Dollars						
(March 31, 2017)	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Gross carrying amount	$2,062	$7,350	$7,859	$4,646	$16,129	$308	$38,354
Accumulated depreciation and accumulated impairment losses	121	3,321	4,644	1,615	6,415	53	16,169
Carrying amount	$1,941	$4,029	$3,215	$3,031	$9,714	$255	$22,185

The following is a breakdown of changes in the carrying amounts of property, plant and equipment for the years ended March 31, 2016 and 2017.

	Millions of Yen						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2015	¥216,029	¥237,619	¥266,820	¥352,700	¥1,290,443	¥31,650	¥2,395,261
Additions	3,504	17,649	42,121	64,049	56,380	40,909	224,612
Additions through business combination	2,511	4,116	3,304	190	126,637	68	136,826
Disposal or reclassification to assets held for sale	(7,365)	(9,680)	(7,004)	(11,424)	(5,647)	(1,115)	(42,235)
Depreciation	(61)	(20,364)	(54,881)	(28,582)	(92,178)	—	(196,066)
Impairment losses	(529)	(608)	(370)	(7,814)	(75,027)	—	(84,348)
Exchange translations	(3,700)	(7,638)	(9,902)	(18,748)	(76,606)	(2,374)	(118,968)
Other*	(4,676)	7,845	2,526	11,584	(36)	(34,941)	(17,698)
Balance at March 31, 2016	¥205,713	¥228,939	¥242,614	¥361,955	¥1,223,966	¥34,197	¥2,297,384
Additions	4,518	11,484	34,223	48,882	36,436	35,969	171,512
Additions through business combination	13,558	226,848	127,925	5	—	1,810	370,146
Disposal or reclassification to assets held for sale	(2,181)	(1,261)	(1,656)	(21,895)	(11,114)	(198)	(38,305)
Depreciation	—	(21,387)	(50,094)	(30,135)	(76,413)	—	(178,029)
Impairment losses	(1,442)	(7,645)	(7,851)	(18,350)	(62,540)	(4,767)	(102,595)
Exchange translations	152	(1,751)	(4,981)	(1,388)	(16,586)	(812)	(25,366)
Other*	(2,873)	15,965	19,934	411	(5,822)	(37,648)	(10,033)
Balance at March 31, 2017	¥217,445	¥451,192	¥360,114	¥339,485	¥1,087,927	¥28,551	¥2,484,714

	Millions of U.S. Dollars						
Carrying amount	Land	Buildings and structures	Machinery and equipment	Aircraft and vessels	Mineral resources -related property	Construction in progress	Total
Balance at April 1, 2016	$1,837	$2,044	$2,166	$3,232	$10,928	$305	$20,512
Additions	40	103	306	436	325	321	1,531
Additions through business combination	121	2,025	1,142	0	—	17	3,305
Disposal or reclassification to assets held for sale	(19)	(11)	(15)	(195)	(99)	(2)	(341)
Depreciation	—	(191)	(448)	(269)	(682)	—	(1,590)
Impairment losses	(13)	(68)	(70)	(164)	(558)	(43)	(916)
Exchange translations	1	(16)	(44)	(12)	(148)	(7)	(226)
Other*	(26)	143	178	3	(52)	(336)	(90)
Balance at March 31, 2017	$1,941	$4,029	$3,215	$3,031	$9,714	$ 255	$22,185

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

Impairment losses recognized for the years ended March 31, 2016 and 2017 were applicable to the following segments:

	Millions of Yen		Millions of U.S. Dollars
Segment	2016	2017	2017
Global Environmental & Infrastructure Business	—	—	—
Industrial Finance, Logistics & Development	¥1,754	¥2,125	$19
Energy Business	26,671	22,835	204
Metals	49,630	48,056	429
Machinery	5,896	20,925	187
Chemicals	67	2,372	21
Living Essentials	330	6,282	56
Other	—	—	—
Total	¥84,348	¥102,595	$916

Notes:
1. "Other" represents impairment losses attributable to the assets for corporate use, which have not been allocated to specific operating segments.
2. From the fiscal year ending March 31, 2017, the environment-related business of the Global Environmental & Infrastructure Business Group is determined as an operating segment in the same manner as the infrastructure-related business. In line with this change, although previously presented in "Other," the environment-related business is now included within the "Global Environmental & Infrastructure Business".

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

The impairment loss on property, plant and equipment for the year ended March 31, 2016 includes an impairment loss of ¥27,065 million on assets related to the iron ore business held by Mitsubishi Development Pty Ltd in the Metals segment and impairment losses of ¥10,894 million on gas exploration and development assets in Papua New Guinea held by Diamond Gas Niugini B.V. and other entities in the Energy Business segment mainly due to prolonged stagnant natural-resource market prices.

The impairment loss on property, plant and equipment for the year ended March 31, 2017 includes an impairment loss of ¥35,496 million ($317 million) on assets related to the thermal coal business held by Mitsubishi Development Pty Ltd in the Metals Segment in accordance with the portfolio re-profiling policy; impairment losses of ¥17,947 million ($160 million) on ships held by Diamond Star Shipping Pte. Ltd. in the Machinery segment due to deterioration in the shipping market; and impairment losses of ¥12,043 million ($108 million) on exploration and development assets held by Cote D'Ivoire Japan Petroleum Limited. in the Energy Business segment due to changes in development policy.

The amount of reversals of impairment losses on property, plant and equipment recognized was immaterial for the years ended March 31, 2016 and 2017.

The amount of contractual commitments for the acquisition of property, plant and equipment was ¥70,303 million and ¥70,078 million ($626 million) at March 31, 2016 and 2017, respectively.

The amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in net income was immaterial as of March 31, 2016 and 2017.

13. INVESTMENT PROPERTY

The following is a breakdown of gross carrying amount, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property at March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Gross carrying amount	¥108,384	¥77,915	$695
Accumulated depreciation and accumulated impairment losses	37,806	29,956	267
Carrying amount	¥70,578	¥47,959	$428

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

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Balance at the beginning of the year	¥80,524	¥70,578	$630
Additions	23,468	9,082	81
Disposal or reclassification to assets held for sale	(29,650)	(6,769)	(60)
Decrease through divestitures	—	(24,563)	(219)
Depreciation	(1,717)	(1,587)	(14)
Impairment losses	(3,385)	(399)	(4)
Other	1,338	1,617	14
Balance at the end of the year	¥70,578	¥47,959	$428

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

The fair value of investment property is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Fair value	¥94,163	¥67,014	$598

The fair value of investment property is based on a valuation conducted by independent real estate appraisers. The valuation techniques are based on a discounted cash flow model, etc. The fair value is designated as Level 3 in the fair value hierarchy.

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Rental income	¥7,943	¥7,738	$69
Fixed property taxes and other direct operating expenses arising from investment property which generates rental income	4,647	5,467	49

The amounts of fixed property taxes and other direct operating expenses arising from investment property that did not generate rental income were immaterial for the years ended March 31, 2016 and 2017.

The amount of acquisitions of investment property for which a contract had been concluded but not executed was immaterial at March 31, 2016 and 2017.

14. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

The following is a breakdown of the gross carrying amount, accumulated amortization and accumulated impairment losses, and carrying amounts of intangible assets at March 31, 2016 and 2017.

	Millions of Yen							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
(March 31, 2016)								
Gross carrying amount	¥7,788	¥148,568	¥21,462	¥72,323	¥19,068	¥15,077	¥49,317	¥333,603
Accumulated amortization and accumulated impairment losses	4,641	75,780	5,139	2,433	7,094	15,077	27,531	137,695
Carrying amount	¥3,147	¥72,788	¥16,323	¥69,890	¥11,974	—	¥21,786	¥195,908
(March 31, 2017)								
Gross carrying amount	¥306,266	¥202,058	¥114,611	¥70,815	¥15,052	¥15,005	¥48,898	¥772,705
Accumulated amortization and accumulated impairment losses	4,121	82,034	7,477	2,469	5,993	15,005	30,067	147,166
Carrying amount	¥302,145	¥120,024	¥107,134	¥68,346	¥9,059	—	¥18,831	¥625,539

	Millions of U.S. Dollars							
(March 31, 2017)	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
Gross carrying amount	$2,735	$1,804	$1,023	$632	$135	$134	$436	$6,899
Accumulated amortization and accumulated impairment losses	37	732	67	22	54	134	268	1,314
Carrying amount	$2,698	$1,072	$956	$610	$81	—	$168	$5,585

The following is a breakdown of the changes in the carrying amount of intangible assets for the years ended March 31, 2016 and 2017.

Carrying amount	Millions of Yen							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
Beginning of year ended March 31, 2016	¥7,756	¥67,774	¥16,894	¥76,497	¥13,225	¥16,092	¥22,706	¥220,944
Additions	66	23,433	—	298	605	—	5,540	29,942
Additions through business combinations	61	582	916	—	—	—	36	1,595
Disposal or reclassification to assets held for sale	(1)	(464)	—	(63)	—	—	(5)	(533)
Amortization	(445)	(13,565)	(1,140)	(72)	(739)	—	(5,955)	(21,916)
Impairment losses	(3)	(42)	(173)	—	—	(14,543)	(50)	(14,811)
Exchange translations	(256)	(1,575)	(684)	(6,566)	(1,038)	(1,549)	(2,135)	(13,803)
Other	(4,031)	(3,355)	510	(204)	(79)	—	1,649	(5,510)
End of year ended March 31, 2016	¥3,147	¥72,788	¥16,323	¥69,890	¥11,974	—	¥21,786	¥195,908
Additions	249	20,231	376	61	195	—	2,989	24,101
Additions through business combinations	298,994	40,139	91,526	84	121	—	320	431,184
Disposal or reclassification to assets held for sale	(2)	(598)	—	(83)	—	—	(59)	(742)
Amortization	(233)	(12,817)	(1,792)	(89)	(481)	—	(6,163)	(21,575)
Impairment losses	—	(120)	(50)	—	(92)	—	75	(187)
Exchange translations	(201)	333	(160)	(1,441)	(1,034)	—	(722)	(3,225)
Other	191	68	911	(76)	(1,624)	—	605	75
End of year ended March 31, 2017	¥302,145	¥120,024	¥107,134	¥68,346	¥9,059	—	¥18,831	¥625,539

Carrying amount	Millions of U.S. Dollars							
	Trademarks and trade names	Software	Customer relationships	Fish farming license and surface rights	Business rights	Intellectual property related to feasibility studies	Other	Total
Beginning of year ended March 31, 2017	$28	$650	$146	$624	$107	—	$194	$1,749
Additions	2	180	3	1	2	—	27	215
Additions through business combinations	2,670	358	817	1	1	—	3	3,850
Disposal or reclassification to assets held for sale	(0)	(5)	—	(1)	—	—	(1)	(7)
Amortization	(2)	(114)	(17)	(1)	(4)	—	(55)	(193)
Impairment losses	—	(1)	(0)	—	(1)	—	1	(1)
Exchange translations	(2)	3	(2)	(13)	(9)	—	(6)	(29)
Other	2	1	9	(1)	(15)	—	5	1
End of year ended March 31, 2017	$2,698	$1,072	$956	$610	$81	—	$168	$5,585

The impairment loss on intangible assets for the year ended March 31, 2016 includes an impairment loss of ¥14,543 million on assets related to the iron ore business held by Mitsubishi Development Pty Ltd in the Metals segment mainly due to prolonged stagnant natural resource market prices.
Additions through business combinations on intangible assets for the year ended March 31, 2017 include additions of ¥428,702 million ($3,828 million), which consists mainly of ¥298,955 million ($2,669 million) of trademarks and trade names and ¥91,523 million ($817 million) of customer relationships with remaining amortization periods of 15 years to 36 years, due to the acquisition of Lawson Inc. as a consolidated subsidiary in the Living Essentials segment.

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

At March 31, 2016 and 2017, the carrying amounts of intangible assets with indefinite useful lives were as follows:

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Business rights	¥6,050	¥5,234	$47
Fish farming license and surface rights	68,364	66,745	596
Other	3,669	4,259	38
Total	¥78,083	¥76,238	$681

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

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

Internally generated intangible assets primarily consist of software, the carrying amount of which was ¥41,419 million and ¥59,220 million ($529 million) at March 31, 2016 and 2017, respectively.

The amount of contractual commitments for the acquisition of intangible assets was immaterial at March 31, 2016 and 2017.

Research and development costs recognized in net income were immaterial at March 31, 2016 and 2017.

Goodwill

The following is a breakdown of the changes in goodwill for the years ended March 31, 2016 and 2017.

	Millions of Yen		
	Cost	Accumulated impairment losses	Carrying amount
Beginning of year ended March 31, 2016	¥120,136	¥(11,999)	¥108,137
Additions by business combinations	7,823	—	7,823
Impairment losses	—	(5,688)	(5,688)
Disposal	(8,451)	4,232	(4,219)
Exchange translations	(9,646)	—	(9,646)
Other	(1,199)	—	(1,199)
End of year ended March 31, 2016	¥108,663	¥(13,455)	¥95,208
Additions by business combinations	298,896	—	298,896
Impairment losses	—	(6,226)	(6,226)
Disposal	(1,397)	1,397	—
Exchange translations	83	—	83
Other	(3,190)	—	(3,190)
End of year ended March 31, 2017	¥403,055	¥(18,284)	¥384,771

	Millions of U.S. Dollars		
	Cost	Accumulated impairment losses	Carrying amount
Beginning of year ended March 31, 2017	$970	$(120)	$850
Additions by business combinations	2,669	—	2,669
Impairment losses	—	(56)	(56)
Disposal	(12)	12	—
Exchange translations	1	—	1
Other	(29)	—	(29)
End of year ended March 31, 2017	$3,599	$(164)	$3,435

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

Impairment test of goodwill and intangible assets with indefinite useful lives

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

Lawson. Inc.

The Company, in the year ended March 31, 2017, acquired control of Lawson. Inc., and completed the allocation of consideration paid to assets acquired and liabilities assumed.

The amount of goodwill as of March 31, 2017 was ¥290,196 million ($2,591 million) and the amount of intangible assets with indefinite useful lives was immaterial.

In the impairment test of goodwill and intangible assets with indefinite useful lives in the year ended March 31, 2017, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan used for the basis of consideration paid, amended to reflect the recent business environment. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Please refer to Note 5 for the details of the business combination.

Cermaq Group AS

The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2016 was ¥22,238 million and ¥62,156 million, respectively. The amount of goodwill and intangible assets with indefinite useful lives as of March 31, 2017 were ¥21,627 million ($193 million) and ¥65,967 million ($589 million), respectively.

In the impairment test of goodwill and intangible assets with indefinite useful lives in the years ended March 31, 2016 and 2017, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the most recent business plan with the support of an independent appraiser. For the period, included in the cash flows, the Company used 10 years since the business plan needs to be reflected in the mid and long-term salmon forecast for supply and demand and on-going salmon farming project. The key assumptions with the most significant impact on the calculation of the value in use are the salmon price and the farming plan. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating unit. Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

Agrex do Brasil S.A.

The amount of goodwill as of March 31, 2016 and 2017 was ¥11,155 million and ¥13,067 million ($117 million), respectively.

In the impairment test of goodwill in the years ended March 31, 2016 and 2017, the recoverable amount was estimated based on value in use by using the present value of future cash flows based on the business plan used for the basis of consideration paid, amended to reflect the recent business environment. The key assumptions with the most significant impact on the calculation of the value in use are the volume of trading, the grain price and the margin of trading. For the discount rate, the Company used a rate that reasonably reflects the rate of return that is considered to be the market-average rate that incorporates the risks specific to the cash-generating units. Even when the significant assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

15. EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

The following is a breakdown of the changes in the carrying amounts of exploration and evaluation assets for the years ended March 31, 2016 and 2017. Carrying amounts of exploration and evaluation assets are mainly recognized in "Property, plant and equipment" in the consolidated statement of financial position.

Carrying amount	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Beginning of year	¥197,684	¥148,606	$1,327
Additions	5,138	11,797	105
Impairment and write-off of unsuccessful exploration expenditure	(38,855)	(22,041)	(197)
Transfer due to demonstration of commercial viability	(3,442)	—	—
Exchange translations	(11,919)	(2,508)	(22)
End of year	¥148,606	¥135,854	$1,213

The Company's exploration and evaluation activities have also generated liabilities, of which the carrying amounts were ¥15,634 million and ¥3,386 million ($30 million) as of March 31, 2016 and 2017, respectively. Carrying amounts of exploration and evaluation liabilities are mainly recognized in "Trade and other payables" in the consolidated statement of financial position.

The following table presents the amounts of expenses and cash flows arising from exploration for and evaluation of mineral resources for the years ended March 31, 2016 and 2017. "Expenses arising from exploration for and evaluation of mineral resources" are recognized in "Impairment losses on property, plant and equipment and others" and "Other income (expense) - net" in the consolidated statement of income.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Expenses arising from exploration for and evaluation of mineral resources	¥(45,918)	¥(23,177)	$(207)
Net cash used in operating activities arising from exploration for and evaluation of mineral resources	(3,473)	(2,558)	(23)
Net cash used in investing activities arising from exploration for and evaluation of mineral resources	(5,138)	(11,797)	(105)

16. ASSETS PLEDGED AND ACCEPTED AS COLLATERAL

Assets pledged as collateral

The following is a breakdown of the carrying amounts of assets pledged as collateral for loans, guarantees of contracts and others at March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Trade and other receivables (current and non-current)	¥96,571	¥119,762	$1,069
Other investments (current and non-current)	352,544	442,458	3,950
Property, plant and equipment (net of accumulated depreciation and accumulated impairment losses)	130,899	115,981	1,036
Investment property (net of accumulated depreciation and accumulated impairment losses)	20,955	20,183	180
Other	7,910	4,558	41
Total	¥608,879	¥702,942	$6,276

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

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

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

Assets accepted as collateral

During the year ended March 31, 2016, for liquidity management purposes, the Company utilized reverse repurchase agreements and accepted bonds as collateral. The fair value of accepted collateral that the Company was permitted to sell or repledge was ¥22,559 million at March 31, 2016. There was no collateral sold or repledged during the year ended March 31, 2016 and 2017. The fair value of accepted collateral was immaterial at March 31, 2017.

17. BONDS AND BORROWINGS

Bonds and borrowings (current liabilities) as of March 31, 2016 and 2017 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Bank loans —1.6% as of March 31, 2017	¥598,425	¥454,785	$4,060
Bonds —2.0% as of March 31, 2016	5,017	—	—
Commercial paper —0.3% as of March 31, 2017	213,985	185,324	1,655
Bonds and borrowings (non-current liabilities) with current maturities	664,921	608,122	5,430
Total	¥1,482,348	¥1,248,231	$11,145

The interest rates represent weighted-average rates on outstanding balances as of March 31, 2016 or 2017.

Bonds and borrowings (non-current liabilities) as of March 31, 2016 and 2017 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Non-current liabilities with collateral:			
Banks and other financial institutions, maturing through 2034 —principally 0.1% to 0.9% as of March 31, 2017	¥37,283	¥36,083	$322
Banks and other financial institutions, maturing through 2028 (payable in foreign currencies) —principally 1.5% to 3.4% as of March 31, 2017	114,075	90,587	809
Japanese yen bonds (floating rate 2.2%, due 2018 as of March 31, 2016)	40	—	—
U.S. dollar bonds (fixed rate 6.1%, due 2021 as of March 31, 2017)	4,643	3,815	34
Total	¥156,041	¥130,485	$1,165
Non-current liabilities without collateral:			
Banks and other financial institutions, maturing through 2076 —principally 0.0% to 2.0% as of March 31, 2017	2,206,917	2,117,561	18,907
Banks and other financial institutions, maturing through 2032 (payable in foreign currencies) —principally 0.6% to 2.9% as of March 31, 2017	1,493,699	1,252,550	11,183
Japanese yen bonds			
(floating rate 0.1% to 1.0%, due 2017-2076 as of March 31, 2017)	166,605	158,000	1,411
(fixed rate 0.4% to 3.2%, due 2017-2076 as of March 31, 2017)	757,532	757,032	6,759
U.S. dollar bonds			
(floating rate 1.4% to 1.8%, due 2017-2020 as of March 31, 2017)	23,087	17,384	155
(fixed rate 1.4% to 3.4%, due 2017-2025 as of March 31, 2017)	255,235	202,722	1,810
New Zealand dollar bonds (floating rate 3.2%, due 2017 as of March 31, 2016)	779	—	—
Australian dollar bonds (fixed rate 4.3% to 4.8%, due 2018-2021 as of March 31, 2017)	34,194	17,238	154
Hong Kong dollar bonds (fixed rate 2.3% to 2.5%, due 2019-2021 as of March 31, 2017)	6,973	6,930	62
Total	¥4,945,021	¥4,529,417	$40,441
Total non-current liabilities	¥5,101,062	¥4,659,902	$41,606
Add adjustments to fair value under fair value hedge and other	124,117	83,900	750
Total	¥5,225,179	¥4,743,802	$42,356
Less current maturities	(664,921)	(608,122)	(5,430)
Bonds and borrowings (non-current liabilities)	¥4,560,258	¥4,135,680	$36,926

Related information such as lines of credit, financial covenants and breakdown by due date is stated in "Liquidity risk management" of Note 33.
Non-current liabilities from banks and other financial institutions without collateral include a subordinated loan (Hybrid Loan, maturing through 2075-2076) of ¥200,000 million ($1,786 million). This loan is callable after the seventh year from its execution date

at the discretion of the Company.
Japanese yen bonds without collateral include subordinated and callable deferred interest bonds (Hybrid Bonds, maturing through 2075-2076) of ¥400,000 million ($3,571 million). These bonds are callable after the fifth or tenth year from their issuance dates at the discretion of the Company.

18. TRADE AND OTHER PAYABLES

The following is a breakdown of the carrying amounts of "Trade and other payables" at March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
Classification	2016	2017	2017
Current trade and other payables			
Notes and acceptances payable-trade	¥126,729	¥148,732	$1,328
Accounts payable-trade and other payables	2,027,019	2,393,459	21,370
(Amount not expected to be settled within 1 year included within the above account)	29,529	42,811	382
Total current trade and other payables	¥2,153,748	¥2,542,191	$22,698
Total non-current trade and other payables	¥84,078	¥204,657	$1,828

19. EMPLOYEE BENEFITS

Pension and retirement benefit obligations

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

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

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

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

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

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

The following is a breakdown of changes in the net amount recorded in the consolidated statement of financial position for the Company's defined benefit obligations for the years ended March 31, 2016 and 2017:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Change in present value of obligations under defined benefit pension plans:			
Present value of obligations under defined benefit pension plans at the beginning of the year	¥570,509	¥592,888	$5,294
Service cost	15,008	15,681	140
Interest cost	8,435	5,638	50
Employee contributions	315	171	1
Plan amendments	—	111	1
Actuarial loss (gain)	34,952	(1,657)	(15)
Benefits paid	(21,867)	(23,299)	(208)
Settlements and curtailments	(2,527)	(3,636)	(32)
Acquisitions/divestitures and other—net	(5,378)	15,183	136
Exchange translations	(6,559)	(7,153)	(64)
Present value of obligations under defined benefit pension plans at the end of the year	592,888	593,927	5,303
Change in plan assets:			
Fair value of plan assets at the beginning of the year	608,539	558,709	4,988
Interest income	9,518	5,797	52
Income (loss) from plan assets other than interest	(39,108)	39,036	349
Employer contributions	6,712	4,700	42
Employee contributions	315	171	2
Benefits paid	(17,339)	(18,830)	(168)
Settlements	(2,325)	(3,648)	(33)
Acquisitions/divestitures and other—net	(1,431)	1,270	11
Exchange translations	(6,172)	(7,385)	(66)
Fair value of plan assets at the end of the year	558,709	579,820	5,177
Effect of the asset ceiling	175	11	0
Net amount of (assets) liabilities recorded in Consolidated statement of financial position	¥34,354	¥14,118	$126

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

Investment Policy

Plan assets

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

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

Fair value of plan assets by type

The following is a breakdown of the Company's plan assets at March 31, 2016 and 2017:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Plan assets that have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	¥167,551	¥178,679	$1,595
Global equity securities	11,575	12,535	112
Debt instruments:			
Global debt securities	3,851	6,986	62
Cash and cash equivalents	12,801	35,371	316
Total	195,778	233,571	2,085
Plan assets that do not have a quoted market price in an active market			
Equity instruments:			
Japanese equity securities	18,769	14,663	131
Global equity securities	60,251	63,164	564
Debt instruments:			
Japanese debt securities	12,128	10,172	91
Global debt securities	173,629	151,821	1,356
Hedge funds	22,770	22,983	205
Life insurance company accounts	44,577	58,118	519
Cash equivalents	13,031	6,554	58
Other assets	17,776	18,774	168
Total	362,931	346,249	3,092
Total plan assets	¥558,709	¥579,820	$5,177

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

Significant actuarial assumptions

The weighted average assumptions used to measure the present value of the defined benefit obligation at March 31, 2016 and 2017 were as follows:

	2016	2017
Discount rate	1.1%	1.0%
Rate of increase in future compensation levels	2.6	2.5

The assumption of average longevity at pension age for current pensioners and employees of the Parent was 18.9 years and 20.3 years, respectively, for the years ended March 31, 2016 and 2017.

Analysis of sensitivity to significant actuarial assumptions

If the discount rate of the Parent which accounts for a large proportion of the defined benefit obligation of the Company falls by 0.5%, the defined benefit obligation is presumed to increase by ¥33,316 million ($297 million) for the year ended March 31, 2017. If the discount rate of the Parent rises by 0.5%, the defined benefit obligation is presumed to decrease by ¥29,486 million ($263 million). This analysis assumes that all other variables remain constant. However, the discount rate does not always change independently.

Contributions

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

The Company expects to contribute approximately ¥5,000 million ($45 million) to its defined benefit pension plans during the year ending March 31, 2018.

Estimated future benefit payments

Estimated future benefit payments are as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ending March 31:		
2018	¥27,878	$249
2019	27,738	248
2020	28,317	253
2021	26,499	237
2022	27,148	242
2023 through 2027	140,218	1,252

Defined contribution plans

The Parent and certain subsidiaries have defined contribution plans. The expenses related to these defined contribution plans were immaterial for the years ended March 31, 2016 and 2017.

Employee benefits expense

The amount of employee benefits expense included in the consolidated statement of income was ¥536,288 million and ¥508,071 million ($4,536 million) for the years ended March 31, 2016 and 2017, respectively.

20. PROVISIONS

The changes in provisions for the years ended March 31, 2016 and 2017 were as follows:

(Year ended March 31, 2016)

	Millions of Yen					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	¥137,829	¥52,006	¥(6,114)	¥6,393	¥46,724	¥236,838
Provision for environmental measures	11,063	—	(8)	—	152	11,207
Other*	22,711	16,828	(8,589)	—	(4,988)	25,962

(Year ended March 31, 2017)

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

(Year ended March 31, 2017)

	Millions of U.S. Dollars					
	Balance at the beginning of the year	Provisions made	Provisions used	Accretion expense	Other*	Balance at the end of the year
Provision for decommissioning and restoration	$2,115	$348	$(145)	$55	$(243)	$2,130
Provision for environmental measures	100	—	—	—	—	100
Other*	232	156	(124)	—	(49)	215

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

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

Provision for decommissioning and restoration

The Company accounts for provision for decommissioning and restoration, consisting primarily of costs associated with mine reclamation, landfills and dismantlement of facilities. These are related to legal obligations associated with the normal operation of the Company's coal mining, oil, gas and other facilities. Cash outflows related to the provision is expected to be paid over periods of up to 45 years, but are inherently difficult to predict and are affected by future business plans and other circumstances.

During the year ended March 31, 2016, the Company recorded a provision for decommissioning amounting to ¥40,690 million ($363 million) in "Provisions made" on an ongoing decommissioning project in the North Sea, which is being executed by a subsidiary of the Energy Business segment, as the projection for the decommissioning costs increased, based on IAS37 "Provisions, Contingent Liabilities and Contingent Assets."

As a result of a partner being unable to meet its obligation to fund its proportionate share of decommissioning costs, these costs have been imposed upon the Company pursuant to the provisions in the Joint Operation Agreement; therefore, the Company recorded a provision for decommissioning of ¥67,212 million ($600 million) in "Other" in the table above.

Also, the Company acquired almost the same amount of restricted deposits and a right to claim future tax refunds and recorded those

assets in "Trade and other receivables" and "Other non-current assets" as of March 31, 2016.
As a result of these events and others, the Company recorded ¥23,738 million ($212 million) in "Other income (expense)-net" in the consolidated statement of income for the year ended March 31, 2016.
During the year ended March 31, 2017, the Company recorded provision for decommissioning of amounting to ¥27,023 million ($241 million) in "Provisions made" through acquisition of Lawson Inc. as a consolidated subsidiary in the Living Essentials segment.

Provision for environmental measures

The provision for environmental measures is provided in the amount deemed necessary to cover expenditures for the cost of transport, treatment and other processing of waste materials for which treatment is mandated by laws and regulations. The timing of cash outflows related to the provision is affected by future business plans and other circumstances.

Other

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

21. EQUITY

Common stock

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

The total number of shares of common stock authorized to be issued at March 31, 2016 and 2017 was as follows:

	2016 (Number of shares)	2017 (Number of shares)
Ordinary stock (no-par stock)	2,500,000,000	2,500,000,000

The change in the total number of shares of issued stock for the years ended March 31, 2016 and 2017 was as follows:

	2016 (Number of shares)	2017 (Number of shares)
Balance, beginning of year	1,624,036,751	1,590,076,851
Change during the year	(33,959,900)	−
Balance, end of year	1,590,076,851	1,590,076,851

Additional paid-in capital and retained earnings

The Companies Act requires that an amount equal to 10% of dividends from retained earnings to be paid shall be appropriated and set aside as a legal reserve until the total of additional paid-in capital and legal reserve amounts to 25% of the common stock amount.

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

Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the Board of Directors, as far as it is allowed under the Articles of Incorporation, subject to limitations imposed by the Companies Act.

At the ordinary general meeting of shareholders held on June 24, 2004, approval was granted for the Parent to amend the Articles of Incorporation to entitle the Board of Directors to purchase outstanding shares of the Company's treasury stock by its resolutions.
The number of treasury stock and treasury stock held by subsidiaries and associates was 5,482,335 shares and 4,597,223 shares at March 31, 2016 and 2017, respectively.

In the year ended March 31, 2016, the Parent retired treasury stock (34 million shares) subject to approval of the Board of Directors.
As a result, retained earnings and treasury stock decreased by ¥90,319 million.

Dividends

Under the Companies Act, the total amount of dividends and acquisition or purchase of treasury stock may not exceed the distributable amount of the Parent which is calculated based on the amount of the retained earnings recorded in the Parent's books of account prepared in accordance with accounting principles generally accepted in Japan. Adjustments to the consolidated financial statements to conform with IFRS have no impact on the distributable amount under the Companies Act. The distributable amount under the Companies Act was ¥1,654,161 million ($14,769 million) as of March 31, 2017. The distributable amount may change up to the effective date of the distribution of dividends in the event of the Company's due to its acquisition of its own shares.

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

Dividends paid during the years ended March 31, 2016 and 2017 were as follows:

		Millions of Yen	Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 19, 2015	Ordinary shares	¥48,613	¥30	March 31, 2015	June 22, 2015		
Board of Directors' meeting held on November 5, 2015	Ordinary shares	39,610	25	September 30, 2015	December 1, 2015		
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	39,616	25	March 31, 2016	June 27, 2016	$354	$0.22
Board of Directors' meeting held on November 4, 2016	Ordinary shares	47,555	30	September 30, 2016	December 1, 2016	425	0.27

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

		Millions of Yen		Yen			Millions of U.S. Dollars	U.S. Dollars
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date	Amount of dividends	Dividends per share
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	¥79,276	Retained earnings	¥50	March 31, 2017	June 26, 2017	$708	$0.45

Management of capital

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

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

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

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

The following is a breakdown of "Other components of equity" (attributable to owners of the Parent, net of tax) for the years ended March 31, 2016 and 2017.

	Millions of Yen			
	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
(Year ended March 31, 2016)				
Other investments designated as FVTOCI	¥677,672	¥(298,302)	¥(14,984)	¥364,386
Remeasurement of defined benefit pension plans	—	(52,160)	52,160	—
Cash flow hedges	(18,609)	(55)	—	(18,664)
Exchange differences on translating foreign operations	856,628	(288,411)	—	568,217
Total	¥1,515,691	¥(638,928)	¥37,176	¥913,939
(Year ended March 31, 2017)				
Other investments designated as FVTOCI	¥364,386	¥109,850	¥(23,150)	¥451,086
Remeasurement of defined benefit pension plans	—	24,012	(24,012)	—
Cash flow hedges	(18,664)	711	—	(17,953)
Exchange differences on translating foreign operations	568,217	(122,401)	—	445,816
Total	¥913,939	¥12,172	¥(47,162)	¥878,949

	Millions of U.S. Dollars			
(Year ended March 31, 2017)	Balance at the beginning of the year	Other comprehensive income (loss) attributable to owners of the Parent	Transfer to retained earnings	Balance at the end of the year
Other investments designated as FVTOCI	$3,253	$981	$(206)	$4,028
Remeasurement of defined benefit pension plans	—	214	(214)	—
Cash flow hedges	(166)	6	—	(160)
Exchange differences on translating foreign operations	5,073	(1,092)	—	3,981
Total	$8,160	$109	$(420)	$7,849

The following is a breakdown of "Other comprehensive income (loss)" (attributable to non-controlling interests, net of tax) for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
(Losses) gains on other investments designated as FVTOCI	¥(19,160)	¥10,310	$92
Remeasurement of defined benefit pension plans	(223)	—	—
Cash flow hedges	(16)	838	7
Exchange differences on translating foreign operations	(19,404)	(6,071)	(54)
Total	¥(38,803)	¥5,077	$45

The following is a breakdown of "Other comprehensive income (loss)" (including those attributable to non-controlling interests) for the years ended March 31, 2016 and 2017.

	Millions of Yen					
	2016			2017		
	Before income taxes	Income tax benefit (expense)	Net of tax	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year						
(Losses) gains on other investments designated as FVTOCI	¥(410,969)	¥116,253	¥(294,716)	¥166,306	¥(54,437)	¥111,869
Remeasurement of defined benefit pension plans	(73,885)	24,249	(49,636)	40,682	(13,850)	26,832
Share of other comprehensive income (loss) of investments accounted for using the equity method	(25,493)	—	(25,493)	5,471	—	5,471
Items that may be reclassified to profit or loss for the year						
Cash flow hedges	3,852	(1,593)	2,259	1,517	(158)	1,359
Exchange differences on translating foreign operations	(311,637)	36,828	(274,809)	(57,300)	(5,675)	(62,975)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(32,888)	(2,448)	(35,336)	(76,760)	11,453	(65,307)
Total	¥(851,020)	¥173,289	¥(677,731)	¥79,916	¥(62,667)	¥17,249

	Millions of U.S. Dollars		
	2017		
	Before income taxes	Income tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss for the year			
(Losses) gains on other investments designated as FVTOCI	$1,485	$(486)	$999
Remeasurement of defined benefit pension plans	363	(124)	239
Share of other comprehensive income (loss) of investments accounted for using the equity method	49	—	49
Items that may be reclassified to profit or loss for the year			
Cash flow hedges	14	(2)	12
Exchange differences on translating foreign operations	(512)	(50)	(562)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(685)	102	(583)
Total	$714	$(560)	$154

The following is a breakdown of cash flow hedges included in "Other comprehensive income (loss)" (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2016 and 2017.

	Millions of Yen					
	2016			2017		
	Interest rate risk	Foreign currency risk	Commodity price risk	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	¥(1,333)	¥1,358	¥(481)	¥(162)	¥945	¥(51)
Reclassification adjustments to profit (loss) for the year	2,436	1,602	270	828	(43)	−
Total	¥1,103	¥2,960	¥(211)	¥666	¥902	¥(51)

	Millions of U.S. Dollars		
	2017		
	Interest rate risk	Foreign currency risk	Commodity price risk
Net unrealized gains (losses) during the year	$(1)	$8	$(0)
Reclassification adjustments to profit (loss) for the year	7	(0)	−
Total	$6	$8	$(0)

The following is a breakdown of exchange differences on translating foreign operations included in "Other comprehensive income (loss)" (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Translation adjustments during the year			
Hedges of net investment in foreign operations	¥25,137	¥16,640	$149
Other exchange differences on translating foreign operations	(324,655)	(71,027)	(635)
Reclassification adjustments to profit (loss) for the year			
Hedges of net investment in foreign operations	(279)	(3,598)	(32)
Other exchange differences on translating foreign operations	(11,840)	685	6
Total	¥(311,637)	¥(57,300)	$(512)

The following is a breakdown of share of other comprehensive income (loss) of investments accounted for using the equity method that may be reclassified to profit or loss included in "Other comprehensive income (loss)" (including those attributable to non-controlling interests, before income taxes) for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Net unrealized gains (losses) and translation adjustments during the year	¥(33,173)	¥(65,478)	$(584)
Reclassification adjustments to profit (loss) for the year	285	(11,282)	(101)
Total	¥(32,888)	¥(76,760)	$(685)

23. SHARE-BASED REMUNERATION

The Parent had two types of stock option plans, stock option Class A and Class B, for certain directors, executive officers and senior vice presidents of the Parent; 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 on or before June 2007

Under the Class A plan, for directors, executive officers and senior vice presidents of the Parent, the right to purchase the shares of the Parent is granted at an exercise price determined based on the greater of the closing price of the shares on the Tokyo Stock Exchange on the grant date or the average closing price for a month prior to the grant date. The stock options are vested and immediately exercisable after 2 years from the grant date, and exercisable periods are 8 years from the vesting day.

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

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

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

The total share-based remuneration cost recognized for the years ended March 31, 2016 and 2017 was ¥1,175 million, and ¥1,621 million ($14.47 million), respectively.

The weighted-average fair value of options granted under the Parent's stock option plan at the measurement date for the years ended March 31, 2016 and 2017 was ¥2,354 and ¥1,596 ($14.25) per share, respectively.

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

	2016	2017
Risk-free interest rate	0.2%	(0.3)%
Expected volatility	36.5%	28.8%
Expected dividend yield	2.5%	2.6%
Expected term	7.0 years	7.0 years
Stock price at the measurement date	¥2,805	¥1,917

The following table summarizes information about stock option activities for the years ended March 31, 2016 and 2017.

	2016		2017		
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price	
		Yen		Yen	U.S. Dollars
Outstanding at beginning of year	4,662,600	¥714	3,986,200	¥517	$4.6
Granted	501,600	1	1,024,000	1	0
Forfeited or expired	(23,100)	1,537	(852,900)	2,411	21.5
Exercised	(1,154,900)	1,071	(889,100)	1	0
Outstanding at end of year	3,986,200	517	3,268,200	1	0
Exercisable at end of year	2,890,700	712	2,313,200	1	0

The weighted-average stock price at the time when the stock options were exercised during the years ended March 31, 2016 and 2017 was ¥2,463 and ¥1,991 ($17.78), respectively.

The following table summarizes information about options outstanding and exercisable at March 31, 2016 and 2017.

March 31, 2016	Outstanding		Exercisable	
Exercise price range (Yen)	Number of shares	Weighted-average remaining term (Years)	Number of shares	Weighted-average remaining term (Years)
¥1	3,141,600	21.0	2,046,100	17.3
2,435	844,600	0.3	844,600	0.3

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

24. REVENUES

The following is a breakdown of "Revenues" for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Revenues from the sale of goods	¥5,950,094	¥5,558,393	$49,629
Revenues from the rendering of services and others	975,488	867,368	7,744
Total	¥6,925,582	¥6,425,761	$57,373

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The following is a breakdown of "Selling, general and administrative expenses" for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Employee benefit expenses	¥413,845	¥402,406	$3,593
Transportation and warehousing expenses	150,071	142,269	1,270
Equipment expenses	112,084	99,198	886
Office expenses	69,159	66,020	589
Outsourcing expenses	64,029	63,682	569
Others	206,780	159,032	1,420
Total	¥1,015,968	¥932,607	$8,327

26. INCOME AND EXPENSES PERTAINING TO FINANCIAL INSTRUMENTS

The following is a breakdown of "Gains on investments", "Finance income" and "Finance costs" for the years ended March 31, 2016 and 2017.

Classification	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
Gains on investments			
Financial assets measured at FVTPL	¥12,072	¥23,564	$210
Subsidiaries, investments accounted for using the equity method and other	34,262	59,724	533
Total gains on investments	¥46,334	¥83,288	$743
Finance income			
Interest income			
Financial assets measured at amortized cost	24,080	19,505	174
Financial assets measured at FVTPL	14,315	17,810	159
Total interest income	¥38,395	¥37,315	$333
Dividend income			
Financial assets measured at FVTOCI	84,729	95,074	849
Total dividend income	¥84,729	¥95,074	$849
Total finance income	¥123,124	¥132,389	$1,182
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	(71,300)	(64,386)	(575)
Derivatives	26,831	23,908	214
Others	(6,393)	(9,059)	(81)
Total finance costs	¥(50,862)	¥(49,537)	$(442)

In addition to the above, net losses of ¥18,130 million and ¥15,410 million ($138 million) in "Revenues/Cost of revenues", and net gains of ¥67,533 million and net losses of ¥25,948 million ($232 million) in "Other income (expense)-net" were caused by the derivatives not being designated as hedging instruments, for the years ended March 31, 2016 and 2017, respectively. Please refer to Note 32 for gains and losses on hedges.

Furthermore, for the years ended March 31, 2016 and 2017, interest income from financial assets measured at amortized cost amounted to ¥14,214 million and ¥15,509 million ($138 million), respectively, and interest expense pertaining to financial liabilities measured at amortized cost amounted to ¥17,977 million and ¥13,676 million ($122 million), respectively. These incomes and expenses were included primarily in "Revenues/Cost of revenues".

Any borrowing costs are capitalized where the debts are directly attributable to the acquisitions of property, plant and equipment. The borrowing costs from general borrowings are also capitalized to the extent that the costs are spent for the acquisitions of property, plant and equipment. The amounts of capitalized borrowing costs were immaterial for the years ended March 31, 2016 and 2017.

27. OTHER INCOME (EXPENSE)-NET

The amounts of net foreign exchange gains and losses included in "Other income (expense)-net" in the consolidated statement of income were ¥97,898 million of losses and ¥29,637 million ($265 million) of gains for the years ended March 31, 2016 and 2017, respectively.

28. INCOME TAXES

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

Income taxes for the years ended March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Current tax	¥75,475	¥130,836	$1,168
Deferred tax	(35,634)	(9,470)	(84)
Income taxes	39,841	121,366	1,084
Income taxes recognized in other comprehensive income	(173,289)	62,667	559
Total	¥(133,448)	¥184,033	$1,643

A reconciliation of the combined statutory income tax rates for the years ended March 31, 2016 and 2017 to the effective income tax rates on income before income taxes reflected in the consolidated statement of income is as follows:

	2016	2017
Combined statutory income tax rate	33.0%	31.0%
Effect of income from investments accounted for using the equity method	(56.6)	(9.9)
Expenses not deductible for income tax purposes	(6.6)	1.8
Effect of the recoverability of deferred tax assets	(56.7)	3.8
Tax benefits recognized for accumulated losses of certain subsidiaries	36.3	(4.8)
Difference of tax rates for foreign subsidiaries	7.3	(1.0)
Effect of taxation on dividends	0.5	(1.1)
Other-net	(0.1)	0.4
Effective income tax rate on income before income taxes in the consolidated statement of income	(42.9)%	20.2%

Significant components of deferred tax assets and liabilities at March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Assets:			
Allowance for doubtful receivables	¥13,532	¥13,707	$122
Accrued pension and retirement benefits	28,696	23,294	208
Property, plant and equipment, Investment property and Intangible assets	32,427	58,992	527
Short-term investments and Other investments	25,859	11,615	104
Net operating loss carry forwards	60,891	50,375	450
Provisions and other	49,749	66,639	595
Derivatives	26,278	18,532	165
Other*	69,589	72,378	646
Gross deferred tax assets	307,021	315,532	2,817
Liabilities:			
Short-term investments and Other investments	331,283	377,234	3,368
Property, plant and equipment, Investment property and Intangible assets	169,076	312,710	2,792
Investments accounted for using the equity method	133,077	110,131	983
Other	51,825	54,515	487
Gross deferred tax liabilities	685,261	854,590	7,630
Net deferred tax liabilities	¥(378,240)	¥(539,058)	$(4,813)

*"Other" principally includes tax benefits recognized for accumulated losses of certain affiliated companies for the year ended March 31, 2016 and 2017.

No deferred tax liability is recognized for the taxable temporary difference of subsidiaries and joint arrangements where the Parent considers it is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. At March 31, 2016 and 2017, the amount of the taxable temporary difference of subsidiaries and joint arrangements on which a deferred tax liability was not recognized in the Company's consolidated financial statements aggregated ¥1,097,045 million and ¥1,177,824 million ($10,516 million), respectively.

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

Deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset was recognized as of March 31, 2016 and 2017 will expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Not later than 5 years	¥33,692	¥57,150	$510
Later than 5 years and not later than 10 years*	118,815	230,961	2,062
Later than 10 years and not later than 15 years	2,432	3,457	31
Later than 15 years*	962,984	976,194	8,716
Total	¥1,117,923	¥1,267,762	$11,319

*Deductible temporary differences and unused tax losses for which the Parent did not recognize deferred tax assets on the local tax in Japan (6%), considering the recoverability, as of March 31, 2016 and March 31, 2017 were ¥540,305 million and ¥575,748 million ($5,141 million), respectively, which are included in "Later than 5 years and not later than 10 years" and "Later than 15 years".
Meanwhile, the Parent recognized deferred tax assets for the deductible temporary difference on the national tax in Japan (25%), as the Parent has applied the tax consolidation system and, therefore it is probable that the deferred tax assets will be recovered by future consolidated taxable income.

29. EARNINGS PER SHARE

Reconciliations of basic and diluted profit (loss) for the year attributable to owners of the Parent per share are as follows:

			U.S. Dollars
	2016	2017	2017
Profit (loss) for the year attributable to owners of the Parent per share (Yen)			
Basic	¥(93.68)	¥277.79	$2.48
Diluted	(93.68)	277.16	2.47

			Millions of U.S. Dollars
	2016	2017	2017
Numerator (Millions of Yen):			
Profit (loss) for the year attributable to owners of the Parent	¥(149,395)	¥440,293	$3,931
Denominator (Thousands of shares):			
Basic weighted average common shares outstanding	1,594,779	1,584,995	
Effect of dilutive securities:			
Stock options	—	3,575	
Diluted outstanding shares	1,594,779	1,588,570	

Shares that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are not dilutive for the years presented are as follows:

(Year ended March 31, 2016)

Diluted loss for the year attributable to owners of the Parent per share does not include stock options due to the anti-dilutive effect caused by the loss for the year ended March 31, 2016.

(Year ended March 31, 2017)

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30. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value on a recurring basis

The following is a breakdown of assets and liabilities that are measured at fair value on a recurring basis at March 31, 2016 and 2017.

(March 31, 2016)

	Millions of Yen				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	¥684,981	–	–	–	¥684,981
Short-term investments and other investments					
Financial assets measured at FVTPL	6,342	¥1,117	¥98,010	–	105,469
Financial assets measured at FVTOCI	887,461	107	888,358	–	1,775,926
Trade and other receivables (FVTPL)	–	–	34,261	–	34,261
Derivatives	33,552	551,956	–	¥(297,184)	288,324
Inventories and other current assets	1,217	296,701	–	–	297,918
Total assets	¥1,613,553	¥849,881	¥1,020,629	¥(297,184)	¥3,186,879
Liabilities					
Derivatives	28,767	371,877	–	(297,184)	103,460
Total liabilities	¥28,767	¥371,877	–	¥(297,184)	¥103,460

Notes:
1. There were no material transfers between different levels during the year ended March 31, 2016.
2. "Derivatives" are recognized in "Other financial assets," "Other current assets," "Other financial liabilities" or "Other current liabilities" in the consolidated statement of financial position.

(March 31, 2017)

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

(March 31, 2017)

	Millions of U.S. Dollars				
	Level 1	Level 2	Level 3	Netting	Total
Assets					
Cash and cash equivalents	$5,818	−	−	−	$5,818
Short-term investments and other investments					
Financial assets measured at FVTPL	222	$12	$1,084	−	1,318
Financial assets measured at FVTOCI	8,578	1	8,294	−	16,873
Trade and other receivables (FVTPL)	−	−	300	−	300
Derivatives	228	4,260	4	(2,456)	2,036
Inventories and other current assets	26	3,692	−	−	3,718
Total assets	$14,872	$7,965	$9,682	$(2,456)	$30,063
Liabilities					
Derivatives	308	3,199	69	(2,456)	1,120
Total liabilities	$308	$3,199	$69	$(2,456)	$1,120

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

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

The following tables present the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis using unobservable inputs for the years ended March 31, 2016 and 2017.

(Year ended March 31, 2016)

	Millions of Yen							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	¥93,567	¥8,284	¥(2,886)	¥36,553	¥(34,821)	¥(2,687)	¥98,010	¥8,284
FVTOCI	984,815	−	(272,913)	203,302	(26,823)	(23)	888,358	−
Trade and other receivables (FVTPL)	49,095	(2,866)	(1,003)	5,185	−	(16,150)	34,261	(2,866)

Notes:
1. "Increase due to purchases and other" and "Decrease due to sales and other" include changes due to consolidation, deconsolidation and transfer from (to) other accounts. "Net realized/unrealized gains (losses) included in other comprehensive income (loss)" and "Increase due to purchases and other" in Short-term investments and other investments (FVTOCI) are mainly due to the decrease of resource-related assets and investments on energy resource businesses, respectively.
2. There were no material transfers between different levels during the year ended March 31, 2016.

(Year ended March 31, 2017)

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

(Year ended March 31, 2017)

	Millions of U.S. Dollars							
	Balance at the beginning of the year	Net realized/ unrealized gains (losses) included in profit for the year	Net realized/ unrealized gains (losses) included in other comprehensive income (loss)	Increase due to purchases and other	Decrease due to sales and other	Redemptions and Settlements	Balance at the end of the year	Net change in unrealized gains (losses) still held at the end of the year
Short-term investments and other investments								
FVTPL	$875	$100	$(9)	$400	$(240)	$(42)	$1,084	$100
FVTOCI	7,932	—	373	79	(90)	—	8,294	—
Trade and other receivables (FVTPL)	306	8	(4)	48	—	(58)	300	8
Other financial liabilities (Derivatives)	—	69	—	—	—	—	69	69

Notes:

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

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

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

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

Cash and cash equivalents

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

Short-term investments and other investments

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

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

Trade and other receivables (FVTPL)

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

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

Derivatives

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

Inventories and other current assets

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

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

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

The calculation methods for the fair value measurements

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

Quantitative information about Level 3 Fair Value Measurements

The following tables present information about valuation techniques and unobservable inputs used for the major Level 3 assets measured at fair value by the significant and unobservable inputs at March 31, 2016 and 2017.

(March 31, 2016)

Classification	Fair value (Millions of Yen)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥703,058	Discounted cash flow	Discount rate	10.2%

(March 31, 2017)

Classification	Fair value (Millions of Yen)	Fair value (Millions of U.S. Dollars)	Valuation technique	Unobservable input	Weighted average
Non-marketable equity securities	¥757,111	$6,760	Discounted cash flow	Discount rate	10.5%

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

Fair value of financial instruments measured at amortized cost

The following is a breakdown of the carrying amounts and fair values of financial instruments that are measured at amortized cost at March 31, 2016 and 2017.

(March 31, 2016)

	Millions of Yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash equivalents and time deposits	¥1,042,165	—	¥1,042,165	—	¥1,042,165
Short-term investments and other investments	137,583	¥70,551	10,892	¥56,297	137,740
Trade and other receivables	2,942,548	—	2,909,988	58,769	2,968,757
Total assets	¥4,122,296	¥70,551	¥3,963,045	¥115,066	¥4,148,662
Liabilities					
Bonds and borrowings	6,042,606	—	5,993,166	—	5,993,166
Trade and other payables	2,190,252	—	2,189,934	—	2,189,934
Total liabilities	¥8,232,858	—	¥8,183,100	—	¥8,183,100

(March 31, 2017)

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

(March 31, 2017)

	Millions of U.S. Dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash equivalents and time deposits	$6,614	—	$6,614	—	$6,614
Short-term investments and other investments	2,473	$1,013	70	$1,387	2,470
Trade and other receivables	28,717	—	28,541	469	29,010
Total assets	$37,804	$1,013	$35,225	$1,856	$38,094
Liabilities					
Bonds and borrowings	48,070	—	48,017	—	48,017
Trade and other payables	23,012	—	23,003	—	23,003
Total liabilities	$71,082	—	$71,020	—	$71,020

The fair value of Short-term investments and other investments classified in Level 3 for the year ended March 31, 2017 includes the addition of ¥95,408 million ($852 million) (mainly cash collateral pledged) through acquisition of Lawson Inc. as a consolidated subsidiary in the Living Essentials segment.

Fair value measurement of financial instruments measured at amortized cost

Cash equivalents and time deposits

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

Short-term investments and other investments

Short-term investments and other investments measured at amortized cost are mainly domestic and foreign debt securities and non-marketable investments such as guarantee deposits. Debt securities classified in Level 1 are valued at the quoted market price in an active market, and debt securities classified in Level 2 are valued at the quoted market price of the same assets in an inactive market.

Trade and other receivables

For trade and other receivables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other receivables that do not have short maturities are determined using a discounted cash flow based on estimated future cash flows which incorporate the characteristics of the receivables, including principal and contractual interest rates, and discount rates reflecting the Company's assumptions related to credit spread.

Bonds and borrowings

The fair values of bonds and borrowings are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities.

Trade and other payables

For trade and other payables that have relatively short maturities, the carrying amounts approximate fair value. The fair values of trade and other payables that do not have short-term maturities are estimated based on the present value of estimated future cash flows computed using interest rates that are currently available to the Company for debt with similar terms and remaining maturities.

31. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The gross amount of assets and financial liabilities (before offsetting), offsetted amount, the amount presented in the consolidated statement of financial position, and the amount of financial assets and financial liabilities that are subject to enforceable master netting agreements or similar agreements at March 31, 2016 and 2017 were as follows.

(March 31, 2016)

	Millions of Yen		
	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥585,508	¥40,000	¥400,644
Offsetted amount	(297,184)	—	(297,184)
Amount presented in the consolidated statement of financial position	288,324	40,000	103,460
Trade and other receivables (current)	—	40,000	—
Other financial assets (current)	148,718	—	—
Other current assets (current)	13	—	—
Other financial assets (non-current)	139,593	—	—
Other financial liabilities (current)	—	—	84,252
Other current liabilities (current)	—	—	561
Other financial liabilities (non-current)	—	—	18,647
Amount presented in the consolidated statement of financial position	288,324	40,000	103,460
Amount not offsetted in the consolidated statement of financial position			
Financial instruments	(50,585)	(40,000)	(50,585)
Cash collateral payables	(12,869)	—	(13,423)
Net	¥224,870	—	¥39,452

(March 31, 2017)

	Millions of Yen			Millions of U.S. Dollars		
	Financial assets		Financial liabilities	Financial assets		Financial liabilities
	Derivatives	Loans receivable	Derivatives	Derivatives	Loans receivable	Derivatives
Gross amount (before offsetting)	¥503,078	—	¥400,470	$4,492	—	$3,576
Offsetted amount	(275,069)	—	(275,069)	(2,456)	—	(2,456)
Amount presented in the consolidated statement of financial position	228,009	—	125,401	2,036	—	1,120
Trade and other receivables (current)	—	—	—	—	—	—
Other financial assets (current)	115,734	—	—	1,033	—	—
Other current assets (current)	2,832	—	—	25	—	—
Other financial assets (non-current)	109,443	—	—	978	—	—
Other financial liabilities (current)	—	—	106,456	—	—	951
Other current liabilities (current)	—	—	9	—	—	0
Other financial liabilities (non-current)	—	—	18,936	—	—	169
Amount presented in the consolidated statement of financial position	228,009	—	125,401	2,036	—	1,120
Amount not offsetted in the consolidated statement of financial position						
Financial instruments	(44,678)	—	(44,678)	(399)	—	(399)
Cash collateral payables	(15,661)	—	(34,726)	(140)	—	(310)
Net	¥167,670	—	¥45,997	$1,497	—	$411

Derivative transactions

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

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

Reverse repurchase transactions

The Company has lending agreements where the Company is able to offset the debt securities pledged as collateral against the loans in the event of debt default, bankruptcy or failure of the counterparty. The agreements provide a right of set off for the Company but do not grant the right of set off automatically.

32. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

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

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

The following are the carrying amounts of derivative instruments and non-derivative financial instruments designated as hedging instruments at March 31, 2016 and 2017.

		Millions of Yen				Millions of U.S. Dollars	
		March 31, 2016		March 31, 2017		March 31, 2017	
Hedging instruments		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair value hedges							
Interest rate contracts	Current	¥2,281	¥23	¥2,157	¥177	$19	$2
	Non-current	119,946	3,060	89,864	2,935	803	26
Foreign exchange contracts	Current	17	151	349	389	3	3
	Non-current	—	3	6,212	—	55	—
Sub-total		122,244	3,237	98,582	3,501	880	31
Cash flow hedges							
Interest rate contracts	Current	14	257	62	452	1	4
	Non-current	214	1,886	146	1,685	1	15
Foreign exchange contracts	Current	3,292	1,445	947	1,521	9	14
	Non-current	341	1,057	2,243	1,021	20	9
Commodity contracts	Current	340	209	144	66	1	0
Sub-total		4,201	4,854	3,542	4,745	32	42
Hedge of the net investment in foreign operations							
Foreign exchange contracts	Current	3,966	558	3,587	74	32	1
Foreign-currency-denominated debt	Current	—	5,409	—	5,385	—	48
	Non-current	—	190,837	—	63,945	—	571
Sub-total		3,966	196,804	3,587	69,404	32	620
Total		¥130,411	¥204,895	¥105,711	¥77,650	$944	$693

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

The following are the nominal amounts related to major derivative instruments designated as hedging instruments at March 31, 2016 and 2017. As the Company uses various types of hedging instruments, it is difficult to provide a breakdown of the nominal amounts by maturity or the average price of the hedging instruments.

(March 31, 2016)

Risk category	Type of hedge	Hedging instrument	Nominal amount	
Interest rate risk	Fair value hedges	Fixed receive / floating pay interest rate swap	1,666,500	Million yen
			2,270,000	Thousand U.S. Dollars
			400,000	Thousand Australian Dollars
		Fixed pay / floating receive interest rate swap	599	Million yen
			733,361	Thousand U.S. Dollars
	Cash flow hedges	Fixed pay / floating receive interest rate swap	3,500	Million yen
			157,729	Thousand Australian Dollars
Foreign currency risk	Cash flow hedges	Euros buy / British Pounds sell foreign exchange contract	194,910	Thousand Euros
	Hedge of the net investment in foreign operations	U.S. Dollars sell / Japanese Yen buy foreign exchange contract	1,738,531	Thousand U.S. Dollars
		U.S. Dollars denominated debt	1,741,620	Thousand U.S. Dollars

(March 31, 2017)

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

The following are the carrying amounts of the hedged items and the accumulated amounts of fair value hedge adjustments included in the carrying amounts of the hedged items at March 31, 2016 and 2017.

(March 31, 2016)

		Millions of Yen		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	¥25,224	¥1,710	—
	Other investments	60,908	13	—
	Bonds and borrowings	2,233,335	118,349	¥5,768

(March 31, 2017)

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

(March 31, 2017)

		Millions of U.S. Dollars		
Risk category	Account in the consolidated statement of financial position	Carrying amount	Accumulated amount of fair value hedge adjustments	Accumulated amount of fair value hedge adjustments that have ceased to be applied fair value hedges
Interest rate risk	Trade and other receivables	$178	$4	—
	Other investments	855	(17)	—
	Bonds and borrowings	18,132	762	$36
Foreign currency risk	Bonds and borrowings	641	59	—

The following are the amounts of other components of equity recognized by cash flow hedges and net investment hedges at March 31, 2016 and 2017.

(March 31, 2016)

		Millions of Yen	
Risk category	Type of hedge	Other components of equity recognized by continuing hedges	Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied
Interest rate risk	Cash flow hedges	¥(18,890)	—
Foreign currency risk	Cash flow hedges	(1,891)	—
	Net investment hedges	(70,287)	¥(93,524)
Commodity price risk	Cash flow hedges	2,117	—

(March 31, 2017)

		Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Type of hedge	Other components of equity recognized by continuing hedges		Other components of equity recognized by hedging relationships for which hedge accounting is no longer applied	
Interest rate risk	Cash flow hedges	¥(19,591)	$(175)	—	—
Foreign currency risk	Cash flow hedges	346	3	—	—
	Net investment hedges	(43,009)	(384)	¥(111,768)	$ (998)
Commodity price risk	Cash flow hedges	1,292	12	—	—

(2) Impact of hedging activities on the consolidated statements of income and other comprehensive income
The following are the gains or losses related to hedging activities for the years ended March 31, 2016 and 2017.

(Year ended March 31, 2016)

Fair value hedges

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2016.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Interest rate risk	¥35,547	¥(35,505)
Foreign currency risk	111	(111)

The line item in the consolidated statement of income that includes the recognized hedge ineffectiveness is "Other income (expense)-net" for the year ended March 31, 2016.

Cash flow hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of gain (loss) recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)
Interest rate risk	¥(1,333)	Finance costs	¥(2,436)
Foreign currency risk	1,358	Other income (expense)-net	(1,602)
Commodity price risk	(481)	Revenues/ (Cost of revenues)	(270)

Hedge ineffectiveness related to cash flow hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2016. During the year ended March 31, 2016, there was no discontinuance of cash flow hedges as it was probable that the original forecasted transactions would not occur by the end of the originally specified time period.
Refer to Note 22 for the breakdown of other components of equity and other comprehensive income.

The change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness were immaterial for the year ended March 31, 2016.

Net investment hedges

	Millions of Yen		Millions of Yen
Risk category	Amount of loss recognized in OCI (effective portion)	Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)
Foreign currency risk	¥24,851	Gains on investments	¥(279)

Hedge ineffectiveness related to net investment hedges is recorded in the same account in the consolidated statement of income as in the table above for the year ended March 31, 2016.

The following are the change in fair value of the hedging instrument and the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness for the year ended March 31, 2016.

	Millions of Yen	
Risk category	Change in fair value of hedging instrument	Change in value of hedged item
Foreign currency risk	¥41,532	¥(44,240)

(Year ended March 31, 2017)

Fair value hedges

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

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Interest rate risk	¥(30,235)	$(270)	¥29,936	$267
Foreign currency risk	6,309	56	(6,659)	(59)

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

Cash flow hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of gain (loss) recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of gain or loss reclassified from other components of equity into profit or loss (effective portion)	
Interest rate risk	¥(162)	$(1)	Finance costs	¥(828)	$(7)
Foreign currency risk	945	8	Other income (expense)-net	43	0
Commodity price risk	(51)	(0)	Revenues/ (Cost of revenues)	—	—

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

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

Net investment hedges

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen	Millions of U.S. Dollars
Risk category	Amount of loss recognized in OCI (effective portion)		Account in the consolidated statement of income	Amount of loss reclassified from other components of equity into profit or loss (effective portion)	
Foreign currency risk	¥16,640	$149	Gains on investments	¥(3,598)	$(32)

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

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

	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars
Risk category	Change in fair value of hedging instrument		Change in value of hedged item	
Foreign currency risk	¥7,177	$64	¥(10,053)	$(90)

33. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

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

Interest rate risk management

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

At March 31, 2016 and 2017, the Company had gross interest-bearing liabilities of approximately ¥6,042.6 billion and ¥5,383.9 billion ($48 billion), respectively. Since almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

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

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

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

Assuming that the interest rate increased/decreased by 1% at March 31, 2016 and 2017, its impact on net income and total equity would be immaterial.

Foreign currency risk management

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

Estimated amounts of decrease in the total equity assuming that the Japanese yen appreciated by ¥1 at March 31, 2016 and 2017 were as follows. Estimated amounts of increase in the total equity assuming that the Japanese yen depreciated by ¥1 were the same amounts.

Currency	2016 (Billion Yen)	2017 (Billion Yen)	2017 (Million U.S. Dollars)
U.S. Dollar	¥14.0	¥16.0	$143
Australian Dollar	7.0	8.7	78
Euro	2.1	1.3	12

Commodity price risk management

The Company is exposed to fluctuations in commodity prices associated with various commodities used in its trading and other operating activities. The Company enters into commodity futures, forwards, options and swap contracts to hedge the variability in commodity prices in accordance with its risk management strategies. Although these contracts are generally not designated as hedging instruments except in certain cases where the contracts are designated as cash flow hedges, the Company believes that such contracts effectively hedge the impact of the variability in commodity prices.

At March 31, 2016 and 2017, the Company did not perform commodity derivative transactions other than those for hedging purposes as a general rule. Therefore, the risk exposure pertaining to the net position of derivative transactions and transactions being hedged, and the impact of commodity price fluctuations on net income and total equity was immaterial.

Share price risk management

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

At March 31, 2016 and 2017, the Company owned ¥893 billion and ¥985 billion ($9 billion) of marketable securities. These investments are mostly equity issues of customers and suppliers which are exposed to the risk of fluctuations in share prices. Those amounts are based on fair value and not including equity issues of the associates.

Assuming that the share price rose or fell by 10% at March 31, 2016 and 2017, the increase or decrease in total equity would amount to approximately ¥61 billion and approximately ¥68 billion ($0.6 billion), respectively. As most of the marketable securities held by the Company are classified as financial assets measured at FVTOCI based on the accounting policy described in Note 3, assuming that the share price rose or fell by 10%, its impact on net income would be immaterial. Please refer to Note 7 for the exposure of non-marketable investments at March 31, 2016 and 2017.

Credit risk management

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

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

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

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

Liquidity risk management

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

The breakdown of financial liabilities (except for obligations under finance leases) by due date at March 31, 2016 and 2017 was as follows, excluding the effect of adjustments to fair value under fair value hedge accounting.

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

(March 31, 2016)

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	¥1,480,331	¥2,076,943	¥2,361,215	¥5,918,489
Trade and other payables	2,111,637	56,172	22,443	2,190,252
Other financial liabilities (derivatives)	84,252	15,873	2,774	102,899
Financial guarantee contracts	261,896	174,761	235,751	672,408
Total	¥3,938,116	¥2,323,749	¥2,622,183	¥8,884,048

(March 31, 2017)

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

(March 31, 2017)

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
Bonds and borrowings	$11,131	$15,355	$20,836	$47,322
Trade and other payables	21,962	793	257	23,012
Other financial liabilities (derivatives)	950	145	24	1,119
Financial guarantee contracts	1,907	1,298	2,215	5,420
Total	$35,950	$17,591	$23,332	$76,873

The Company maintains lines of credit with various banks. The short-term and long-term portions of unused lines of credit totaled ¥161,726 million and ¥829,989 million, respectively, at March 31, 2016 and ¥347,583 million ($3,103 million) and ¥613,095 million ($5,474 million), respectively, at March 31, 2017. Those amounts are not including the amount of overdraft contracts.

The lines of credit include Japanese yen facilities of ¥510,000 million ($4,554 million) held by the Parent and foreign currency facilities for major currencies equivalent to $2,000 million and for soft currencies equivalent to $300 million held by the Parent and foreign subsidiaries at March 31, 2017. The Parent and the subsidiaries are required to comply with certain financial covenants to maintain these facilities.

The Parent utilizes its long-term portions of unused lines of credit, discussed above, totaling ¥410,000 million ($3,661 million) which terminate in December 2021 to support its commercial paper program. The commercial paper program is used to fund working capital and other general corporate requirements as needed. The Company had no outstanding commercial paper at March 31, 2016 and 2017 that was recognized on the consolidated statement of financial position for this purpose.

34. TRANSFERS OF FINANCIAL ASSETS

(1) Continuing involvement in derecognized financial assets for the years ended March 31, 2016 and 2017 were as follows:

The Company has established a Receivable Purchase Facility with a maximum funding amount of EUR 500 million (¥59,895 million, or $535 million) transferring its contractually qualified loan receivables to third parties. In line with the facility, the Company can subsequently transfer its receivables up to a maximum amount of EUR 500 million (¥59,895 million, or $535 million) until December 2017. The amount mentioned above is the discounted amount which the Company transferred to third parties. In addition, the Company has the right to receive a part of the future interest income from the transferred receivables. Also, the Company bears its credit risk for the transferred receivables up to a portion of the facility by depositing cash and providing guarantees to the purchasers. Further, the Company acts as a service provider, collecting the loan principal and interest.

The Company derecognized the transferred assets and treated the transactions above as sales transactions due to substantially all the risks and rewards of ownership being transferred to third parties. The transactions for the years ended March 31, 2016 and 2017 were as follows. The amount of income through the sales was immaterial for the years ended March 31, 2016 and 2017.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Total amount of the loan receivables derecognized	¥30,649	¥26,577	$237
Total amount of consideration received	30,527	26,471	236

The Company, at the time when it transfers the loan receivables and every quarter end, measures the fair value of its right to receive the future interest income. The Company recognized the rights as "Trade and other receivables (current and non-current)". The aggregate amounts of the assets recognized regarding the transaction were immaterial for the years ended March 31, 2016 and 2017.

The Company measures the fair value of its credit risk and its servicing liabilities for the receivables when transferred and at every quarter end, and the amounts of these liabilities were immaterial for the years ended March 31, 2016 and 2017.

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

The balance of the main accounts related to the facility as of the years ended March 31, 2016 and 2017 were mainly as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Balance of transferred receivables (the principal amount outstanding)	¥63,822	¥59,930	$535
Fair value of future interest income	2,725	2,472	22
Maximum amount of exposure to losses	8,604	8,071	72

"Balance of transferred receivables" is the balance of the loan receivables derecognized by the transactions at March 31, 2016 and 2017. "Maximum amount of exposure to losses" is the total amount of the cash deposits and the guarantees provided by the Company for the third parties. No credit losses were incurred for the years ended March 31, 2016 and 2017.

(2) Transferred financial assets that were not derecognized for the years ended March 31, 2016 and 2017 were as follows.

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

The transferred financial assets were included in “Trade and other receivables” totaling ¥26,663 million and ¥19,182 million ($171 million) at March 31, 2016 and 2017, respectively. The liabilities associated to the transferred financial assets were included in “Bonds and borrowings” totaling ¥26,543 million and ¥19,182 million ($171 million) at March 31, 2016 and 2017, respectively. The Company is not allowed to use the transferred financial assets until the associated liabilities are settled when payments for the transferred financial assets are made.

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

35. LEASES

Lessee

Finance leases as lessee

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

The carrying amounts of assets leased under finance leases at March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Buildings	¥2,788	¥2,577	$23
Machinery and equipment	17,778	128,126	1,144
Vessels and vehicles	3,897	3,693	33
Total	¥24,463	¥134,396	$1,200

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

The breakdown of future minimum lease payments under finance leases by payment period and the components of the present value of the future minimum lease payments at March 31, 2016 and 2017 was as follows:

	Future minimum lease payments			Present value of future minimum lease payments		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017	2016	2017	2017
Not later than 1 year	¥11,982	¥41,803	$373	¥11,891	¥41,031	$367
Later than 1 year and not later than 5 years	29,102	113,849	1,017	27,804	106,309	949
Later than 5 years	8,680	25,296	226	7,879	22,198	198
Sub-total	¥49,764	¥180,948	$1,616	¥47,574	¥169,538	$1,514
Less amount representing interest	(2,190)	(11,410)	(102)			
Finance lease obligations (Present value of total future minimum lease payments)	¥47,574	¥169,538	$1,514			

Minimum sub-lease income due in the future at March 31, 2016 and 2017 was ¥23,722 million and ¥25,965 million ($232 million), respectively, and was not deducted from the above amounts.

The reason for the increase in carrying amounts of assets leased under finance leases, future minimum lease payments, and present value of future minimum lease payments in mainly due to acquisition of Lawson Inc.

Operating leases as lessee

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

Total rental expenses under operating leases for the years ended March 31, 2016 and 2017 were ¥102,455 million and ¥103,033 million ($920 million), respectively. Sub-lease rental income for the years ended March 31, 2016 and 2017 was ¥37,876 million and ¥46,410 million ($414 million), respectively.

The breakdown of future minimum lease payments under non-cancelable leases by payment period at March 31, 2016 and 2017 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Not later than 1 year	¥67,869	¥73,449	$656
Later than 1 year and not later than 5 years	152,918	144,896	1,294
Later than 5 years	76,438	66,228	591
Total	¥297,225	¥284,573	$2,541

Minimum sub-lease income due in the future under non-cancelable leases at March 31, 2016 and 2017 was ¥74,661 million and ¥70,548 million ($630 million), respectively, and was not deducted from the above amounts.

Lessor

Finance leases as lessor

The Company leases, as lessor, vehicles, vessels and other industrial machinery and equipment under finance leases.

Receivables under finance leases are included in "Trade and other receivables" in the consolidated statement of financial position. The breakdown of future minimum lease payments to be received by receipt period and the present value of such minimum lease payments, and the components of the outstanding receivables under finance leases at March 31, 2016 and 2017 was as follows:

	Components of receivables under financial lease			Present value of future minimum lease payments to be received		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017	2016	2017	2017
Future minimum lease payments to be received						
Not later than 1 year	¥162,807	¥132,802	$1,186	¥153,855	¥126,187	$1,127
Later than 1 year and not later than 5 years	292,991	255,031	2,277	249,959	220,613	1,969
Later than 5 years	84,589	54,458	486	59,081	38,177	341
Sub-total	¥540,387	¥442,291	$3,949	¥462,895	¥384,977	$3,437
Estimated unguaranteed residual value of leased assets	3,361	3,339	30			
Gross investment in the lease	543,748	445,630	3,979			
Less unearned income	(77,492)	(57,314)	(512)			
Finance lease receivables	466,256	388,316	3,467			
Less allowance for doubtful receivables	(31,188)	(11,788)	(105)			
Receivables under finance leases (net of allowance for doubtful receivables)	¥435,068	¥376,528	$3,362			

Future minimum lease payments to be received by receipt period do not include contingent rents that may be received under certain lease contracts.

Operating leases as lessor

The Company leases, as lessor, aircraft, vessels and other industrial machinery under operating leases.

The breakdown of future minimum lease payments to be received under non-cancelable leases by receipt period at March 31, 2016 and 2017 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Not later than 1 year	¥63,693	¥62,129	$555
Later than 1 year and not later than 5 years	149,153	141,560	1,264
Later than 5 years	85,625	68,934	615
Total	¥298,471	¥272,623	$2,434

36. SERVICE CONCESSION ARRANGEMENTS

In Australia, the Company has various water businesses for the purpose of serving public and business customers. Pursuant to contracts with waterworks departments and other public institutions, the Company is assigned the right to use public infrastructure facilities relating to waterworks, sewerage, regeneration and desalination and provides comprehensive services through design, construction, operation and other activities related to the infrastructure facilities.

IFRIC Interpretation 12 "Service Concession Arrangements" is applied in cases where a public institution effectively controls significant residual interests in the public facilities at the end of the service concession arrangements on the grounds that there is an obligation for the Company to transfer the public facilities or for other such reasons. While there are projects in which the contract term can be extended, their impact on the consolidated financial statements was immaterial. The residual periods of the major service concession arrangements on March 31, 2017 were between 3 and 17 years.

37. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental information related to the consolidated statement of cash flows.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Acquisition of businesses:			
Consideration for acquisition (cash and cash equivalents)			
Total amount of consideration for acquisition	¥15,724	¥146,190	$1,305
Cash and cash equivalents of acquired businesses	2,851	71,496	638
Consideration for acquisition (net of cash and cash equivalents of acquired businesses)	12,873	74,694	667
Fair value of assets acquired (excluding cash and cash equivalents)			
Trade and other receivables	11,128	174,094	1,555
Inventories	4,698	19,298	172
Property, plant and equipment and investment property	136,830	365,457	3,263
Intangible assets and goodwill	8,249	722,733	6,453
Other	13,189	152,017	1,357
Total acquired assets	¥174,094	¥1,433,599	$12,800
Fair value of liabilities assumed			
Bonds and borrowings	4,824	88,048	786
Trade and other payables	13,545	392,544	3,505
Other	6,528	166,377	1,486
Total liabilities assumed	¥24,897	¥646,969	$5,777

Notes:

1. Please refer to Note 5 "Business combinations" for the details of assets acquired through significant business combinations for the years ended March 31, 2016 and 2017.
2. The acquisition of assets under finance leases was immaterial for the years ended March 31, 2016 and 2017.
3. The acquisition of assets under cancellation of finance leases was ¥26,388 million ($236 million) for the year ended March 31, 2017. It was immaterial for the year ended March 31, 2016.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Sales of businesses:			
Consideration for sales (cash and cash equivalents)			
Total amount of consideration for sales	¥41,302	¥5,554	$50
Cash and cash equivalents of sold businesses	29,094	4,189	38
Consideration for sales (net of cash and cash equivalents of sold businesses)	12,208	1,365	12
Assets sold (excluding cash and cash equivalents)			
Trade and other receivables	14,426	3,047	27
Inventories	5,492	5,076	45
Property, plant and equipment and investment property	44,404	28,444	254
Other	50,420	1,090	10
Total sold assets	¥114,742	¥37,657	$336
Liabilities sold			
Bonds and borrowings	2,592	14,923	133
Trade and other payables	25,127	8,092	72
Other	14,168	2,549	23
Total sold liabilities	¥41,887	¥25,564	$228
Non-cash investing and financing activities:			
Assets recognized due to loss of control	55,943	12,280	110

38. CONSOLIDATED SUBSIDIARIES

The effects on the equity attributable to owners of the Company of any changes in its ownership interest in consolidated subsidiaries that did not result in a loss of control

	Changes in additional paid-in capital		
	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Changes from equity transactions with non-controlling shareholders	¥(3,857)	¥(42,178)	$(377)

The gains (losses) associated with the loss of control of subsidiaries

Gains (losses) associated with the loss of control of subsidiaries (before tax) were ¥15,122 million and ¥15,512 million ($139 million) for the years ended March 31, 2016 and 2017, respectively. The gains (losses) were included in "Gains on investments" in the consolidated statement of income.

The portions of gains or losses (before tax) attributable to the remeasurement of investment retained in the former subsidiary at its fair value at the date when control was lost were immaterial for the years ended March 31, 2016 and 2017.

39. INTERESTS IN JOINT ARRANGEMENTS AND ASSOCIATES

(1) Entities of which the Company does not have control regardless of the possession of more than half of the voting rights

MI Berau B.V. ("MI Berau")

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

Sulawesi LNG Development Ltd. ("Sulawesi LNG Development")

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

(2) Entities in which the Company has significant influence regardless of the possibility of holding less than 20% of the voting rights, considering the effect of potential voting rights

Olam International Limited

The Company holds a 20% ownership interest in Olam International Limited, an agricultural products company located in Singapore. At March 31, 2017, Olam issued exercisable convertible bonds and share acquisition rights, which could dilute the Company's voting rights to less than 20%. However, since the Company has a significant influence over Olam's operating and financial policies through directors dispatched by the Parent. Accordingly, the Company accounts for its investment in Olam International Limited using the equity method.

(3) Share of profit (loss) for the year and other comprehensive income of joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017	2016	2017	2017
Profit (loss) for the year	¥11,841	¥40,297	$360	¥(187,230)	¥77,153	$689
Other comprehensive income	(26,417)	(5,970)	(53)	(34,412)	(53,866)	(481)
Comprehensive income	¥(14,576)	¥34,327	$307	¥(221,642)	¥23,287	$208

Impairment losses on investments accounted for using the equity method

The Company conducted an impairment test on the investment in Anglo American Sur S.A. (AAS) as an investment accounted for using the equity method. AAS is a Chilean copper mining and smelting company, headquartered in Santiago, of which the Company holds 20.4% of the shares through a consolidated subsidiary. In relation to copper prices used in the impairment test, the Company formulated price forecasts, taking into account the fundamentals such as the future supply/demand environment and the data provided by external financial institutions. In the year ended March 2016, the Company recorded an impairment loss of ¥271,194 million in "Share of profit (loss) of investments accounted for using the equity method", resulting in a book value of ¥190,990 million, considering the decline of copper price forecast caused by the sluggish copper market price and an extension of the time frame for the development of mining projects. Since AAS's production and development plans are considered in long-term perspective, mid-to-long-term price forecast more significantly impact on valuation of our investment to AAS compared to price forecast in short-term period.
The company owns a 7.2% interest in the Browse LNG project in Western Australia through Japan Australia LNG (MIMI Browse), in which the Company holds 50% of the shares. The Company conducted an impairment test on this interest, as an investment accounted for using the equity method. As sharp declines in oil and gas prices have resulted in considerable postponement in floating LNG development plans, the Company recognized an impairment loss of ¥40,362 million in "Share of profit (loss) of investments accounted for using the equity method" in the year ended March 2016.
There are no important matters which should be noted in the year ended March 2017.

(4) Sale of goods / rendering of service to and goods purchased / service received from joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017	2016	2017	2017
Sale of goods / rendering of service	¥256,992	¥247,889	$2,213	¥1,157,020	¥1,378,870	$12,311
Goods purchased / service received	135,983	91,758	819	1,056,327	915,267	8,172

(5) Assets and liabilities of the Company to joint ventures and associates

	Joint ventures			Associates		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017	2016	2017	2017
(Assets)						
Trade receivables	¥32,010	¥38,919	$347	¥160,354	¥120,649	$1,077
Loans and other	79,552	58,637	524	50,497	61,715	551
(Liabilities)						
Trade payables	48,709	42,919	383	124,405	109,038	974
Borrowings and other	42,430	9,979	89	195,366	239,814	2,141

In addition to the above, as of March 31, 2016 and 2017, the Company provided ¥193,947 million and ¥186,578 million ($1,666 million), respectively, of credit guarantees for certain joint ventures, and ¥316,570 million and ¥323,201 million ($2,886 million), respectively, of credit guarantees for certain associates.
The Company has also entered into substantial purchase commitments with joint ventures and associates as of March 31, 2016 and 2017. The outstanding purchase commitments amounted to ¥214,849 million and ¥183,711 million ($1,640 million), respectively with joint ventures, and ¥361,095 million and ¥284,627 million ($2,541 million), respectively with associates.

Cameron LNG Project

With regards to its investment in Cameron LNG, a natural gas liquefaction project which will be operated by Cameron LNG LLC at its Louisiana Terminal in U.S., the Company secured 4 million tonnes per annum of LNG tolling capacity for 20 years following the inception of production of LNG scheduled in 2018, for which the Company will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LCC.
In relation to most of the LNG the Company plans to purchase, the Company also entered into a long-term LNG sales contracts with customers mainly in Japan and other markets in Asia.

40. STRUCTURED ENTITIES (SEs)

The Company evaluates its involvement with SEs to determine whether the Company has control over SEs. If the Company has the power to direct the activities of the SE that most significantly affect the economic performance and the obligation to absorb losses of or the right to receive benefits from the SE that could potentially be significant to the SE, the Company is considered to have control over the SE and consolidates the SE.

Non-consolidated SEs

The SEs that the Company does not consolidate due to lack of control are involved in various businesses. Most of the SEs are entities established to conduct project financing in infrastructure and real-estate-related businesses. These SEs are financed mainly by borrowings and the Company is involved in the form of equity investments, guarantees and loans, which exposes the Company to investment risks and credit risks.

Total assets of the SEs that the Company does not consolidate, which are related to infrastructure, real-estate related businesses, shipping-related businesses and others, were ¥208,554 million, ¥138,673 million, ¥66,272 million and ¥212,236 million, respectively, at March 31, 2016, and ¥196,774 million ($1,757 million), ¥96,113 million ($858 million), ¥67,283 million ($601 million) and ¥181,461 million ($1,620 million), respectively, at March 31, 2017.

The following table summarizes the carrying amounts of assets in the Company's consolidated statement of financial position and the Company's maximum exposures to losses as a result of the Company's involvement in these SEs at March 31, 2016 and 2017.

The following information of the SEs represents the latest one available to the Company.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Carrying amounts of assets in the Company's consolidated statement of financial position	¥79,218	¥74,819	$668
Maximum exposure to losses	81,694	77,999	696

Carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs consisted primarily of "Trade and other receivables (current and non-current assets)", "Investments accounted for using the equity method" and "Other investments".

There is a difference between the carrying amounts of assets in the Company's consolidated statement of financial position that relate to the SEs and the maximum exposures to losses, as the Company's maximum exposures to losses include credit guarantees on these SEs. Maximum exposures to losses do not represent anticipated losses probable of occurring due to the Company's involvement with the SEs, and are considered to exceed the anticipated losses considerably.

41. TRANSACTIONS WITH MANAGEMENT PERSONNEL

The amounts of remuneration for the Parent's directors for the year ended March 31, 2016 and 2017 were as follows.

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Monthly remuneration	¥749	¥613	$6
Bonuses	ー	180	2
Reserved retirement remuneration	122	52	0
Stock option	323	135	1
Total remuneration	¥1,194	¥980	$9

Reserved retirement remuneration is set aside in a certain amount every year as consideration for the performance of duties, and the accumulated amount is calculated and paid in full upon retirement of a director by resolution of the Board of Directors.

The amount of "Stock option" is the amount recognized in the consolidated statement of income and is different from the amount acquired from the execution and sales of stock options.

42. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(1) Commitments

The Company has financing agreements (i.e., loan commitments) and outstanding commitments at March 31, 2016 and 2017 amounting to ¥4,926 million and ¥6,422 million ($57 million), respectively.

(2) Guarantees

The Company is a party to various agreements under which it has undertaken obligations resulting from the issuance of certain guarantees. The guarantees have been issued for companies that are accounted for using the equity method, as well as for customers and suppliers of the Company.

Credit guarantees

The Company provided credit guarantees for certain customers and suppliers, and the companies accounted for using the equity method in the form of financial and performance guarantees.

The outstanding amount and the maximum potential amount of future payments under these credit guarantees as of March 31, 2016 and 2017 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2017	2017
Financial guarantees			
Outstanding amount	¥672,408	¥607,038	$5,420
Maximum potential amount of future payments	1,355,712	1,221,407	10,905
Performance guarantees			
Outstanding amount	215,074	152,614	1,363
Maximum potential amount of future payments	215,074	152,614	1,363

These credit guarantees enable the Company's customers, suppliers and the companies accounted for using the equity method to execute transactions or obtain desired financing arrangements with third parties. Most of these guarantees outstanding at March 31, 2017 will expire within 10 years, with certain credit guarantees expiring by the end of 2048. Should the customers, suppliers and the companies accounted for using the equity method fail to perform under the terms of the transaction or financing arrangement, the Company would be required to perform on their behalf.

The Company has set internal ratings based on various information, such as the guaranteed party's financial statements, and manages risks of credit guarantees by establishing limits on guarantees for each guaranteed party based on these internal ratings and requires collateral or reassurance as necessary.

At March 31, 2016 and 2017, the amounts of possible recoveries under recourse provisions from third parties or from collateral on pledged financial guarantees were ¥4,613 million and ¥5,468 million ($49 million), respectively, and on performance guarantees were ¥75,024 million and ¥39,802 million ($355 million), respectively.
At March 31, 2016 and 2017, financial guarantees includes ¥71,557 million and ¥89,026 million ($795 million) of letters of credit issued for bills discounted.

The liabilities for these credit guarantees were ¥3,515 million and ¥12,596 million ($112 million) at March 31, 2016 and 2017, respectively.

As of March 31, 2017, there were no credit guarantees with a high probability of a significant loss due to enforcement of the guarantee, except for those recognized as liabilities.

LNG project in Australia

An associate of the Parent acquired a participating interest in a project to develop LNG in Australia (the "Project"). The associate has obtained a US$1,927 million line-of-credit from a bank to secure funding for the acquisition of the participating interest and for the future development of the Project. The Parent, along with another participant in the Project, provides a credit guarantee to the bank on the line of credit. The maximum potential amount of future payments of the Parent resulting from a default on the line of credit is US$1,533 million, and is included in "Financial guarantees – Maximum potential amount of future payments" in the table above. As of March 31, 2017, the portion of the associate's draw-down against the line-of-credit that the Parent is responsible for amounted to US$1,421 million. The amount is included in "Financial guarantees – Outstanding amount" in the table.

In addition, the Parent, along with other participants to the Project, provides a performance guarantee to the seller of the participating interest in the Project. The performance guarantee is a joint guarantee of the payments for the future funding commitment in accordance with the joint venture agreement. The obligation from this performance guarantee is considered to arise at the execution of project agreements and the total guarantee as of March 31, 2017 is US$234 million. The amounts are included in both "Performance guarantees – Maximum potential amount of future payments" and "Performance guarantees – Outstanding amount" in the table.

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

Indemnification

In the context of certain sales or divestitures of business, the Company occasionally commits to indemnify contingent losses, such as environmental losses, or the imposition of additional taxes. Due to the nature of the indemnifications, the Company's maximum exposure under these arrangements cannot be estimated. No provisions have been recorded for such indemnifications as the Company's obligations under them are not probable and estimable, except for certain cases for which losses already have been claimed.

(3) Litigation

The Company is subject to litigation arising in the ordinary course of business. In the opinion of management, obligations arising from such litigious matters will not have a materially adverse effect on the consolidated operating results or consolidated financial position of the Company.

43. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 23, 2017.

Stock options

The Parent resolved at the Board of Directors meeting held on May 19, 2017 that it would distribute stock options to directors, executive officers and senior vice presidents of the Parent.

The stock options are to be distributed as described below:

2017 stock options plan A for a stock-linked compensation plan

Total no. of shares granted	:Up to 238,500 ordinary shares of the Parent
Exercise price	:¥1 per share
Exercise term	:June 6, 2017 - June 6, 2046

2017 stock options plan B for a stock-linked compensation plan

Total no. of shares granted	:Up to 550,600 ordinary shares of the Parent
Exercise price	:¥1 per share
Exercise term	:June 6, 2017 - June 5, 2047

Dividends

The Parent was authorized at the general shareholders' meeting held on June 23, 2017 to pay a cash dividend of ¥50 ($0.45) per share, or a total of ¥79,276 million ($708 million) to shareholders of record on March 31, 2017.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent's Board of Directors on June 23, 2017.

Appendix

1. List of subsidiaries

The Parent's subsidiaries as of March 31, 2017 are as follows:

Business Segment	Company Name	Voting Rights (%)
Global Environmental & Infrastructure Business Group	DGA Ho Ping B.V. (The Netherlands)	100.00
	DGA Ilijan B.V. (The Netherlands)	100.00
	Diamond Generating Asia, Limited (Hong Kong)	100.00
	Diamond Generating Corporation (U.S.A.)	100.00 (100.00)
	Diamond Generating Europe Limited (U.K.)	100.00
	Diamond Transmission Corporation Limited (U.K.)	100.00
	MC Retail Energy Co., Ltd. (Japan)	100.00 (16.00)
	MCKG Port Holding Corporation. (Japan)	60.00
	Mitsubishi Corporation Machinery, Inc. (Japan)	100.00
	Mitsubishi Corporation Power Ltd. (Japan)	100.00
	Mitsubishi Corporation Power Systems, Inc. (Japan)	100.00
	TRILITY GROUP Pty Ltd. (Australia)	60.00
	Others (122 Companies)	
Industrial Finance, Logistics & Development Group	Alternative Investment Capital Limited (Japan)	51.00
	Diamond Car Carriers S.A. (Panama)	100.00
	Diamond RC Holding Limited (Hong Kong)	100.00
	Diamond Realty Investments, Inc. (U.S.A.)	100.00 (100.00)
	Diamond Realty Management Inc. (Japan)	100.00
	MC AI HOLDINGS Limited (Cayman Islands, British overseas territory)	100.00
	MC Asset Management Holdings, Inc. (U.S.A.)	100.00
	MC Aviation Partners Inc. (Japan)	100.00
	MC Capital Inc. (U.S.A.)	100.00
	MC CREDIT PRODUCTS FUND, Inc. (U.S.A.)	100.00 (20.00)
	MC DEVELOPMENT ASIA PTE LTD (Singapore)	100.00
	MC EMERGING CAPITAL PARTNERS B.V. (The Netherlands)	100.00
	MC Engine Leasing Limited (U.K.)	80.00
	MC GIP-UK Ltd. (U.K.)	100.00
	MC ISQ-UK Ltd. (U.K.)	100.00
	MC JIIP Holdings Inc. (Cayman Islands, British overseas territory)	100.00
	MC REAL ASSET INVESTMENTS LTD. (Cayman Islands, British overseas territory)	100.00
	MC REAL ESTATE INVESTMENT Inc. (U.S.A)	100.00
	Mitsubishi Corp.-UBS Realty Inc. (Japan)	51.00
	Mitsubishi Corporation Asset Management Ltd. (Japan)	100.00
	Mitsubishi Corporation LT, Inc. (Japan)	100.00
	Mitsubishi Corporation Urban Development, Inc. (Japan)	100.00
	New Century Insurance Co., Ltd. (Bermuda, British overseas territory)	100.00
	PT DIAMOND REALTY INVESTMENT INDONESIA (Indonesia)	100.00 (0.07)
	Seto Futo Co., Ltd. (Japan)	68.32 (20.00)
	Shina River Aviation Financing Co., Ltd. (Japan)	100.00
	Others (99 Companies)	

Business Segment	Company Name	Voting Rights (%)
Energy Business Group	Angola Japan Oil Co., Ltd (Japan)	65.70
	Cutbank Dawson Gas Resources Ltd. (Canada)	100.00 (100.00)
	Diamond Gas Holdings Sdn.Bhd. (Malaysia)	100.00
	Diamond Gas Netherlands B.V. (The Netherlands)	80.00 (80.00)
	Diamond Gas Operation Co., Ltd. (Japan)	100.00
	Diamond Gas Sakhalin B.V. (The Netherlands)	100.00
	Diamond LNG Canada Ltd. (Canada)	100.00
	Diamond Resources (Canning) PT (Australia)	100.00
	Diamond Resources (Fitzroy) PT (Australia)	100.00
	MCX EXPLORATION(USA), LLC (U.S.A.)	100.00 (100.00)
	Mitsubishi Corporation Energy Co., Ltd. (Japan)	100.00
	Mitsubishi Corporation Exploration Co., Ltd. (Japan)	100.00
	Petro-Diamond Singapore (PTE) Ltd. (Singapore)	100.00
	Others (62 Companies)	
Metals Group	Coilplus, Inc. (U.S.A.)	100.00 (100.00)
	Hernic Ferrochrome (Pty) Ltd. (Republic of South Africa)	64.05 (64.05)
	Isuzu Corporation (Japan)	56.60 (56.60)
	JECO Corporation (Japan)	70.00
	M.C. Inversiones Limitada (Chile)	100.00
	MC Copper Holdings B.V. (The Netherlands)	100.00
	MC Metal Service Asia (Thailand) Co., Ltd. (Thailand)	100.00 (100.00)
	Metal One America, Inc. (U.S.A.)	100.00 (100.00)
	Metal One Corporation (Japan)	60.00
	Metal One Holdings America, Inc. (U.S.A.)	92.00 (92.00)
	Metal One Pipe & Tubular Products Inc. (Japan)	100.00 (100.00)
	Metal One Steel Products Corporation (Japan)	100.00 (100.00)
	Mitsubishi Corporation RtM International Pte. Ltd. (Singapore)	100.00
	Mitsubishi Corporation RtM Japan Ltd. (Japan)	100.00
	Mitsubishi Development Pty Ltd (Australia)	100.00
	Ryowa Development II Pty., Ltd. (Australia)	100.00
	Ryowa Development Pty., Ltd. (Australia)	100.00
	Sus-Tech Corporation (Japan)	64.48 (64.48)
	Tamatsukuri Corporation (Japan)	100.00 (100.00)
	Triland Metals Ltd. (U.K.)	100.00 (9.09)
	Others (108 Companies)	

Business Segment	Company Name	Voting Rights (%)
Machinery Group	Diamond Star Shipping Pte. Ltd. (Singapore)	100.00
	Isuzu UTE Australia Pty Ltd. (Australia)	100.00
	JSC MC Bank Rus (Russia)	100.00 (100.00)
	MC LIFT & SOLUTIONS CO., LTD.(Thailand)	100.00 (5.00)
	MC Machinery Systems, Inc. (U.S.A.)	100.00 (20.00)
	MCE Bank GmbH (Germany)	100.00 (100.00)
	Mitsubishi Corporation Technos (Japan)	100.00
	Mitsubishi Motors Malaysia Sdn. Bhd. (Malaysia)	52.00
	MSK FARM MACHINERY CORPORATION (Japan)	100.00
	Nikken Corporation (Japan)	100.00
	P.T. Dipo Star Finance (Indonesia)	95.00 (95.00)
	The Colt Car Company Ltd. (U.K.)	100.00
	Tri Petch Isuzu Leasing Co., Ltd. (Thailand)	93.50 (50.00)
	Tri Petch Isuzu Sales Company Limited (Thailand)	88.73 (41.66)
	Others (83 Companies)	
Chemicals Group	Chuo Kagaku Co., Ltd. (Japan)	60.59 (4.96)
	Chuo Kasei Co., Ltd. (Japan)	100.00
	KIBIKASEI CO., LTD. (Japan)	100.00
	KOHJIN Holdings Co., Ltd. (Japan)	100.00
	MC Ferticom Co., Ltd. (Japan)	72.83
	Mitsubishi Corporation Life Sciences Limited (Japan)	100.00
	Mitsubishi Corporation Plastics Ltd. (Japan)	100.00
	Mitsubishi Shoji Chemical Corporation (Japan)	100.00
	Others (33 Companies)	

Business Segment	Company Name	Voting Rights (%)
Living Essentials Group	Agrex do Brasil S.A. (Brazil)	81.54 (1.08)
	AGREX, Inc. (U.S.A.)	100.00 (100.00)
	ART COFFEE CO., LTD. (Japan)	100.00
	Cape Flattery Silica Mines Pty., Ltd. (Australia)	100.00
	Cermaq Group AS (Norway)	100.00 (100.00)
	Dai-Nippon Meiji Sugar Co., Ltd. (Japan)	100.00
	Foodlink Corporation (Japan)	99.42
	Indiana Packers Corporation (U.S.A.)	80.00 (10.00)
	JAPAN FARM HOLDINGS(Japan)	92.66
	KOKUSAI BULK TERMINAL CO., LTD. (Japan)	50.10 (1.17)
	LAWSON ATM NETWORKS,INC. (Japan)	85.10 (85.10)
	LAWSON HMV ENTERTAINMENT UNITED CINEMA HOLDINGS,INC. (Japan)	100.00 (100.00)
	Lawson, Inc. (Japan)	50.14
	LOYALTY MARKETING INC. (Japan)	67.37 (20.00)
	MC Healthcare, Inc. (Japan)	80.00
	Mitsubishi Corporation Fashion Co., Ltd. (Japan)	100.00
	Mitsubishi Shoji Construction Materials Corporation (Japan)	100.00
	Mitsubishi Shoji Packaging Corporation (Japan)	92.15
	Mitsubishi Shokuhin Co., Ltd. (Japan)	61.99 (0.01)
	Nihon Shokuhin Kako Co., Ltd. (Japan)	59.82
	Nippon Care Supply Co., Ltd. (Japan)	74.78
	Nitto Fuji Flour Milling Co., Ltd. (Japan)	64.48
	Nosan Corporation (Japan)	100.00
	Princes Limited (U.K.)	100.00 (10.00)
	Riverina (Australia) Pty., Ltd. (Australia)	100.00
	SCI,INC. (Japan)	100.00 (100.00)
	SEIJO ISHII CO.,LTD (Japan)	100.00 (100.00)
	TH FOODS, Inc. (U.S.A.)	53.16 (6.32)
	Toyo Reizo Co., Ltd. (Japan)	81.92
	Others (143 Companies)	

Business Segment	Company Name	Voting Rights (%)
Others	MC Finance & Consulting Asia Pte. Ltd. (Singapore)	100.00
	MC Finance Australia Pty Ltd. (Australia)	100.00
	Mitsubishi Corporation Finance PLC (U.K.)	100.00
	Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Japan)	100.00
	Others (12 Companies)	
Main Regional Subsidiaries	Mitsubishi Australia Ltd. (Australia)	100.00
	Mitsubishi Corp. do Brasil S.A. (Brazil)	100.00 (12.57)
	Mitsubishi Corporation (Americas) (U.S.A.)	100.00
	Mitsubishi Corporation (Hong Kong) Ltd. (Hong Kong)	100.00
	Mitsubishi Corporation (Korea) Ltd. (Korea)	100.00
	Mitsubishi Corporation (Shanghai) Ltd. (China)	100.00 (100.00)
	Mitsubishi Corporation (Taiwan) Ltd. (Taiwan)	100.00
	Mitsubishi Corporation International (Europe) Plc. (U.K.)	100.00 (100.00)
	Mitsubishi International GmbH. (Germany)	100.00 (100.00)
	Thai-MC Company Ltd. (Thailand)	69.00 (45.00)
	Others (36 Companies)	

Note: The percentages in parentheses under "Voting Rights (%)" indicate the indirect ownership out of the total ownership noted above.

2. One-Off Gains' Information

1) Global Environmental & Infrastructure Business Group

There was a reversal of the provision for losses on guarantee obligations for the North Sea oil project of US$127 million (¥15.3billion) included in other income (expense)-net in the consolidated statement of income for the year ended March 31, 2016.

2) Energy Business Group

There was a ¥16.4 billion (US$146 million) one-off gain related to a business restructuring in the shale gas business included in other income (expense)–net in the consolidated statement of income for the year ended March 31, 2017.

June 23, 2017

Responsibility Statement

The following responsibility statement is made solely to comply with the requirements of DTR 4.1.12 of the United Kingdom Financial Conduct Authority's Disclosure Rules and Transparency Rules, in relation to Mitsubishi Corporation as an issuer whose financial instruments are admitted to trading on the London Stock Exchange.

Kazuyuki Masu, Chief Financial Officer, confirms that:

- to the best of his knowledge, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the assets, liabilities, financial position and profit or loss of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole; and

- to the best of his knowledge, the management report includes a fair review of the development and performance of the business and the position of Mitsubishi Corporation and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Mitsubishi Corporation

www.mitsubishicorp.com

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