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

1. Results of Operations

1) Operating Results

In the year ended March 2014, the U.S. economy continued to experience a modest recovery on the back of healthy consumer spending. In Europe there were continuing signs of a gradual upturn in economic conditions. Emerging nations, while experiencing a slowdown in economic growth, showed signs of bottoming out in some quarters. The Japanese economy remained on a moderate recovery path, with the benefits of government policies underpinning the economy. As price levels held firm, internal demand was also robust, supported partly by last-minute demand ahead of the increase in the consumption tax rate.

Under such circumstances, total revenues for the year ended March 2014 increased ¥1,625.3 billion, or 27%, year over year to ¥7,635.2 billion. This increase was mainly due to higher transaction volumes and foreign currency factors.

Gross profit increased ¥131.1 billion, or 12%, to ¥1,186.0 billion, reflecting mainly the absence of strike action that affected performance at an Australian resource-related subsidiary (coking coal) in the previous fiscal year, foreign currency factors, and the impact of business expansion (new consolidations).

Selling, general and administrative expenses increased ¥67.0 billion, or 8%, year over year to ¥952.9 billion, due mainly to the impact of business expansion (new consolidations).

In impairment losses on property and equipment, gain on marketable securities and investments-net, and finance income, mainly reflecting mark-to-market gains on shares and increased dividend income from overseas resource-related investees, as well as the absence of impairment losses on property and equipment recorded in the previous year. Other income-net, however, declined due primarily to foreign exchange gains and losses.

Net equity in earnings of Affiliated companies increased ¥0.6 billion, or 0%, to ¥168.4 billion.

As a result, profit before tax for the year ended March 2014 increased by ¥89.3 billion, or 20.0%, to ¥532.0 billion.

Accordingly, profit attributable to owners of the Parent for the year ended March 2014 increased ¥37.9 billion, or 12%, to ¥361.4 billion.

2) Condensed Consolidated Financial Statements Prepared Based on Previous Accounting Standards (U.S. GAAP)

From the year ended March 2014, we have prepared our consolidated financial statements based on International Financial Reporting Standards (IFRS).

Pursuant to the provisions of Article 95 of the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, we have prepared condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, as follows.

For the year ended March 2014, these condensed financial statements have not been audited pursuant to the provisions of the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.
### 1. Condensed Consolidated Balance Sheets (U.S. GAAP)

<table>
<thead>
<tr>
<th></th>
<th>March 31 2013</th>
<th>March 31 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>6,826,260</td>
<td>7,123,205</td>
</tr>
<tr>
<td>Investments and non-current receivables</td>
<td>4,717,431</td>
<td>5,023,296</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>2,487,464</td>
<td>2,715,941</td>
</tr>
<tr>
<td>Other assets</td>
<td>379,510</td>
<td>429,257</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,410,665</td>
<td>15,291,699</td>
</tr>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4,728,113</td>
<td>4,701,917</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>5,126,502</td>
<td>5,385,756</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>9,854,615</td>
<td>10,087,673</td>
</tr>
<tr>
<td>Mitsubishi Corporation shareholders' equity</td>
<td>4,179,698</td>
<td>4,774,244</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>376,352</td>
<td>429,782</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>4,556,050</td>
<td>5,204,026</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>14,410,665</td>
<td>15,291,699</td>
</tr>
</tbody>
</table>
### Condensed Consolidated Statements of Income

(U.S.GAAP)

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2013</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>5,968,774</td>
<td>7,589,255</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>(4,939,117)</td>
<td>(6,429,114)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,029,657</td>
<td>1,160,141</td>
</tr>
<tr>
<td>Other income and expenses</td>
<td>(692,451)</td>
<td>(727,908)</td>
</tr>
<tr>
<td>Income before income taxes and equity in earnings of Affiliated companies and other</td>
<td>337,206</td>
<td>432,233</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(113,486)</td>
<td>(170,435)</td>
</tr>
<tr>
<td>Income before equity in earnings of Affiliated companies and other</td>
<td>223,720</td>
<td>261,798</td>
</tr>
<tr>
<td>Equity in earnings of Affiliated companies and other</td>
<td>164,274</td>
<td>208,507</td>
</tr>
<tr>
<td>Net income</td>
<td>387,994</td>
<td>470,305</td>
</tr>
<tr>
<td>Less net income attributable to the non-controlling interest</td>
<td>(27,966)</td>
<td>(25,512)</td>
</tr>
<tr>
<td>Net income attributable to Mitsubishi Corporation</td>
<td>360,028</td>
<td>444,793</td>
</tr>
</tbody>
</table>
### Condensed Consolidated Statements of Comprehensive Income (U.S. GAAP)

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2013</td>
</tr>
<tr>
<td>Net income</td>
<td>387,994</td>
</tr>
<tr>
<td>Total other comprehensive income, net of tax</td>
<td>421,375</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>809,369</td>
</tr>
<tr>
<td>Comprehensive income attributable to the non-controlling interest</td>
<td>(43,990)</td>
</tr>
<tr>
<td>Comprehensive income attributable to Mitsubishi Corporation</td>
<td>765,379</td>
</tr>
</tbody>
</table>
Condensed Statements of Equity (U.S. GAAP)

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2013</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>204,447</td>
<td>204,447</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>204,447</td>
<td>204,447</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>262,039</td>
<td>262,705</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>666</td>
<td>3,267</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>262,705</td>
<td>265,972</td>
</tr>
<tr>
<td>Retained earnings appropriated for legal reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>3,344,721</td>
<td>3,607,989</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>263,268</td>
<td>344,244</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>3,607,989</td>
<td>3,952,233</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss), net of tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>(282,824)</td>
<td>122,527</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>405,351</td>
<td>243,146</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>122,527</td>
<td>365,673</td>
</tr>
<tr>
<td>Treasury stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>(20,565)</td>
<td>(17,970)</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>2,595</td>
<td>3,889</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(17,970)</td>
<td>(14,081)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>318,959</td>
<td>376,352</td>
</tr>
<tr>
<td>Changes during the year</td>
<td>57,393</td>
<td>53,430</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>376,352</td>
<td>429,782</td>
</tr>
</tbody>
</table>
### Condensed Consolidated Statements of Cash Flows (U.S. GAAP)

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2013</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>403,313</td>
<td>258,142</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(752,477)</td>
<td>(182,689)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>401,687</td>
<td>(122,131)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>40,281</td>
<td>23,887</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>92,804</td>
<td>(22,791)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>1,252,951</td>
<td>1,345,755</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>1,345,755</td>
<td>1,322,964</td>
</tr>
</tbody>
</table>
### (Significant Changes in the Basis of Consolidated Financial Statements)

<table>
<thead>
<tr>
<th>Year ended March 31, 2013</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective April 1, 2012, we have adopted Accounting Standards Update (“ASU”) No.2011-08, “Testing Goodwill for impairment.” ASU No.2011-08 provides entities with the option of performing a qualitative assessment before performing the quantitative goodwill impairment test. Only if an entity determines in the qualitative assessment that it is more likely than not that the fair value of the reporting unit is less than the carrying amount including goodwill, an entity is required to perform the two-step quantitative goodwill impairment test. ASU No.2011-08 does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill at least annually for impairment. The adoption of ASU No.2011-08 did not have impact on our consolidated financial position and results of operations in the fiscal year ended March 31, 2013.</td>
<td>Effective April 1, 2013, we have adopted Accounting Standards Update (“ASU”) No.2011-10, “Property, Plant and Equipment-Derecognition of in-substance Real Estate a Scope Clarification.” Under ASU No.2011-10, the reporting entity should apply the guidance in ASC Subtopic 360-20 “Property, Plant, and Equipment – Real Estate Sales” to determine whether it should derecognize the in-substance real estate when the reporting entity ceases to have a controlling financial interest in a subsidiary that is in-substance real estate as a result of default on the subsidiary’s nonrecourse debt. ASU No.2011-10 does not revise ASC Subtopic 360-20 itself but clarifies the scope it covers. The adoption of ASU No.2011-10 had no impact on our financial position and results of operations.</td>
</tr>
<tr>
<td>Effective April 1, 2013, we adopted ASU No.2012-02 “Testing Indefinite-Lived Intangible Assets for Impairment.” ASU No. 2012-02 provides entities with the option of performing a qualitative assessment before performing the quantitative indefinite-lived intangible assets impairment test. Only if an entity determines in the qualitative assessment that it is more likely than not that the fair value of the indefinite-lived intangible assets is less than the carrying amount, an entity is required to perform the quantitative indefinite-lived intangible assets impairment test. ASU No.2012-02 does not change how indefinite-lived intangible assets are calculated, nor does it revise the requirement to test indefinite-lived intangible assets at least annually for impairment. Since we have not elected the option of performing a qualitative assessment under ASU No. 2012-02, there is no impact on our financial position and results of operations.</td>
<td>Effective July 17, 2013, we have adopted ASU No.2013-10 “Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.” ASU No. 2013-10 permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a qualified U.S. benchmark interest rate for hedged items for hedge accounting purposes. In the case of U.S. dollar interest rates, only the interest rates on direct Treasury obligations of the U.S. government and the London Interbank Offered Rate (LIBOR) swap rate were</td>
</tr>
</tbody>
</table>
previously considered to be qualified benchmark interest rates for hedge items for hedge accounting purposes. Under ASU No.2013-10, the Fed Funds Effective Swap Rate has been effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. This had no material impact on our financial position or results of operations.
Year Ended March 2014 vs. Year Ended March 2013

1) Total Revenues
Total revenues were ¥7,635.2 billion, up ¥1,625.3 billion, or 27%, from the year ended March 2013. There was a ¥1,624.7 billion, or 32%, year-over-year increase in revenues from trading to ¥6,634.1 billion. Revenues from services and other activities was ¥1,001.1 billion mostly unchanged from the previous fiscal year.

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

- The Living Essentials Group revenues increased ¥825.3 billion, or 54%, to ¥2,353.6 billion, due mainly to increase of transaction at a U.S. grain collection and sales subsidiary and higher revenues at other food-related businesses.
- The Energy Business Group revenues increased by ¥332.9 billion, or 21%, to ¥1,886.0 billion, due mainly to higher transaction volumes of petroleum products at sales subsidiaries.
- The Chemicals Group revenues increased ¥329.2 billion from the year ended March 2013, or 29%, to ¥1,465.3 billion. This increase was due mainly to higher revenues from commodity chemical-related transactions and the impact of the inclusion of a subsidiary in the consolidated accounts in the year ended March 2014.

2) Gross Profit
Gross profit increased by ¥131.1 billion, or 12%, to ¥1,186.0 billion. This increase mainly reflected the absence of strike action that affected performance at an Australian resource-related subsidiary (coking coal) in the previous fiscal year, foreign currency factors, and the impact of business expansion (new consolidations).

3) Selling, General and Administrative Expenses
Selling, general and administrative expenses increased by ¥67.0 billion, or 8%, to ¥952.9 billion, mainly due to the impact of business expansion (new consolidations).

4) Gain on Marketable Securities and Investments—Net
In the year ended March 2014, we recorded a net gain on marketable securities and investments of ¥46.3 billion, an increase of ¥34.0 billion, or 276%, year over year, mainly reflecting mark-to-market gains on shareholdings.

5) Gain on Disposal and Sale of Property and Equipment—Net
In the year ended March 2014, we recorded a net gain on disposal and sale of property and equipment of ¥6.0 billion, a decrease of ¥1.1 billion, or 15%, year over year.

6) Impairment Loss on Property and Equipment
In the year ended March 2014, we recorded an impairment loss on property and equipment of ¥20.5 billion, a decrease of ¥51.5 billion, or 72%, from the previous fiscal year. This mainly reflected the absence of an impairment loss on property and equipment at a general merchandise-related operating company recorded in the year ended March 2013.

7) Other Income (Expenses)-Net
We recorded net other expenses of ¥66.8 billion, a decrease of ¥99.1 billion year on year, due primarily to an increase in foreign exchange-related losses.
8) Finance Income
Finance income rose ¥44.2 billion, or 29%, year over year to ¥197.2 billion, mainly due to an increase in dividend income from overseas resource-related investees.

9) Finance costs
Finance costs increased ¥4.8 billion, or 18%, to ¥31.7 billion, mainly due to higher interest expenses.

10) Equity in Earnings of Affiliated Companies and Other
Equity in earnings of Affiliated companies and other was ¥168.4 billion, mostly unchanged from the previous fiscal year.

11) Profit Before Tax
Profit before tax was ¥532.0 billion, up ¥89.3 billion, or 20%, year over year, for the above reasons.

12) Income taxes
Income taxes increased by ¥46.5 billion, or 47%, to ¥145.6 billion. This was because of the increase in profit before tax.

13) Net Income Attributable to the Non-controlling Interest
Net income attributable to the non-controlling interest was ¥25.0 billion, up ¥4.8 billion, or 24%, year over year.

14) Profit Attributable to Owners of the Parent
Profit attributable to owners of the Parent rose by ¥37.9 billion, or 12%, to ¥361.4 billion for the above reasons.

2. Year Ended March 2014 Segment Information

Operating Segments
(Consolidated net income, as used hereinafter, refers to “Net income attributable to owners of the Parent”)

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

In the year ended March 2014, segment revenues increased by ¥9.1 billion, or 44%, to ¥29.7 billion.

Gross profit increased by ¥8.5 billion, or 43%, to ¥28.1 billion. This increase was due primarily to higher earnings on transactions in the power generation and plant and engineering businesses.

Equity in earnings of Affiliated companies increased by ¥0.8 billion, or 5%, to ¥18.4 billion. The higher earnings mainly reflect a one-off gain associated with price revisions in offshore transmission operations.

The segment recorded consolidated net income of ¥16.5 billion, a decrease of ¥1.9 billion, or 10%, year over year. In addition to the reasons above, this result reflected factors such as the absence of the impact of gains on the sale of assets in the American power generation business recorded in the year ended March 2013.
2) Industrial Finance, Logistics & Development Group
The Industrial Finance, Logistics & Development Group is developing shosha-type industrial finance businesses. These businesses range from asset management, infrastructure investments, and buyout investment to leasing, real estate development and logistics services.

In the year ended March 2014, segment revenues decreased by ¥17.5 billion, or 9%, to ¥172.3 billion.

Gross profit increased by ¥1.9 billion, or 3%, to ¥67.2 billion. The higher gross profit mainly reflected an increase in revenues from aircraft leasing-related businesses, which outweighed a decrease in revenues from real estate-related businesses.

Equity in earnings of Affiliated companies and other increased by ¥0.5 billion, or 3%, to ¥16.2 billion, reflecting mainly higher earnings in leasing-related businesses and overseas real estate businesses, which exceeded lower earnings in fund investment-related businesses.

The segment recorded consolidated net income of ¥29.7 billion, an increase of ¥1.8 billion, or 6%, for the above reasons.

3) Energy Business Group
The Energy Business Group conducts a number of activities including oil and gas exploration, development and production (E&P) business; investment in natural gas liquefaction projects; trading of crude oil, petroleum products, carbon materials and products, LNG (Liquefied Natural Gas), and LPG (Liquefied Petroleum Gas); and planning and development of new energy business.

In the year ended March 2014, segment revenues increased by ¥332.9 billion, or 21%, to ¥1,886.0 billion.

Gross profit, however, declined by ¥3.0 billion, or 5%, to ¥62.2 billion, mainly due to lower revenues from petroleum-related businesses.

Equity in earnings of Affiliated companies and other declined ¥6.9 billion, or 10%, to ¥65.7 billion. This was mainly due to the recording of impairment losses in the oil and gas E&P business, and higher depreciation expenses at a shale gas business-related company.

However, the segment recorded consolidated net income attributable to Mitsubishi Corporation of ¥118.6 billion, a decrease of ¥8.7 billion, or 7%, year over year. This mainly reflected higher exploration costs and the abovementioned recording of impairment losses in the oil and gas E&P business, despite an increase in dividend income from overseas resource-related business investees.

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 fiscal year ended March 2014, the segment recorded a ¥181.7 billion, or 26%, year-over-year increase in revenues to ¥873.2 billion.

Furthermore, gross profit increased by ¥101.2 billion, or 72%, to ¥241.9 billion. The increased earnings reflected higher production volume and lower costs due to improved productivity and the absence of strike action at an
Australian resource-related subsidiary (coking coal) that had affected performance in the previous fiscal year, despite lower sales prices.

Equity in earnings of Affiliated companies and other declined by ¥21.7 billion, or 95%, to ¥1.2 billion, due mainly to a decrease in equity-method earnings reflecting impairment losses at resource-related investees.

As a result of the above, the segment recorded consolidated net income attributable to Mitsubishi Corporation of ¥8.0 billion, a decrease of ¥20.3 billion, or 72%. Despite the abovementioned increase in gross profit, the decrease mainly reflects declines in equity-method earnings and dividend income from resource-related investees.

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, elevating machinery, ships, aerospace-related equipment and motor vehicles.

In the year ended March 2014, the segment revenues decreased by ¥23.8 billion, or 3%, to ¥829.0 billion.

As a result, gross profit increased by ¥1.0 billion, or 1%, to ¥186.7 billion. Earnings rose mainly due to strong performances in Asian automobile-related operations and the yen’s depreciation, as well as a strong showing by a subsidiary engaged in the construction machinery rental business.

Equity in earnings of Affiliated companies and other increased by ¥17.4 billion, or 138%, to ¥30.0 billion. This reflected strong performances in Asian automobile-related operations and the yen’s depreciation.

The segment recorded consolidated net income attributable to Mitsubishi Corporation of ¥98.8 billion, an increase of ¥37.3 billion, or 61%, year over year. In addition to the reasons above, this result reflected factors such as an absence of impairment losses recorded on company-owned vessels in the year ended March 2013, and a one-off gain associated with the sale and valuation of certain asset holdings in the year ended March 2014.

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 2014, segment revenues increased by ¥329.2 billion, or 29%, to ¥1,465.3 billion.

As a result, gross profit increased by ¥10.4 billion, or 11%, to ¥102.6 billion, mainly reflecting new consolidations of food science subsidiaries and higher earnings on transactions at overseas subsidiaries.

Equity in earnings of Affiliated companies and other increased by ¥3.5 billion, or 25%, to ¥17.3 billion. This increase was mainly due to higher earnings on transactions at a petrochemical business-related company.

The segment recorded consolidated net income attributable to Mitsubishi Corporation of ¥21.7 billion, down ¥3.9 billion, or 15%, year over year. Despite the abovementioned increases in gross profit and equity-method earnings, the decrease was mainly due to impairment losses on property and equipment at film and chemicals business-related companies.

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

In the year ended March 2014, the segment recorded an ¥825.3 billion, or 54%, increase in revenues to ¥2,353.6 billion.

Gross profit increased by ¥15.7 billion, or 3%, to ¥480.9 billion. The higher gross profit was mainly due to food-related business companies becoming subsidiaries.

Equity in earnings of Affiliated companies and other was ¥22.6 billion, almost the same as the previous fiscal year.

The segment recorded consolidated net income attributable to Mitsubishi Corporation of ¥59.2 billion, an increase of ¥20.2 billion, or 52%, year over year. In addition to the above, the increase was mainly due to the absence of impairment losses on property and equipment recorded at a general merchandise-related business company in the year ended March 31, 2013.

Geographic Information
1) Japan
In the year ended March 2014, revenues were ¥5,431.6 billion, up ¥944.6 billion, or 21%. This increase was mainly due to higher sales within the essentials related business and chemical product related business.

2) U.S.A.
In the year ended March 2014, revenues were ¥622.7 billion, up ¥456.5 billion, or 275%. This increase was mainly due to increased transactions in living essentials related business.

3) Other
In the year ended March 2014, revenues increased by ¥224.2 billion, or 17%, to ¥1,580.9 billion.

3. Year Ended March 2014 Operating Environment and Year Ending March 2015 Outlook

1) Global Environmental & Infrastructure Business Group
In the year ended March 2014, signs of a gradual global economic recovery began to emerge. Notably, the economic and financial instability in Europe and the U.S. settled down, and corporate earnings started to improve in Japan owing to the weakening yen and rising stock prices. In this environment, the Global Environmental & Infrastructure Business Group saw earnings lifted by strong performances in the power, water, plant & engineering and other businesses, as well as the offshore transmission business, despite the absence of gains on the sale of assets in the American power generation business recorded in the year ended March 2013.

In the year ending March 2015, firm demand is expected for social and industrial infrastructure, such as power, water, transportation, and plant infrastructure, primarily in emerging and developing countries. The Group’s business domains also offer abundant business opportunities over the medium and long terms. Under these conditions, we believe that we will continue to see steady growth in the prevailing business environment.
The business environment in our main business fields was as follows.

In the power business, overseas demand for power should continue to grow in the Americas and Asia, as well as in Europe, Africa and the Middle East. In Japan, plans for developing alternative sources of power are being advanced amid delays in restarting the operation of nuclear power plants. In this environment, we anticipate that new business opportunities for power generation projects and negotiations on power generation facilities will emerge in the year ending March 2015, as in the previous fiscal year. In addition, demand for offshore wind projects continues to increase in Europe, in line with an EU agreement on seeking to generate 20% of the region’s total power demand from renewable resources. Opportunities in the offshore transmission business are also expected to grow steadily in tandem with these developments.

In the water business, the water business markets continue to show firm growth in Japan and overseas. In Japan, there are increasing moves to get the private sector involved in the water business, with the government embracing the promotion of public-private partnership (PPP) businesses as an important policy measure. Overseas, demand is increasing for seawater desalination plants to address water shortages primarily in the Middle East. In growth markets centered on Asia, infrastructure investment, including the water business, is anticipated to grow significantly. For these reasons, we expect the business environment to remain strong going forward.

In the transportation and infrastructure business, we faced a challenging business environment in the year ended March 2014 due to delays in the materialization of an anticipated project and lackluster new orders for railway projects due to the yen’s appreciation in previous years and tough competition with Korean companies. This was despite our entry into the container terminal operation business, an order received for the construction of a new airport, and a substantial increase in orders for railway equipment in China.

Nevertheless, we believe that demand in the transportation and infrastructure field will remain buoyant in the year ending March 2015, against the backdrop of trends such as the globalization of logistics on a borderless scale, fast-paced economic development in emerging countries, burgeoning population movements and the concentration of populations in urban areas driven by large-scale infrastructure investment in the Middle East. Therefore, we believe that the business environment will facilitate our efforts to build a steady revenue base.

In the plant & engineering business, we made steady strides in the oil and gas-related facilities sector in the year ended March 2014, particularly in development and production facilities for the oil and gas fields of oil companies, and investments in LNG and oil refinery projects.

In the year ending March 2015, we anticipate demand for new plant projects, such as LNG projects using shale gas as feedstock in the North American region. There also remain a large number of planned projects in the pipeline in other resource-rich countries. Furthermore, the market for large compressors, the core product we handle, is showing strong momentum. Accordingly, we believe that the business environment will enable us to steadily capture market growth through not only plant projects but also the supply of equipment.

2) Industrial Finance, Logistics & Development Group

In the year ended March 2014, corporate earnings recovered in Japan owing to the yen’s depreciation and rising stock prices triggered by the government’s Abenomics policies. In addition, market conditions in terms of stock and real estate prices trended favorably in Japan and other developed countries mainly due to the U.S. economic recovery and less fiscal uncertainty in Europe.

In this market environment, the Industrial Finance, Logistics & Development Group saw continued strong performances in the real estate-related business and leasing business, as in the previous fiscal year, and made steady progress on various fronts, including reaping returns from infrastructure and private equity related investment
businesses. As a result, the Group posted consolidated net income of ¥29.7 billion in the year ended March 2014, up ¥1.8 billion year over year.

In the year ending March 2015, we believe that market conditions surrounding the Group will remain stable on the whole, despite some uncertain factors, such as economic trends in China, political conditions in Europe and a tightening of U.S. monetary policy.

We will continue to push ahead with the asset management business, which is a core theme of the Group’s growth strategy, as we work to attract third-party funds on an even larger scale, mainly from institutional investors. In other fields, we will also develop business with the aim of capturing growth in an expansive range of overseas markets.

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

In the year ended March 2014, the real estate-related business field saw strong real estate market conditions in Japan, helped partly by the Bank of Japan’s massive monetary easing policy. In Japan, investors’ appetite for acquiring real estate drove real estate prices ever higher. Notably, the amount of real estate acquired by REITs roughly doubled from the year ended March 2013, increasing by over ¥2 trillion, with official land prices in Japan’s three major metropolitan areas increasing for the first time in 6 years.

In the year ending March 2015, we expect to continue to see investor demand for real estate trading, listed REITs and private real estate funds in Japan.

In North America, we saw higher trading volume and rising real estate prices in the year ended March 2014, in step with the economic recovery fueled by the shale gas revolution. In the year ending March 2015, we expect market conditions to hold firm.

In the China real estate market in the year ended March 2014, an increasingly cautious outlook took hold on the whole, shaped by predictions of the tightening of monetary policy, the introduction of a real estate tax and so forth. As a result, housing market prices were soft, with real estate prices in major cities increasing only moderately. From the year ending March 2015, we should continue to see demand for housing from middle income earners, and ongoing robust market conditions.

In the leasing business field, in the year ended March 2014, leasing demand in Japan increased year over year owing to monetary easing, greater public investment spending, and an improving export environment due to a correction in the yen’s appreciation. Overseas, leasing demand was robust in the year ended March 2014, supported partly by leasing demand centered on capital investment and aircraft in certain emerging countries.

For the year ending March 2015, we expect to see these trends continue in the leasing markets in Japan and overseas. We anticipate continuing growth in the aircraft leasing field in particular on rising demand for procuring aircraft and finance mainly due to the entry of new carriers. Growth will also be driven by demand from emerging countries and demand for replacing existing aircraft with aircraft that offer high economic efficiency in response to surging fuel prices.

3) Energy Business Group
The Brent spot crude oil price in the year ended March 2014 began the first half of the year with a sharp decline due to the flare up of a fiscal crisis in Southern Europe. Thereafter, the Brent spot price showed little change through to the end of June. In response to a coup d’état in Egypt in July, and strong economic indicators in the U.S., the Brent spot price increased sharply. Furthermore, emerging concerns about possible military intervention in Syria by the
U.S. and European countries and the continuation of the FRB’s monetary easing policy caused the Brent spot price to temporarily increase to over $110/BBL.

Subsequently, however, the crude oil price gradually declined as crude oil production in Libya recovered and Iran’s position on resolving issues through dialogue became clear. In the second half of the fiscal year, the Brent spot price remained mostly flat, trending in a broad range from around $103/BBL to $113/BBL.

In addition, the crude oil price was affected by a complicated mix of both positive and negative variables. Whereas geopolitical risks such as the drastic decline in production output in Libya due to strike action and internal turmoil pushed up the crude oil price, an agreement on temporarily suspending nuclear development in Iran between that country and the P5+1 countries exerted a downward pressure on the crude oil price.

Crude oil prices for the year ending March 2015 should see some unstable movements, as in the previous fiscal year. The simultaneous economic recovery of developed countries such as Japan, the U.S. and Europe and supply vulnerabilities reflecting chronic geopolitical risks in the Middle East and North Africa (MENA) region are expected to act as positive factors that push up crude oil prices. In contrast, the ongoing increase in shale oil production in the U.S. and global economic trends such as the tapering of monetary easing by the U.S. FRB and an unclear outlook for the Chinese economy are expected to act as negative factors that reduce crude oil prices. Consequently, both upward and downward crude oil price movements are expected.

The crude oil price range could widen due to increasing uncertainty. Although it is unlikely for prices to continue moving in a single direction over the medium term, the aforementioned mix of positive and negative factors are highly likely to have a simultaneous impact on the crude oil price. Accordingly, we must continue to watch crude oil price trends closely.

Our consolidated net income projection for the year ending March 2015 for this business group assumes a crude oil price of US$100/BBL (Dubai spot price). The Energy Business Group holds upstream rights, and/or liquefaction facilities in Australia, Malaysia, Brunei, Sakhalin, Indonesia, the U.S., including the Gulf of Mexico, Gabon, Angola and other parts of the world. Therefore, our operating results are subject to the effect of fluctuations in the price of crude oil. A US$1/BBL change in the price of crude oil has an approximate ¥1.0 billion effect on consolidated net income in this business group, mainly through a change in equity-method earnings.

However, because of timing differences, this price fluctuation might not be immediately reflected in our operating results in the fiscal year in which it occurs.

4) Metals Group
Global steel output for the 2013 calendar year reached approximately 1.6 billion tons, setting a new record. However, steel market prices and the price of raw materials for steel were sluggish, reflecting excessive production capacity in China, which accounts for almost half of global steel output.

Furthermore, non-ferrous metals prices remained capped within a certain range throughout the year. The average annual price of copper cathode declined from US$7,854 per ton in the year ended March 2013 to US$7,104 per ton in the year ended March 2014, due partly to a temporary drop in prices reflecting the shadow banking issue in China.

In this environment, Australian resource related subsidiary Mitsubishi Development Pty Ltd (MDP) posted higher earnings, reflecting mainly the absence of strike action that affected performance in the previous fiscal year, and higher production volume and lower costs due to improved productivity, although sales prices were lower. However,
the Metals Group saw consolidated net income decline year over year, due partly to decreases in dividend income and equity-method earnings from overseas resource-related investees.

Over the medium and long terms, demand for metal resources and related products as well as prices are expected to increase strongly, with economic growth in emerging markets driving the global economy. Accordingly, we expect commodity prices to recover gradually.

For the year ending March 2015, we project an increase in consolidated net income in the Metals Group year over year, premised mainly on higher earnings at MDP, along with the absence of positive and negative impacts of one-off factors recorded in the year ended March 2014.

5) Machinery Group
Group posted higher earnings year over year, mainly due to increased earnings from Asian automobile-related operations in line with the yen’s depreciation and an improved performance in the shipping-related business.

In the year ending March 2015, earnings are expected to be lower year over year, mainly due to lower earnings in Asian automobile-related operations reflecting slowing automobile demand in Thailand, as well as the absence of one-off factors recorded in the year ended March 2014.

In the industrial machinery business, the construction machinery rental business in Japan is expecting another year of strong performance in the year ending March 2015, as in the year ended March 2014, against the backdrop of robust construction investment centered on public works projects.

In the elevator business, we laid down a framework that is expected to generate stable revenues through maintenance services in ASEAN countries. Looking ahead, we will continue to bolster our revenue base further.

In the machine tools business, we are expecting steady growth in the Japanese and North American markets.

In the shipping-related business, our business results were stronger than forecast in the year ended March 2014, supported by strong demand for energy, in addition to a recovery in the shipping market, due to an improving supply and demand balance for vessels and a boost from a weaker yen.

In the year ending March 2015, we expect solid business results based on our outlook for continuing improvement in the business environment.

Eyeing growth over the medium and long terms, we will continue working to strengthen our business portfolio by enhancing our stable revenue base. Among other measures, we will push ahead with the LNG carrier ownership and operation business in response to demand for shipping shale gas-derived LNG, in addition to honing the competitiveness of our fleet by replacing owned vessels.

In business related to Mitsubishi Motors Corporation(MMC), the business environment improved overall in the year ended March 2014, due mainly to improving exchange rates and economies in developed countries. In the year ending March 2015, we will continue working to further strengthen the operating base in the key markets of Indonesia, Russia, and China, while focusing on expanding sales in other emerging markets, in line with the basic policy of MMC, which has formulated a new medium-term management plan.

In business related to Isuzu Motors Limited brand automobiles, automobile demand in the mainstay Thailand market in the 2013 calendar year decreased 7.5% from the 2012 calendar year to 1.33 million units, reflecting the end of a
program offering tax breaks for first-time vehicle drivers. However, we delivered robust results in the fiscal year ended March 2014 as we benefited from the yen’s depreciation.

For the year ending March 2015, automobile demand in Thailand is expected to decline due to slowing business conditions. If the impact of political turmoil and other such conditions persist over the long term, automobile demand could decrease further.

Aiming for growth over the medium and long terms, we plan to step up activities in countries other than Thailand, such as India.

6) Chemicals Group

The chemicals product market in the year ended March 2014 was lackluster overall, despite an ongoing recovery in the U.S. economy. The sluggish market conditions were due mainly to slowing growth in emerging economies and the impact of overcapacity in China resulting from large-scale facility expansion.

While the prices of raw materials like crude oil and naphtha remained high, actual demand lacked strength on the whole. This was despite a rise in prices of certain petrochemical products mainly due to supply-side factors such as sluggish production. In China, actual demand failed to pick up following the Chinese New Year holidays, with prices remaining capped in a certain range.

Regarding the outlook for the business environment, market conditions around the world are expected to experience unstable movements as the slowdown in various countries’ economic growth continues in the near term. This outlook is based partly on overcapacity in China and concerns about excessive debt in regional areas of the country, despite expectations of expanding demand primarily in Asian markets. In addition, we anticipate structural changes (industry realignment, consolidation and closure of facilities) in the global petrochemical industry as the shale gas revolution 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 business opportunities 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 environmental issues, an ever-increasing middle class in emerging markets, and low birth rates and aging populations in developed countries. As a result, demand in the life science field is expanding firmly.

We will respond to the needs of this new era by developing food science, and pharmaceutical and agrochemical businesses globally in order to capture market growth in Japan and abroad.

Moreover, we will expand trading activities and related business investments worldwide. At the same time as strengthening core businesses, namely Saudi Arabian petrochemical operations, Venezuelan methanol business and aromatics in Malaysia, we will continue to develop the business chain in plastics and other functional chemicals fields and continuously strengthen consolidated businesses.
7) Living Essentials Group
The consumer market in Japan in the first half of the year ended March 2014 started to see signs of returning to a recovery path, breaking free of a protracted period of sluggish consumer spending that had continued since the collapse of Japan’s bubble economy. This was underpinned by rising stock prices and demand from the earthquake recovery effort, capital investment by companies, and a recovery in business conditions owing mainly to improving demand in overseas markets.

On the other hand, we expect the size of the Japanese market to continue contracting in step with an ongoing decline in the population and aging of society. In addition to the impacts of rising price levels and the April 2014 consumption tax rate increase on consumer sentiment, we expect uncertain conditions to persist in the year ending March 2015.

In overseas markets, we expect rising income levels to drive consumer market expansion, despite slightly slower economic growth in emerging markets centered on Asia.

In this sort of operating environment, in Japan, we will work to improve our efficiency and strengthen our capabilities to make our operations more competitive, while searching for business opportunities to capture demand overseas.

In the food raw materials and primary processing fields, we faced a challenging business environment due to higher costs in Japan associated with the yen’s depreciation, although international prices for main grains remained mostly soft.

Meanwhile, overseas demand for meat and marine products continues to grow steadily in emerging markets. Consequently, it has become increasingly important to upgrade and expand our global raw material procurement network encompassing livestock, aquaculture and other businesses. The U.S. cement business is benefiting from recovering demand driven by higher public works spending and other factors.

In the textile product manufacturing and intermediary distribution fields, we expect a harsh earnings environment to persist in Japan, amid few expectations for consumption to expand in the country. The environment will be pressured by the entry of major overseas apparel chains into the Japanese market, and rising costs due to much higher personnel expenses in overseas apparel producer countries such as China and the impact of the yen’s depreciation.

Meanwhile, overseas emerging markets are expected to continue expanding, supported by an extremely strong appetite for consumption. In response, we will work to lower costs further mainly by stepping up the relocation of production sites to Southeast Asia, as we strive to achieve business growth.

In the paper and packaging domains, the business environment has come under pressure due to the impacts of surging raw material prices and higher costs reflecting the yen’s depreciation.

In the tire field, business opportunities related to tire manufacturing and sales in emerging markets are expanding on the back of an ongoing increase in demand overseas.

In the healthcare field, the market is expected to expand in Japan and overseas. There are increasing social demands for medical institutions to operate more efficiently and cut costs from the perspective of curbing medical expenses.

To meet the diverse needs of medical institutions, we will continue to provide many different products and services. At the same time, we will explore new business opportunities.
In the retail field, consumer communications are becoming increasingly diverse due mainly to the popularization of smartphones.

As the barriers between the Internet and real stores come down, it is becoming increasingly crucial to provide the necessary goods and services when they are needed in many different situations in daily life. We will work to develop products and expand businesses in response to changes in consumer lifestyle patterns and needs, with the aim of helping to achieve even more fulfilling consumer lifestyles.

4. Significant Contracts

There were no significant contracts in the year ended March 2014.

5. R&D Activities

There were no material R&D activities in the year ended March 2014.

6. Liquidity and Capital Resources

1) Fund Procurement and Liquidity Management

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

In the year ended March 2014, there was some instability in the markets mainly due to turmoil in emerging markets caused by a shift in U.S. monetary policy, while developed countries continued to experience a gradual economic recovery. We continued to diversify our fund procurement channels while ensuring our financial soundness. This included continuing to issue U.S. dollar-denominated straight bonds, and issuing new Australian dollar-denominated straight bonds through finance subsidiaries.

As a result of these funding activities, as of March 31, 2014, gross interest-bearing liabilities stood at ¥6,075.8 billion, ¥186.2 billion higher than March 31, 2013. Of these gross interest-bearing liabilities, 86% represented long-term financing. Gross interest-bearing liabilities at the Parent were ¥3,934.6 billion, of which 99.6% represented long-term financing, and the average remaining period was approximately 5 years.

For the year ending March 2015, we plan to continue procuring funds mainly through long-term financing. Furthermore, in order to prepare for future demand for funds, we will seek to diversify funding sources and at the same time look to continue raising funding efficiency on a consolidated basis. Moreover, because financial markets remain unpredictable, we will remain vigilant and secure sufficient cash and deposits, and bank commitment lines, to enhance our liquidity further.
Regarding management of funds on a consolidated basis, we have a group financing policy in which funds are raised principally by the Parent, as well as domestic and overseas finance companies and overseas regional subsidiaries, and distributed to other subsidiaries. As of March 31, 2014, 80% of consolidated gross interest-bearing liabilities were procured by the Parent, domestic and overseas finance companies, and overseas regional subsidiaries. Looking ahead, we plan to enhance our fund management system on a consolidated basis, especially in light of our stated management policy of continuously improving consolidated management.

The parent, Mitsubishi International Corporation (U.S.A.) and Mitsubishi Corporation Finance PLC (U.K.) had ¥278.1 billion in short-term debt as of March 31, 2014, namely commercial paper and bonds scheduled for repayment within a year. But, since the sum of cash and deposits, bond investments due to mature within a year, and securities for trading purpose together with commitment lines secured on a fee basis amounted to ¥1,814.5 billion, we believe we have a sufficient level of liquidity to meet current obligations. The excess coverage amount was ¥1,536.4 billion. The Parent has a yen-denominated commitment line of ¥510.0 billion with major Japanese banks, a commitment line of US$1.0 billion and a soft currency facility equivalent to US$0.3 billion with major international banks, mainly in the U.S. and Europe.

To procure funds in global financial markets and ensure smooth business operations, we obtain ratings from three agencies: Rating and Investment Information, Inc. (R&I), Moody’s Investors Service, and Standard and Poor’s (S&P). As of June 12, 2014, our ratings (long-term/short-term) are AA-/a-1+ (outlook stable) by R&I, A1/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, 2014 were ¥15,901.1 billion, up ¥836.4 billion, or 6%, from March 31, 2013.

Current assets increased by ¥362.6 billion, or 5%, to ¥7,270.0 billion. The main reasons were an increase in accounts receivable-trade due to higher transaction volumes, and an increase in other receivables.

Non-current assets increased by ¥473.8 billion, or 6%, to ¥8,631.1 billion from March 31, 2013. The main reasons were an increase in investments accounted for by the equity method in line with the execution of new investments and the yen’s depreciation, and an increase in property and equipment, mainly reflecting capital investments by subsidiaries.

Total liabilities at March 31, 2014 were ¥10,361.8 billion, up ¥228.8 billion, or 2%, due to increases in both current liabilities and non-current liabilities.

Current liabilities were largely unchanged at ¥4,852.6 billion.

Non-current liabilities increased by ¥207.0 billion, or 4%, to ¥5,509.2 billion.

This mainly reflected an increase in corporate bonds and debt as a result of procuring long-term funds for making new investments.

Total equity increased by ¥607.6 billion, or 12%, from March 31, 2013 to ¥5,539.4 billion at March 31, 2014.

Total Mitsubishi Corporation shareholders’ equity increased by ¥550.6 billion, or 12%, to ¥5,067.7 billion, due mainly to net income and an improvement in exchange differences on translating foreign operations from the yen’s depreciation.

Non-controlling interest increased by ¥57.0 billion, or 14%, to ¥471.7 billion.
Net interest-bearing liabilities, gross interest-bearing liabilities minus cash and cash equivalents, at March 31, 2014 were ¥4,601.1 billion, up ¥181.0 billion, or 4%, year over year.

As a result, the net debt-to-equity ratio, which is net interest-bearing liabilities divided by total Mitsubishi Corporation shareholders’ equity, was 0.9, which was 0.1 of a point lower than at March 31, 2013.

3) Cash Flows
Cash and cash equivalents at March 31, 2014 were ¥1,332.0 billion, down ¥13.9 billion from March 31, 2013.

(Operating activities)
Net cash provided by operating activities was ¥381.6 billion. Operating cash flows provided net cash mainly due to cash flows from operating transactions at subsidiaries and dividend income from investees, mainly resource-related businesses, despite an increase in cash requirements due to changes in assets and liabilities associated with operating activities.

Net cash provided by operating activities decreased ¥71.8 billion year over year mainly due to an increase in cash requirements reflecting changes in assets and liabilities associated with operating activities.

(Investing activities)
Net cash used in investing activities was ¥300.5 billion. Investing activities used net cash mainly due to capital expenditures by metals resource-related subsidiaries, and investments in energy resource businesses and offshore transmission operations, despite cash provided by the sale of shares and real estate.

Net cash used in investing activities decreased by ¥490.5 billion year over year, mainly due to the sale of shares and aircraft, as well as the absence of capital investments in energy resource-related companies executed in the year ended March 2013.

As a result, free cash flow, the sum of operating and investing cash flows, was positive ¥81.1 billion

(Financing activities)
Net cash used in financing activities was ¥118.8 billion. The overall result mainly reflected the payment of dividends at the Parent.

Net cash used in financing activities ¥507.2 billion from net cash provided in the year ended March 2013, due mainly to the absence of funds procured for new investments in the year ended March 2013.

7. Strategic Issues

1) “New Strategic Direction”
In May 2013, Mitsubishi Corporation developed its new management strategy, entitled New Strategic Direction (charting a new path toward sustainable growth). It went into effect in the year ended March 2014. Amidst major changes in Mitsubishi Corporation’s business models and the external environment, we have abolished our traditional “midterm management plan” concept of committing to fixed financial targets three years in the future, in favor of a long-term, circa 2020 growth vision. To realize this vision we have set down our “New Strategic Direction,” which consists of basic concepts on management policy together with our business and market strategies.
New Strategic Direction seeks to recognize our value and upside potential as a *sogo shosha* capable of “providing stable earnings throughout business cycles by managing a portfolio diversified by business model, industry, market and geography.” As we continuously optimize our portfolio, we will strive to realize our growth vision and enhance the Mitsubishi Corporation’s overall corporate value.

■ Mitsubishi Corporation circa 2020: Double Business

Mitsubishi Corporation’s ability to maintain stable earnings is based on its improved concept of portfolio management. Acknowledging both this strength and our company’s upside potential, we have set down our circa 2020 growth vision as follows:

Resource (LNG, coking coal, copper): Double Equity Production (compared to the year ended March 2013)

Non-Resource: Double Earnings Level (compared to the year ended March 2013)

■ Mitsubishi Corporation circa 2020 Portfolio Vision: Optimal Diversification & Winning Businesses

To intensively allocate management resources to current and future “winning businesses” while ensuring optimal diversification, we envision reducing the number of business sub-segments from the current total of 47 to between 35 and 40.

To strengthen these “winning businesses,” we also envision reshaping the portfolio to consist of at least 10 business sub-segments earning more than ¥20 billion in net income, and between 10 and 15 business sub-segments earning between ¥10 and ¥20 billion in net income.

■ Management Policies

Our basic management policy is to create sustainable corporate value through business activities and strengthen “winning businesses” through the proactive reshaping of the portfolio in order to win competition on a global scale.

Our investment policy is to accelerate divestments selectively and free up capital for new investments, while continuing to invest at a rate in line with the average of the 3 years under Midterm Corporate Strategy 2012, in order to improve our earnings base.

Our financial policy is to increase our focus on financial discipline including funding our investments within our own cash flow assuming a base earnings level of ¥350.0 billion per annum. Furthermore, we will strive to deliver a return on equity of 12-15% in the medium to long term.

With regard to dividend policy, we will introduce a two-staged dividend policy with a base dividend and a performance based variable dividend in order to provide a stable return to shareholders, regardless of changes in the external environment.

■ Market Strategy and Business Strategy

In terms of our market strategy, we will accelerate our global business development by leveraging our shift towards Asian markets, which are gaining greater international presence not only as resource and industrial markets, but as consumer markets as well. Our objective will be to ensure sustainable growth by capturing growth in Asia. This will entail securing global supply sources to meet the increasing demand for raw materials and other commodities in Asia, and establishing a local presence within the region, through M&As, strategic alliances, and other proactive initiatives.
In terms of our business strategy, our resources business will be transitioning to the project development stage toward full operation, which will primarily entail upgrading and expanding our existing asset base (coking coal, copper, LNG and other core assets). At the same time, we will refocus on productivity and cost, be it capital or operational, to make more efficient use of our management resources.

In non-resource fields, we will accelerate the shift of management resources to current and future “winning businesses” to realize our growth vision circa 2020, which aims to build multiple robust and large-scale earnings drivers. While selectively growing businesses (automotive, foods, retail, power generation and life sciences), we will be transforming our business models, such as developing downstream shale gas operations in North America and shifting to industrial finance’s asset management business.

Looking at the outlook for the global business environment, the global economy is expected to remain shrouded in uncertainty, with the economies of developed countries still on a path to recovery, and signs of a slowdown in economic growth evident even in emerging countries such as China, India and Brazil.

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

2) Main Investment Activities

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

Under New Strategic Direction, which we formulated in May 2013, we planned to invest a total of ¥2.0-2.5 trillion over the three-year period from April 2013 to the end of March 2016. During the year ended March 2014, we invested a total of ¥800.0 billion.

The main investments we made were focused on expansion work on resource projects, the aircraft-related leasing business, the shipping business, the acquisition of Kirin Kyowa Foods Company, Limited (now MC Food Specialties Inc.), the offshore transmission business and the acquisition of an additional stake in a Brazilian grain company.

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

3) Outlook for the Year Ending March 2015

The Company adopted International Financial Reporting Standards (IFRS), beginning with the consolidated financial statements in the Annual Securities Report for the year ended March 2014. Consequently, the Company’s forecasts for the year ending March 2015, containing a projection of 400.0 billion yen in consolidated net income, were formulated based on IFRS. No forecasts based on US GAAP have been compiled.
8. Business Risks

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

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

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

In the year ended March 2014, the global economy saw an increase in volatility in the financial and commodity markets, mainly due to concerns about the outlook for the Chinese economy and rising geopolitical risk as a result of the situation in Ukraine and other developments. Volatility in the financial and commodity markets also increased due to expectations the U.S. would scale back its quantitative easing, and after it decided to begin tapering.

In emerging countries, the pace of economic growth has slowed even among major countries such as China, mainly due to slower growth in exports, compounded by structural problems within these countries. Furthermore, certain countries have tightened their monetary policies in response to increasing inflation pressures and other factors.

2) Market Risks
(Unless otherwise stated, calculations of effects on future consolidated net income are based on consolidated net income for the year ended March 2014. Consolidated net income, as used hereinafter, refers to “Profit attributable to owners of the Parent.”)

(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:

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<thead>
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<th>Year Ended March 2014 (Actual)</th>
<th>Year Ending March 2015 (Forecasts)</th>
<th>Change</th>
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<tbody>
<tr>
<td>Exchange rate</td>
<td>¥100.2 /US$</td>
<td>¥100 /US$</td>
<td>¥-0.2 /US$</td>
</tr>
<tr>
<td>Crude oil price</td>
<td>US$104.6 /BBL</td>
<td>US$100 /BBL</td>
<td>US$-4.6 /BBL</td>
</tr>
<tr>
<td>Interest rate (TIBOR)</td>
<td>0.23%</td>
<td>0.25%</td>
<td>+0.02%</td>
</tr>
</tbody>
</table>
(Energy Resources)
We hold upstream rights to LNG and crude oil, and/or liquefaction facilities in Australia, Malaysia, Brunei, Sakhalin, Indonesia, Gulf of Mexico (United States), Gabon, Angola and other regions. Movements in LNG and crude oil prices may have a significant impact on operating results in these businesses.

Fundamentally, LNG prices are linked to crude oil prices. As an estimate, a US$/BBL fluctuation in the price of crude oil would have an approximate $1.0 billion effect on consolidated net income for LNG and crude oil combined 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 Australian subsidiary Mitsubishi Development Pty Ltd (MDP), we sell coking coal, which is used for steel manufacturing, and thermal coal, which is used for electricity generation. Fluctuations in the price of coking coal may affect our consolidated operating results through MDP’s earnings. MDP’s operating results cannot be determined by the coal price alone since MDP’s results are also significantly affected by fluctuations in exchange rates for the Australian dollar, U.S. dollar and yen, as well as adverse weather conditions and labor disputes.

In addition, as a producer, we are exposed to the risk of price fluctuations in copper and aluminum. Regarding copper, a US$100 fluctuation in the price per MT of copper would have a ¥1.3 billion effect on our consolidated net income for the year. However, variables besides price fluctuations can also have an impact. These include the grade of mined ore, the status of production operations, and reinvestment plans (capital expenditures). Therefore, the impact on earnings cannot be determined by the copper price alone. Regarding aluminum, a US$100 fluctuation in the price per MT of aluminum would have a ¥1.2 billion effect on our consolidated net income for the year. However, variables besides price fluctuations can also have an impact. These include the status of production operations, electricity costs, and foreign exchange movements. Therefore, the impact on earnings cannot be determined by the aluminum price alone.

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

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

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

In addition, dividends received from overseas businesses and equity in earnings of overseas consolidated subsidiaries and equity-method investee are relatively high in proportion to our consolidated net income. Because most of these earnings are denominated in foreign currencies, which are converted to yen solely for reporting purposes, an appreciation in the yen relative to foreign currencies has a negative impact on consolidated net income. In terms of sensitivity, a ¥1 change relative to the U.S. dollar would have an approximate ¥2.5 billion effect on consolidated net income.
Regarding our investments in overseas businesses, an appreciation in the yen poses the risk of lowering shareholders’ equity through a negative effect on exchange differences on translating foreign operations. Consequently, we implement various measures to prevent increased exposure to foreign currency risk on investments, such as 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, 2014, we owned approximately ¥1,400.0 billion (fair value basis) in marketable securities, mostly equity issues of customers, suppliers and affiliated companies. These investments expose us to the risk of fluctuations in stock prices. In our corporate pension fund, some of the pension assets managed are marketable stocks. Accordingly, a fall in stock prices could cause an increase in pension expenses by the reduction in pension assets.

(4) Interest Rate Risk
As of March 31, 2014, we had gross interest-bearing liabilities of approximately ¥6,075.8 billion. Because almost all of these liabilities bear floating interest rates, there is a risk of an increase in interest expenses caused by a rise in interest rates.

The vast majority of these interest-bearing liabilities are corresponding to trade receivables, loans receivable and other operating assets that are positively affected by changes in interest rates. Because a rise in interest rates produces an increase in income from these assets, while there are timing differences, 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 dividend income 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, in order to hedge these risks. In this case, we are exposed to the credit risk of the counterparties to these derivative instruments.

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

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

We take appropriate risk hedging measures that involve, in principle, hedges via third parties through such means as taking out insurance, depending on the nature of the project. Furthermore, we have established a Country Risk Committee, under which country risk is managed through a country risk countermeasure system. The country risk countermeasure system classifies countries with which we trade into six categories based on risk money in terms of the sum total of the amount of investments, advances, and guarantees, and the amount of trade receivables, net of hedges, as well as creditworthiness by country (country rating). Country risk is controlled through the establishment of risk limits for each category.

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

5) Business Investment Risk

We participate in the management of various companies by acquiring equity and other types of interests. These business investment activities are carried out with the aim of increasing our commercial rights and deriving capital gains. However, we bear various risks related to business investments, such as the possible inability to recover our investments and exit losses and being unable to earn the planned profits. Regarding the management of business investment risk, in the case of new business investments, we clarify the investment meaning and purpose, quantitatively grasp the downside risk of investments and evaluate whether the return on our investments made 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 set forth in the business plan formulated every year. Furthermore, we apply exit rules for the early sale of our equity interest or the liquidation of the investee in order to efficiently replace assets in our portfolio.

While we follow strict standards for the selection and management of investments, it is difficult to completely avoid the risk of investments not delivering the expected profits. Therefore, we may incur losses resulting from such actions as the withdrawal from an investment.

6) Risks Related to Specific Investments

(Investment in and Operations with Mitsubishi Motors Corporation)

Following requests from Mitsubishi Motors Corporation (MMC), we injected equity totaling ¥140.0 billion in MMC from June 2004 through January 2006 by subscribing to ordinary and preferred MMC shares. 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. Furthermore, we cooperate with MMC developing business at sales companies mainly outside of Japan and across the related value chain. Our risk exposure to MMC proper was approximately ¥160.0 billion as of March 31, 2014. Our risk exposure in connection with investments in businesses, finance, trade receivables and other related business was approximately ¥205.0 billion as of March 31, 2014 (of which, risk exposure in connection with the sales finance business was approximately ¥95.0 billion). Our total MMC-related risk exposure, including both the aforementioned risk exposure to MMC proper and our risk exposure to related business, was thus around ¥365.0 billion as of March 31, 2014.

For the year ended March 2014, MMC posted consolidated sales of ¥2,093.4 billion, operating profit of ¥123.4 billion and a net profit of ¥104.7 billion.
**Acquisition of Interest in Chilean Copper Asset**

On November 10, 2011, we completed the acquisition of 24.5% of Anglo American Sur, S.A. (AAS) for US$5.39 billion (approximately ¥420.0 billion). AAS is a Chilean copper mining and smelting company, wholly owned by Anglo American plc (AAC). The acquisition is the result of a sales process initiated by AAC. On August 23, 2012, Mitsubishi Corporation agreed to transfer 4.1% of its 24.5% shareholding in AAS to AAC for the sum of US$895 million. As a result of this deal, Mitsubishi Corporation’s risk exposure to this project at March 31, 2014 was approximately ¥350.0 billion.

AAC sold a 29.5% shareholding in AAS to a joint venture between Chile's state-run copper producer Corporación Nacional del Cobre de Chile and Mitsui & Co., Ltd., comprising this 4.1% share from Mitsubishi Corporation and 25.4% owned by AAC. Following completion of these transactions, AAC has a 50.1% shareholding in AAS, the aforementioned joint venture has a 29.5% shareholding, and Mitsubishi Corporation has a 20.4% shareholding, thereby forming a strong 4-company partnership.

AAS holds a significant portfolio of copper assets in Chile, including the Los Bronces mine, the El Soldado mine, the Chagres smelter and large-scale prospective exploration properties. AAS completed an expansion project at the Los Bronces mine in November 2011, and with the Los Bronces mine at full production in 2012, AAS’s annual copper production became approximately 470,000 tonnes (2013 result).

Mitsubishi Corporation has designated the expansion of high-quality resource investments and the expansion of its resource portfolio with sustainable growth as an important area. We will continue to grow its business in this area.

**7) Risks Related to Compliance**

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

We have established a Compliance Committee, which is headed by a Chief Compliance Officer, who is at the forefront of our efforts to raise awareness of compliance. The 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, or infectious diseases such as a new strain of influenza or a large-scale accident, 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 affiliated 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 the company’s operating results.
Note:
Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. 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 Valuation of Financial Instruments

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

Fair value is determined based on market data, such as market prices, as well as calculation procedures such as the market approach, income approach and cost approach. Specifically, we determine the fair value of marketable securities based on market prices. The fair value of non-marketable securities is determined using estimated future cash flows based on an investee’s financial position, business results, operating environment, business plans and other factors, and using the investee’s net assets per share and other parameters. Furthermore, we determine the fair value of derivatives using market transaction prices and valuation models.

Management believes that the fair valuation 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 transaction and credit limits for each customer based upon the customer’s payment history and current credit worthiness, as determined by our review of the customer’s 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 and payments 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 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 other than 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 as regards identifying evidence of impairment 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, 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 highly likely 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.