

Mitsubishi International Corporation and Subsidiaries

(A Wholly Owned Subsidiary of
Mitsubishi Corporation (Americas))

Consolidated Financial Statements as of and
for the Year Ended March 31, 2014, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mitsubishi International Corporation
New York, New York

We have audited the accompanying consolidated financial statements of Mitsubishi International Corporation and subsidiaries (the "Company") (a wholly owned subsidiary of Mitsubishi Corporation (Americas)), which comprise the consolidated balance sheet as of March 31, 2014, 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.

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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 International Corporation and subsidiaries as of March 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

July 21, 2014

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2014
(In thousands, except for share data)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (including time deposits of \$476,000)	\$ 628,531
Certificate of deposit	80,000
Notes and loans receivable:	
Parent and affiliated companies	656,595
Customers	12,395
Accounts receivable:	
Customers (after allowance for uncollectible accounts of \$2)	348,156
Parent and affiliated companies	258,990
Other	105,241
Merchandise inventories	787,495
Leased inventories	1,429,916
Guaranty deposits and advances to suppliers	338,862
Deferred income taxes	5,693
Prepaid expenses and other current assets	7,391

Total current assets	<u>4,659,265</u>
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LONG-TERM LOANS RECEIVABLE FROM PARENT	<u>396,085</u>
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NONCURRENT ADVANCES AND RECEIVABLES AND OTHER ASSETS	<u>338,395</u>
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INVESTMENTS:

Investments in affiliated companies	23,803
Other investments	<u>33,708</u>

Total investments	<u>57,511</u>
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PROPERTY AND EQUIPMENT — Net	<u>405,253</u>
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DEFERRED INCOME TAXES	<u>39,468</u>
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TOTAL	<u><u>\$ 5,895,977</u></u>
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MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2014
(In thousands, except for share data)

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Short-term debt:	
Parent and affiliated companies	\$ 529,760
Other	808,000
Current maturities of long-term debt	170,000
Accounts payable and accrued expenses:	
Parent and affiliated companies	590,935
Trade creditors	279,862
Advances from customers	139,805
Commodity financing arrangement	194,780
Lease liabilities and other	<u>117,761</u>
Total current liabilities	<u>2,830,903</u>

NONCURRENT LIABILITIES:

Long-term debt	1,390,000
Noncurrent advances from Parent and affiliates companies	59,441
Noncurrent advances from customers	136,047
Other long-term liabilities	<u>59,627</u>
Total noncurrent liabilities	<u>1,645,115</u>

COMMITMENTS AND CONTINGENCIES

EQUITY:

Stockholder's equity:	
Common stock without par value (authorized — 750,000 shares; issued and outstanding — 710,719 shares)	931,940
Retained earnings	493,500
Accumulated other comprehensive income (loss):	
Net unrealized gains on available-for-sale securities — net of tax	3,558
Foreign currency translation adjustments	(1,084)
Defined benefit and other postretirement plans — net of tax	<u>(7,463)</u>
Total Mitsubishi International Corporation stockholder's equity	1,420,451
Noncontrolling interest	<u>(492)</u>
Total equity	<u>1,419,959</u>
TOTAL	<u><u>\$ 5,895,977</u></u>

See notes to consolidated financial statements.

(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2014
(In thousands)

REVENUES:	
Revenues from operating activities	\$ 1,988,458
Margins and commissions on operating transactions	<u>60,285</u>
Total revenues	2,048,743
OPERATING TRANSACTIONS — \$6,586,510	
COST OF REVENUES FROM OPERATING ACTIVITIES	<u>1,899,601</u>
GROSS PROFIT	149,142
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(72,583)
INTEREST INCOME (Net of interest expense of \$20,510)	2,238
LOSS ON SALES OF MARKETABLE SECURITIES AND OTHER INVESTMENTS	(611)
SUNDRY INCOME (Net of expense of \$14,326)	<u>11,393</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN EARNINGS OF AFFILIATES, AND NONCONTROLLING INTEREST	<u>89,579</u>
INCOME TAXES:	
Current	1,568
Deferred	<u>29,704</u>
Total	<u>31,272</u>
INCOME FROM CONTINUING OPERATIONS BEFORE EQUITY IN EARNINGS OF AFFILIATES AND NONCONTROLLING INTEREST	58,307
EQUITY IN EARNINGS OF AFFILIATES (Net of loss of \$914)	<u>63</u>
INCOME FROM CONTINUING OPERATIONS	<u>58,370</u>
DISCONTINUED OPERATIONS:	
Gain on disposal	6,751
Income tax expense from discontinued operations	<u>(2,565)</u>
Total	<u>4,186</u>
NET INCOME	<u>62,556</u>
ATTRIBUTABLE TO NONCONTROLLING INTEREST:	
Continued operations	(23)
Discontinued operations	<u>(42)</u>
Net income attributable to noncontrolling interest	<u>(65)</u>
NET INCOME ATTRIBUTABLE TO MITSUBISHI INTERNATIONAL CORPORATION	<u>\$ 62,491</u>
AMOUNTS ATTRIBUTABLE TO MITSUBISHI INTERNATIONAL CORPORATION:	
Income from continuing operations	\$ 58,347
Income from discontinued operations	<u>4,144</u>
NET INCOME ATTRIBUTABLE TO MITSUBISHI INTERNATIONAL CORPORATION	<u>\$ 62,491</u>

See notes to consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED MARCH 31, 2014
(In thousands)

NET INCOME	<u>\$ 62,556</u>
OTHER COMPREHENSIVE INCOME (LOSS):	
Net unrealized gain on available-for-sale securities (net of tax)	991
Defined benefit pension and other postretirement plans (net of tax)	9,453
Foreign currency translation adjustments	<u>(3,469)</u>
Total	<u>6,975</u>
COMPREHENSIVE INCOME	<u>\$ 69,531</u>
AMOUNTS ATTRIBUTABLE TO NONCONTROLLING INTEREST:	
Net income	\$ (65)
Other comprehensive income — defined benefit pension and other postretirement plans	<u>362</u>
COMPREHENSIVE LOSS	<u>\$ 297</u>
AMOUNTS ATTRIBUTABLE TO MITSUBISHI INTERNATIONAL CORPORATION:	
Net income	<u>\$ 62,491</u>
Other comprehensive income (loss):	
Net unrealized gain on available-for-sale securities (net of tax)	991
Defined benefit pension and other postretirement plans (net of tax)	9,815
Foreign currency translation adjustments	<u>(3,469)</u>
Total	<u>7,337</u>
COMPREHENSIVE INCOME	<u>\$ 69,828</u>

See notes to consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2014
(In thousands, except for share data)

SHARES OUTSTANDING — Balances — beginning and end of year	<u>710,719</u>
COMMON STOCK:	
Balance — beginning of year	\$ 926,120
Equity transactions between entities under common control	<u>5,820</u>
Balance — end of year	<u>931,940</u>
RETAINED EARNINGS:	
Balance — beginning of year	550,398
Net income attributable to Mitsubishi International Corporation	62,491
Dividends	<u>(119,389)</u>
Balance — end of year	<u>493,500</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS:	
Balance — beginning of year	(12,326)
Net unrealized gain on available-for-sale securities — net of tax expense of \$59	991
Change in foreign currency translation adjustments	(3,469)
Defined benefit pension and other postretirement plans — net of tax expense of \$6,016	<u>9,815</u>
Balance — end of year	<u>(4,989)</u>
NONCONTROLLING INTEREST:	
Balance — beginning of year	(119)
Equity transactions with noncontrolling interest	(76)
Net income attributable to noncontrolling interest	65
Other comprehensive loss attributable to noncontrolling interest	<u>(362)</u>
Balance — end of year	<u>(492)</u>
TOTAL MITSUBISHI INTERNATIONAL CORPORATION'S EQUITY	<u>\$ 1,419,959</u>

See notes to consolidated financial statements.

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 62,556
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	18,895
Realized gain on sales of marketable securities and other investments — net	(6,088)
Loss on sale of property and equipment	47
Accretion expense	677
Provision for accrued pension liabilities	4,265
Deferred income taxes	32,269
Equity in earnings of affiliates — net, less dividends received	546
Unrealized loss and foreign exchange loss on derivatives	76,361
Accreted interest	(3,327)
Changes in operating assets and liabilities:	
Notes receivable	417
Accounts receivable	87,519
Merchandise inventories and leased inventories	(120,610)
Guaranty deposits and advances to suppliers	(39,957)
Prepaid expenses and other current assets	7,095
Noncurrent advances and receivables and other assets	(5,694)
Commodity financing arrangement	194,350
Accounts payable and accrued expenses	(198,884)
Other long-term liabilities	21,462
	<u>131,899</u>
Net cash provided by operating activities	<u>131,899</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales and maturities of marketable securities	16,501
Proceeds from sales of cost method investments	10,717
Purchases of other investments	(1,700)
Proceeds from sales of property and equipment	394
Purchases of property and equipment	(10,999)
Proceeds from sales of affiliated companies	9,564
Proceeds from sale of subsidiary — net of cash transferred	22
Collection of loans receivable from affiliated companies	862,499
Increase in loans receivable to affiliated companies	(691,594)
Purchase of certificate of deposit	(80,000)
	<u>115,404</u>
Net cash provided by investing activities	<u>115,404</u>

(Continued)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of Mitsubishi Corporation (Americas))

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014
(In thousands)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of short-term debt	\$ 2,522,734
Repayment of short-term debt	(2,745,511)
Proceeds from issuance of long-term debt	230,000
Repayment of long-term debt	<u>(230,000)</u>
Net cash used in financing activities	<u>(222,777)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,526
CASH AND CASH EQUIVALENTS — Beginning of year	<u>604,005</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 628,531</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW	
INFORMATION — Cash paid (received) during the year for:	
Interest	<u>\$ 20,071</u>
Income taxes	<u>\$ (30,605)</u>
NON-CASH ITEMS IN INVESTING AND FINANCING ACTIVITIES:	
Increase in loans receivables from the Parent in consideration of investments transferred to the Parent	<u>\$ 85,095</u>
Reduction of loans receivables from Parent in lieu of dividends payment to the Parent	<u>\$ (119,389)</u>
Settlement of loans receivable from Parent in exchange for accounts payable with Parent	<u>\$ (13,410)</u>
See notes to consolidated financial statements.	(Concluded)

MITSUBISHI INTERNATIONAL CORPORATION AND SUBSIDIARIES

(A Wholly Owned Subsidiary of Mitsubishi Corporation (Americas))

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED MARCH 31, 2014

(In thousands, except for share data)

1. SIGNIFICANT ACCOUNTING POLICIES

Business Description — Mitsubishi International Corporation and subsidiaries (collectively, the “Company” or “MIC”) is a wholly owned subsidiary of Mitsubishi Corporation (Americas) (“MCA”), which in turn is a wholly owned subsidiary of Mitsubishi Corporation (“MC”), Tokyo, Japan (collectively, the “Parent”).

The Company is engaged in various business activities, such as trading activities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects through its business networks. The Company’s operations are principally in the following areas: industrial finance, logistics and development, energy, metals, machinery, chemicals and living essentials, each having a diverse customer base.

On April 1, 2012, MC established MCA as a wholly owned subsidiary, and transferred MIC’s stock held by MC to MCA. MCA has been established to strengthen regional coordination and to consolidate management of group companies in North America.

On April 1, 2013, the Company sold its equity interest in Indiana Packers Corp., MC Machinery Systems Inc., Mitsubishi Imaging, Inc., TH Foods, Inc., MHCG, Inc., and Metal One Holding America, Inc. to MCA at their respective carrying values as of April 1, 2013 in exchange for loans receivable. The aggregate carrying value of these equity method investments as of March 31, 2013 was \$74,927 and the aggregate equity in earnings for the year ended March 31, 2013 was \$6,352. No gains or losses were recorded on the above exchanges.

On July 12, 2013, the Company transferred its equity interest in MC Asset Management Holdings LLC (“MCAMH”), an equity method investment, to MC in exchange for \$7,306 in cash. The carrying value of MCAMH at the time of transfer was \$3,192. As the transaction was between entities under common control, Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805-50, *Business Combinations*, requires the excess amount received over the carrying value of \$4,114 to be reported as a capital contribution within the consolidated statement of changes in equity.

On October 1, 2013, the Company sold all of its equity interest in MC Asset Management Americas, Ltd. (“MCAMA”), a wholly owned subsidiary, in the Company’s Industrial Finance segment, to a subsidiary of MC in exchange for cash as part of the reorganization of MC entities in North America. The carrying value at the date of transfer was \$3,016. No gains or losses were recorded for this transfer. The Company did not present the transfer as discontinued operations as MCAMA was not material to the Company’s consolidated statement of income.

On October 1, 2013, the Company sold its equity interest in MC Credit Products Fund, Inc., an equity method investment, to MCA in exchange for loans receivable. The carrying value as of September 30, 2013 was \$10,120 and no gains or losses were recorded for this transaction. For the period from April 1, 2013 to September 30, 2013, \$(196) has been included in equity in earnings of affiliates related to MC Credit Products Fund, Inc.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Mitsubishi International Corporation and its wholly owned and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated. Consolidation of an entity is also assessed pursuant to the FASB ASC 810, *Consolidation*.

Most of the Company's subsidiaries and affiliated companies maintain their fiscal year end at March 31st, while the remaining subsidiaries maintain their fiscal year end at December 31st. These December 31st subsidiaries are consolidated into the Company's financial statements with a three-month lag period.

Revenue Recognition — The Company's revenue recognition policies are as follows:

Revenues from Operating Activities — Revenues from operating activities include revenues related to various trading transactions in which the Company acts as a principal, carries commodity inventory, and makes a profit or loss on the spread between bid and asked prices for commodities. These revenues include sales of non-ferrous metals, oil and gas, chemicals, food products and general consumer merchandise.

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

Margins and Commissions on Operating Transactions — Margins and commissions on operating transactions include revenues from various trading transactions in which the Company acts as a principal or an agent. Through its trading activities, the Company facilitates its customers' purchases and sales of commodities and other products and charges a commission for this service. The Company also facilitates conclusion of the contracts between manufacturers and customers and deliveries of the products between suppliers and customers. Revenues from such transactions are recognized when the contracted services are rendered to third-party customers pursuant to the agreements.

Operating transactions, as presented in the accompanying consolidated statement of income, is a voluntary disclosure and represents the gross transaction volume or the aggregate nominal value of the sales contracts in which the Company acts as principal or agent, but excludes contract value in which the Company serves as broker. When the Company serves as principal or agent, it is responsible for the payment of the inventory purchase price and the collection of the sales proceeds. As a broker, however, the Company earns a commission, without involvement in cash payments or cash collections. Operating transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues or as an indicator of the Company's operating performance, liquidity or cash flows generated by operating, investing or financing activities. The Company has included the operating transactions information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that operating transactions is a useful supplement to the results of operations for users of the consolidated financial statements.

Additionally, gross profit represents gross margin (revenues less cost of revenues) on transactions in which the Company acts as principal and commissions on transactions in which the Company serves as agent or broker. This presentation conforms to the industry practice for Japanese trading companies.

Cash Equivalents — For purposes of the consolidated statement of cash flows, the Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. Time deposits with an original maturity of three months or less are also classified as cash equivalents.

Certificate of Deposit — The Company's certificate of deposit, which had an original maturity of one year, is classified as a current asset on the consolidated balance sheet.

Available-for-Sale Securities — In accordance with ASC 320, *Investments*, the Company classifies its investments as available-for-sale, based on the Company's intent with respect to those securities. Available-for-sale investments are carried at fair value with unrealized gains and losses recorded, net of tax, as accumulated other comprehensive income (loss), which is a component of equity.

The Company reviews its investment securities portfolio on a quarterly basis to identify and evaluate investments that have indications of possible other-than-temporary impairment. Such securities are written down to their fair value when there is impairment in value that is other than temporary. The determination of whether or not other-than-temporary impairment exists is a matter of judgment. Factors considered in determining whether a loss is temporary include the length of time and the extent to which fair value has been less than the cost basis, the financial condition and credit quality of the security issuer, and the Company's ability and intent to hold the investment securities for a period of time sufficient to allow for any anticipated recovery in market value. If the Company has no intent to sell and the Company believes that it is more likely than not the Company will not be required to sell these securities prior to recovery, the credit loss component of the unrealized losses are recognized in earnings, while the remainder of the loss is recognized in other comprehensive income. There were no impairment charges recorded for the year ended March 31, 2014.

Financing Receivables and Allowance for Credit Losses — Financing receivables include loans and lease receivables portfolios. Loans and lease receivables as of March 31, 2014 were \$1,065,075 and \$2,157, respectively. Loans receivables are interest bearing and primarily provided to affiliated companies and included in "Notes and loans receivable", "Long-term loans receivable from Parent", and "Noncurrent advances and receivables and other assets". Lease receivables were included in "Accounts receivable: Customers" and "Noncurrent advances and receivables and other assets".

To assess the adequacy of the allowance for financing receivables, the Company performs a quarterly analysis of the financing receivables using credit quality indicators: performing financial receivables and nonperforming financial receivables. Receivables that meet one of the following conditions are classified as nonperforming financial receivables: counterparties who have filed a petition for liquidation, adjustments, rehabilitation or reorganization under bankruptcy codes; counterparties whose debts have not been collected for more than one year since the original due date; and counterparties experiencing suspension or discontinuance of business, as well as those whose ability to fulfill their obligations is doubtful based on the Company's internal review of their financial conditions.

All of the financing receivables are classified as performing and there were no impaired financing receivables as of March 31, 2014. In addition, there were no past due or non-accrual financing receivables as of March 31, 2014.

Interest rates on notes receivables are primarily market rates such as British Bankers Association London Interbank Offered Rate ("BBA Libor"). Notes receivables as of March 31, 2014, were \$8,876 with interest rates ranging from 0.64% to 0.65%.

Accounts receivables are reported net of an allowance for doubtful accounts. In determining such an allowance, management considers historical losses and existing economic conditions, as well as the credit quality of each debtor.

Inventories — Inventories, except for certain commodities inventories that are accounted for at fair value in accordance with ASC 330, *Inventory*, are stated at the lower of cost (principally on the moving-average basis) or market value. Inventories leased out to customers are classified as “Leased inventories” on the Company’s consolidated balance sheet.

The Company has presented in the consolidated balance sheet assets and liabilities related to its leased precious metal positions. The amounts related to precious metal lease positions consist of assets of \$1,532,507, of which \$1,529,395 were recorded at fair value, and liabilities of \$305,035 as of March 31, 2014. The balances are included in “Leased inventories,” “Noncurrent advances and receivables and other assets,” “Accounts payable and accrued expenses: Parent and affiliated companies,” and “Accounts payable and accrued expenses: Lease liabilities and other.”

Commodity Financing Arrangement — In accordance with ASC 470-40, *Product Financing Arrangements*, commodity financing arrangements are recognized on the consolidated balance sheet as assets and liabilities. The Company recorded \$192,603 in “Merchandise inventories” and \$194,780 in “Commodity Financing Arrangement”.

Investments — The equity method of accounting is used for investments in affiliated companies over which the Company has significant influence, but does not have effective control. Significant influence is generally deemed to exist when the Company has an ownership interest in the voting stock of the investee of between 20% and 50%, although other factors, such as representation on the investee’s Board of Directors, voting rights and the impact of commercial arrangements, are also considered in determining whether the equity method of accounting is appropriate. The Company records its percentage of earnings from affiliated companies in “Equity in earnings of affiliates — net” in the consolidated statement of income.

A number of entities in which the Company holds less than 20% have been accounted for on the equity method due to significant influence achieved by combined interests held by MC or other affiliates.

The cost method of accounting is used for investments in which the Company has less than a 20% ownership interest, and the Company does not have the ability to exercise significant influence. These investments are carried at cost and are adjusted only for other-than-temporary declines in fair value. The Company tests for triggering events that could result in impairments every quarter.

Property and Equipment — Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is determined principally on a straight-line basis over the estimated useful lives of the property, other than for oil and gas properties. Leasehold improvements are amortized on the straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter. Maintenance and repair costs are expensed as incurred.

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. Under the successful efforts method, the costs of successful wells, development dry holes, and leases containing productive reserves are capitalized and amortized. Depreciation, depletion and amortization of the cost of proved oil and gas properties is calculated using the unit-of-production method. Should the efforts to produce commercial reserves be determined unsuccessful, the exploratory well costs are charged to expense. Other exploration costs such as geological and geophysical costs are expensed as incurred.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of — The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is

measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. For oil and gas properties, proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value. The estimated future cash flows used for impairment reviews and related fair value calculations are based on estimated future production volumes, prices and costs, considering all available evidence at the date of review. Unproved properties are assessed at least annually for impairment with any impairment charged to expense. There were no impairments of long-lived assets for the year ended March 31, 2014.

Asset Retirement Obligations — The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred when the fair value is reasonably estimable. When a liability is initially recorded, the Company capitalizes the related costs by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value, which is the discounted expected cash flow associated with the obligation, each period and the capitalized cost is depreciated over the useful life of the related assets. At least annually, the Company reassesses the obligation to determine whether a change in the estimated obligation is necessary.

Derivative Instruments — In accordance with ASC 815, *Derivatives and Hedging*, all derivative instruments are recognized and measured at fair value as either assets or liabilities in the consolidated balance sheet.

The Company uses derivative instruments to manage exposures to foreign currency and interest rate risks. Interest rate swaps are utilized to hedge interest rate exposures. Cross-currency interest rate swaps are utilized to hedge both currency and interest rate exposure related to loans made in foreign currencies.

In addition, the Company has foreign exchange forward contracts that have been entered into principally to manage exposure to transaction and translation risk associated with certain assets, obligations and commitments denominated in foreign currencies. Such contracts have not been designated as fair value hedges for accounting purposes and are marked to market with changes in fair value recognized in earnings.

In the normal course of business, the Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities (principally aluminum, coffee and cocoa, each of which is traded on a terminal market).

Income Taxes — Income taxes are accounted for in accordance with ASC 740, *Income Taxes*. Under this guidance, temporary differences between the financial and income tax bases of assets and liabilities are recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be recognized.

The Company recognizes the financial statement effects of tax positions when it is more-likely-than-not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Company records potential interest and penalties related to unrecognized tax benefits as part of income tax expense.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant judgment and estimates are required in the determination of the allowances against accounts receivables, and deferred tax assets, assumptions used in the calculation of pension and other long-term employee benefit accruals, legal and other accruals for contingent liabilities, and the determination of the carrying value of long-lived assets, among other items. Actual results could differ from those estimates.

Concentration Risk — The Company in the normal course of business is a party to various financial instruments. The Company engages in operating transactions with a significant number of customers in a wide variety of industries, and the Company's receivables from and guarantees to such parties are broadly diversified. Consequently, in management's opinion, no significant concentration of credit risk exists for the Company. Credit risk exposure of these financial instruments in the event of counterparty nonperformance is controlled through credit approvals, limits and monitoring procedures based on the credit policies.

Foreign Currency Transactions — Assets and liabilities of foreign subsidiaries have been translated at current exchange rates at the balance sheet date, and related revenues and expenses have been translated at average exchange rates in effect during the period. Cumulative translation adjustments are included as a component of accumulated other comprehensive income (loss) in the consolidated statement of changes in equity.

Transactions in foreign currencies are recorded at the exchange rate in effect at the transaction date. Gains or losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables during the period, are recognized in "Sundry income, net" in the consolidated statement of income in such period. The aggregate transaction loss (net of transaction gain) was \$12,898 for the year ended March 31, 2014.

Comprehensive Income — In accordance with ASC 220, *Comprehensive Income*, the Company has included amounts for comprehensive income (which consists of net income and other comprehensive income) in the consolidated statement of changes in equity and the consolidated statement of comprehensive income. Other comprehensive income consists of all changes to stockholder's equity other than those resulting from net income and shareholder transactions. For the Company, other comprehensive income consists of foreign currency translation adjustments, defined benefit plans, and unrealized losses on available-for-sale securities, on a net of tax basis, where applicable. Accumulated other comprehensive income (loss), which is primarily the cumulative amount of other comprehensive income (loss), is a separate component of total stockholder's equity.

New Accounting Standards — In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02, *Comprehensive Income — Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires companies to disclose changes in accumulated other comprehensive income balances by component, and significant items reclassified out of accumulated other comprehensive income. ASU No. 2013-02 is effective for the Company for interim and annual reporting periods beginning after December 15, 2013. The Company adopted this standard on April 1, 2013 and has provided the required presentation and disclosures. (See Note 15 of the consolidated financial statements.)

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet — Disclosures about Offsetting Assets and Liabilities*. The update requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. This ASU was subsequently updated by ASU No. 2013-01, *Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities*, which limited the assets and liabilities in scope of ASU No. 2011-11. ASU No. 2011-11 and ASU No. 2013-01 are effective for interim and annual reporting periods beginning on or after January 1, 2013. The changes impacted disclosure only and had no impact on the Company's consolidated financial position or results of operations. The Company adopted this standard on April 1, 2013 and has provided the required disclosures. (See Note 4 of the consolidated financial statements.)

In July 2012, the FASB issued ASU No. 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. The amendments in this ASU will allow an entity to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. Under these amendments, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on qualitative assessment, that it is more likely than not that the indefinite-lived intangible asset is impaired. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company adopted this guidance on April 1, 2013, and the adoption did not have an impact on the consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements and Property, Plant, and Equipment — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this update change the requirements for reporting discontinued operations in ASC 205-20, *Presentation of Financial Statements — Discontinued Operations*, for all public and nonpublic entities. The amendments also require new disclosures about discontinued operations and disposals of components of an entity that do not qualify for discontinued operations reporting. The amendments are effective for nonpublic entities with annual periods beginning on or after December 15, 2015, and should be applied prospectively to all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale. Early adoption would be permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This guidance provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods and services. The amendments are effective for annual periods beginning after December 15, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently assessing the potential impacts, if any, the adoption of this guidance may have on the consolidated financial statements.

2. PROPERTY AND EQUIPMENT — NET

Property and equipment — net at March 31, 2014, consisted of the following:

Leasehold improvements	\$ 8,711
Building, structures, and rail car	6,046
Machinery and equipment	83,722
Furniture, fixtures and vehicles	7,253
Oil and gas properties	444,198
Capitalized software costs	<u>13,836</u>
Total	563,766
Less accumulated depreciation and amortization	<u>(158,513)</u>
Net	<u>\$ 405,253</u>

Depreciation and amortization expense for the year ended March 31, 2014, was \$18,895.

The useful lives used in computing depreciation and amortization are based on the Company's estimate of the service life of the classes of property are as follows:

	Years
Leasehold improvements	3–35
Building, structures, and rail car	30–35
Machinery and equipment	3–19
Furniture, fixtures, and vehicles	3–5
Capitalized software costs	5

Oil and gas properties are depreciated over a 5 to 20-year period based on the unit-of-production method.

3. INVESTMENTS IN AFFILIATED COMPANIES AND OTHER INVESTMENTS

Investments in Affiliated Companies — The Company has investments in a number of affiliates, which are accounted for under the equity method. The Company's equity method investees and its approximate ownership interests in each investee are primarily made up of the following as of March 31, 2014:

	Interest	Equity	Earnings (Losses)
Mitsubishi do Brasil S.A.	12.57 %	14,105	968
MC Credit Products Fund Inc. ^(a)			(196)
CIMA Energy Ltd.	13.60	9,698	(358)
MC Asset Management ^(b)			(360)
Diamond Rail Lease Corp. ^(c)			9

- (a) During the year ended March 31, 2014, the Company transferred MC Credit Products Fund Inc. to Mitsubishi Corporation (Americas). No gain or loss was recognized on the transfer. The Company recorded a loss of \$196, which is included in Equity in earnings of affiliates — net in the Company's consolidated statement of income.
- (b) During the year ended March 31, 2014, the Company transferred MC Asset Management to Mitsubishi Corporation. No gain or loss was recognized on the transfer. The Company recorded a loss of \$360, which is included in Equity in earnings of affiliates - net in the Company's consolidated statement of income.
- (c) During the year ended March 31, 2014, the Company liquidated Diamond Rail Lease Corp. A gain of \$8 was recognized on the disposal, which is included in Loss on sales of marketable securities and other investments in the consolidated statement of income.

The Company's share of earnings of these affiliates is included in "Equity in earnings of affiliates — net" in the consolidated statement of income. For the year ended March 31, 2014, the Company received dividends from affiliates of \$609. The Company's total investments in affiliates as of March 31, 2014, were \$23,803, which are included in "Investments in affiliated companies" in the consolidated balance sheet.

The summarized unaudited financial information below for the year ended March 31, 2014 represents an aggregation of all the Company's affiliates which have been accounted for under the equity method:

Statement of Operations

Net sales	\$3,494,425
Gross profit	44,852
Net earnings	2,377

Statement of Financial Condition

Current assets	\$ 299,932
Non-current assets	<u>84,326</u>
Total assets	<u>\$ 384,258</u>
Current liabilities	\$ 221,567
Non-current liabilities	4,394
Stockholders' equity	<u>158,297</u>
Total liabilities and stockholders' equity	<u>\$ 384,258</u>

Diamond Plastics Corp. and Continental Conduits Inc., in which the Company has more than a 20% but less than 50% interest, is not being accounted for under the equity method due to the Company's inability to exercise significant influence over their operating and financial policies.

Cost Method Investments — The total carrying value of cost method investments, included in "Other investments" in the consolidated balance sheet as of March 31, 2014 was \$33,083. There were no identified events of circumstances that could have had a significant adverse effect on the fair value of the cost method investments of \$33,083 at March 31, 2014.

For cost method investments, the Company evaluates information (e.g., budgets, business plans, financial statements) in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults, and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all inclusive and all quantitative and qualitative factors are weighted in determining if an other-than-temporary decline in value of an investment has occurred. When a decline in value is deemed to be other-than-temporary, an impairment loss is recognized in the current period's operating results to the extent of the decline.

Available-for-sale Securities — The total fair value of the marketable securities classified as “Other investments” in the consolidated balance sheet at March 31, 2014, was \$625.

The following table is the summary of marketable securities held by the Company at March 31, 2014:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Marketable equity securities	<u>\$ 357</u>	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ 625</u>

During the year ended March 31, 2014, there were \$16,501 in proceeds from maturities of debt securities. There were no gross realized gains or losses on such securities for the year ended March 31, 2014. The basis on which cost was determined in computing the realized gains and losses is specific identification. None of the unrealized gains (losses) were reclassified into the consolidated statement of income as no amounts were realized during the year ended March 31, 2014.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, the Company is exposed to market risk from changes in interest rates, foreign exchange rates and commodity prices. To manage the exposure to those risks, the Company enters into interest rate swaps, interest rate and cross currency swaps, and commodity forward and futures contracts as a means of hedging the change in the fair value of the underlying exposure being hedged. For all derivatives designated as fair value hedges, the Company documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for using the hedging instrument. Whenever practical, the Company designates specific exposures to qualify for hedge accounting. In these circumstances, the Company assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives are highly effective in offsetting changes in fair value of the hedged items. The Company utilizes regression analysis and dollar offset models to determine hedge effectiveness.

Fair Value of Derivative Instruments in the Consolidated Balance Sheet:

Commodity Hedges — The Company is exposed to price fluctuations of various commodities used in its trading activities. The Company enters into commodity forward and futures contracts to reduce its exposures to price fluctuations on certain of its long-term commitments and inventory positions in such commodities. The Company designates certain exchange-traded futures as fair value hedges of its non-precious metals inventory positions. These hedges are designed to protect a portion of its inventory positions from exposure to movements in those commodity prices. Both the hedged inventory positions and the related exchange-traded futures are stated at exchange quoted prices.

Notional Amounts of Derivative Instruments — The following table provides information regarding the notional amounts of outstanding commodity contracts as of March 31, 2014:

Commodity Type	Commitment	Amount
Nonferrous metals	Purchase	\$ 270,024
Nonferrous metals	Sales	711,786
Precious metals	Purchase	1,485,031
Precious metals	Sales	3,025,461
Precious metals	Borrowing	316,439

The following tables present Company's commodity derivative instruments measured at fair value as reflected in the consolidated balance sheet as of March 31, 2014:

Derivatives Designated as Hedging Instruments	Balance Sheet Location	
Commodity contracts	Accounts payable and accrued expenses — Parent and affiliated companies	<u>\$ 44,339</u>

The changes in fair value are recognized in "Cost of revenues from operating activities" in the accompanying consolidated statement of income. Time value has been excluded from the effectiveness testing. Ineffectiveness resulting from differences in the price fluctuations between hedging instruments and hedged items for the year ended March 31, 2014 was a loss of \$28,578, and was included in "Cost of revenues from operating activities."

Financial Swaps — The Company's financing, investing, and cash management activities are exposed to market risk from changes in interest rates and currency exchange rates. The Company enters into currency and interest rate swaps in order to convert certain floating rate assets denominated in Canadian dollar to United States dollar floating-rate basis.

For specifically designated fair value hedges of certain fixed-rate assets, the Company utilizes the short-cut method when certain criteria are met. For other fair value hedges of fixed rate assets, the Company utilizes the regression method to evaluate hedge effectiveness on a quarterly basis. Changes to the fair value of the hedged items or derivatives attributable to a change in credit risk are excluded from our assessment of hedge effectiveness. For hedging relationships that are designated as fair value hedges, changes in the fair value of the derivative are, to the extent that the hedging relationship is effective, recorded through earnings and offset against changes in the fair value of the hedged item.

The total notional amount of the Company's financial swaps as of March 31, 2014, was \$339,152.

The following tables present Company's financial swap contracts measured at fair value as reflected in the consolidated balance sheet as of March 31, 2014.

Derivatives Designated as Hedging Instruments	Balance Sheet Location	
Interest rate swap	Accounts receivable — other/noncurrent advances and receivables and other assets	\$ 583
Interest rate swap	Accounts payable accrued expenses — Parent and affiliated companies/other long-term liabilities	117

The changes in the fair value of these swaps were included in “Sundry income” in the accompanying consolidated statement of income. Any ineffectiveness, which was not significant, was included in earnings for the year ended March 31, 2014.

Embedded Derivatives Related to Commodity Lease Transactions — The Company utilizes commodity lease contracts in precious metals trading activities as embedded derivative instruments. These instruments are measured at fair value as reflected in the consolidated balance sheet as of March 31, 2014.

**Derivatives Not Designated
as Hedging Instruments**

Balance Sheet Location

Precious metals — lease contracts	Accounts payable and accrued expenses — Parent and affiliated companies	<u>\$ 12,084</u>
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Some of the Company’s derivative contracts have master netting arrangements with counterparties with which the right of offset exists. The Company’s policy is to offset balances by counterparty on the consolidated balance sheet if netting agreements exist. In general, the terms of the agreements provide that in the event of an early termination the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. The Company has elected to offset cash margin accounts against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting arrangement. The Company does not net any of the embedded derivatives related to commodity lease contracts.

The following table presents financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement. The table presents the amounts of counterparty netting and cash collateral that have been offset in the consolidated balance sheet, as well as the amounts that are subject to similar agreement but do not meet the criteria for netting under the accounting guidance.

Financial Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet		Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
		Financial Instruments	Cash Collateral Received		Financial Instruments	Cash Collateral Received	Net Amount
Derivatives	\$187,536	\$(47,245)	\$ -	\$48,025	\$ -	\$(16,591)	\$31,434
Total	\$187,536	\$(47,245)	\$ -	\$48,025	\$ -	\$(16,591)	\$31,434

Financial Liabilities	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet		Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
		Financial Instruments	Cash Collateral Pledged		Financial Instruments	Cash Collateral Pledged	Net Amount
Derivatives	\$96,255	\$(47,244)	\$(986)	\$48,025	\$ -	\$(16,591)	\$31,434
Total	\$96,255	\$(47,244)	\$(986)	\$48,025	\$ -	\$(16,591)	\$31,434

Classification of Gains and Losses on Derivative Transactions — The following tables present unrealized gain and loss on derivative transactions measured at fair value as reflected in the consolidated balance sheet as of March 31, 2014:

Balance Sheet Location		
Gain:		
Contracts maturing within one year	Account receivable — Parent and affiliated companies/account receivable — other	\$ 155,743
Contracts maturing over one year	Noncurrent advances and receivables and other	31,793
Loss:		
Contracts maturing within one year	Accounts payable and accrued expenses: Parent and affiliated companies	\$ 78,850
Contracts maturing over one year	Other long-term liabilities	5,321

Derivative instruments shown above are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheet. The total cash margin accounts included in “Guaranty deposits and advances to suppliers” which were subject to master netting arrangements at March 31, 2014 were \$1,100, of which \$986 have been offset against net derivative positions.

Effect on Derivative Instruments on the Consolidated Statement of Income:

Gains on Commodity Derivatives — The following table presents gains on commodity derivatives both designated and not designated as hedging instruments in the consolidated statement of income for the year ended March 31, 2014:

Commodity Derivatives	Statement of Income Location	
Nonferrous metal	Cost of revenues from operating activities	\$ 25,687
Precious metal	Cost of revenues from operating activities	278,649

Foreign Exchange Forwards Used for Other Than Hedging Activities — The Company has foreign exchange forward contracts. Such contracts have not been designated as hedges for accounting purposes and are marked-to-market with changes in fair value recognized in earnings currently, which are included in the “Sundry income” in the accompanying consolidated statement of income.

Derivatives Not Designated as Hedging Instruments	Statement of Income Location	
Foreign exchange contracts	Sundry income — net	<u>\$ 12,689</u>

5. SHORT-TERM AND LONG-TERM DEBT

Short-term debt as of March 31, 2014, consisted of the following:

	Interest Rate	
Loans from Parent and affiliated companies	0.4 %	\$ 529,760
Commercial paper	0.2	<u>808,000</u>
Total short-term debt		<u>\$1,337,760</u>

The interest rates on short-term debt represent weighted-average floating rates on outstanding balances at March 31, 2014.

As of March 31, 2014, long-term debt bore interest at fixed and floating rates. Long-term debt as of March 31, 2014, is comprised of the following:

Financial institutions — maturing through 2021 — at fixed or floating rates, principally 0.46% to 1.01%	\$ 1,560,000
Less current maturities	<u>(170,000)</u>
Long-term debt, less current maturities	<u>\$ 1,390,000</u>

Long-term debt matures during the following years ending March 31 as follows:

2015	\$ 170,000
2016	360,000
2017	200,000
2018	350,000
2019	130,000
Thereafter	<u>350,000</u>
Total long-term debt	<u>\$ 1,560,000</u>

The Company has certain financial debt covenants which have been complied with as of March 31, 2014.

The Company and MC entered into a Keep Well Agreement dated January 27, 2003, which is governed by the laws of the State of New York. The following is a summary of certain terms of the Company's Keep Well Agreement:

- a. MC has agreed to make cash payments to the Company in amounts sufficient, together with other revenues of the Company, to cause the consolidated Tangible Net Worth of the Company to be positive at all times.
- b. MC will maintain direct or indirect ownership of all the voting capital stock of the Company and will not pledge or grant any security interest in, or encumber, any such capital stock.
- c. MC will cause the Company to maintain sufficient liquidity to punctually meet the debt obligations issued by the Company in order to facilitate the raising of funds.

MC has indicated that due to its superior creditworthiness, it is committed and will continue to fulfill obligations under the Keep Well Agreement until at least the fiscal year ending March 31, 2015.

The Company is a party to a joint revolving credit agreement together with MC in the amount of \$1 billion, of which \$100 million shall be dedicated and specifically available to the Company. There were no amounts outstanding as of March 31, 2014.

6. INCOME TAXES

The provision (benefit) for income taxes of continuing operations for the year ended March 31, 2014, consisted of the following:

Current:	
Federal	\$ (467)
State	2,035
Deferred:	
Federal	28,975
State	<u>729</u>
Total income taxes	<u>\$ 31,272</u>

Total income taxes include the effects of tax expense of \$14 on equity in earnings of affiliates for the year ended March 31, 2014.

The difference between the actual income tax expense and income tax expense before discontinued operations computed by applying the Federal statutory rate to pretax income (which includes equity in earnings of affiliates) for the year ended March 31, 2014, is explained as follows:

Statutory rate	35.00 %
Change in valuation allowance	(1.34)
State taxes (net of Federal tax benefit)	2.00
Book and tax basis difference of investments in affiliates	(1.09)
Expenses not deductible for income tax purposes	<u>0.34</u>
Effective tax rate	<u>34.91 %</u>

At March 31, 2014, deferred tax assets and deferred tax liabilities were as follows:

	Current	Non-Current
Deferred tax assets:		
Pension	\$ 386	\$ 10,544
Bad debt write-off		1
Office sublease loss write-off	259	2,625
Net operating loss carryforward and alternative minimum tax credit carryforwards		6,622
Depreciation, amortization and depletion		25,708
Other	<u>5,386</u>	<u>113</u>
Gross deferred tax assets	6,031	45,613
Valuation allowance	<u>(338)</u>	<u>(2,731)</u>
Deferred tax assets — net of valuation allowance	<u>5,693</u>	<u>42,882</u>
Deferred tax liabilities:		
Investments		(537)
Affiliated companies		(820)
Derivative instruments		<u>(2,057)</u>
Gross deferred tax liabilities	<u>-</u>	<u>(3,414)</u>
Net deferred tax assets	<u>\$ 5,693</u>	<u>\$ 39,468</u>

As of March 31, 2014, the Company had Federal net operating loss (“NOL”) carryforwards of \$6,352 expiring in periods beginning in 2030 and \$8,027 alternative minimum tax (“AMT”) credit carryforwards and the related deferred tax amounts were \$2,223 and \$2,810, respectively. The Company also had U.S. state NOL carryforwards expiring in the periods beginning in 2017 through 2020 and the deferred tax amount is \$34. The Company did not have any foreign NOL carryforwards.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefit of these deductible differences, net of the recorded valuation allowance. The underlying assumptions used in forecasting future taxable income require significant judgment and take into account the Company’s recent performance.

A valuation allowance of \$3,069 was recorded as of March 31, 2014 related to the Company’s deductible temporary differences in domestic jurisdictions regarding certain investments and capital loss carryforwards pertaining to investments sold previously. The Company recorded a valuation allowance on the deferred tax assets where there is uncertainty as to the ultimate realization of these temporary differences and capital loss carryforwards as future tax deductions. As of March 31, 2014, the aggregate amount of gross unrealized and realized capital losses of \$10,088 exceeded the aggregate amount of capital gains of \$2,010 by \$8,078. The Company’s capital losses are only deductible against capital gains and the Company does not anticipate having the ability to generate sufficient capital gains in the future to realize such capital losses. Accordingly, the Company recorded a valuation allowance of approximately \$3,069, which is equal to the net deferred tax assets related to these temporary differences and capital loss carryforwards.

The net change in the valuation allowance for the year ended March 31, 2014, was a decrease of \$1,198.

The Company files income tax returns in the U.S. federal jurisdiction, various states and Canada jurisdiction. The Company believes it is filing in all jurisdictions deemed necessary and appropriate.

The Company did not have any unrecognized tax benefits in the accompanying consolidated balance sheet as of March 31, 2014.

From a federal tax return perspective, the Company is a member of the consolidated tax returns filed through MCA from April 1, 2012. MCA and its U.S. subsidiaries file income tax returns in the United States federal jurisdiction, and various states and foreign jurisdictions. The Company and its current and former U.S. subsidiaries are under income tax examination by the Internal Revenue Service (“IRS”) for the fiscal years ended March 31, 2010, 2009, 2008, 2007 and December 31, 2006. With few exceptions, the Company is no longer subject to the United States Federal and local income tax examinations by tax authorities for years before December 31, 2006. The Company will be subject to examinations as a member of the consolidated tax returns filed by MCA beginning in the 2012 fiscal year.

As of March 31, 2014, the Federal income tax related amount due from MCA of \$161 and amounts due from federal and state jurisdictions of \$14,384 are included in “Accounts receivable — Other” on the consolidated balance sheet.

The Company does not anticipate any significant change in the amount of unrecognized tax benefits within the next twelve months.

7. ASSET RETIREMENT OBLIGATION

The changes to Company’s asset retirement obligations (“ARO”) related to the oil and gas properties for the year ended March 31, 2014, are as follows:

Balance — April 1, 2013	\$ 15,219
Accretion expense	<u>677</u>
Balance — March 31, 2014	<u>\$ 15,896</u>

These liabilities are included in “Other long-term liabilities” in the consolidated balance sheet.

8. RELATED PARTY AND SEGMENT INFORMATION

ASC 280, *Segment Reporting*, defines operating segments as components of an enterprise that engage in activities from which it may earn revenues and incur expenses, separate financial information is available, and this information is regularly evaluated by the Chief Operating Decision Maker (“CODM”), which is the Chief Executive Officer of the Company, for the purpose of allocating resources and assessing performance. Similar Japanese trading companies have generally used operating transactions as an industry benchmark, which is what the CODM of the Company also uses. The operating segments were determined based on the criteria listed above. The Company’s reportable operating segments consist of the following six businesses:

Industrial Finance, Logistics and Development — The Industrial Finance, Logistics and Development group develops the finance business, such as asset management, leasing business and logistics service.

Energy — The Energy Business group identifies and invests in oil and gas projects and focuses its trading activities on crude oil, petroleum products and other.

Metals — The Metals group is mainly engaged in marketing and distribution of metals and non-ferrous metal products, such as aluminum and precious metals.

Machinery — The Machinery group is engaged in investment, project development and trading activities in a variety of business fields, such as electricity, automobiles, plants, industrial machinery and transportation systems.

Chemicals — The Chemicals group identifies and invests in chemical development projects and focuses its trading activities on basic chemicals, petrochemicals, non-organic chemicals and specialty chemicals.

Living Essentials — The Living Essentials group invests in companies and focuses its trading on products such as foods, textiles and general merchandise.

The Company evaluates segment performance based on several factors, of which the primary financial measure is net income attributable to the Company. Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties. Information on the Company's reportable segments as of and for the year ended March 31, 2014, was as follows:

	Industrial Finance, Logistics & Development	Energy	Metals	Machinery	Chemicals	Living Essentials	Corporate, Other & Elimination ^{(a), (b)}	Total
Revenue	\$ 2,611	\$ 67,333	\$1,368,953	\$ 6,860	\$ 550,763	\$ 50,368	\$ 1,855	\$2,048,743
Gross profit	2,611	33,149	56,410	6,860	32,778	15,479	1,855	149,142
Interest income	8	938	161	1,617	24	630	19,370	22,748
Interest expense	(55)	(3,760)	(11,446)	(207)	(342)	(283)	(4,417)	(20,510)
Income tax (expense) benefit	(1,517)	(9,143)	(10,514)	(1,128)	(8,556)	(1,642)	1,228	(31,272)
Equity in earnings (losses) of affiliates	(556)	(358)					977	63
Net income attributable to Mitsubishi International Corporation	5,456	13,714	15,769	1,691	13,501	2,465	9,895	62,491
Segment assets	82,651	621,409	2,532,393	522,698	353,300	93,889	1,689,637	5,895,977
Depreciation and amortization	(51)	(16,133)	(709)	(121)	(306)	(153)	(1,422)	(18,895)
Operating transactions ^(c)	205,175	741,661	2,563,640	507,789	2,084,688	435,223	48,334	6,586,510

(a) Segment assets included in Corporate, Other & Eliminations consist principally of time deposits, marketable securities, and certain financial investments.

(b) Corporate consists of transactions for providing services and operational support to the Company, its subsidiaries and affiliated companies and indirect corporate expenses not allocated to the other reportable segments. It also includes certain operating transactions and expenses from business activities related to financial investments of the Company, which account for a significant portion of the segment. Corporate elimination amounts of the intersegment transactions were not significant.

(c) Operating transactions is a voluntary disclosure commonly made by similar Japanese trading companies. See Note 1 to the consolidated financial statements. No intersegment operating transaction was in the reportable operating segment.

In addition to the above, expenditures for additions to fixed assets of \$10,999 are reported primarily within the Company's Energy segment. Unrealized loss and foreign exchange loss on derivatives of \$76,361 are reported primarily within the Company's Metals segment.

All of the Company's segments have a significant portion of their transactions with the Parent and its subsidiaries. Operating transactions with the Parent and its subsidiaries represent \$2,048,590 (31.1%) of total operating transactions for the year ended March 31, 2014. Other than operating transactions with the Parent and its subsidiaries, no other single customer represents a significant portion of the Company's total operating transactions. Revenue from the Parent and its subsidiaries was \$374,479 for the year ended March 31, 2014. Purchases from the Parent and its subsidiaries were \$6,346,847 for the year ended March 31, 2014. In addition, the Company received various information service fees from the Parent aggregating \$5,046 for the year ended March 31, 2014, which were included in "Margins and commissions on operating transactions" in the consolidated statement of income.

The Company does not disclose revenue by geographic location because the Company does not track revenue by location. The following table provides geographical information for total operating transactions, which is based on the location of the customer, for the year ended March 31, 2014:

United States	\$3,102,031
Japan	1,965,823
Other foreign countries	<u>1,518,656</u>
	<u>\$6,586,510</u>

The Company received a significant portion of interest income from the Parent and its subsidiaries. For the year ended March 31, 2014, interest income from the Parent and its subsidiaries was \$18,635, and the service fees from MCA were \$898.

The Company does not have any assets that are located outside of the United States as of March 31, 2014.

9. COMMITMENTS AND CONTINGENCIES

The Company accounts for guarantees in accordance with ASC 460, *Guarantees*. Accordingly, the Company evaluates its guarantees to determine whether (a) the guarantee is specifically excluded from the scope of ASC 460, (b) the guarantee is subject to ASC 460 disclosure requirements only, but not subject to the initial recognition and measurement provisions, or (c) the guarantee is required to be recorded in the financial statements at fair value. The Company has evaluated its guarantees discussed below and has no liabilities recorded for these obligations and is of the opinion that it will not be required to satisfy these guarantees.

Guarantees arise during the ordinary course of business from relationships with customers and equity affiliates when the Company undertakes an obligation to guarantee the performance of others if specified triggering events occur. Nonperformance under a contract by the guaranteed party triggers the obligation of the Company. Such nonperformance usually relates to loans. The Company has directly guaranteed various debt obligations under agreements with third parties related to equity affiliates and other unaffiliated companies. At March 31, 2014, the Company had directly guaranteed \$41 of such obligations.

At March 31, 2014, directly guaranteed obligations of \$41 consisted of \$34 for short-term (less than one year) bank obligations to equity affiliates, and \$7 for short-term bank obligations to external customers.

Unused letters of credit outstanding at March 31, 2014, amounted to approximately \$96,767.

10. LITIGATION

The Company and its subsidiaries are parties to litigation and other unasserted claims arising in the ordinary course of business. Although some of the matters are still in preliminary stages and definitive conclusions cannot be made as to those matters, the Company is of the opinion that, based on information presently available, none of the litigation or claims will have a material adverse effect on the consolidated financial statements of the Company.

11. LEASES

Lessor — The Company is engaged as a lessor in direct financing leases involving primarily machinery and equipment for producing milk products. The Company's net investment in its direct financing leases at March 31, 2014, is included in "Accounts Receivable — Customers" and "Noncurrent advances and Receivables and Other Assets" in the accompanying consolidated balance sheet.

	Current	Non-Current
Minimum lease payments receivable	\$ 616	\$ 1,541
Less unearned income	<u>(170)</u>	<u>(179)</u>
Total	<u>\$ 446</u>	<u>\$ 1,362</u>

Future minimum lease payments to be received by year and in aggregate from direct financing leases with initial of remaining terms of one year during future periods ending March 31st are as follows:

2015	\$ 616
2016	616
2017	616
2018	<u>309</u>
Total minimum payments	<u>\$ 2,157</u>

The Company has operating leases for office space and equipment under non-cancelable operating leases expiring through 2022. The lease term is calculated from the date the Company first takes possession of the office space and equipment. Rent increases vary for each lease agreement and the average annual increase is in the range of 1% to 5% over a five-year period. The annual rent payments reflect scheduled rent increases over the lease terms with any allowance or reimbursement provided by the lessor.

Future minimum payments, by year and in the aggregate, under operating leases in which the Company is a lessee, with initial or remaining terms of one year or more during the year ending March 31st are as follows:

2015	\$ 4,196
2016	3,959
2017	3,701
2018	3,909
2019	3,681
Thereafter	<u>11,665</u>
Total minimum payments required ^(a)	<u>\$ 31,111</u>

(a) Minimum payments have been reduced by minimum sublease rentals. The sublease rental amount is \$2,203, \$2,175, \$2,189, \$2,171 and \$2,085 for each of the next five fiscal years ending 2019 and \$5,783 thereafter under operating leases due in the future under non-cancelable leases.

Total rent expense (net of subleases) for the year ended March 31, 2014, was \$4,955. The amount of rental income from subleases for the year ended March 31, 2014, was \$2,593.

12. SUNDRY INCOME — NET

Sundry income — net for the year ended March 31, 2014, consisted of the following:

Foreign exchange loss — net	\$ (12,898)
Gain on financial derivatives	12,455
Management and service fees	6,958
Dividend income	4,665
Loss on sales of properties — net	(47)
Other — net	<u>260</u>
Total	<u>\$ 11,393</u>

13. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. The Company accounts for certain financial assets and liabilities at fair value under various accounting literature.

Under ASC 820, fair value utilizes an exit price concept and is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. ASC 820 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy is broken down into three levels as follows:

Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Included in Level 1 are exchanged-traded securities, money market funds, and exchange-traded futures.

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Financial instruments included in this category include corporate debt securities and over-the-counter ("OTC") instruments such as interest rate swaps, currency forwards, commodity forwards and options.

Level 3 — one or more significant inputs are unobservable. Valuations are determined using pricing models and discounted cash flow models and include management judgment and estimation, which may be significant. Level 3 is comprised of financial instruments whose fair values are estimated based on internally developed models or methodologies utilizing significant inputs that are not readily observable from objective sources.

Inputs — The Company's determination of the fair value of its interest rate swap was calculated using a discounted cash flow analysis based on the terms of the swap contract and the observable interest rate curve. The Company's commodities forwards and option contracts are traded OTC and are valued based on inputs obtained from the London Metal Exchange and the New York Mercantile Exchange quoted prices for similar instruments in active markets or corroborated by observable market data available from various pricing sources. For marketable securities, the Company obtained inputs from an independent pricing service. For Level 3 investments, the Company uses various inputs such as rates of estimated credit losses, interest rates or discount rates and volatilities and correlations.

Valuation Techniques — The following section describes the valuation methodology used to measure the financial assets and liabilities that were accounted for at fair value.

Available-for-sale Securities — Where quoted prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities and money market funds. If quoted market prices are not available for the specific security, fair values are estimated based on dealer quotes of securities with similar characteristics, pricing models or discounted cash flows. Those fair value measurements are classified within Level 2 of the fair value hierarchy.

Pension Assets — Equities are valued at the closing price reported on the stock exchange. Bonds are estimated based on dealer quotes of similar characteristics, pricing models or discounted cash flows. Level 1 equity commingled funds and bonds commingled funds are valued using the net asset value (“NAV”) and these assets are classified depending on availability of quoted market prices and the Company’s ability to redeem the Level 1 investments at NAV. Level 2 equity commingled funds and bonds commingled funds are valued using NAV and these are classified depending on availability of quoted prices and the Company’s ability to redeem the investments at NAV. Level 3 life insurance company general accounts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Derivatives — Derivative contracts are valued using quoted market prices and significant other observable inputs. Such financial instruments consist of interest rate swaps, commodity forwards and options (principally aluminum and precious metals), and foreign currency contracts. The fair values for the majority of these derivative contracts are based upon current quoted market prices. For exchanged-traded contracts, fair value is based on quoted market prices and classified as Level 1. For OTC instruments, fair value is based on dealer quotes, pricing models and discounted cash flows. These models and analysis reflect the contractual terms of the derivatives, including the period to maturity and market based parameters such as interest rates, volatility and the credit ratings. These valuation techniques do not involve significant management judgment and inputs are readily observable from an active market. Such instruments are generally classified within Level 2 of the fair value hierarchy.

ASC 820 requires consideration of credit value adjustments in our valuations that other market participants might consider, specifically non-performance risk and counterparty credit risk. In adjusting the effect of non-performance risk, the Company has considered the effects of legally enforceable master netting agreements that allow the Company to settle positive and negative positions held with the same counterparty on a net basis. The Company has considered the impact of counterparty nonperformance risk in the valuation of its assets and its own credit spreads when measuring the fair value of liabilities, including derivatives, which was not significant at March 31, 2014.

Financial Instruments — The estimated fair values of the Company’s financial instruments are summarized as follows:

The carrying amounts of cash and cash equivalents (including time deposits), certificates of deposit, current notes and loans receivables, accounts receivable, short-term debt (including commercial paper and current maturities of long-term debt), and short-term accounts payable approximate fair value because of their short-term maturities. If measured at fair value, these instruments would be classified as Level 3 in the fair value hierarchy, except for cash and cash equivalents which would be classified as Level 1 or Level 2.

For long-term debt, the fair values are based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying value of long-term debt approximates fair value due to the variable rates of these liabilities. The carrying value of long-term receivables approximates fair value as the interest rates of these assets are based on current rates. If measured at fair value, these instruments would be classified as Level 3.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 (for Pension Assets, see Note 14):

Description	Fair Value	Fair Value Measurement Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities:				
Marketable equity securities	\$ 625	\$ 625	\$ -	\$ -
Derivative assets:				
Commodity contracts	167,474	105,754	61,720	
Currency and interest rate swap	<u>20,062</u>	<u></u>	<u>20,062</u>	<u></u>
Total assets	<u>\$ 188,161</u>	<u>\$ 106,379</u>	<u>\$ 81,782</u>	<u>\$ -</u>
Liabilities — derivative liabilities:				
Commodity contracts	\$ 84,054	\$ 30,987	\$ 53,067	\$ -
Currency and interest rate swap	<u>117</u>	<u></u>	<u>117</u>	<u></u>
Total liabilities	\$ 84,171	\$ 30,987	\$ 53,184	\$ -

Cost method investments and certain equity method investments are adjusted to fair value only when impairment charges are recorded for other-than-temporary declines in value and are determined using fair value criteria with the framework of ASC 820. In determining whether a decline in value of these investments has occurred and is other than temporary, an assessment is made by considering available evidence, including the latest fundraising activities and the related valuation, trading multiples for comparable publically traded companies, the investees' ability to meet milestones, financial condition and near-term prospects of the individual investee, among other things. As the valuation methodology for determining the decline in value of these investments is based on the factors noted above which require considerable judgment by management and are not based on observable market data, these cost method investments are classified within Level 3 of the fair value hierarchy on a non-recurring basis. The fair value of the investments classified as Level 3 above are determined using unobservable inputs such as net assets of the investees and estimated cash flows for the discounted future cash flow method.

Non-Financial Instruments — The estimated fair values of the Company's non-financial instruments are summarized below.

Where quoted prices are available in an active market, the fair market value of commodity inventory (principally precious metals including leased out inventory) is measured using market prices as of closing date and significant other observable inputs.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2014:

Non-Financial Instruments	Level 2
Assets:	
Merchandise inventories (precious metals)	\$ 284,322
Leased inventories (precious metals)	<u>1,529,395</u>
Total	<u>\$1,813,717</u>

14. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company and one of its subsidiaries sponsor defined benefit pension plans that cover substantially all of their employees. During the fiscal year ended March 31, 2014, the Company amended its defined benefit pension plan to freeze participation to its defined benefit pension plan beginning April 1, 2014. As a result of the amendment, the Company recorded a curtailment gain of \$4,590 during the year ended March 31, 2014. The Company also provides postretirement medical benefits for eligible retired employees. Additionally, the Company provides certain nonqualified supplemental executive defined benefit pension plans to provide supplemental retirement benefit primarily to certain high-level employees.

The following tables provide key information pertaining to the Company's and its subsidiaries' defined benefit pension and other postretirement benefit plans. The Company used a March 31st year-end measurement date for the plans.

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Change in projected benefit obligation:		
Projected benefit obligation — beginning of year	\$ 97,339	\$ 17,894
Translation loss	169	
Service cost	2,092	111
Interest cost	4,054	739
Actuarial gain	(4,966)	(1,339)
Benefits paid	(4,365)	(771)
Curtailment	(4,590)	
Other		12
	<u>89,733</u>	<u>16,646</u>
Projected benefit obligation — end of year		
Change in plan assets:		
Fair value of plan assets — beginning of year	69,931	
Actual return on plan assets	7,544	
Foreign exchange rate changes	105	
Contributions by employer	3,543	
Benefits paid	<u>(4,365)</u>	
	<u>76,758</u>	<u>-</u>
Fair value of plan assets — end of year		
Reconciliation of funded status — end of year — funded status	<u>\$ (12,975)</u>	<u>\$ 16,646</u>

Amounts recognized in the consolidated balance sheet as of March 31, 2014, consist of the following:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Accounts payable and accrued expenses:		
Lease liabilities and other	\$ (68)	\$ (948)
Other long-term liabilities	<u>(12,907)</u>	<u>(15,698)</u>
Total accrued pension liability	<u>\$ (12,975)</u>	<u>\$ (16,646)</u>

Amounts recognized in accumulated other comprehensive income as of March 31, 2014, consist of the following:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Net actuarial loss (gain)	\$ 13,972	\$ (3,074)
Prior service cost	<u> </u>	<u>108</u>
Accumulated other comprehensive loss (income) (before tax effects)	<u>\$ 13,972</u>	<u>\$ (2,966)</u>

Net periodic pension costs related to the Company's defined benefit plans and other postretirement benefit plans for the year ended March 31, 2014, include the following components:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Net periodic costs:		
Service cost	\$ 2,092	\$ 111
Interest cost	4,054	739
Expected return on plan assets	(5,061)	
Amortization of:		
Prior service cost		38
Actuarial loss (gain)	<u>2,354</u>	<u>(62)</u>
Total net periodic costs	<u>\$ 3,439</u>	<u>\$ 826</u>

Amounts expected to be recognized in net periodic cost in the coming year are as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Loss (gain) recognition	\$ 5,383	\$ (255)
Prior service cost recognition		37

Additional information pertaining to the defined benefit plans as of March 31, 2014, was as follows:

	Defined Benefit Pension Plans
Accumulated benefit obligations	\$ 87,974
Pension plans with projected benefit obligation in excess of plan assets:	
Benefit obligation	89,733
Fair value of plan assets	76,758
Pension plans with accumulated benefit obligation in excess of plan assets:	
Benefit obligation	87,974
Fair value of plan assets	76,758

The projected benefit obligation and aggregate fair value of plan assets of the defined benefit pension plans are disclosed above. The Company has recorded these amounts in “Accounts payable and accrued expenses”, and “Other long-term liabilities” on its consolidated balance sheet as of March 31, 2014.

Benefit payments for the defined benefit pension plans and other postretirement benefits plans for the next 10 years are expected to be as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
2015	\$ 3,733	\$ 1,126
2016	3,935	1,146
2017	4,134	1,187
2018	4,350	1,213
2019	4,604	1,220
2020–2024	26,021	6,118

The following weighted-average assumptions were used to determine benefit obligations for the defined benefit pension plans and the other postretirement benefit plans at March 31, 2014:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	4.35%–4.65%	4.55%
Initial health care cost trend rate		6.50–8.50
Ultimate health care cost trend rate		4.50
Year in which ultimate rate is reached		2022
Salary scale	3.25	

Weighted-average assumptions were used to determine benefit cost for the Company's defined benefit pension plans and the other postretirement benefit plans for the year ended March 31, 2014, are as follows:

	Defined Benefit Pension Plans	Other Postretirement Benefits Plans
Discount rate	4.00%–4.25%	4.25%
Expected asset return	1.29–8.00	
Salary scale	3.25–3.50	
Mortality table	RP-2000	RP-2000
Average future working lifetime (years)	9.16–15.22	

In determining the expected long-term rate of return on assets of 1.29% to 8.00%, the Company evaluated input from its investment consultants, actuaries and investment management firms, including their review of asset class return expectations, as well as long-term historical asset class returns. Projected returns by such consultants and economists are based on broad equity and bond indices.

The Company's pension plan asset allocations at the respective measurement dates, by asset category, was as follows:

Asset Category	The Company's Sponsored Plan Percentage of Plan Assets	Certain Subsidiary's Sponsored Plan Percentage of Plan Assets
Equity securities	66.09 %	- %
Debt securities	16.83	
Life insurance company general account and other	<u>17.08</u>	<u>100.00</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>

The Company's policy is to allocate pension plan funds within a range of percentages for each major asset category as follows:

	% Range
Equity securities	50–70%
Debt securities/fixed income	30–50%

The Company may direct the transfer of assets between investment managers in order to rebalance the portfolio in accordance with the asset allocation ranges above to accomplish the investment objectives for the pension plan assets.

The Company's funding policy is mainly to contribute an amount deductible for income tax purposes. The Company expects to contribute approximately \$3.7 million to its defined benefit pension plans during the year ending March 31, 2015.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on other postretirement benefit obligation	\$ 1,888	\$ (1,561)
Effect on total of service and interest cost components	113	(92)

The Company's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. The equity securities are selected primarily from stocks that are listed on the securities exchanges. Prior to investing, the Company has investigated the business condition of the investee companies, and appropriately diversified investments by type of industry and other relevant factors. The debt securities are selected primarily from government bonds, public debt instruments, and corporate bonds. Prior to investing, the Company has investigated the quality of the issue, including rating, interest rate, and repayment dates, and has appropriately diversified the investments. As for investments in life insurance company general accounts, the contracts with the insurance companies include a guaranteed interest rate and return of capital.

The fair values of the Company's pension plan assets by asset category as of March 31, 2014, are as follows (the three levels of input used to measure fair value are more fully described in Note 13:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ -	\$ 46,433	\$ -	\$ 46,433
Debt securities	11,821			11,821
Life insurance company general account and other			18,504	18,504
Total	<u>\$ 11,821</u>	<u>\$ 46,433</u>	<u>\$ 18,504</u>	<u>\$ 76,758</u>

The life insurance company general accounts, which consist of investments such as privately-placed debt securities, mortgage loans and real estate, are categorized as Level 3 assets since a precise market value determination cannot be made. The changes between April 1, 2013, and March 31, 2014, are as follows:

	Level 3 Assets
Change in Level 3 assets:	
Beginning balance	\$ 12,413
Unrealized loss	(265)
Purchases, sales and settlements	<u>6,356</u>
Ending balance	<u>\$ 18,504</u>

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss for the year ended March 31, 2014 are as follows:

	Before Tax	Tax	After Tax
Unrealized gain on available-for-sale securities:			
Balance — beginning of year	\$ 4,140	\$ (1,573)	\$ 2,567
Other comprehensive income before reclassifications	1,598	(607)	991
Amount reclassified from accumulated other comprehensive income	<u> </u>	<u> </u>	<u> </u>
Net current period other comprehensive income	<u>1,598</u>	<u>(607)</u>	<u>991</u>
Balance — end of year	<u>\$ 5,738</u>	<u>\$ (2,180)</u>	<u>\$ 3,558</u>
Defined benefit and other postretirement plans:			
Balance — beginning of year	\$ (27,868)	\$ 10,590	\$ (17,278)
Other comprehensive income before reclassifications	12,073	(4,588)	7,485
Amount reclassified from accumulated other comprehensive loss	<u>3,758</u>	<u>(1,428)</u>	<u>2,330</u>
Net current period other comprehensive income	<u>15,831</u>	<u>(6,016)</u>	<u>9,815</u>
Balance — end of year	<u>\$ (12,037)</u>	<u>\$ 4,574</u>	<u>\$ (7,463)</u>
Foreign currency translation adjustments:			
Balance — beginning of year	\$ 2,385	\$ -	\$ 2,385
Other comprehensive income before reclassifications	(1,763)		(1,763)
Amount reclassified from accumulated other comprehensive income			
Transfer of foreign investment to a common control entity	<u>(1,706)</u>	<u> </u>	<u>(1,706)</u>
Net current period other comprehensive income	<u>(3,469)</u>	<u>-</u>	<u>(3,469)</u>
Balance — end of year	<u>\$ (1,084)</u>	<u>\$ -</u>	<u>\$ (1,084)</u>

Reclassifications from accumulated other comprehensive loss for the year ended March 31, 2014 are summarized in the following table:

	Before Tax	Tax	After Tax
Amortization of defined benefit pensions items:			
Prior service costs	\$ 61	\$ (23)	\$ 38
Actuarial loss (gain)	<u>3,697</u>	<u>(1,405)</u>	<u>2,292</u>
Total	<u>\$ 3,758</u>	<u>\$ (1,428)</u>	<u>\$ 2,330</u>

Amortization of defined benefit pension costs is included in “Selling, general, and administrative expenses” in the consolidated statement of income.

16. DISCONTINUED OPERATIONS

During the fiscal year ended March 31, 2012, the Company sold Interflex Holdings, Inc., a subsidiary within the Company's Industrial Finance segment, and recognized a gain from the sale in the corresponding fiscal year. In connection with the sale, the Company also set up an escrow in the amount of \$6,751 to indemnify the acquirer for a period of one year after the sale. During the fiscal year ended March 31, 2014, the Company recorded profit before taxes of \$6,751 in discontinued operations in the Company's consolidated statement of income due to the release of cash from an escrow account as a result of the expiration of indemnification period.

17. SUBSEQUENT EVENTS

The Company has evaluated all events or transactions that occurred after March 31, 2014, up through July 21, 2014, the date that the consolidated financial statements were available to be issued, and it has been determined that there were no subsequent events requiring adjustment to or disclosure in the consolidated financial statements.

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