

Consolidated Financial Statements

Marubeni Corporation and Subsidiaries

*At March 31, 2017 and
for the year ended March 31, 2017
with Independent Auditors' Report*

Marubeni Corporation and Subsidiaries

Consolidated Financial Statements

At March 31, 2017 and
for the year ended March 31, 2017

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Independent Auditor's Report

The Board of Directors
Marubeni Corporation

We have audited the accompanying consolidated financial statements of Marubeni Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

Tokyo, Japan
June 23, 2017

Marubeni Corporation and Subsidiaries
Consolidated Statement of Financial Position

*Thousands of
U.S. dollars
(Note 1)*

	<i>Millions of yen</i>		
Assets	March 31, 2017	March 31, 2016	March 31, 2017
Current assets:			
Cash and cash equivalents (<i>Notes 14 and 15</i>)	¥704,972	¥600,840	\$6,294,393
Time deposits (<i>Notes 14 and 15</i>)	1,227	5,032	10,955
Investment securities (<i>Note 14</i>)	10,075	10,075	89,956
Notes, trade accounts and loans receivable (<i>Notes 14 and 15</i>)	1,235,392	1,270,284	11,030,286
Other current financial assets (<i>Notes 14 and 15</i>)	200,560	219,652	1,790,714
Inventories (<i>Notes 4 and 15</i>)	767,365	779,581	6,851,473
Assets classified as held for sale (<i>Note 8</i>)	36,689	63,308	327,580
Other current assets	208,206	213,808	1,858,982
Total current assets	3,164,486	3,162,580	28,254,339
Non-current assets:			
Investments in associates and joint ventures (<i>Notes 13 and 15</i>)	1,755,952	1,651,350	15,678,143
Other investments (<i>Notes 14 and 15</i>)	334,441	348,063	2,986,080
Notes, trade accounts and loans receivable (<i>Notes 14 and 26</i>)	162,961	168,733	1,455,009
Other non-current financial assets (<i>Note 14</i>)	85,799	91,434	766,063
Property, plant and equipment (<i>Notes 5, 9 and 15</i>)	968,392	1,201,444	8,646,357
Intangible assets (<i>Note 6</i>)	289,334	335,273	2,583,339
Deferred tax assets (<i>Note 12</i>)	88,216	94,113	787,643
Other non-current assets	47,152	64,696	421,000
Total non-current assets	3,732,247	3,955,106	33,323,634
Total assets (<i>Note 19</i>)	¥6,896,733	¥7,117,686	\$61,577,973

Marubeni Corporation and Subsidiaries
Consolidated Statement of Financial Position (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Liabilities and equity	March 31, 2017	March 31, 2016	March 31, 2017
Current liabilities:			
Bonds and borrowings (Note 14)	¥643,049	¥636,536	\$5,741,509
Notes and trade accounts payable (Note 14)	1,243,087	1,221,150	11,098,991
Other current financial liabilities (Note 14)	361,768	351,246	3,230,072
Income tax payable (Note 12)	19,454	15,473	173,696
Liabilities directly associated with assets classified as held for sale (Note 8)	4,086	1,873	36,482
Other current liabilities (Note 7)	344,761	367,938	3,078,223
Total current liabilities	2,616,205	2,594,216	23,358,973
Non-current liabilities:			
Bonds and borrowings (Note 14)	2,163,089	2,731,789	19,313,295
Notes and trade accounts payable (Notes 14 and 26)	18,349	17,658	163,830
Other non-current financial liabilities (Note 14)	70,285	76,697	627,545
Accrued pension and retirement benefits (Note 10)	83,468	91,918	745,250
Deferred tax liabilities (Note 12)	105,630	100,617	943,125
Other non-current liabilities (Note 7)	96,949	89,589	865,616
Total non-current liabilities	2,537,770	3,108,268	22,658,661
Total liabilities	5,153,975	5,702,484	46,017,634
Equity:			
Issued capital (Note 20)	262,686	262,686	2,345,411
Capital surplus (Note 20)	142,881	141,504	1,275,723
Other equity instruments (Note 21)	243,589	—	2,174,902
Treasury stock (Note 20)	(1,374)	(1,369)	(12,268)
Retained earnings (Notes 20 and 22)	856,647	737,215	7,648,634
Other components of equity (Note 17):			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 14 and 17)	54,606	43,066	487,553
Foreign currency translation adjustments (Notes 14 and 17)	165,310	193,608	1,475,982
Gains (losses) on cash flow hedges (Notes 14 and 17)	(40,622)	(59,658)	(362,696)
Remeasurements of defined benefit plan (Notes 10 and 17)	—	—	—
Equity attributable to owners of the parent	1,683,723	1,317,052	15,033,241
Non-controlling interests (Note 27)	59,035	98,150	527,098
Total equity	1,742,758	1,415,202	15,560,339
Total liabilities and equity	¥6,896,733	¥7,117,686	\$61,577,973

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income

*Thousands of
U.S. dollars
(Note 1)*

	<i>Millions of yen</i>		
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Revenue (Note 19):			
Sales of goods (Note 14)	¥6,940,332	¥7,077,085	\$61,967,250
Commissions on services and trading margins	188,473	223,214	1,682,795
Total revenue	7,128,805	7,300,299	63,650,045
Cost of goods sold (Notes 4, 5, 6 and 14)	(6,514,925)	(6,630,213)	(58,168,973)
Gross trading profit (Note 19)	613,880	670,086	5,481,072
Other income (expenses):			
Selling, general and administrative expenses (Notes 5, 6 and 10)	(522,283)	(565,855)	(4,663,241)
Gains (losses) on property, plant and equipment:			
Impairment losses (Notes 5 and 6)	(69,246)	(114,658)	(618,268)
Gains (losses) on sales of property, plant and equipment	5,852	11,362	52,250
Other-net (Notes 11 and 14)	45,934	(16,035)	410,125
Total other income (expenses)	(539,743)	(685,186)	(4,819,134)
Finance income (expenses):			
Interest income (Note 14)	16,213	14,602	144,759
Interest expenses (Note 14)	(33,318)	(33,628)	(297,482)
Dividend income (Note 14)	17,512	18,555	156,357
Gains (losses) on investment securities (Note 14)	11,002	74,306	98,232
Total finance income (expenses)	11,409	73,835	101,866
Share of profits of associates and joint ventures (Notes 13 and 19)	114,725	31,824	1,024,330
Profit before taxes	200,271	90,559	1,788,134
Income taxes (Note 12)	(44,485)	(23,031)	(397,188)
Profit for the year	¥155,786	¥67,528	\$1,390,946
Profit for the year attributable to:			
Owners of the parent (Note 19)	¥155,350	¥62,264	\$1,387,054
Non-controlling interests	436	5,264	3,892

Marubeni Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Other comprehensive income (Note 17):			
Items that will not be reclassified to profit or loss:			
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 14 and 17)	¥7,998	¥(57,824)	\$ 71,411
Remeasurements of defined benefit plan (Notes 10 and 17)	1,207	(15,468)	10,777
Changes in other comprehensive income of associates and joint ventures (Note 13)	3,384	(4,436)	30,215
Items that will be reclassified to profit or loss:			
Foreign currency translation adjustments (Notes 14 and 17)	(27,860)	(116,361)	(248,750)
Gains (losses) on cash flow hedges (Notes 14 and 17)	4,185	5,203	37,366
Changes in other comprehensive income of associates and joint ventures (Note 13)	7,809	(22,684)	69,723
Other comprehensive income (loss), net of tax	(3,277)	(211,570)	(29,258)
Total comprehensive income (loss) for the year	¥152,509	¥(144,042)	\$ 1,361,688

Total comprehensive income (loss) for the year attributable to:

Owners of the parent	¥153,449	¥(144,593)	\$ 1,370,080
Non-controlling interests	(940)	551	(8,392)

	<i>Yen</i>		<i>U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Basic earnings per share attributable to shareholders of the parent (Note 16)	¥88.08	¥35.88	\$0.79
Diluted earnings per share attributable to shareholders of the parent (Note 16)	¥88.06	¥35.88	\$0.79

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Total volume of trading transactions (Notes 19 and 24)	¥11,134,169	¥12,207,957	\$99,412,223

“Total volume of trading transactions” includes all transactions involving the Company and its consolidated subsidiaries regardless of transaction type. “Total volume of trading transactions” is not required by International Financial Reporting Standards (“IFRSs”) but is presented here to provide readers with a better understanding and is as presented in common Japanese accounting practice.

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Changes in Equity

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Issued capital (Note 20):			
Balance at beginning of year	¥262,686	¥262,686	\$2,345,411
Balance at end of year	262,686	262,686	2,345,411
Capital surplus (Note 20):			
Balance at beginning of year	141,504	148,243	1,263,429
Disposal of treasury stock	(1)	—	(9)
Equity transactions with non-controlling interests and others	1,378	(6,739)	12,303
Balance at end of year	142,881	141,504	1,275,723
Other equity instruments:			
Balance at beginning of year	—	—	—
Issuance of other equity instruments (Note 21)	243,589	—	2,174,902
Balance at end of year	243,589	—	2,174,902
Treasury stock (Note 20):			
Balance at beginning of year	(1,369)	(1,361)	(12,223)
Purchases and sales of treasury stock	(5)	(8)	(45)
Balance at end of year	(1,374)	(1,369)	(12,268)
Retained earnings:			
Balance at beginning of year	737,215	728,098	6,582,277
Profit for the year attributable to owners of the parent (Note 19)	155,350	62,264	1,387,054
Transfer from other components of equity (Note 17)	803	(12,361)	7,169
Dividends to shareholders of the parent (Note 22)	(34,711)	(40,786)	(309,920)
Distribution to owners of other equity instruments	(2,010)	—	(17,946)
Balance at end of year	856,647	737,215	7,648,634
Other components of equity:			
Balance at beginning of year	177,016	380,849	1,580,500
Gains (losses) on financial assets measured at fair value through other comprehensive income (Notes 14 and 17)	11,212	(61,130)	100,107
Foreign currency translation adjustments (Notes 14 and 17)	(28,298)	(134,174)	(252,661)
Gains (losses) on cash flow hedges (Notes 14 and 17)	14,054	4,868	125,482
Remeasurements of defined benefit plan (Notes 10 and 17)	1,131	(16,421)	10,098
Transfer to retained earnings (Note 17)	(803)	12,361	(7,169)
Transfer to non-financial assets or non-financial liabilities (Notes 14 and 17)	4,982	(9,337)	44,482
Balance at end of year	179,294	177,016	1,600,839
Equity attributable to owners of the parent	¥1,683,723	¥1,317,052	\$15,033,241

Marubeni Corporation and Subsidiaries
Consolidated Statement of Changes in Equity (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Non-controlling interests:			
Balance at beginning of year	¥98,150	¥160,198	\$876,339
Dividends to non-controlling interests	(3,480)	(6,742)	(31,071)
Equity transactions with non-controlling interests and others <i>(Note 27)</i>	(34,695)	(55,857)	(309,777)
Profit for the year attributable to non-controlling interests	436	5,264	3,892
Other components of equity:			
Gains (losses) on financial assets measured at fair value through other comprehensive income <i>(Notes 14 and 17)</i>	235	14	2,098
Foreign currency translation adjustments <i>(Notes 14 and 17)</i>	(1,716)	(4,591)	(15,321)
Gains (losses) on cash flow hedges <i>(Notes 14 and 17)</i>	94	55	840
Remeasurements of defined benefit plan <i>(Notes 10 and 17)</i>	11	(191)	98
Balance at end of year	59,035	98,150	527,098
Total equity	¥1,742,758	¥1,415,202	\$15,560,339

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Total comprehensive income for the year attributable to:			
Owners of the parent	¥153,449	¥(144,593)	\$ 1,370,080
Non-controlling interests	(940)	551	(8,392)
Total comprehensive income (loss) for the year	¥152,509	¥(144,042)	\$ 1,361,688

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries
Consolidated Statement of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Operating activities:			
Profit for the year	¥155,786	¥67,528	\$1,390,946
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:			
Depreciation and amortisation	111,682	121,463	997,161
(Gains) losses on property, plant and equipment	63,394	103,296	566,018
Finance (income) expenses	(11,409)	(73,835)	(101,866)
Share of profits of associates and joint ventures	(114,725)	(31,824)	(1,024,330)
Income taxes	44,485	23,031	397,188
Changes in notes and accounts receivable	(25,820)	70,178	(230,536)
Changes in inventories	24,791	93,844	221,348
Changes in notes and trade accounts payable	64,793	(38,174)	578,509
Other-net	(45,474)	(8,370)	(406,018)
Interest received	13,425	15,139	119,866
Interest paid	(33,358)	(34,470)	(297,839)
Dividends received	102,467	102,278	914,884
Income taxes paid	(25,774)	(50,952)	(230,125)
Net cash provided by operating activities	324,263	359,132	2,895,206
Investing activities (Note 18):			
Net (increase) decrease in time deposits	3,665	6,434	32,723
Proceeds from sale of property, plant and equipment	89,684	26,514	800,750
Proceeds from sale of investment property	13,446	15,551	120,053
Collection of loans receivable	30,005	25,848	267,902
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	56,622	52,080	505,553
Proceeds from sale of investments in associates and joint ventures, and other investments	105,816	116,984	944,786
Purchase of property, plant and equipment	(130,987)	(259,332)	(1,169,527)
Purchase of investment property	(181)	(418)	(1,616)
Loans provided to customers	(21,052)	(32,834)	(187,964)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(10,705)	(13,772)	(95,580)
Purchase of investments in associates and joint ventures, and other investments	(89,809)	(111,651)	(801,866)
Net cash provided by (used in) investing activities	46,504	(174,596)	415,214

Marubeni Corporation and Subsidiaries
Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017
Financing activities (Note 18):			
Net increase (decrease) in short-term borrowings	¥(135,725)	¥(64,691)	\$(1,211,830)
Proceeds from long-term bonds and borrowings	126,589	530,489	1,130,259
Repayments of long-term bonds and borrowings	(450,820)	(391,369)	(4,025,179)
Dividends paid to shareholders of the parent	(34,711)	(40,786)	(309,920)
Net cash outflows on purchases and sales of treasury stock	(8)	(22)	(71)
Capital contribution from non-controlling interests	374	121	3,339
Acquisition of additional interests in subsidiaries from non-controlling interests (Note 27)	(1,656)	(63,309)	(14,786)
Proceeds from issuance of other equity instruments (Note 21)	243,589	–	2,174,902
Distribution to owners of other equity instruments	(2,010)	–	(17,946)
Other	(3,745)	(6,701)	(33,438)
Net cash used in financing activities	(258,123)	(36,268)	(2,304,670)
 Effect of exchange rate changes on cash and cash equivalents	 (8,512)	 (16,534)	 (76,000)
Net increase (decrease) in cash and cash equivalents	104,132	131,734	929,750
Cash and cash equivalents at beginning of year	600,840	469,106	5,364,643
Cash and cash equivalents at end of year	¥704,972	¥600,840	\$6,294,393

See accompanying Notes to Consolidated Financial Statements.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. Business Overview

Marubeni Corporation (the “Company”) is a corporation domiciled in Japan. The Company and its domestic and overseas subsidiaries, which are controlled by the Company mainly through direct or indirect holdings of the majority of voting rights (together the “Companies”), engage in import and export trading of domestic and overseas products and commodities, including domestic and offshore trading in fields which cover a wide range of commodities such as Food & Consumer Products, Chemical & Forest Products, Energy & Metals, Power Projects & Plant, Transportation & Industrial Machinery, and others. In addition, the Companies offer various services and engage in diversified businesses such as investments in domestic and foreign businesses, exploration of natural resources and others.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2017 and at March 31, 2017 is included solely for the convenience of readers outside of Japan and has been made at ¥112 to \$1, the exchange rate prevailing on March 31, 2017. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate.

2. Basis of Presentation

(1) Statements of Compliance

The Company’s Consolidated Financial Statements have been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. As the Company meets the requirements of a “Specified Company applying Designated International Financial Reporting Standards”, pursuant to Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, the “Consolidated Financial Statements Ordinance”), it has applied the provisions of Article 93 of said Ordinance.

(2) Functional Currency and Presentation Currency

The Consolidated Financial Statements of the Company are presented in Japanese yen, the functional currency of the Company, and amounts of less than one million yen are rounded to the nearest million yen.

(3) Use of Estimates and Judgments

Preparation of the Consolidated Financial Statements requires management to make accounting estimates and assumptions, as necessary that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period as well as the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions due to their inherent uncertainty. Accounting estimates and assumptions that could significantly affect the Consolidated Financial Statements are as follows:

- Write-down of inventories (Note 4 “Inventories”)
- Impairment of property, plant and equipment (Note 5 “Property, Plant and Equipment”)
- Impairment of intangible assets (Note 6 “Intangible Assets”)
- Provisions (Note 7 “Provisions”)
- Defined benefit obligation (Note 10 “Employee Benefits”)
- Recoverability of deferred tax assets (Note 12 “Income Taxes”)
- Impairment of investments in associates and joint ventures (Note 13 “Associates and Joint Ventures”)
- Valuation of financial instruments (Note 14 “Financial Instruments and Related Disclosures”)
- Contingent liabilities (Note 25 “Commitments and Contingent Liabilities”)

Information related to judgments made by the Company that could significantly affect the Consolidated Financial Statements in the process of applying the accounting policies are as follows:

- Scope of subsidiaries, associates and joint ventures (Note 3 “Significant Accounting Policies”)
- Classification of non-current assets or disposal groups as held for sale (Note 8 “Non-current Assets or Disposal Groups Held for Sale”)
- Accounting for leases (Note 9 “Leases”)
- Derecognition of financial assets (Note 14 “Financial Instruments and Related Disclosures”)
- Classification of liabilities and equity (Note 21 “Other Equity Instruments”)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Policies

(1) Basis of Measurement

The Consolidated Financial Statements, as stated in the accounting policies below, have been prepared on an historical cost basis, with the exception of certain current assets, financial instruments, and assets and liabilities relating to the post-employment benefit plan, which are measured at fair value.

(2) Basis of Consolidation

The Consolidated Financial Statements of the Company include the accounts of all domestic and foreign subsidiaries under the control of the Company either through direct or indirect ownership of a majority voting interest or by other means. Intercompany transactions and accounts between the Companies are eliminated. To align the reporting periods of subsidiaries that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as compliance with the local legal system of the country in which they operate, subsidiaries prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

(3) Business Combinations

The Companies use the acquisition method of accounting for all business combinations. The acquisition cost is the aggregate of the consideration transferred measured at acquisition date fair value, plus any previously held equity interest in the acquiree remeasured at its acquisition date fair value and any non-controlling interest in the acquiree. The amount of any non-controlling interest is measured as elected for each business combination either at fair value or at the proportionate interest in the identifiable net assets of the acquiree.

Any difference between the fair value and the carrying amount of the equity interest in the acquiree previously held at the time control is obtained is recognised in profit or loss. Further, any other comprehensive income that had been previously recognised in connection with the equity interest in the acquiree is treated in the same way as a disposal of the equity interest. Acquisition costs incurred are recognised in profit or loss.

The Companies perform any necessary classification and designation of identifiable assets acquired and liabilities assumed based, in principle, on the contractual terms, economic conditions, business or accounting policies, and other appropriate conditions that exist on the acquisition date.

(4) Investments in Associates and Joint Ventures

Associates refer to investees over which the Companies have the ability to exercise significant influence through such factors as the ownership of 20% to 50% of the voting interest in the entity and other factors.

A joint venture is a joint arrangement whereby the Companies, as the parties that have joint control of the arrangement, have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Companies account for investments in associates and joint ventures under the equity method. Under the equity method, investments in associates and joint ventures are normally recorded at cost, adjusted for the Companies' share of the change in the net assets of these associates and joint ventures since the acquisition date. Any dividends received from these associates and joint ventures are subtracted from the carrying amount of investments in associates and joint ventures.

The Companies' share of the profit or loss of the associates and joint ventures is included as "Share of profit of associates and joint ventures" in the Consolidated Statement of Comprehensive Income. The Companies' share of any change in other comprehensive income recognised by the associates and joint ventures is recognised in other comprehensive income. Any unrealised profit arising from the transactions between the Companies and the associates and joint ventures is eliminated against the Companies' interest in associates and joint ventures. Certain adjustments are made to achieve unification of the accounting policies of the associates and joint ventures with those of the Companies.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

To align the reporting periods of associates and joint ventures accounted for under the equity method that have a financial year end that is different from the financial year end of the Company (March 31) due to unavoidable reasons such as the relationship with other shareholders, the associates and joint ventures prepare additional financial statements as of the financial year end date of the Company and similar such adjustments.

If it is determined, after the initial application of the equity method to investments in associates and joint ventures, that there is objective evidence of impairment based on all available information, the carrying amount of investments in associates and joint ventures is reduced to their recoverable amounts and the difference is recognised in profit or loss as an impairment loss.

The Companies determine, at each reporting date, whether there is an indication that the recognised impairment loss may no longer exist or may have been reduced. If there is such an indication, the Companies estimate the recoverable amount of investments in associates and joint ventures. If the estimated recoverable amount exceeds the carrying amount of the investment, a reversal of impairment losses is recognised in profit or loss to the extent of the increase in the recoverable amount of the investment since the recognition of impairment losses, and is recognised only up to the amount of impairment losses that have been recognised in the past.

If the Companies lose significant influence or joint control over any associates and joint ventures, such investments in associates and joint ventures are measured at fair value. Specifically, the difference between; the fair value of any residual interests plus the proceeds from the partial disposal of interests in associates or joint ventures, and the carrying amount of the investment at the date on which control was lost, is recognised in profit or loss. Any other comprehensive income previously recognised under the equity method is accounted for in the same manner as a disposal of assets or liabilities related to the other comprehensive income of the associates and joint ventures.

(5) Foreign Currency Translation

The Consolidated Financial Statements of the Companies are presented in Japanese yen, the functional currency of the Company. Each entity in the consolidated group determines its functional currency in consideration of, among other factors, the economic environment in which it operates, and it measures the items in its financial statements using its own functional currency.

Assets and liabilities included in the financial statements of foreign operations are translated into Japanese yen at the reporting date rates. Income and expenses are translated at the average rates prevailing for the reporting period. The resulting translation adjustments are recognised in other comprehensive income and the cumulative translation adjustments are recognised in other components of equity.

On disposal of a subsidiary that results in loss of control, all cumulative translation adjustments related to the foreign operation that have been recognised in other components of equity are reclassified to profit or loss. In a partial disposal of a subsidiary that does not result in loss of control, the corresponding share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to non-controlling interest rather than profit or loss.

On disposal of an associate or joint venture that results in loss of significant influence or loss of joint control, the full amount of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss. In a partial disposal of an associate or joint venture that does not result in loss of significant influence or loss of joint control, the corresponding proportionate share of the cumulative translation adjustment that has been recognised in other components of equity is reclassified to profit or loss.

(6) Cash and Cash Equivalents

The Companies include deposits in banks and certificates of deposit with a remaining maturity of 3 months or less at the acquisition date in cash equivalents.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(7) Financial Instruments

(i) Financial assets

Initial recognition and measurement

Financial assets to which IFRS 9 *Financial Instruments* ("IFRS 9") applies are classified as follows: debt instrument financial assets are classified as either financial assets measured at amortised cost or financial assets measured at fair value through profit or loss ("Financial assets measured at FVTPL"), and equity financial assets are classified as either Financial assets measured at FVTPL or financial assets measured at fair value through other comprehensive income ("Financial assets measured at FVTOCI"). The Companies determine such classifications at initial recognition of the financial assets.

Financial assets measured at FVTPL are measured at fair value at initial recognition and financial assets other than Financial assets measured at FVTPL are measured at fair value plus transaction costs at initial recognition.

For purchases or sales of financial assets under contracts with terms requiring delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned (regular way purchase or sale), the purchase or sale is recognised on the trade date on which the Companies become a party to the contract for the financial asset.

Financial assets of the Companies include cash and cash equivalents, debt instrument financial assets including notes, trade accounts and loans receivable, equity financial assets, and derivative financial assets.

Subsequent measurement

After initial recognition, financial assets are measured according to their category as follows:

Financial assets measured at amortised cost

A debt instrument financial asset is measured at amortised cost if both of the following conditions are met:

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

After initial recognition, a debt instrument financial asset for which these conditions are satisfied is measured at amortised cost calculated using the effective interest method less any impairment losses. Amortisation using the effective interest method is recognised as part of finance income in the Consolidated Statement of Comprehensive Income.

The Companies may, at initial recognition, make an irrevocable election to designate a financial asset that meets the conditions for classification as measured at amortised cost mentioned above as Financial assets measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at FVTPL

The Companies classify the following financial assets as Financial assets measured at FVTPL: (i) equity financial assets not designated as Financial assets measured at FVTOCI at initial recognition and (ii) debt instrument financial assets that either do not meet the conditions for classification as measured at amortised cost or those that meet these conditions but are designated as Financial assets measured at FVTPL under an election made by the Companies at initial recognition.

After initial recognition, changes in the fair values of financial assets classified as Financial assets measured at FVTPL, together with the related dividend and interest income, are mainly recognised as part of finance income in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Financial assets measured at FVTOCI

The Companies make an irrevocable election at initial recognition to (or not to) designate equity financial assets that are not held for trading as Financial assets measured at FVTOCI.

After initial recognition, equity financial assets designated as Financial assets measured at FVTOCI are measured at fair value with any change in fair value recognised in other comprehensive income. The cumulative amount of the change in fair value recognised in other comprehensive income is recognised in other components of equity. However, dividend income arising from equity financial assets designated as Financial assets measured at FVTOCI is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Derecognition

The Companies derecognise a financial asset in the following situations:

- When the contractual rights to receive the cash flows of the financial asset are extinguished;
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership are transferred to the transferee; and
- When the contractual rights to receive the cash flows of the financial asset are transferred or when the Companies retain their contractual rights to receive the cash flows of the financial asset, but assume a contractual obligation to pay those cash flows to one or more of the ultimate payees without significant delay under a pass-through arrangement and substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained, but control over the financial asset is transferred.

Where substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control over the transferred financial asset is retained, the Companies continue to recognise the financial asset to the extent of their continuing involvement.

When Companies continue to recognise the financial asset to the extent of their continuing involvement, any liabilities arising in relation to such continuing involvement are recognised. The continuing involvement in the financial asset and any liabilities arising in relation to such continuing involvement are measured on the basis of the rights and obligations held by the Companies.

Impairment of financial assets measured at amortised cost

The Companies judge that a financial asset measured at amortised cost is impaired only if there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset, and such an event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes such events as significant financial difficulty of the issuer or obligor and a default or delinquency in interest or principal payments.

The amount of an impairment loss is estimated based on the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or observable market prices of the financial asset. However, if the returns on the financial asset are based on a floating interest rate, the present value of estimated future cash flows is calculated using the effective interest rate at each reporting date.

In addition to the impairment losses recognised in the manner described above, the Companies recognise impairment losses on financial assets based on historical credit loss rates calculated in consideration of past experience, etc. or estimated recoverable amounts after evaluating potential risks associated with the obligors, geographic areas, etc. pertaining to the financial assets.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Impairment losses are recognised in the Consolidated Statement of Financial Position by deducting them directly from the carrying amount of the respective assets in the case of debt securities and by recognising an allowance in the case of financial assets other than debt securities. Impairment losses arising from trade receivables are recognised as part of selling, general and administrative expenses and those arising from other assets are recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Such a reversal is recognised to the extent that it does not result in the financial asset having a carrying amount that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal of impairment loss is recognised in profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities to which IFRS 9 applies, are classified as follows: financial liabilities are classified as financial liabilities measured at amortised cost unless they are financial liabilities measured at fair value through profit or loss ("Financial liabilities measured at FVTPL"). The Companies determine such classifications at the initial recognition of the financial liabilities.

Financial liabilities measured at FVTPL are measured at fair value at initial recognition and financial liabilities classified as financial liabilities measured at amortised cost are measured at fair value less transaction costs at initial recognition.

Financial liabilities of the Companies include corporate bonds and loans payable, notes and trade accounts payable, derivative financial liabilities, etc.

Subsequent measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

Financial liabilities measured at FVTPL

Financial liabilities designated as Financial liabilities measured at FVTPL are measured at fair value.

After initial recognition, changes in the fair values of Financial liabilities measured at FVTPL together with the related interest expense are mainly recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income. However the amount of changes in the fair value of the financial liabilities that is attributable to changes in the credit risk of the entity is recognised as other comprehensive income in the Consolidated Statement of Comprehensive Income.

Financial liabilities measured at amortised cost

Financial liabilities not classified as Financial liabilities measured at FVTPL are measured at amortised cost.

After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation using the effective interest method is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Derecognition

The Companies derecognise a financial liability only when the underlying obligation specified in the contract is performed, discharged, cancelled or expires.

An exchange of financial liabilities with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as the derecognition of the original financial liability and the recognition of a new financial liability, and the difference between the carrying amount of these liabilities is recognised as part of finance income (or expenses) in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Financial guarantee contracts

The Company and certain consolidated subsidiaries, in the normal course of their business, issue various guarantees for obligations owed by associates and general trade partners ("guaranteed parties"). These are issued to third parties to guarantee the repayment, mainly of loans which the guaranteed parties have borrowed from external parties. When a guaranteed party fails to perform its obligations, the Company and certain consolidated subsidiaries are obligated to perform the obligations in accordance with the relevant financial guarantee contract.

Liabilities recognised for such financial guarantee contracts are measured at initial recognition at the present value of the total guarantee premiums to be received by the guarantor over a future period under the financial guarantee contract adjusted for directly attributable transaction costs. After initial recognition, these liabilities are amortised over the financial guarantee period on a systematic basis and the amortised amounts are recognised in profit or loss. However, if the estimated amount required to settle any such current guarantee obligations at the reporting date exceeds the amount initially recognised less cumulative amortisation, the balance of any such liability is recognised at the estimated amount required to settle such current guarantee obligations at the reporting date, and any resulting difference is recognised in profit or loss.

(iii) Offsetting of financial instruments

A financial asset and a financial liability are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Companies currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Fair value of financial instruments

The fair value of financial instruments at the end of each reporting period is measured based on the market price in an active market. If the market in which a financial instrument is traded is not active or no active market exists for the financial instrument, fair value is determined by using an appropriate valuation technique.

(8) Derivatives and Hedge Accounting

Initial recognition and subsequent measurement

The Companies recognise derivatives as assets or liabilities at fair value. For derivatives designated as qualifying hedging instruments, subsequent changes in fair value are recognised according to the objective and designation of the hedge. Subsequent changes in the fair value of derivatives not designated as qualifying hedging instruments are recognised in profit or loss.

Fair value hedges

If the objective of holding a derivative is to hedge the exposure of changes in the fair value of the hedged item (as a fair value hedge), changes in the fair value of the derivative are recognised in profit or loss and are offset against the changes in the fair value of the hedged assets, liabilities, or firm commitments.

When financial instruments measured at amortised cost are designated as hedged items, after recognising the difference between the carrying amount and the fair value of such hedged items in profit or loss, the adjusted financial instruments are amortised through profit or loss using the recalculated effective interest rate.

The Companies use fair value hedges mainly for hedging the exposure of changes in the fair value of goods or firm commitments to purchase goods and the exposure of changes in the fair value of assets and liabilities with a fixed interest rates arising from changes in interest rates.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Companies use cash flow hedges for hedging the exposure to variability in cash flows of forecast purchases of goods, sales of goods, etc. arising from changes in prices and exchange rates and the exposure to variability in interest cash flows of a floating rate interest bearing assets and liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. However, if a hedged item is a recognised non-financial asset or non-financial liability, the amounts that have been recognised in other components of equity relating to the hedging instrument are reclassified as adjustments to the initial carrying amount of the non-financial asset or non-financial liability.

If a forecast transaction or firm commitment is no longer expected to occur, the Companies discontinue hedge accounting. Accordingly, any amounts that had been recognised in other components of equity while the hedge was effective are reclassified to profit or loss when hedge accounting is discontinued. Changes in the fair value of the derivative after hedge accounting is discontinued are recognised in profit or loss prospectively as it is no longer a hedging instrument. However, to the extent that such a previously hedged forecast transaction continues to be expected to occur even if hedge accounting is discontinued, amounts that had been recognised in other components of equity before the discontinuation of hedge accounting remain in other components of equity until the forecast transaction occurs.

Hedges of a net investment in a foreign operation

Where the objective of holding a derivative and other non-derivative hedging instruments, such as loans payable, is to hedge the foreign currency risk of a net investment in a foreign operation (as a hedge of a net investment in a foreign operation), changes in the fair value of the hedging instruments attributable to changes in exchange rates are recognised in other components of equity to the extent that the hedge is effective. Of the changes in the fair values of derivative and other non-derivative hedging instruments which are due to exchange rate movements, the portions related to any ineffectiveness or any parts outside the hedge effectiveness assessment are recognised in profit or loss.

The cumulative amount of changes in the fair value of hedging instruments attributable to changes in exchange rates that have been recognised in other components of equity under a hedge of a net investment in a foreign operation is reclassified to profit or loss when the underlying foreign operation is disposed of.

(9) Inventories

Inventories, which mainly consist of commodities, merchandise, and real estate held for sale, are measured at the lower of cost (mainly specific or moving average cost) and net realisable value. If the net realisable value is lower than cost, the difference is expensed as a write-down and the amount of the write-down is directly deducted from the carrying amount of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the cause of a write-down no longer exists, or when there is clear evidence of an increase in net realisable value due to changes in economic conditions, reversals of such write-downs are recognised. The carrying amount after reversal is recognised at the lower of cost or the revised net realisable value, and the amount of the reversal of write-downs is recognised in profit or loss.

Inventories held for generating profits from short-term fluctuations in market prices are measured at fair value less costs to sell, with fluctuations in fair value less costs to sell recognised in profit or loss in the period in which such fluctuations occur.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(10) Property, Plant and Equipment

Items of property, plant and equipment are recognised initially at acquisition cost including transaction costs. Acquisition cost includes borrowing costs directly attributable to the acquisition, construction, etc. of assets requiring a considerable time period before they can be used as intended. The present value of the estimated costs for the disposal of an item of property, plant and equipment at the end of its useful life is included in the acquisition cost of the item if the recognition criteria for provisions are met, and are recognised as an expense through depreciation over the useful life of the item.

After initial recognition, the Companies apply the cost model to items of property, plant and equipment and measure such assets at acquisition cost less accumulated depreciation and accumulated impairment loss. The depreciable amount of items of property, plant and equipment is allocated over each period for the useful life of each item through depreciation, mainly on a straight-line basis over the useful life of each item (buildings and structures from 2 to 60 years, machinery and equipment from 2 to 45 years), or the units of production method based on reserve estimation. Land is not depreciated. If an item of property, plant and equipment includes one or more significant parts, each significant part is individually depreciated.

The Companies derecognise an item of property, plant and equipment when they have disposed of it or when it is no longer expected to produce any future economic benefits through use or disposal. The difference between the net disposal proceeds of the item and its carrying amount is recognised in profit or loss when the item is derecognised.

The basis of depreciation of property, plant and equipment, such as residual value, useful life, and depreciation method, is reviewed at each reporting date. When there is a change in the basis of depreciation, the depreciation charge is adjusted prospectively as a change in an accounting estimate.

(11) Intangible Assets

Intangible assets other than goodwill

Intangible assets acquired separately are measured at initial recognition at acquisition cost. The acquisition cost of intangible assets acquired in a business combination is measured at the acquisition date fair value. After initial recognition, the Companies apply the cost model to intangible assets and measure such assets at acquisition cost less accumulated amortisation and accumulated impairment loss. Internally generated intangible assets are expensed in the period in which they are incurred, unless they satisfy the criteria for capitalisation.

Intangible assets are classified as either intangible assets with finite useful lives or intangible assets with indefinite useful lives.

The amount of intangible assets with finite useful lives subject to amortisation is allocated as an expense over each period for the useful life of each asset (franchises and customer relationships approximately from 3 years to 45 years, software approximately from 2 years to 20 years) through amortisation, mainly on a straight-line basis. The basis of amortisation of these intangible assets, such as useful life and depreciation method, is reviewed at the end of each reporting period. When there is a change in the basis of amortisation, the amortisation charge is adjusted prospectively as a change in accounting estimate.

Intangible assets judged to have indefinite useful lives are not subject to amortisation, and the Companies review, at the end of each reporting period, whether the events or circumstances supporting such a judgment continue to exist. If the judgment that the useful life is indefinite is no longer valid, the intangible asset is reclassified from an intangible asset with an indefinite life to an intangible asset with a finite useful life, with amortisation charges adjusted prospectively as a change in an accounting estimate.

The Companies derecognise an item of intangible assets when they have disposed of it or when it is no longer expected to produce any future economic benefits from its use or disposal. The difference between the net disposal proceeds of an intangible asset arising from its derecognition and its carrying amount is recognised in profit or loss when the asset is derecognised.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Goodwill

Goodwill is recognised as the excess of (a) the aggregate of the consideration transferred measured at acquisition date fair value, the acquirer's previously held equity interest in the acquiree remeasured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree (hereinafter collectively referred to as "the aggregate amount of consideration") over (b) the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. The amount of non-controlling interest is measured for each business combination either at acquisition date fair value or at the acquirer's proportionate interest in the identifiable net assets of the acquiree. If the total amount of consideration is less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is not subject to amortisation and is measured at acquisition cost less accumulated impairment loss. For impairment testing purposes, goodwill acquired in a business combination is, on or after the acquisition date, allocated to cash-generating units or groups of cash-generating units that are expected to receive benefits from the business combination.

If an operation within a cash-generating unit or a group of cash-generating units to which goodwill has been allocated is disposed of, the portion of goodwill related to the operation to be disposed of is included in the carrying amount of the operation for the purpose of calculation of the disposal gain or loss. Goodwill is allocated on the basis of the relative percentage of the values of the business to be disposed of and the remaining portion of the cash-generating unit, unless there is a more reasonable method.

(12) Oil, Gas and Mineral Resources Mining Activities

Costs associated with the exploration, evaluation and development of oil and gas are accounted for based on the successful efforts method. Costs associated with the acquisition of vested mining rights, costs associated with the drilling and construction of exploratory wells and development wells, and related facilities are capitalised; and costs associated with exploratory wells are expensed when it has been demonstrated that the wells have no commercial viability, while other costs associated with exploration and evaluation, including geographical survey costs, are recognised as expenses when incurred. Costs associated with the exploration and evaluation of mineral resources are recognised as an expense as they are incurred until such time as the commercial viability of the mining activities is demonstrated.

Capitalised costs associated with exploration, evaluation and development are recognised as property, plant and equipment (machinery and equipment). Additionally, expenditures associated with the acquisition of rights to explore, etc. are recognised as intangible assets (licenses and operating rights for natural resources), and reclassified as property, plant and equipment (machinery and equipment) when their technical feasibility and economic viability have been demonstrated.

When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, such carrying amount is written down to its recoverable amount.

(13) Leases

The Companies engage in the business of leasing non-current assets as lessors and lease non-current assets as lessees under finance leases and operating leases.

Whether or not an arrangement is (or contains) a lease is determined at the inception of the lease based on the substance of that arrangement considering whether the performance of that arrangement depends on the use of a specific asset or group of assets, and whether the right to use the asset is transferred under the terms of that arrangement.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Accounting as lessee

For finance leases that transfer substantially all of the risks and rewards incidental to ownership of the asset, an asset and a liability are recognised on the commencement of the lease term in the Consolidated Statement of Financial Position at the lower of the fair value of the leased asset, determined at the inception of the lease, or the present value of the minimum lease payments calculated at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the outstanding liability, and finance charges are calculated so that they are equivalent to a constant interest rate on the balance of the liability. Finance charges are recognised as expenses over the lease term and contingent rents are recognised as expenses in the period in which they are incurred. Leased assets are depreciated over the period of expected use by a method consistent with the depreciation method for other similar assets owned by the lessee. The period of expected use is the useful life of the asset if the transfer of ownership is reasonably certain, or the shorter of the lease term or the useful life of the asset if the transfer of ownership is not reasonably certain.

Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Contingent rents are recognised as expenses in the period in which they are incurred.

Accounting as lessor

For finance leases that transfer substantially all the risks and rewards incidental to ownership of the asset, a lease receivable is recognised on the commencement of the lease term at an amount that equals the net investment in the lease at the inception of the lease. Initial direct costs incurred by the lessor are recognised as part of net investment in the lease in principle.

For operating leases, the leased assets are presented in the Consolidated Statement of Financial Position according to the nature of the assets and are depreciated by a method consistent with the depreciation method for other similar assets owned by the lessor. Lease income is recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern by which the user of the asset obtains benefits from use of the asset. Initial direct costs incurred by the lessor are included in the carrying amount of the leased asset and are recognised as expenses over the lease term as corresponding lease income is recognised.

(14) Impairment of Non-financial Assets Other than Inventories

Impairment losses

The Companies assess, at the end of each reporting period, whether there is an indication that an asset may be impaired.

Property, plant and equipment, and intangible assets with finite useful lives:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated.

Intangible assets with indefinite useful lives and goodwill:

If there is an indication that an asset may be impaired, the recoverable amount of the asset is estimated. The Companies also evaluate whether the carrying amount of an asset exceeds its recoverable amount on a regular basis (at least annually), irrespective of whether there is any indication that an asset may be impaired.

The recoverable amount of an asset is the higher of asset's or cash-generating unit's fair value less costs of disposal and its value in use. This determination is made for individual assets, unless an individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount is reduced to the recoverable amount and that reduction is recognised as an impairment loss. Value in use is calculated as the present value of the estimated future cash flows discounted at a discount rate reflecting the time value of money and the current market evaluation of the risks inherent in the asset.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Reversals of impairment losses

The Companies assess, at the end of each reporting period, whether there is an indication that the recognised impairment losses in prior periods for an asset may no longer exist or may have decreased. If there is such an indication, the Companies estimate the recoverable amount of the asset. If the estimated recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognised to the extent that the carrying amount after the reversal does not exceed the carrying amount (after deducting accumulated depreciation or accumulated amortisation) that would have been determined had the impairment losses not been recognised previously. Reversal of impairment losses is recognised in profit or loss.

However, impairment losses recognised in respect of goodwill are not reversed under any circumstances.

(15) Non-current Assets Held for Sale and Discontinued Operations

The Companies classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following conditions are met:

- It is available for immediate sale in its present condition based solely on usual or customary conditions; and
- Sale is highly probable.

A non-current asset or disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Depreciation or amortisation is discontinued for a non-current asset or disposal group for the year in which it is classified as held for sale.

(16) Provisions

The Companies recognise a provision when (i) they have a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditure expected to be required to settle the obligation, discounted at a discount rate reflecting the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses.

For decommissioning obligations, a provision is recognised for the costs of demolition or removal of the asset, land restoration costs and expenditures incurred as a result of the use of the asset, and is added to the acquisition cost of the asset. Estimated costs and the discount rate applied are reviewed every year and any adjustment to the estimated amount is accounted for as a change in accounting estimate. The effect of changes in estimated costs or the discount rate applied is added to or deducted from the carrying amount of the related asset.

(17) Post-employment Benefits

The Company and certain of its consolidated subsidiaries have defined benefit pension plans and lump-sum severance indemnity plans covering substantially all employees. The Companies measure the present value of defined benefit obligations and the post-employment benefit costs based on the projected unit credit method for each plan.

The effect of the remeasurement of a net defined benefit asset or liability is recognised in other comprehensive income and is immediately reclassified from other components of equity to retained earnings. Such remeasurement consists of actuarial gains and losses on the defined benefit obligation and the return on plan assets (excluding the amount of interest income on plan assets). Past service cost is recognised immediately in profit or loss.

A net defined benefit asset or liability is calculated as the present value of the defined benefit obligation less the fair value of the plan assets and is recognised as an asset or liability in the Consolidated Statement of Financial Position.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(18) Treasury Stock

If the Companies buy back their own equity instruments (treasury stock), such treasury stock is recognised at acquisition cost and is deducted from equity. No gain or loss is recognised in profit or loss at the time of purchase, sale, issuance or retirement of treasury stock. The difference between the carrying amount and the sale proceeds is recognised in capital surplus.

(19) Share-based Payment

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. The fair value at the grant date of the stock options are recognised as an expense over the period during which all the specified vesting conditions are satisfied with a corresponding increase in equity. The fair value of the stock options is measured using the Black-Scholes model.

(20) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Such a fair value is calculated after deducting sales discounts, volume rebates, etc.

The Companies are involved in various forms of transactions including proprietary transactions and agency transactions. In agency transactions, consideration for the transaction is settled directly between the ultimate buyer and the seller, and the Companies receive fees from the buyer, the seller or both. Proprietary transactions, agency transactions, etc. are carried out in the following forms.

Sale of goods

Revenue arising from the sale of goods is recognised when all the following conditions have been satisfied:

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

For sale of goods, if the Companies arrange shipping or deliver a bill of lading, warehouse receipt, delivery order, etc., to the buyer, revenue is recognised when the delivery obligations specified in the contract have been performed, such as when said document is delivered or when the inspection of goods is completed, and there are substantially no further obligations to perform, and the receipt of goods by the customer is practically certain.

Rendering of services

When the outcome of the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The Companies judge that the outcome of the rendering of services can be estimated reliably if all the following conditions are satisfied:

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

In the case of rendering of services, revenue is recognised only to the extent of the expenses recognised that are recoverable, unless the outcome of the rendering of services can be estimated reliably. In acting as an agent, the Companies recognise commissions when contracted services are fully rendered to the customers.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Construction contracts

When the outcome of the construction contract can be reliably estimated, the percentage of completion method is applied. Under the percentage of completion method, contract revenue is recognised progressively over several accounting periods as work is performed representing the proportionate completion of the contract. The Companies judge that the outcome of the construction contract can be estimated reliably when all the following conditions are satisfied:

- The total amount of contract revenue can be measured reliably;
- It is probable that the economic benefits associated with the contract will flow to the entity;
- Both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of the construction contract cannot be reliably estimated, contract revenue is recognised to the extent recovery of contract costs incurred is probable.

When it is probable that total contract costs will exceed total contract revenue, the excess amount is recognised immediately as an expense.

Presentation of the total amount of revenue and the net amount of revenue

The Companies are deemed to be performing transactions as a principal when they have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, and the total amount of transactions is presented as revenue. The Companies are deemed to be performing transactions as an agent when they do not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services, and the net amount, after deduction of amounts due to third parties from the consideration earned on the transactions, is presented as revenue.

“Total volume of trading transactions” includes all transactions involving the Companies regardless of transaction type. “Total volume of trading transactions” is not required by IFRSs but is presented here to provide readers with a better understanding and is as presented in common Japanese accounting practice.

Interest income

Interest income is recognised when it is probable that economic benefits will flow to the Companies and the amount of revenue can be measured reliably. Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the shareholder’s right to receive the dividends is established.

(21) Income and Other Taxes

Current tax

Taxes payable (receivable) at the end of each reporting period are measured at an amount expected to be due for payment to, or refunded from, the taxation authorities. In measuring the amount of taxes, the Companies use the statutory tax rate or statutory effective tax rate at the end of each reporting period.

Current tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas current tax related to items recognised directly in equity is recognised directly in equity. The Companies recognise the financial statement effects of tax positions when it is more likely than not, based on technical interpretations, that the tax positions will be sustained upon examination by the tax authorities.

Current tax assets and current tax liabilities are offset if the Companies currently have a legally enforceable right to set off the recognised amounts of the assets and liabilities and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Deferred tax

Deferred tax assets and liabilities are recognised by the Companies based on differences between the carrying amount of assets and liabilities in the Consolidated Financial Statements and their tax basis, and are measured using the enacted tax rates and tax laws which will be in effect when the differences are expected to reverse.

Deferred tax liabilities are recognised with respect to taxable temporary differences other than those arising in the following cases:

- Initial recognition of goodwill;
- Initial recognition of assets or liabilities arising from a transaction that is not a business combination and does not affect accounting profit or taxable profit (loss) at the time of the transaction; and
- Taxable temporary differences associated with investments in subsidiaries, and associates or interests in joint ventures if the parent, investor or party to a joint venture is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carryforwards, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, etc. can be utilised, except as follows. Deferred tax assets or liabilities are not recognised where they arise from the initial recognition of assets or liabilities as a result of transactions that are not a business combination and which do not affect accounting profit or taxable profit (loss) at the time of the transaction.

For deductible temporary differences associated with investments in subsidiaries and associates or interests in joint ventures, a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profit will be available against which the temporary difference can be utilised.

The Companies review, at the end of each reporting period, whether it is probable that sufficient taxable profit will be available to realise part or all of the benefit of the deferred tax assets, and reduce the amount of deferred tax assets to the extent that it is no longer probable that such taxable profit will be available. The Companies also review unrecognised deferred tax assets at the end of each reporting period and recognise them to the extent that it has become probable that future taxable profit will be available.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively.

Deferred tax related to items recognised in other comprehensive income is recognised in other comprehensive income, whereas deferred tax related to items recognised directly in equity is recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset and presented net if, and only if, the Companies currently have a legally enforceable right to set off current tax assets and current tax liabilities and either of the following two conditions is met:

- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on different taxable entities, and those entities intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period.

(22) Reclassifications

In cases where the presentation of the Consolidated Financial Statements or the Notes to Consolidated Financial Statements has been modified, reclassifications and format changes have been made to comparative information.

(23) Early Application of Standards and Interpretations

The Companies have early applied the following standards.

Standards and interpretations	Description
IFRS 9 <i>Financial Instruments (Amended November 2013)</i>	Changes in qualifying criteria for hedge accounting

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(24) New Standards and Interpretations not yet adopted

Major standards and interpretations issued by the date of approval of the Consolidated Financial Statements are as follows.

At March 31, 2017, the Company has not yet adopted the following standards and interpretations. The potential impacts that application of the following standards and interpretations will have on the Consolidated Financial Statements of the Companies are currently being evaluated and cannot be estimated at the present time.

Standards and interpretations	Reporting periods on or after which the application are required	Reporting periods for adoption by the Company	Description
IFRS 9 <i>Financial Instruments (Amended July 2014)</i>	January 1, 2018	Financial year ending March 31, 2019	Changes in qualifying criteria for impairment accounting
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2018	Financial year ending March 31, 2019	Accounting for and disclosure of revenue recognition
IFRS 16 <i>Leases</i>	January 1, 2019	Financial year ending March 31, 2020	Changes in lease accounting

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

4. Inventories

Inventories at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Merchandise/finished goods	¥720,591	¥727,089	\$6,433,848
Materials/work in progress	26,333	26,315	235,116
Real estate held for sale	20,441	26,177	182,509
Total	¥767,365	¥779,581	\$6,851,473

The carrying amount of inventories measured at fair value less costs to sell on a recurring basis is based mainly on a market approach using observable inputs such as reasonable price obtained from trading partners and others, and is categorised as Level 2 in the fair value hierarchy, were ¥174,148 million (\$1,554,893 thousand) and ¥164,033 million at March 31, 2017 and 2016, respectively.

During the year ended March 31, 2017, there were no transfers between Level 1 and Level 2.

Inventories recognised as expenses for the years ended March 31, 2017 and 2016 were ¥6,371,215 million (\$56,885,848 thousand) and ¥6,406,170 million, respectively. Among those expenses, inventory write-offs of ¥2,627 million (\$23,455 thousand) and ¥4,317 million were included in expenses for the years ended March 31, 2017 and 2016, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

5. Property, Plant and Equipment

Changes in cost, accumulated depreciation and impairment losses of property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

Cost

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2015	¥152,056	¥366,159	¥1,835,502	¥49,931	¥2,403,648
Additions	1,074	7,871	144,608	36,146	189,699
Disposals	(4,699)	(13,226)	(14,357)	–	(32,282)
Disposals of subsidiaries	(1,216)	(7,391)	(66,957)	–	(75,564)
Currency translation adjustments	(1,186)	(14,060)	(106,669)	(2,215)	(124,130)
Other	261	15,298	16,745	(48,437)	(16,133)
March 31, 2016	¥146,290	¥354,651	¥1,808,872	¥35,425	¥2,345,238
Additions	395	12,021	76,717	34,769	123,902
Disposals	(70,463)	(8,629)	(43,068)	(169)	(122,329)
Disposals of subsidiaries	–	(135)	(115,844)	–	(115,979)
Currency translation adjustments	(397)	(1,106)	(11,385)	85	(12,803)
Other	1,548	13,479	14,453	(30,402)	(922)
March 31, 2017	¥77,373	¥370,281	¥1,729,745	¥39,708	¥2,217,107

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2016	\$1,306,161	\$3,166,527	\$16,150,643	\$316,294	\$20,939,625
Additions	3,527	107,330	684,973	310,438	1,106,268
Disposals	(629,134)	(77,045)	(384,536)	(1,508)	(1,092,223)
Disposals of subsidiaries	–	(1,205)	(1,034,322)	–	(1,035,527)
Currency translation adjustments	(3,545)	(9,875)	(101,652)	759	(114,313)
Other	13,821	120,348	129,046	(271,447)	(8,232)
March 31, 2017	\$690,830	\$3,306,080	\$15,444,152	\$354,536	\$19,795,598

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Accumulated depreciation and impairment losses

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
April 1, 2015	¥(6,339)	¥(164,516)	¥(869,017)	¥—	¥(1,039,872)
Depreciation	—	(15,590)	(90,405)	—	(105,995)
Impairment losses	(1,095)	(798)	(110,596)	—	(112,489)
Disposals	1,989	7,633	12,312	—	21,934
Disposals of subsidiaries	210	5,624	11,816	—	17,650
Currency translation adjustments	64	3,955	57,618	—	61,637
Other	(461)	(2,516)	16,318	—	13,341
March 31, 2016	¥(5,632)	¥(166,208)	¥(971,954)	¥—	¥(1,143,794)
Depreciation	—	(16,437)	(80,165)	—	(96,602)
Impairment losses	(308)	(1,709)	(53,616)	(3)	(55,636)
Disposals	1,667	4,029	17,732	—	23,428
Disposals of subsidiaries	—	48	11,147	—	11,195
Currency translation adjustments	(2)	156	825	—	979
Other	(84)	30	11,769	—	11,715
March 31, 2017	¥(4,359)	¥(180,091)	¥(1,064,262)	¥(3)	¥(1,248,715)

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2016	\$ (50,286)	\$ (1,484,000)	\$ (8,678,161)	\$—	\$ (10,212,447)
Depreciation	—	(146,759)	(715,759)	—	(862,518)
Impairment losses	(2,750)	(15,259)	(478,714)	(27)	(496,750)
Disposals	14,884	35,973	158,322	—	209,179
Disposals of subsidiaries	—	428	99,527	—	99,955
Currency translation adjustments	(18)	1,393	7,366	—	8,741
Other	(750)	269	105,080	—	104,599
March 31, 2017	\$ (38,920)	\$ (1,607,955)	\$ (9,502,339)	\$(27)	\$ (11,149,241)

Carrying amount

	<i>Millions of yen</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2016	¥140,658	¥188,443	¥836,918	¥35,425	¥1,201,444
March 31, 2017	¥73,014	¥190,190	¥665,483	¥39,705	¥968,392

	<i>Thousands of U.S. dollars</i>				
	Land	Buildings and structures	Machinery and equipment	Other	Total
March 31, 2017	\$651,910	\$1,698,125	\$5,941,813	\$354,509	\$8,646,357

Changes in the cost classified as “Other” included transfers from construction in progress to other property, plant and equipment.

For the years ended March 31, 2017 and 2016, the Company and certain of its consolidated subsidiaries recognised impairment losses on facilities, real estate and industrial plants of ¥55,636 million (\$496,750 thousand) and ¥112,489 million, respectively, based on the related recoverable amounts due to decreases in estimated future cash flows and other factors.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

In terms of operating segments, the major impairment losses of ¥50,783 million (\$453,420 thousand) were included in the Energy & Metals segment for the year ended March 31, 2017; and of ¥110,200 million were included in the Energy & Metals segment for the year ended March 31, 2016.

Impairment losses are included in “Impairment losses” in the Consolidated Statement of Comprehensive Income.

Depreciation of property, plant and equipment is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income.

Significant impairment losses recognised for the year ended March 31, 2017 included ¥47,495 million (\$424,063 thousand) as a result of downward revisions in estimated future cash flows due to such factors as the decrease in reserves for oil and gas assets in the U.S. Gulf of Mexico. These impairment losses were reported under the Energy & Metals segment. The amount of the impairment losses was calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the total amount of the recoverable amounts was ¥67,619 million (\$603,741 thousand). The discount rate used in the value in use calculations was 8.0% and reflected current market assessments of the time value of money and risks specific to the assets. Discounted future cash flows used in value in use calculations were calculated by referring to prices such as long-term prices published by external organisations such as brokers.

Significant impairment losses recognised for the year ended March 31, 2016 included ¥74,949 million as a result of downward revisions in estimated future cash flows due to delays in the development plans, the increase in the development costs, the decrease in reserves and the decline in crude oil prices for oil and gas assets in the U.S. Gulf of Mexico and ¥33,925 million as a result of downward revisions in estimated future cash flows due to the decline in crude oil prices for oil and gas assets in the UK North Sea. These impairment losses were reported under the Energy & Metals segment. The amount of the impairment losses was calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the total amount of the recoverable amounts was ¥290,205 million. The discount rate used in the value in use calculations ranged from 7.0% to 8.5% and reflected current market assessments of the time value of money and risks specific to the assets. Discounted future cash flows used in value in use calculations were calculated by referring to prices such as long-term prices published by external organisations such as brokers.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

6. Intangible Assets

Changes in cost, accumulated amortisation and impairment losses of intangible assets for the years ended March 31, 2017 and 2016 were as follows:

Cost

	<i>Millions of yen</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2015	¥67,001	¥208,846	¥29,321	¥226,934	¥13,118	¥545,220
Acquisitions arising from business combinations	–	10,113	201	942	–	11,256
Additions	–	106	7,281	–	291	7,678
Disposals	–	(919)	(1,334)	–	(68)	(2,321)
Currency translation adjustments	(5,849)	(11,478)	(363)	(12,796)	(511)	(30,997)
Other	–	(3,076)	(3,414)	(16,826)	(146)	(23,462)
March 31, 2016	¥61,152	¥203,592	¥31,692	¥198,254	¥12,684	¥507,374
Acquisitions arising from business combinations	–	2,297	239	2,824	9	5,369
Additions	–	120	10,252	–	148	10,520
Disposals	–	–	(2,140)	–	(484)	(2,624)
Currency translation adjustments	(383)	(1,868)	(215)	(1,752)	(373)	(4,591)
Other	–	(24,874)	884	(8,461)	(1,476)	(33,927)
March 31, 2017	¥60,769	¥179,267	¥40,712	¥190,865	¥10,508	¥482,121

	<i>Thousands of U.S. dollars</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2016	\$546,000	\$1,817,786	\$282,964	\$1,770,125	\$113,250	\$4,530,125
Acquisitions arising from business combinations	–	20,509	2,134	25,214	81	47,938
Additions	–	1,071	91,536	–	1,322	93,929
Disposals	–	–	(19,107)	–	(4,322)	(23,429)
Currency translation adjustments	(3,420)	(16,678)	(1,920)	(15,643)	(3,330)	(40,991)
Other	–	(222,089)	7,893	(75,544)	(13,180)	(302,920)
March 31, 2017	\$542,580	\$1,600,599	\$363,500	\$1,704,152	\$93,821	\$4,304,652

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Accumulated amortisation and impairment losses

	<i>Millions of yen</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
April 1, 2015	¥(61,208)	¥(31,507)	¥(18,131)	¥(63,777)	¥(4,412)	¥(179,035)
Amortisation expenses	(235)	(10,077)	(3,893)	—	(408)	(14,613)
Impairment losses	(1,049)	(417)	—	(643)	—	(2,109)
Disposals	—	812	1,215	—	56	2,083
Currency translation adjustments	5,378	2,136	273	3,673	96	11,556
Other	—	981	3,189	5,471	376	10,017
March 31, 2016	¥(57,114)	¥(38,072)	¥(17,347)	¥(55,276)	¥(4,292)	¥(172,101)
Amortisation expenses	(212)	(9,230)	(4,423)	—	(656)	(14,521)
Impairment losses	(3,596)	(15)	(11)	(8,617)	(716)	(12,955)
Disposals	—	—	1,908	—	476	2,384
Currency translation adjustments	376	37	172	(28)	16	573
Other	—	2,417	(393)	(286)	2,095	3,833
March 31, 2017	¥(60,546)	¥(44,863)	¥(20,094)	¥(64,207)	¥(3,077)	¥(192,787)

	<i>Thousands of U.S. dollars</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2016	\$(509,946)	\$(339,929)	\$(154,884)	\$(493,536)	\$(38,321)	\$(1,536,616)
Amortisation expenses	(1,893)	(82,411)	(39,491)	—	(5,857)	(129,652)
Impairment losses	(32,107)	(134)	(98)	(76,938)	(6,393)	(115,670)
Disposals	—	—	17,036	—	4,250	21,286
Currency translation adjustments	3,357	330	1,536	(250)	143	5,116
Other	—	21,581	(3,510)	(2,553)	18,705	34,223
March 31, 2017	\$(540,589)	\$(400,563)	\$(179,411)	\$(573,277)	\$(27,473)	\$(1,721,313)

Carrying amount

	<i>Millions of yen</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2016	¥4,038	¥165,520	¥14,345	¥142,978	¥8,392	¥335,273
March 31, 2017	¥223	¥134,404	¥20,618	¥126,658	¥7,431	¥289,334

	<i>Thousands of U.S. dollars</i>					
	Licenses and operating rights in natural resources	Franchises and customer relationships	Software	Goodwill	Other	Total
March 31, 2017	\$1,991	\$1,200,036	\$184,089	\$1,130,875	\$66,348	\$2,583,339

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Changes in the cost of “Franchises and customer relationships” for the year ended March 31, 2017 classified as “Other” included a decrease of ¥22,218 million (\$198,375 thousand) as a result of disposals of subsidiaries. Changes in the cost of “Goodwill” classified as “Other” included a decrease of ¥12,547 million (\$112,027 thousand) as a result of disposals of subsidiaries.

Changes in the cost of “Goodwill” for the year ended March 31, 2016 classified as “Other” included a decrease of ¥15,499 million as a result of disposals of subsidiaries.

Of the intangible assets stated above, the carrying amounts of intangible assets with indefinite useful lives at March 31, 2017 and 2016 were ¥48,237 million (\$430,688 thousand) and ¥52,965 million, respectively. Major intangible assets with indefinite useful lives were trademarks, which were included in “Franchises and customer relationships”. As the trademarks with indefinite business terms will basically exist as long as the Company continues to exist, it has been determined that there is no foreseeable limit to the period of inflow of future economic benefits and thus they are classified as intangible assets with indefinite useful lives. The carrying amounts of intangible assets with indefinite useful lives at March 31, 2017 and 2016 included trademarks recognised as a result of the acquisition of Gavilon in the amounts of ¥42,071 million (\$375,634 thousand) and ¥42,255 million, respectively.

Of the intangible assets stated above, intangible assets with finite useful lives are amortised by the straight-line basis based over their expected useful lives. However, exploration and evaluation assets are not amortised until the technical feasibility and commercial viability of the mine have been demonstrated. When the technical feasibility and commercial viability are demonstrated, an exploration and evaluation asset is reclassified to property, plant and equipment, and amortised using the units-of-production method based on the estimation of proved reserves. Major intangible assets with finite useful lives at March 31, 2017 and 2016, which were included in “Franchises and customer relationships”, and their carrying amounts were as follows: customer relationship assets related to the trading and distribution business of grains and fertilizers were ¥26,758 million (\$238,911 thousand) and ¥29,263 million, and franchises and customer relationship assets related to the mobile phone sales distribution business were ¥27,554 million (\$246,018 thousand) and ¥29,821 million, respectively. The assets are amortised over 4-25 years on a straight-line basis.

Amortisation of intangible assets is included in “Cost of goods sold” and “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income.

For the years ended March 31, 2017 and 2016, the Company and certain of its consolidated subsidiaries recognised impairment losses on intangible assets of ¥12,955 million (\$115,670 thousand) and ¥2,109 million, respectively, based on the relevant recoverable amounts due to decreases in estimated future cash flows and other factors.

Impairment losses are included in “Impairment losses” in the Consolidated Statement of Comprehensive Income.

The carrying amounts of “Goodwill” at March 31, 2017 and 2016 included goodwill for Gavilon in the amounts of ¥70,155 million (\$626,384 thousand) and ¥70,462 million, respectively. The recoverable amount used in impairment testing was calculated based on value in use which was measured by discounting the estimated future cash flows based on the revised business plan approved by the management. The business plan represents the management's estimate of a range of economic conditions including such significant assumptions as quantity, price and margin based on past experience, which was also consistent with external evidence. The business plan used on the most recent 10 years forecasts in order to average market conditions. For the period beyond 10 years, the Company calculated the terminal value based on a steady growth rate of 2%. The growth rate was determined by considering the market in which Gavilon operates or the long-term average growth rate in the U.S.A. The discount rate used in the value in use calculations at March 31, 2017 and 2016 was 8.1% and 8.8%, respectively, which reflects current market assessments of the time value of money and risks specific to the assets.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

7. Provisions

Changes in provisions for the year ended March 31, 2017 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	Decommissioning Obligations	Other Provisions	Total	Decommissioning Obligations	Other Provisions	Total
Balance at beginning of year	¥80,497	¥14,854	¥95,351	\$718,723	\$132,625	\$851,348
Increase for the year	3,107	5,765	8,872	27,741	51,473	79,214
Decrease for the year	(15,060)	(6,925)	(21,985)	(134,464)	(61,830)	(196,294)
Interest expense	6,381	28	6,409	56,973	250	57,223
Other	(941)	458	(483)	(8,401)	4,089	(4,312)
Balance at end of year	¥73,984	¥14,180	¥88,164	\$660,572	\$126,607	\$787,179

“Other” includes changes due to foreign currency fluctuations.

Decommissioning obligations mainly relate to the costs of dismantlement and removal of development facilities for natural resources owned by consolidated subsidiaries engaged in oil and gas producing activities. Generally, costs relating to the dismantlement and removal of facilities are expected to be paid after 10 years or more after the initial recognition of said decommissioning obligations.

Other provisions include provisions for litigation and provisions for onerous contracts.

Decommissioning obligations and other provisions are included in “Other current liabilities” and “Other non-current liabilities” in the Consolidated Statement of Financial Position.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

8. Non-current Assets or Disposal Groups Held for Sale

Assets classified as held for sale and liabilities directly associated with assets classified as held for sale in the Consolidated Statement of Financial Position at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Assets classified as held for sale	¥36,689	¥63,308	\$327,580
Liabilities directly associated with assets classified as held for sale	4,086	1,873	36,482

The Companies classify non-current assets or disposal groups as held for sale if they are expected to be sold within approximately one year, and they are measured at the lower of their carrying amounts and fair value less costs to sell.

The amounts of newly classified as Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale at March 31, 2017 included in the Transportation & Industrial Machinery segment were ¥10,897 million (\$97,295 thousand) and ¥3,929 million (\$35,080 thousand), respectively. Such assets and liabilities were mainly comprised of other non-current financial assets; and borrowings.

The amounts of the decrease in assets classified as held for sale and in liabilities directly associated with the assets classified as held for sale at March 31, 2016 included in, by operating segment, the Chemical & Forest Products, the Power Projects & Plant and the Transportation & Industrial Machinery, as a result of the completion of sales in the current year were ¥39,432 million (\$352,071 thousand) and ¥1,749 million (\$15,616 thousand), respectively. Such assets and liabilities were mainly comprised of investments in associates and joint ventures; other investments; inventories; and notes and trade accounts payable.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

9. Leases

Lessor

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases.

Gross investment in the lease and present value of the total of future minimum lease payments receivable under finance leases at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable	Gross investment in the lease	Present value of minimum lease payments receivable
Not later than one year	¥7,297	¥6,811	¥26,820	¥25,044	\$65,152	\$60,813
Later than one year and not later than five years	20,284	17,641	30,222	26,634	181,107	157,509
Later than five years	1,954	1,575	2,411	1,862	17,446	14,063
Total	¥29,535	¥26,027	¥59,453	¥53,540	\$ 263,705	\$232,384
Less: Unearned finance income	3,505		5,909		31,295	
Net investment in the lease	¥26,030		¥53,544		\$232,411	
Less: Present value of unguaranteed residual value	3		4		27	
Present value of minimum lease payments receivable	¥26,027		¥53,540		\$232,384	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, etc. under operating leases.

The total of future minimum lease payments receivable under non-cancellable operating leases at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than one year	¥27,127	¥23,640	\$242,205
Later than one year and not later than five years	74,782	79,840	667,696
Later than five years	25,377	41,617	226,580
Total	¥127,286	¥145,097	\$1,136,482

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Lessee

The Company and certain of its consolidated subsidiaries lease machinery and equipment, etc. under finance leases. At March 31, 2017 and 2016, the net carrying amounts included in property, plant and equipment (Machinery and equipment) in the Consolidated Statement of Financial Position, were ¥27,109 million (\$242,045 thousand) and ¥20,864 million, respectively.

The total of future minimum lease payments and the present value under finance leases at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2017	March 31, 2016			March 31, 2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	¥5,370	¥4,874	¥4,260	¥3,844	\$47,946	\$43,518
Later than one year and not later than five years	23,709	22,827	19,806	18,952	211,688	203,813
Later than five years	1,537	1,147	528	483	13,723	10,241
Total	¥30,616	¥28,848	¥24,594	¥23,279	\$273,357	\$257,571
Less: Financial charges	1,768		1,315		15,786	
Present value of minimum lease payments	¥28,848		¥23,279		\$257,571	

The Company and certain of its consolidated subsidiaries also lease machinery and equipment, buildings and structures, etc. under operating leases. Lease payments amounted to ¥51,299 million (\$458,027 thousand) and ¥47,969 million for the years ended March 31, 2017 and 2016, respectively. Payments for services of ¥3,081 million (\$27,509 thousand) and ¥5,815 million, respectively, were included in the lease payments.

The total of future minimum lease payments under non-cancelable operating leases at March 31, 2017 and 2016 were as follows. The total of future minimum lease payments receivable at March 31, 2017 and 2016 had not been offset by the future minimum sublease rentals of ¥99,882 million (\$891,804 thousand) and ¥107,703 million, respectively, under non-cancelable subleases.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than one year	¥41,492	¥38,643	\$370,464
Later than one year and not later than five years	89,753	88,754	801,366
Later than five years	78,696	80,780	702,643
Total	¥209,941	¥208,177	\$1,874,473

Future payments for services of ¥6,725 million (\$60,045 thousand) and ¥6,457 million at March 31, 2017 and 2016, respectively, were included in the total of future minimum lease payments.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

10. Employee Benefits

(1) Post-employment benefits

The Company and certain of its consolidated subsidiaries have cash balance plans based on the Japanese Defined Benefit Corporate Pension Plan Act and other defined benefit pension plans. These plans cover substantially all employees other than directors. In addition to the pension plans, the Company and certain of its consolidated subsidiaries have lump sum retirement plans to be paid upon retirement or severance based on the years of service and compensation level.

The Company, pursuant to the Japanese Defined Benefit Corporate Pension Plan Act and other laws, has the obligation to make contributions to the Marubeni Corporate Pension Fund (the “Fund”), which pays out pension benefits. The Director of the Fund has the fiduciary duty to comply with laws, the dispositions of the Minister of Health, Labour and Welfare made pursuant to laws, the bylaws of the Fund and the decisions of the Board of Representatives, and to faithfully perform duties for the Fund including the management and operation of the contributions. Additionally, a code of conduct has been articulated, which prohibits the Director of the Fund from entering into asset management agreements for the purpose of benefiting a third party and from acts that constitute conflicts of interest.

The pension plan is operated by the Fund, which is legally independent from the Company. The Board of Representatives comprises an equal number of Representatives elected from the management side (Assigned Representatives) and Representatives elected from the employee side (Mutually Elected Representatives), while the chair of the Board of Representatives (the “Chairman”) is elected from the management side.

Proceedings of the Board of Representatives are decided by a majority vote of the members attending. In the case of a tied vote, the Chairman has the power to decide the vote. However, with regard to particularly important matters, the bylaws provide that the decision be made by a majority that exceeds the above.

The Representatives hold exclusive power to decide important matters including investment policy. The actual management of the assets is conducted by investment managers on the basis of an entrustment contract, and the Representatives are prohibited by law from giving instructions, such as instructions on specific investments.

The Company is required to make contributions to the Fund, and the contributions are reviewed regularly to the extent allowed by law. While it is under obligation to make contributions stipulated by the Fund into the future, the Company, in addition to these contributions, also funds a retirement benefit trust on a voluntary basis.

With regard to the lump sum retirement plan, the Company is under obligation to pay benefits directly to the beneficiaries. Although the Company is not under any legal obligation regarding the funding of this plan, fund assets exist, which have been voluntarily contributed by the Company to the retirement benefit trust.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in the present value of defined benefit obligation and the fair value of plan assets of the Company and certain of its consolidated subsidiaries for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Balance at beginning of year of net defined benefit liability	¥91,316	¥75,548	\$815,321
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	329,323	324,586	2,940,384
Current service cost	12,211	12,199	109,027
Past service cost	(1,307)	149	(11,670)
Interest expense	4,514	5,735	40,304
Remeasurements	9,271	12,818	82,777
Effect of changes in foreign exchange rates	(1,705)	(6,132)	(15,223)
Employees' contributions	356	411	3,179
Benefits paid	(19,845)	(19,641)	(177,188)
Effects of business combinations, divestitures and others	(648)	(802)	(5,786)
Balance at end of year	332,170	329,323	2,965,804
Changes in the fair value of plan assets:			
Balance at beginning of year	238,007	249,038	2,125,063
Interest income	3,293	4,321	29,402
Remeasurements	14,786	(8,178)	132,018
Effect of changes in foreign exchange rates	(1,287)	(4,088)	(11,491)
Employees' contributions	356	411	3,179
Employer's contributions	12,568	13,759	112,214
Benefits paid	(16,759)	(16,478)	(149,634)
Effects of business combinations, divestitures and others	(1,553)	(778)	(13,867)
Balance at end of year	249,411	238,007	2,226,884
Balance at end of year of net defined benefit liability	¥82,759	¥91,316	\$738,920

Actuarial assumptions used for the present value calculation of defined benefit obligations at March 31, 2017 and 2016 were mainly as follows:

	March 31, 2017	March 31, 2016
Discount rate	0.8%	0.5%
Rates of salary increase	5.0%	4.9%

Sensitivity analyses are conducted at the year end based on reasonably estimable changes in assumptions. Although sensitivity analyses assume that the actuarial assumptions other than those that are subject to the analyses are held constant, in reality, it is possible for the sensitivity analyses to be impacted by other actuarial assumptions.

If, for example, the discount rate fell by 0.5%, and the other assumptions were held constant, defined benefit plan liability at March 31, 2017 and 2016 would increase by ¥15,556 million (\$138,893 thousand) and ¥13,874 million, respectively. The rate of salary increase is not expected to change in the future.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Fair value of plan assets by class at March 31, 2017 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥19,346	¥—	¥19,346
Equity securities:			
Japanese companies	39,788	—	39,788
Pooled funds	1,596	65,384	66,980
Debt securities:			
Bonds denominated in Japanese yen	—	8,369	8,369
Bonds denominated in foreign currencies	2,505	7,118	9,623
Pooled funds	—	82,909	82,909
Life insurance company general accounts	—	16,368	16,368
Other	2,318	3,710	6,028
Total plan assets	¥65,553	¥183,858	¥249,411

Class of plan assets	<i>Thousands of U.S. dollars</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	\$172,732	\$—	\$172,732
Equity securities:			
Japanese companies	355,250	—	355,250
Pooled funds	14,250	583,786	598,036
Debt securities:			
Bonds denominated in Japanese yen	—	74,723	74,723
Bonds denominated in foreign currencies	22,366	63,554	85,920
Pooled funds	—	740,259	740,259
Life insurance company general accounts	—	146,143	146,143
Other	20,697	33,124	53,821
Total plan assets	\$585,295	\$1,641,589	\$2,226,884

Fair value of plan assets by class at March 31, 2016 was as follows:

Class of plan assets	<i>Millions of yen</i>		Total
	With a quoted market price in an active market	Without a quoted market price in an active market	
Cash and cash equivalents	¥22,787	¥—	¥22,787
Equity securities:			
Japanese companies	39,413	—	39,413
Pooled funds	1,534	60,156	61,690
Debt securities:			
Bonds denominated in Japanese yen	—	8,637	8,637
Pooled funds	—	83,958	83,958
Life insurance company general accounts	—	16,409	16,409
Other	2,187	2,926	5,113
Total plan assets	¥65,921	¥172,086	¥238,007

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

In making investment decisions, the main objective is to secure the necessary return over the long term to cover pension and retirement benefit payments. The primary investment policy is to analyse the risk/return characteristics by asset class and to invest in a diversified portfolio taking into consideration the correlation among asset classes.

The Company sets an asset mix policy with investments in equity securities, debt securities and other assets. Based on this policy, the Company selects multiple investment managers who execute the strategy. When selecting an investment manager, the Company gives consideration to management philosophy and content, investment management policy and investment style, investment control systems including information collection mechanisms and decision-making processes, compliance systems, investment experience and the track record of the investment manager as well as the professionals in charge of managing pension assets.

Plan assets are invested 30%, 60% and 10% in equity securities, debt securities and other, respectively, at March 31, 2017.

The investments executed by investment managers are outlined as follows:

Equity securities are selected mainly from stocks that are listed on securities exchanges. Prior to investing, the Company investigates the business conditions of the investee companies and appropriately diversifies investments in consideration of the type of industry, investees and other relevant factors. Debt securities are selected mainly from government bonds, public debt instruments and corporate bonds. Prior to investing, the Company investigates the quality of the issuing conditions, including issuers, rating, interest rate and repayment dates, and appropriately diversifies the investments. Pooled funds are selected using strategies consistent with the equity and debt securities described above. For investments in life insurance company general accounts, contracts with insurance companies include a guaranteed interest rate and a return of capital. With respect to foreign investments vehicles, the Company investigates the stability of the underlying governments and economies, the market characteristics, such as settlement systems, and the taxation systems. For each such investment, the Company selects the appropriate investment country and currency.

The performance of certain plan assets by the cash balance plan is matched with the related pension benefits to a certain extent.

Funding of the Marubeni Corporate Pension Fund is conducted by taking into account various factors including limits on deductible expenses under the tax rules, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services to be rendered by employees in the future as well as services already rendered.

In accordance with the Japanese Defined Benefit Corporate Pension Plan Act, the bylaws of the Marubeni Corporate Pension Fund provide for the re-calculation of the contribution amount at five-year intervals with the year end as the base date for the purpose of maintaining balanced finances into the future.

The re-calculation process reviews the basic rates relating to the contribution (the guaranteed rate of return, expected rate of mortality, expected withdrawal rate, expected salary increase, expected new enrollment rate, etc.) and verifies the adequacy of the contribution amount.

Additionally, the Company, in order to ensure sufficient funding of the pension plan, may also contribute marketable equity securities and cash to the retirement benefit trust in the amount of the unfunded portion of defined benefit obligation.

The amount of contributions expected to be paid to plan assets for the year ending March 31, 2018 is approximately ¥6,200 million (\$55,357 thousand).

The weighted average duration of defined benefit obligation at March 31, 2017 and 2016 was 14.6 years, respectively.

(2) Employee benefit cost

The aggregate amounts of employee benefit cost included under “Selling, general and administrative expenses” in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2017 and 2016 were ¥283,349 million (\$2,529,902 thousand) and ¥293,246 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

11. Other-net

“Other-net” in the Consolidated Statement of Comprehensive Income was the net amount of other income of ¥73,600 million (\$657,143 thousand) and other expenses of ¥27,666 million (\$247,018 thousand) for the year ended March 31, 2017, and the net amount of other income of ¥55,709 million and other expenses of ¥71,744 million for the year ended March 31, 2016.

“Other-net” was mainly comprised of the following.

For the year ended March 31, 2017

Net exchange differences recognised in profit or loss classified as “Other-net” in the Consolidated Statement of Comprehensive Income were net gains of ¥13,496 million (\$120,500 thousand). These net exchange differences (net gains) were mainly offset by profits or losses on derivatives held for hedging purposes.

Also, the Company recognised a gain on transfer in the amount of ¥22,387 million (\$199,884 thousand) associated with the sale of solar power generating business in Oita Prefecture.

For the year ended March 31, 2016

Net exchange differences recognised in profit or loss classified as “Other-net” in the Consolidated Statement of Comprehensive Income were net losses of ¥32,515 million. These net exchange differences (net losses) were mainly offset by profits or losses on derivatives held for hedging purposes.

A loss in the amount of ¥15,388 million was recognised for the LNG receiving terminal project in Uruguay, as the Company determined its policy to discontinue involvement in this project.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

12. Income Taxes

The Company files a consolidated income tax return in Japan.

Total income taxes recognised for the years ended March 31, 2017 and 2016 were attributable to the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Current tax	¥(53,615)	¥(40,375)	\$(478,705)
Deferred tax	9,130	17,344	81,517
Total	¥(44,485)	¥(23,031)	\$(397,188)

The Company is mainly subject to income tax, inhabitants tax and enterprise tax, which is recognised as a deductible expense, and the applicable income tax rates calculated on the basis of these taxes for the years ended March 31, 2017 and 2016 were approximately 31.0% and 33.0%, respectively. However, the income tax rates of foreign subsidiaries are calculated on the basis of general local tax rates.

On November 18, 2016, the Act to Partially Amend the Act for Partial Amendment of the Consumption Tax Act and Others for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 85 of 2016) and the Act to Partially Amend the Act of Partial Amendment of the Local Tax Act and Local Allocation Tax Act and Others for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security (Act No. 86 of 2016) were enacted in the Japanese Diet session. These Acts postponed the timing for raising the consumption tax rate to 10% from April 1, 2017 to October 1, 2019. In conjunction with this, the timing for implementing the abolition of the special local corporation tax and the accompanying restoration of the corporate enterprise tax, the revision of the local corporation tax rate, and the revision of the corporate inhabitant tax rate was also postponed from fiscal years commencing on or after April 1, 2017 to fiscal years commencing on or after October 1, 2019. Although there are no changes in the combined tax rate to be used for the calculation of deferred tax assets and liabilities, a tax rate reclassification has occurred between the national tax and the local tax. The impact of these changes in tax rates on the financial position and results of operation of the Companies was immaterial.

A reconciliation of the applicable tax rates to the effective tax rates expressed as a percentage of profit before tax for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Applicable tax rate	31.0 %	33.0 %
Tax effect on income and expenses not taxable and deductible for tax purposes	(1.6)%	(2.1)%
Difference in tax rate of foreign subsidiaries	2.1 %	(9.3)%
Tax effect on share of profits of associates and joint ventures and retained earnings of subsidiaries	(17.4)%	(10.1)%
Reassessment of the recoverability of deferred tax assets	2.6 %	9.3 %
Other	5.5 %	4.6 %
Effective tax rate	22.2 %	25.4 %

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Balance at beginning of year (Deferred tax assets-net)	¥(6,504)	¥(53,493)	\$(58,071)
Deferred tax income or expense recognised in profit or loss	9,130	17,344	81,518
Deferred tax income or expense recognised in other comprehensive income	(22,578)	19,018	(201,590)
Changes in acquisitions and divestitures	2,538	10,627	22,661
Balance at end of year (Deferred tax assets-net)	¥(17,414)	¥(6,504)	\$(155,482)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Deferred tax assets:			
Allowance for doubtful accounts	¥2,950	¥4,636	\$26,339
Inventories	718	2,979	6,411
Property, plant and equipment and investment property	18,926	13,898	168,982
Employees' retirement benefits	27,563	34,273	246,098
Unrealised profit on intercompany transactions	936	617	8,357
Net operating loss carryforwards	150,825	145,926	1,346,652
Other	42,055	40,622	375,491
Total deferred tax assets	¥243,973	¥242,951	\$2,178,330
Deferred tax liabilities:			
Property, plant and equipment and investment property	¥114,836	¥114,946	\$1,025,321
Investment securities and other investments	28,922	23,332	258,232
Intangible assets	32,329	32,472	288,652
Undistributed earnings	51,457	49,050	459,438
Other	33,843	29,655	302,169
Total deferred tax liabilities	¥261,387	¥249,455	\$2,333,812
Deferred tax assets-net	¥(17,414)	¥(6,504)	\$(155,482)

Deferred tax assets and deferred tax liabilities in the Consolidated Statement of Financial Position at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Deferred tax assets	¥88,216	¥94,113	\$787,643
Deferred tax liabilities	105,630	100,617	943,125
Deferred tax assets-net	¥(17,414)	¥(6,504)	\$(155,482)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The amount of deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognised at March 31, 2017 and 2016 were ¥733,604 million (\$6,550,036 thousand) and ¥671,555 million, respectively. Within these amounts, tax loss carryforwards classified by expiry date at March 31, 2017 and 2016 were as follows:

Expiry date	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than one year	¥10,457	¥1,641	\$93,366
Later than one year and not later than five years	40,394	27,868	360,661
Later than five years	75,139	87,230	670,884
Indefinite carryforward periods	39,641	32,780	353,937
Total	¥165,631	¥149,519	\$1,478,848

Deferred tax assets of ¥100,122 million (\$893,946 thousand) and ¥87,524 million were recognised at March 31, 2017 and 2016, respectively, by certain subsidiaries that have recorded losses in the years ended March 31, 2016 or 2017 in the tax jurisdiction to which the deferred tax assets relate, and the utilisation of the deferred tax assets is dependent on future taxable profits. Each company's management carefully has assessed the probability that taxable profit will be available against which the unused tax losses or deductible temporary differences may be utilised based on tax planning.

The aggregate amounts of temporary differences relating to investments in subsidiaries and associates and equity interests in joint ventures for which deferred tax liabilities were not recognised at March 31, 2017 and 2016 were ¥776,091 million (\$6,929,384 thousand) and ¥815,354 million, respectively. Determination of the amounts of the related unrecognised deferred tax liabilities is not practical.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

13. Associates and Joint Ventures

For the year ended March 31, 2017

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥1,001,351 million (\$8,940,634 thousand) and ¥72,649 million (\$648,652 thousand), respectively. The share of comprehensive income consisted of ¥71,494 million (\$638,339 thousand) in profit for the year and ¥1,155 million (\$10,313 thousand) in other comprehensive income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥754,601 million (\$6,737,509 thousand) and ¥53,269 million (\$475,615 thousand), respectively. The share of comprehensive income consisted of ¥43,231 million (\$385,991 thousand) in profit for the year and ¥10,038 million (\$89,624 thousand) in other comprehensive income.

The share of losses of associates and joint ventures accounted for under the equity method for which recognition was discontinued amounted to ¥15,554 million (\$138,875 thousand) (a ¥7,184 million (\$64,143 thousand) decrease for the current year). This unrecognised share of losses mainly consisted of remeasurement losses on cash flow hedges executed by joint ventures.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

For the year ended March 31, 2016

The aggregate carrying amount of investments in associates accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income (loss) were ¥931,216 million and ¥(1,395) million, respectively. The share of comprehensive income (loss) consisted of ¥14,080 million in profit for the year and ¥(15,475) million in other comprehensive income (loss).

By operating segment, the Energy & Metals segment recognised impairment losses of ¥35,869 million from investments in certain copper mining projects in Chile and ¥20,153 million from investments in iron ore mining projects in Australia due to the anticipated decrease in the estimated future cash flows following the decline in commodity prices, etc. The impairment losses were calculated using the recoverable amounts measured at value in use based on discounted future cash flows, and the total amount of the recoverable amounts was ¥136,814 million. The discount rate used in the value in use calculations ranged from 6.6% to 9.2% and reflected current market assessments of the time value of money and risks specific to the assets. Discounted future cash flows used in the value in use calculations were calculated by referring to prices such as long-term prices, published by external organisations such as brokers. These impairment losses were included in "Share of profits of associates and joint ventures" in the Consolidated Statement of Comprehensive Income.

The aggregate carrying amount of investments in joint ventures accounted for under the equity method in the Consolidated Statement of Financial Position and the Companies' share of comprehensive income were ¥720,134 million and ¥6,099 million, respectively. The share of comprehensive income consisted of ¥17,744 million in profit for the year and ¥(11,645) million in other comprehensive income (loss).

The share of losses of associates and joint ventures accounted for under the equity method for which recognition was discontinued amounted to ¥22,738 million (a ¥8,470 million decrease for the current year). This unrecognised share of losses mainly consisted of remeasurement losses on cash flow hedges executed by joint ventures.

Certain associates and joint ventures procure funds through project financing, and impose restrictions on the use of cash deposits.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

14. Financial Instruments and Related Disclosures

(1) Policy for managing capital

The fundamental policy of the Companies is to maintain an optimal mix of funding in line with the requirements of the asset portfolio. Funding sources include indirect financial procurement firstly from banks and other financial institutions, as well as direct procurement through the issuance of bonds, commercial paper and other means. The Companies utilise such management indicators as net D/E ratio (Note 1) and risk assets (Note 2) and strengthen the financial base to establish a strong earnings structure and a solid financial footing that can withstand changes in the business environment while attaining sustainable growth.

Note 1 Net D/E ratio = Net interest bearing debt / Total equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents, and time deposits from the total bonds and borrowings (current and non-current).

Note 2 The Company defines risk assets as the exposure of its portfolio to the maximum possible loss that could be incurred on a consolidated basis, measured using the Value at Risk method. The Company conducts computer simulations on all group assets including the assets of the consolidated subsidiaries that take into account the risk attributes of each type of exposure such as country risk, industry risk, credit rating of the customers, and scheduled due dates of receivables.

At the group level, the target net D/E ratio had been set at approximately 1.3 times by the end of the year ending March 31, 2019 under the three-year mid-term management plan, “Global Challenge 2018”, which commenced April 2016. However, in the “Revised GC2018” released on May 9, 2017, the target net D/E ratio was revised to approximately 1.0 times by the end of the year ending March 31, 2019, based on the basic policy of further reinforcing the Group's financial foundation and evolving its business strategy. Management regularly monitors the net D/E ratio as a target management indicator.

The Companies are not subject to any significant capital restrictions (with the exception of general restrictions pursuant to laws such as the Companies Act of Japan).

(2) Policy for managing risks

The Companies conduct business activities in various countries including Japan and are, thus, subject to the effects of interest rate risks, exchange rate risks, credit risks, commodity price risks, liquidity risks and stock price fluctuation risks described below. The Companies evaluate these risks through monitoring on a regular basis and manage these risks under an identical risk management policy, regardless of the application of hedge accounting, in order to hedge all or part of these risks. In principle, the hedged items and the hedging instruments are based on the same underlying and have an economic relationship. Additionally, the hedge ratio is on a one-to-one basis so that the risk exposure of the hedged items is effectively reduced.

(i) Management of interest rate risks

Since the Companies have raised certain funds at floating interest rates, they are exposed to the risk of an increase in interest expense in the event of a hike in market interest rates. The majority of liabilities at floating rates correspond to notes, trade accounts and loans receivable, which are positively affected by changes in interest rates. Interest insensitive assets such as certain fixed assets and investment securities will also possibly produce an increase in dividends and other income because of a rise in market interest rates. The Companies cannot completely avoid interest rate risks, however, risk exposure is limited by the portfolio of assets and liabilities held.

In addition, among the liabilities used to fund interest insensitive assets, such as certain fixed assets and investment securities, that portion with floating rates is categorised as “unhedged” based on the Group's asset-liability management. Monitoring market movements in interest rates, the Group utilises interest rate swaps and takes other measures to mitigate the risk of interest rate fluctuations.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Interest rate sensitivity

The following table illustrates the impact of a 1% rise in interest rates on profit before tax of the Companies at March 31, 2017 and 2016 assuming that all other variables are held constant.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Effect on profit before tax	¥(13,596)	¥(18,117)	\$(121,393)

(ii) Management of foreign currency risks

The Companies conduct transactions in a variety of currencies and are, thus, subject to the effects of exchange rate fluctuation risks associated with business activities conducted in foreign currencies and with net investments in foreign operations. In order to hedge the risks associated with business activities, i.e., the risk of changes in cash flows of foreign currency denominated receivables, payables, firm commitments and forecast transactions, and the risk of changes in fair value of foreign currency denominated receivables, payables and firm commitments; as well as the exchange rate fluctuation risk of net investments in foreign operations, the Companies utilise forward-exchange contracts, foreign currency denominated bonds and borrowings, currency swaps and other means to mitigate these risks associated with exchange rate fluctuations.

Foreign exchange sensitivity

The following table illustrates the impact of an appreciation of the Japanese yen by ¥1 against the US\$ and AU\$ on profit before tax and equity of the Companies, assuming that all other variables are held constant at March 31, 2017 and 2016. A depreciation of the Japanese yen by ¥1 against the US\$ and AU\$, assuming that all other variables are held constant, would result in the opposite impact on profit before tax and equity of the Companies of the amounts shown in the following table. Currencies other than the US\$ and AU\$, there are no foreign currencies that pose a significant exchange rate fluctuation risk.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
<U.S. dollars>			
Effect on profit before tax	¥279	¥292	\$2,491
Effect on foreign currency translation adjustments (before tax)	(5,951)	(6,538)	(53,134)
<Australian dollars>			
Effect on profit before tax	38	33	339
Effect on foreign currency translation adjustments (before tax)	(1,807)	(385)	(16,134)

(iii) Management of credit risks

The Companies carry out general trading business, which comprise export, import, domestic and offshore trading in a wide variety of fields including industrial, agricultural and consumer products, and which also involves all levels of activities from planning, investment, and research and development through production, distribution and marketing. In addition, the Companies operate in substantially all geographic areas of the world, and their customers are diversified. Accordingly, the management of the Companies believes there is no significant concentration of credit risk among its customers or in its investments. The Companies require collateral to the extent considered necessary.

The carrying amount of the financial assets of the Companies after impairment represent the maximum exposure to credit risk that does not take into account collateral and other credit enhancements.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(iv) Management of commodity price risks

The Companies are subject to the effects of fluctuation risk of oil and gas, coal, aluminum, copper, and agricultural product prices. The Companies match buy and sell orders and use commodity derivatives including commodity futures, commodity forward contracts, commodity swaps and commodity options to mitigate the fluctuation risks of commodity prices. Additionally, certain commodity derivatives are entered into for trading purposes within pre-determined limits and loss limits.

Commodity price sensitivity

The fluctuation risk of commodity prices on inventories, and purchase and sales contracts at the end of year is substantially diminished through commodity derivatives and other means. Additionally, the impact of changes in the fair value of commodity derivatives for trading purposes is not significant.

(v) Management of liquidity risk

The Companies are subject to the effects of liquidity risk including the dramatic decline in liquidity of held assets due to financial market turmoil. The Companies maintain a sufficient level of liquidity, mainly in the form of cash and deposits, in addition to cash flows from operating activities and the establishment of commitment lines with financial institutions.

The following table illustrates the results of a liquidity analysis conducted on the derivatives of the Companies at March 31, 2017 and 2016. Derivatives that are settled net with other contracts are represented as gross amounts.

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Not later than one year	More than one year	Not later than one year	More than one year	Not later than one year	More than one year
Revenue						
Interest rate	¥6,290	¥24,426	¥6,684	¥31,931	\$56,161	\$218,089
Foreign currency	10,758	1,830	22,760	1,733	96,054	16,339
Commodity	66,908	15,758	96,972	4,503	597,393	140,696
Other	—	—	—	—	—	—
Expense						
Interest rate	(15)	(825)	(150)	(2,488)	(134)	(7,366)
Foreign currency	(25,275)	(1,097)	(10,519)	(2,067)	(225,670)	(9,795)
Commodity	(57,747)	(4,006)	(74,206)	(2,735)	(515,598)	(35,768)
Other	—	0	—	(100)	—	0

For the liquidity analysis of non-derivative financial liabilities, see (3) Fair value of financial instruments.

(vi) Management of stock price fluctuation risk

The Companies hold equity instruments (stocks) mainly for the purpose of strengthening relationships with business partners and are, thus, subject to the effects of stock price fluctuations. The Companies regularly review their holding of stocks, and by disposing of stocks that are no longer considered worthwhile holding, mitigate the risk of fluctuations in stock prices.

Sensitivity to stock price fluctuations

In terms of equity instruments (stocks) in active markets, if quoted prices drop 5% across the board at the year end, the negative impact (before tax) on “Gains (losses) on financial assets measured at fair value through other comprehensive income” of the Companies for the years ended March 31, 2017 and 2016 would be ¥(9,261) million (\$ (82,688) thousand) and ¥(8,811) million, respectively; while the impact on profit or loss would be minimal.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(3) Fair value of financial instruments

(i) Fair value measurement methods

The estimated fair value of the financial instruments of the Companies has been determined using available market information or other appropriate valuation methodologies.

The following methodologies and assumptions are used by the Companies in estimating the fair value disclosures of financial instruments:

Cash and cash equivalents, and time deposits: Cash and cash equivalents, and time deposits are measured at amortised cost, and their carrying amount in the Consolidated Statement of Financial Position approximate fair value due to the relative short-term maturities.

Investment securities and other investments: The fair value of investment securities in active markets is measured on the basis of quoted prices at the year end.

The fair value of equity financial assets in markets that are not active and debt instrument financial assets classified as Financial assets measured at FVTPL is measured on the basis of discounted future cash flows, third-party valuations and other valuation methods.

The fair value of debt instrument financial assets measured at amortised cost is estimated using discounted future cash flows based on the market interest rates at the year end applicable to debt instrument financial assets with identical remaining periods and similar credit ratings.

Notes, trade accounts and loans receivable, and notes and trade accounts payable: The fair value of notes, trade accounts and loans receivable, and notes and trade accounts payable is estimated using discounted future cash flows based mainly on the interest rates at the year end applicable to notes, trade accounts and loans receivable, and notes and trade accounts payable with identical remaining periods and similar credit ratings.

Bonds and borrowings: The fair value of bonds and borrowings is estimated using discounted future cash flows based on the interest rates at the year end applicable to similar loan agreements with identical remaining periods.

Other financial assets and liabilities: Other financial assets and other financial liabilities include derivative assets and derivative liabilities as well as non-derivative assets and non-derivative liabilities.

The carrying amounts of derivative assets and derivative liabilities reflected in the Consolidated Statement of Financial Position represent fair value.

Non-derivative assets mainly consist of other receivables from customers, and have been measured at amortised cost, with the exception of Financial assets measured at FVTPL.

Non-derivative liabilities mainly consist of other payables to customers and payables relating to consideration for notes, trade accounts and loans receivable that have been transferred without satisfying the criteria for derecognition of financial assets, and have been measured at amortised cost.

The carrying amounts of non-derivative assets and non-derivative liabilities measured at amortised cost reflected in the Consolidated Statement of Financial Position approximate fair value.

Interest rate swap agreements: The fair value of interest rate swap agreements is estimated using discounted future cash flows based on the swap rates at the year end applicable to similar interest rate swap agreements with identical remaining periods.

Forward exchange contracts: The fair value forward exchange contracts is estimated based on quoted prices at the year end.

Commodity futures and forward contracts: The fair value of commodity futures and forward contracts is estimated based on quoted prices at the year end.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(ii) Notes, trade accounts and loans receivable

The carrying amounts of notes, trade accounts and loans receivable at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Notes receivable	¥74,228	¥90,959	\$662,750
Trade accounts receivable	1,215,018	1,237,893	10,848,375
Loans receivable	144,874	150,047	1,293,518
Allowance for doubtful accounts	(35,767)	(39,882)	(319,348)
Total	¥1,398,353	¥1,439,017	\$12,485,295

Notes, trade accounts and loans receivable subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset, while all other notes, trade accounts and loans receivable are substantially measured at amortised cost.

Notes, trade accounts and loans receivable measured at FVTPL were ¥43,482 million (\$388,232 thousand) and ¥50,208 million at March 31, 2017 and 2016, respectively.

The fair value of notes, trade accounts and loans receivable measured at amortised cost was ¥1,355,261 million (\$12,100,545 thousand) and ¥1,389,563 million at March 31, 2017 and 2016, respectively.

Notes, trade accounts and loans receivable that were transferred without meeting the criteria for derecognition and therefore continued to be recognised by the Company at March 31, 2017 and 2016 were ¥129,871 million (\$1,159,563 thousand) and ¥127,466 million, respectively, and have been included in "Notes, trade accounts and loans receivable". Correspondingly amounts received from such transfers of ¥61,378 million (\$548,018 thousand) and ¥73,162 million, respectively, have been included in "Other current financial liabilities". In terms of these notes, trade accounts, and loans receivable, the Companies have been judged to substantially retain all the risks and rewards of ownership of the transferred assets, as the Companies assume payment obligations in the event of default by the drawer or the obligor.

Of the amounts above, notes, trade accounts and loans receivable for which the transferee has the right to recourse to the transferred assets only were ¥90,757 million (\$810,330 thousand) and ¥96,394 million, and the carrying amount of the related liabilities were ¥22,285 million (\$198,973 thousand) and ¥42,101 million at March 31, 2017 and 2016, respectively. These carrying amounts approximate their respective fair values.

Additionally, certain notes, trade accounts and loans receivable transferred continue to be recognised as assets to the extent of continuing involvement, due to the Companies assuming partial payment obligations in the event of a default by the obligor or due to the Companies having been determined to retain control over the said notes, trade accounts and loans receivable. At March 31, 2017 and 2016, the carrying amounts prior to transfer of the said notes, trade accounts and loans receivable were ¥854 million (\$7,625 thousand) and ¥1,450 million, respectively, and the carrying amounts of assets continued to be recognised by the Companies due to continuing involvement and the related liabilities in the same amounts were ¥140 million (\$1,250 thousand) and ¥251 million, respectively.

Changes in allowance for doubtful accounts for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Balance at beginning of year	¥39,882	¥31,212	\$356,089
Provision for the year	4,191	5,476	37,420
Charge-offs	(13,386)	(2,491)	(119,518)
Others	5,080	5,685	45,357
Balance at end of year	¥35,767	¥39,882	\$319,348

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Notes, trade accounts and loans receivable for which impairment was recognised at March 31, 2017 and 2016 were ¥34,738 million (\$310,161 thousand) and ¥31,268 million, respectively; and their corresponding allowances for doubtful accounts were ¥27,711 million (\$247,420 thousand) and ¥24,049 million, respectively. The Companies have determined that the difference between the carrying amounts of the notes, trade accounts and loans receivable and their respective allowances will be recoverable through the collection of collateral and other means.

The Companies, as part of their accounts receivable management policy, consider financing receivables 90 days past due as delinquent and strengthen procedures over collection. Notes, trade accounts and loans receivable that were past due but not impaired at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than 90 days	¥42,761	¥34,859	\$381,795
Later than 90 days	20,581	16,219	183,759
Total	¥63,342	¥51,078	\$565,554

(iii) Investment securities and other investments

The carrying amounts of investment securities and other investments at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Investment securities			
Amortised cost	¥10,075	¥10,075	\$89,956
Total	¥10,075	¥10,075	\$89,956
Other investments			
FVTPL	¥2,832	¥13,822	\$25,286
FVTOCI	328,901	326,526	2,936,616
Amortised cost	2,708	7,715	24,178
Total	¥334,441	¥348,063	\$2,986,080

Debt in the form of other investments subsequently measured at FVTPL have been classified as such based on the Company's business model and the contractual cash flow characteristics of the financial asset.

At March 31, 2017 and 2016, other investments measured at FVTPL mainly consisted of investments in funds.

Investment securities and other investments measured at amortised cost mainly consisted of government and corporate bonds, and their amortised cost approximated their fair values at March 31, 2017 and 2016.

Equity instruments measured at fair value within other investments held by the Company and certain of its consolidated subsidiaries, included investments made mainly for the purpose of maintaining and strengthening relationships with business partners which have been classified as subsequently measured at FVTOCI. Said financial assets as FVTOCI mainly consisted of common stock and details of their fair values at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
With quoted prices in active markets	¥185,210	¥176,216	\$1,653,661
Without quoted prices in active markets	143,691	150,310	1,282,955
Total	¥328,901	¥326,526	\$2,936,616

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Major issuers of other investments measured at FVTOCI with quoted prices in active markets at March 31, 2017 and 2016 were as follows:

Stocks	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
YAMAZAKI BAKING CO., LTD.	¥18,700	¥19,361	\$166,964
Anhui Guozhen Environment Protection Technology Joint Stock Co., Limited.	15,427	18,923	137,741
NISSHIN SEIFUN GROUP INC.	10,439	11,243	93,205
INPEX CORPORATION	10,167	7,928	90,777
AEON CO., LTD.	9,061	9,062	80,902
Dai-ichi Life Holdings, Inc.	8,735	5,961	77,991
Okamoto Industries, Inc.	8,588	6,850	76,679
ISUZU MOTORS LIMITED	6,439	5,081	57,491
SAPPORO HOLDINGS LIMITED	4,964	4,618	44,321
Tokio Marine Holdings, Inc.	4,281	3,464	38,223

Other investments measured at FVTOCI that do not have quoted prices in active markets comprised investments in resources, materials, machinery and lifestyle related businesses. At March 31, 2017 and 2016, investments in resources related businesses were ¥77,413 million (\$691,187 thousand) and ¥88,919 million, respectively, while investments in other areas were ¥66,278 million (\$591,768 thousand) and ¥61,391 million, respectively.

Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2017 was ¥17,301 million (\$154,473 thousand), of which dividend income on investments held at March 31, 2017 was ¥16,563 million (\$147,884 thousand). Dividend income recognised on other investments measured at FVTOCI for the year ended March 31, 2016 was ¥18,018 million, of which dividend income on investments held at March 31, 2016 was ¥17,164 million.

Gains and losses on Financial assets measured at FVTOCI relating to other investments measured at FVTOCI recognised within Equity in the Consolidated Statement of Financial Position that relate to the portion of investments that were derecognised or of which the decline in fair value compared with its acquisition cost is significant and other than temporary for the year have been reclassified to retained earnings. Amounts of reclassified items (after tax) for the years ended March 31, 2017 and 2016 were ¥328 million (\$2,929 thousand) (losses) and ¥4,060 million (gains), respectively.

Other investments measured at FVTOCI that were disposed of due to revisions of business strategies and other reasons for the years ended March 31, 2017 and 2016 were as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Fair value at derecognition	¥25,768	¥44,491	\$230,071
Cumulative gains (losses) at derecognition	(2,094)	15,692	(18,696)
Dividend income on the derecognised investments	738	854	6,589

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(iv) Notes and trade accounts payable

The carrying amounts of notes and trade accounts payable at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Notes payable	¥258,254	¥241,624	\$2,305,839
Trade accounts payable	1,003,182	997,184	8,956,982
Total	¥1,261,436	¥1,238,808	\$11,262,821

Notes and trade accounts payable are measured at amortised cost.

The carrying amounts of notes and trade accounts payable approximated their fair value at March 31, 2017 and 2016.

The future contract due dates of notes and trade accounts payable at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than one year	¥1,243,087	¥1,221,150	\$11,098,991
Later than one year	18,349	17,658	163,830

(v) Bonds and borrowings

The carrying amounts of bonds and borrowings at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Bonds	¥376,404	¥428,930	\$3,360,750
Borrowings	2,429,734	2,939,395	21,694,054
Total	¥2,806,138	¥3,368,325	\$25,054,804

Bonds and borrowings are measured at amortised cost.

The fair values of bonds and borrowings at March 31, 2017 and 2016 were ¥2,806,133 million (\$25,054,759 thousand) and ¥3,368,796 million, respectively, and were categorised as Level 3.

The future contract due dates of bonds and borrowings at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Not later than one year	¥680,008	¥665,969	\$6,071,500
Later than one year and not later than five years	1,258,369	1,717,620	11,235,438
Later than five years	1,017,340	1,073,196	9,083,393

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Details of bonds and borrowings at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
0.23% - 2.55% unsecured bonds payable in Japanese yen with final maturity in 2029	¥358,000	¥408,000	\$3,196,429
3.97% bonds payable in Australian dollars due 2017	9,442	9,488	84,304
Short-term borrowings principally at rates from 0.30% to 4.31%	222,733	323,187	1,988,687
Long-term borrowings due serially through 2031 principally at rates from 0.01% to 8.75%	2,207,001	2,616,208	19,705,366
(Current portion of long-term borrowings)	(340,835)	(273,302)	(3,043,170)
Other	8,962	11,442	80,018
Total	¥2,806,138	¥3,368,325	\$25,054,804

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(vi) Finance income (expenses)

Each component of finance income (expenses) for the years ended March 31, 2017 and 2016 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Interest income:			
Financial assets measured at amortised cost	¥16,213	¥14,602	\$144,759
Total	¥16,213	¥14,602	\$144,759
Interest expenses:			
Financial liabilities measured at amortised cost	¥(36,887)	¥(36,693)	\$(329,348)
Other	3,569	3,065	31,866
Total	¥(33,318)	¥(33,628)	\$(297,482)
Dividend income:			
Financial assets measured at FVTPL	¥211	¥537	\$1,884
Financial assets measured at FVTOCI	17,301	18,018	154,473
Total	¥17,512	¥18,555	\$156,357
Gains (losses) on investment securities:			
Financial assets measured at FVTPL	¥(255)	¥(2,873)	\$(2,277)
Other	11,257	77,179	100,509
Total	¥11,002	¥74,306	\$98,232

“Other” within “Interest expenses” mainly included gains and losses from derivative transactions.

“Other” within “Gains (losses) on investment securities” mainly included gains (losses) accompanying the loss of control of subsidiaries, gains (losses) accompanying the loss of significant influence, gains (losses) on disposal of investments and impairment losses (refer to Note 13. Associates and Joint Ventures) with respect to associates and joint ventures. For the years ended March 31, 2017 and 2016, gains (losses) on disposal of subsidiaries and other were ¥9,165 million (\$81,830 thousand) (gains) and ¥32,624 million (gains), respectively. Included in the amounts, gains (losses) on the remeasurement to fair value of residual interests in the former subsidiaries at the date of loss of control for the years ended March 31, 2017 and 2016 were ¥3,814 million (\$34,054 thousand) (losses) and ¥30,817 million (gains), respectively.

In respect of gains (losses) accompanying the loss of control of subsidiaries in the year ended March 31, 2016, the Company concluded a share transfer agreement with regard to the shares of Marubeni Rail Transport Inc. (“MRTI”), a holding company of Midwest Railcar Corporation, which is engaged in the leasing of railroad freight cars in North America. As a result of this agreement, the Company was required to obtain the consent of the transferee for major business decisions. Accordingly, the Company recognised a gain on remeasurement to fair value of ¥30,097 million.

In respect of gains (losses) accompanying the loss of significant influence over associates in the year ended March 31, 2016, the approval of the partial disposal of its shares in Anhui Guozhen Environment Protection Science and Technology Joint Stock Co., Ltd. (“Anhui Guozhen”), the Company’s affiliate engaged in the sewage treatment business in China, from Anhui Guozhen, the Company relinquished its voting rights corresponding to the number of shares to be sold prior to the disposal of the shares. Accordingly, the Company recognised a gain on remeasurement to fair value of ¥39,800 million.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(vii) Fair value measurements

The Companies measure certain assets and liabilities at fair value. The inputs used in the fair value measurement are categorised into three levels based upon the observability of the inputs in markets.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Companies can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Unobservable inputs for the assets or liabilities

The financial assets and liabilities measured at fair value by the Companies on a recurring basis at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>								<i>Thousands of U.S. dollars</i>			
	March 31, 2017				March 31, 2016				March 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:												
Non-derivative Financial assets measured at FVTPL:												
Notes, trade accounts and loans receivable	¥–	¥31,939	¥11,543	¥43,482	¥–	¥38,581	¥11,627	¥50,208	\$–	\$285,170	\$103,062	\$388,232
Other Investments (equity)	–	–	106	106	1,782	6,390	122	8,294	–	–	947	947
Other Investments (debt)	–	–	2,726	2,726	–	–	5,528	5,528	–	–	24,339	24,339
Other financial assets	–	–	12,882	12,882	–	–	12,526	12,526	–	–	115,018	115,018
Non-derivative Financial assets measured at FVTOCI:												
Other Investments	185,210	–	143,691	328,901	176,216	1,281	149,029	326,526	1,653,661	–	1,282,955	2,936,616
Derivative instruments:												
Interest rate contracts	–	28,823	–	28,823	–	36,947	–	36,947	–	257,348	–	257,348
Forward exchange contracts	–	12,563	–	12,563	–	24,493	–	24,493	–	112,170	–	112,170
Commodity contracts	9,795	52,194	1,006	62,995	9,223	56,579	2,018	67,820	87,455	466,018	8,982	562,455
Other	–	–	–	–	–	–	–	–	–	–	–	–
Liabilities:												
Derivative instruments:												
Interest rate contracts	–	(497)	–	(497)	–	(2,138)	–	(2,138)	–	(4,438)	–	(4,438)
Forward exchange contracts	–	(26,347)	–	(26,347)	–	(12,586)	–	(12,586)	–	(235,241)	–	(235,241)
Commodity contracts	(6,611)	(35,123)	(348)	(42,082)	(3,110)	(41,259)	(663)	(45,032)	(59,027)	(313,598)	(3,107)	(375,732)
Other	–	–	0	0	–	–	(100)	(100)	–	–	0	0

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Other investments categorised as Level 1 mainly consist of marketable equity securities in active markets. Derivative instruments categorised as Level 1 consist of derivatives related to commodity contracts. These assets are measured at quoted prices in active markets without adjustment.

Notes, trade accounts and loans receivable categorised as Level 2 consist of notes and trade accounts receivable that are settled at future market prices; and other investments categorised as Level 2 consist of equity securities traded on markets that are not active. Derivative instruments categorised as Level 2 consist of interest rate swaps, forward exchange contracts and derivatives related to commodity contracts. These assets and liabilities are mainly measured based on quoted prices of identical assets not categorised as Level 1 in markets that are not active or similar assets or liabilities in active markets, and measurement is based mainly on a market approach using observable inputs, such as prices in commodity markets, foreign exchange rates and interest rates.

Other investments categorised as Level 3 mainly consist of equity securities in inactive markets; and derivative instruments categorised as Level 3 mainly consist of derivatives related to commodity contracts. These assets and liabilities are measured mainly based on an income approach using inputs that are reasonably available or inputs many market participants use with reasonable confidence because observable inputs are not available due to a lack of similar assets or liabilities in active markets or distortive market prices resulting from dramatic liquidity decreases and such like.

Significant unobservable inputs used in the fair value measurement of investments whose fair values are measured on a recurring basis categorised as Level 3 are discount rates. Fair value decreases (increases) as the discount rate rises (declines). At March 31, 2017 and 2016, discount rates used in fair value measurement by the Companies range from 6.5% to 11.7% and 5.8% to 13.3%, respectively.

The Companies recognise transfers of assets and liabilities between Levels of the fair value hierarchy at the end of each quarterly period.

During the years ended March 31, 2017 and 2016, there were no significant transfers between Levels 1 and 2.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis by the Companies for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>					
	Non-derivative Financial assets measured at FVTPL			Non-derivative Financial assets measured at FVTOCI	Derivative instruments	
March 31, 2017	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
Balance at beginning of year	¥11,627	¥5,650	¥12,526	¥149,029	¥1,355	¥(100)
Gains (losses) in profit or loss	(33)	(236)	4,913	—	2,291	69
Gains (losses) in other comprehensive income	—	—	—	(6,095)	—	—
Purchases	—	229	—	339	—	27
Sales/Redemptions	—	(1,273)	(4,538)	(7,727)	—	—
Settlements	—	—	—	—	(2,955)	—
Transfers	—	(1,500)	—	3,482	(2)	—
Effects of acquisition and divestitures	—	—	—	(26)	—	—
Net transfers in and/or (out) of Level 3	—	—	—	—	—	—
Other	(51)	(38)	(19)	4,689	(31)	4
Balance at end of year	¥11,543	¥2,832	¥12,882	¥143,691	¥658	¥0
Gains (losses) in assets and liabilities held at end of year	¥(33)	¥(236)	¥4,913	¥—	¥637	¥96

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

<i>Thousands of U.S. dollars</i>						
	Non-derivative Financial assets measured at FVTPL			Non-derivative Financial assets measured at FVTOCI	Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
March 31, 2017						
Balance at beginning of year	\$103,813	\$50,446	\$111,839	\$1,330,616	\$12,098	\$(893)
Gains (losses) in profit or loss	(295)	(2,107)	43,866	–	20,455	616
Gains (losses) in other comprehensive income	–	–	–	(54,420)	–	–
Purchases	–	2,045	–	3,027	–	241
Sales/Redemptions	–	(11,366)	(40,518)	(68,991)	–	–
Settlements	–	–	–	–	(26,384)	–
Transfers	–	(13,393)	–	31,089	(18)	–
Effects of acquisition and divestitures	–	–	–	(232)	–	–
Net transfers in and/or (out) of Level 3	–	–	–	–	–	–
Other	(456)	(339)	(169)	41,866	(276)	36
Balance at end of year	\$103,062	\$25,286	\$115,018	\$1,282,955	\$5,875	\$0
Gains (losses) in assets and liabilities held at end of year	\$(295)	\$(2,107)	\$43,866	\$–	\$5,688	\$857

<i>Millions of yen</i>						
	Non-derivative Financial assets measured at FVTPL			Non-derivative Financial assets measured at FVTOCI	Derivative instruments	
	Notes, trade accounts and loans receivable	Other investments	Other financial assets	Other investments	Commodity contracts	Other contracts
March 31, 2016						
Balance at beginning of year	¥12,228	¥15,917	¥15,079	¥213,047	¥1,064	¥–
Gains (losses) in profit or loss	172	203	2,845	–	2,000	(35)
Gains (losses) in other comprehensive income	–	–	–	(39,280)	–	–
Purchases	–	264	–	10	–	14
Sales/Redemptions	–	(2,270)	(4,602)	(16,637)	–	–
Settlements	–	–	–	–	(1,622)	(86)
Transfers	–	–	–	(767)	1	–
Effects of acquisition and divestitures	–	–	–	–	–	–
Net transfers in and/or (out) of Level 3	–	(8,370)	–	(1,455)	–	–
Other	(773)	(94)	(796)	(5,889)	(88)	7
Balance at end of year	¥11,627	¥5,650	¥12,526	¥149,029	¥1,355	¥(100)
Gains (losses) in assets and liabilities held at end of year	¥172	¥250	¥2,845	¥–	¥1,444	¥(107)

Gains and losses on the above assets and liabilities, gains and losses on other investments are included in “Gains (losses) on investment securities”, gains and losses on other financial assets are included in “Sales of goods” or “Cost of goods sold”, and gains and losses on derivatives are included in “Cost of goods sold” or “Other-net” in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Additionally, “Other” above mainly consists of “Foreign currency translation adjustments” in the Consolidated Statement of Comprehensive Income.

The relevant division of the Company, upon determining the valuation method of the applicable assets and liabilities, measures the fair value of assets and liabilities categorised as Level 3, according to valuation policies and procedures stipulated by the Company. Additionally, appropriate third-party valuations are obtained, as necessary. The results of fair value measurements are then reviewed by the Corporate Staff Group, which is independent from the division responsible for the fair value measurement.

If the inputs used to measure “Other investments measured at FVTOCI” among the assets categorised as Level 3 were to be changed, there were no significant changes of the fair value at March 31, 2017 and 2016.

(4) Offsetting financial assets and financial liabilities

At March 31, 2017 and 2016, among the financial assets and financial liabilities recognised with the same counterparty, the financial instruments offset in accordance with the criteria for offsetting financial assets and financial liabilities and the financial instruments not offset as a result of not meeting some or all of the offsetting criteria despite being subject to an enforceable master netting arrangement or similar agreement, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Gross amounts of recognised financial assets	¥140,048	¥113,933	\$1,250,429
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(50,104)	(42,521)	(447,357)
Net amount presented in the Consolidated Statement of Financial Position	89,944	71,412	803,072
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(54,998)	(58,278)	(491,054)
Net amount	¥34,946	¥13,134	\$312,018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Gross amounts of recognised financial liabilities	¥136,422	¥125,609	\$1,218,054
Amounts offset in accordance with the criteria for offsetting of financial assets and liabilities	(50,104)	(42,521)	(447,357)
Net amount presented in the Consolidated Statement of Financial Position	86,318	83,088	770,697
Amounts not offset due to not meeting some or all of the offsetting criteria for offsetting financial assets and liabilities despite being subject to an enforceable master netting arrangement or similar agreement	(54,998)	(58,278)	(491,054)
Net amount	¥31,320	¥24,810	\$279,643

Generally, the set-off rights on financial instruments that do not meet some or all of the offsetting criteria for offsetting financial assets and financial liabilities become enforceable only under special circumstances, such as when the counterparty can no longer fulfill its obligations due to bankruptcy and other reasons.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(5) Derivative instruments and hedging activities

Fair value hedges

The Company and certain of its consolidated subsidiaries mainly designate, as fair value hedges, currency swap agreements, which hedge the risk of changes in the fair value of foreign currency denominated receivables and payables, and foreign currency denominated firm commitments; commodity futures and forward contracts, which hedge volatility risk of the fair value of inventories and firm commitments on commodity transactions; and interest rate swaps, which convert fixed interest rates on assets and liabilities to floating interest rates.

For the years ended March 31, 2017 and 2016, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts recognised in profit or loss due to firm commitments becoming ineligible as hedged items were immaterial.

Cash flow hedges

The Company and certain of its consolidated subsidiaries mainly designate, as cash flow hedges, forward exchange contracts, which hedge the cash flows of foreign currency denominated receivables and payables, foreign currency denominated firm commitments and foreign currency denominated forecast transactions; interest rate swaps, which convert floating interest rates on assets and liabilities to fixed interest rates; and commodity futures and forward contracts, which hedge the cash flows of forecasted transactions on commodity transactions. For the years ended March 31, 2017 and 2016, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. Additionally, the effects of discontinuing hedge accounting and the amounts of gains (losses) on cash flow hedges reclassified to profit or loss because the forecast transactions no longer were expected to occur were immaterial.

Hedges of net investments in foreign operations

The Company and certain of its consolidated subsidiaries use foreign currency denominated bonds and borrowings, and forward exchange contracts to hedge foreign exchange fluctuation risks of net investments in foreign operations. For the years ended March 31, 2017 and 2016, there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2017 and 2016, the carrying amounts of hedging instruments to which the Company and certain of its consolidated subsidiaries applied hedge accounting by risk category for each type of hedge were as follows:

	Millions of yen				Thousands of U.S. dollars		Line item in the Consolidated Statement of Financial Position
	March 31, 2017		March 31, 2016		March 31, 2017		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Fair value hedges:							
Interest rate risk	¥28,807	¥(371)	¥36,937	¥(430)	\$257,205	\$(3,313)	(Note 1)
Foreign exchange risk	—	—	—	(70)	—	—	
Commodity price risk	1,777	(1,147)	1,949	(1,610)	15,866	(10,241)	
Total	¥30,584	¥(1,518)	¥38,886	¥(2,110)	\$273,071	\$(13,554)	
Cash flow hedges:							
Interest rate risk	¥16	¥(92)	¥10	¥(1,702)	\$143	\$(821)	(Note 2)
Foreign exchange risk	3,551	(10,513)	2,357	(19,801)	31,705	(93,866)	
Commodity price risk	13,554	(3,723)	1,654	(186)	121,018	(33,241)	
Total	¥17,121	¥(14,328)	¥4,021	¥(21,689)	\$152,866	\$(127,928)	
Hedges of net investments in foreign operations	¥1,127	¥(320,726)	¥2,554	¥(565,650)	\$10,063	\$(2,863,625)	(Note 3)
Total financial instruments to which hedge accounting was applied	¥48,832	¥(336,572)	¥45,461	¥(589,449)	\$436,000	\$(3,005,107)	

- Notes: (1) “Other current financial assets”, “Other non-current financial assets”, “Other current financial liabilities” and “Other non-current financial liabilities”
- (2) “Other current financial assets”, “Other non-current financial assets”, “Notes and trade accounts payable”, “Other current financial liabilities” and “Other non-current financial liabilities”
- (3) “Other current financial assets”, “Bonds and borrowings” and “Other current financial liabilities”

In addition to the above, the fair values of derivative assets and liabilities to which hedge accounting was not applied at March 31, 2017 and 2016 were ¥55,647 million (\$496,848 thousand) and ¥39,817 million (\$355,509 thousand) and ¥83,885 million and ¥48,151 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2017 and 2016, the profile of the timing of the nominal amount and the average price or rate of the main hedging instruments were as follows:

March 31, 2017

			Not later than one year	Later than one year and not later than five years	Later than five years	Total	
Fair value hedges	Soy bean futures and forward contracts	Buy	Nominal amount (MT)	8,021,144	—	8,021,144	
			Average price (U.S. dollars/MT)	374.35	—	374.35	
		Sell	Nominal amount (MT)	7,022,224	—	7,022,224	
			Average price (U.S. dollars/MT)	378.23	—	378.23	
	Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	83,642	421,600	260,010	765,252
	Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	157	0	—
Average rate (Yen/U.S. dollars)				111.88	113.96	—	111.89
Buy U.S. dollars/Sell yen			Nominal amount (Millions of U.S. dollars)	1,048	189	40	1,277
			Average rate (Yen/U.S. dollars)	110.74	106.66	97.98	109.65
Hedges of net investments in foreign operations	Forward exchange contracts and borrowings (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	161	1,665	749	2,575
			Average rate (Yen/U.S. dollars)	99.59	99.69	109.46	102.53
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	5,000	—	—	5,000
			Average rate (Yen/U.S. dollars)	101.97	—	—	101.97

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

March 31, 2016

			Not later than one year	Later than one year and not later than five years	Later than five years	Total			
Fair value hedges	Soy bean futures and forward contracts	Buy	Nominal amount (MT)	6,670,256	—	—	6,670,256		
			Average price (U.S. dollars/MT)	325.98	—	—	325.98		
		Sell	Nominal amount (MT)	7,874,400	—	—	7,874,400		
			Average price (U.S. dollars/MT)	331.83	—	—	331.83		
	Interest rate swaps, fixed to floating	—	Nominal amount (Millions of yen)	73,100	370,288	395,034	838,422		
	Cash flow hedges	Forward exchange contracts (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	321	9	—	330	
Average rate (Yen/U.S. dollars)				116.53	120.35	—	116.64		
Buy U.S. dollars/Sell yen			Nominal amount (Millions of U.S. dollars)	1,126	194	48	1,368		
			Average rate (Yen/U.S. dollars)	115.50	111.36	99.25	114.34		
Hedges of net investments in foreign operations			Forward exchange contracts and borrowings (U.S. dollars)	Buy yen/Sell U.S. dollars	Nominal amount (Millions of U.S. dollars)	2,794	2,411	774	5,979
					Average rate (Yen/U.S. dollars)	103.57	90.35	108.98	98.94
	Range forward contracts (U.S. dollars)	—	Nominal amount (Millions of U.S. dollars)	1,500	—	—	1,500		
			Average rate (Yen/U.S. dollars)	119.31	—	—	119.31		

The terms under the interest rate swaps of fair value hedges converting fixed interest rates to floating interest rates were principally receiving fixed interest rates from 0.1% to 2.0% and paying variable interest rates equivalent to the Japanese Bankers Association's 3-month or 6-month Japanese yen TIBOR.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2017 and 2016, the carrying amounts of hedged items which the Company and certain of its consolidated subsidiaries categorised as fair value hedges and the accumulated amounts of fair value hedge adjustments on the hedged items included in the carrying amounts of hedged items recognised in the Consolidated Statement of Financial Position were as follows:

March 31, 2017

March 31, 2017					Line item in the Consolidated Statement of Financial Position
	Millions of yen				
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥–	¥(909,830)	¥–	¥(28,578)	(Note 1)
Foreign exchange risk	3	–	3	–	(Note 2)
Commodity price risk	45,896	(48,280)	45,868	(48,277)	(Note 3)

	Thousands of U.S. dollars				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	\$—	\$(8,123,482)	\$—	\$(255,161)	(Note 1)
Foreign exchange risk	27	—	27	—	(Note 2)
Commodity price risk	409,786	(431,071)	409,536	(431,045)	(Note 3)

March 31, 2016

March 31, 2018	Millions of yen				Line item in the Consolidated Statement of Financial Position
	Carrying amounts		Accumulated amounts of fair value hedge adjustments		
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	¥17,803	¥(983,640)	¥149	¥(37,218)	(Note 1)
Foreign exchange risk	688	—	73	—	(Note 2)
Commodity price risk	29,598	(32,561)	28,033	(31,694)	(Note 3)

Notes: (1) “Notes, trade accounts and loans receivable (Current assets)” and “Bonds and borrowings”

(2) “Other current financial assets” and “Notes, trade accounts and loans receivable (Non-current assets)”

(3) “Other current financial assets” and “Other current financial liabilities”

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The amounts which the Company and certain of its consolidated subsidiaries recognise in the Consolidated Statement of Comprehensive Income on cash flow hedges and hedges of net investments in foreign operations (before tax) for the years ended March 31, 2017 and 2016 were as follows:

Year ended March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:					
Interest rate risk	¥298	¥1,116	\$2,661	\$9,964	Interest expenses
Foreign exchange risk	1,447	(3,669)	12,919	(32,759)	Other-net
Commodity price risk	9,589	(2,690)	85,616	(24,018)	Cost of goods sold
Total	¥11,334	¥(5,243)	\$101,196	\$(46,813)	
Hedges of net investments in foreign operations:	¥(7,564)	¥(882)	\$(67,536)	\$(7,875)	Other-net and gains (losses) on investment securities

Year ended March 31, 2016

	<i>Millions of yen</i>		Line item in the Consolidated Statement of Comprehensive Income corresponding to reclassification adjustment
	Hedging gains or losses	Amounts reclassified as reclassification adjustment	
Cash flow hedges:			
Interest rate risk	¥1,147	¥667	Interest expenses
Foreign exchange risk	1,177	4,235	Other-net
Commodity price risk	(55)	(162)	Cost of goods sold
Total	¥2,269	¥4,740	
Hedges of net investments in foreign operations:	¥49,274	¥2,521	Other-net and gains (losses) on investment securities

For the years ended March 31, 2017 and 2016, for hedges of net positions, there were no significant hedging gains or losses recognised as an individual account in the Consolidated Statement of Comprehensive Income.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Changes in other components of equity arising from cash flow hedges and hedges of net investments in foreign operations for the years ended March 31, 2017 and 2016 were as follows:

Year ended March 31, 2017

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(38,984)	¥(17,529)	¥(3,145)	¥(188,482)
Changes for the year	(3,838)	5,428	7,336	(5,128)
Reclassification to profit or loss for the year	9,440	(2,159)	(2,153)	(990)
Transfer to non-financial assets or non-financial liabilities	—	4,982	—	—
Balance at end of year	¥(33,382)	¥(9,278)	¥2,038	¥(194,600)

	<i>Thousands of U.S. dollars</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	\$(348,072)	\$(156,509)	\$(28,081)	\$(1,682,875)
Changes for the year	(34,268)	48,465	65,500	(45,786)
Reclassification to profit or loss for the year	84,286	(19,277)	(19,223)	(8,839)
Transfer to non-financial assets or non-financial liabilities	—	44,482	—	—
Balance at end of year	\$(298,054)	\$(82,839)	\$18,196	\$(1,737,500)

Year ended March 31, 2016

	<i>Millions of yen</i>			
	Cash flow hedges			Hedges of net investments in foreign operations
	Interest rate risk	Foreign exchange risk	Commodity price risk	Foreign exchange risk
Balance at beginning of year	¥(45,175)	¥(6,850)	¥(3,164)	¥(241,800)
Changes for the year	(7,101)	(5,398)	(3,264)	51,146
Reclassification to profit or loss for the year	13,292	4,056	3,283	2,172
Transfer to non-financial assets or non-financial liabilities	—	(9,337)	—	—
Balance at end of year	¥(38,984)	¥(17,529)	¥(3,145)	¥(188,482)

“Reclassification to profit or loss for the year” mainly represented the amounts transferred because the hedged items affected profit or loss.

There were no significant items excluded from the designation as the hedging instrument, such as the time value of option contracts, forward elements of forward contracts included in hedging instruments and foreign currency basis spreads of financial instruments.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Derivative assets included in “Other current financial assets” and “Other non-current financial assets” in the Consolidated Statement of Financial Position at March 31, 2017 and 2016 were ¥61,210 million (\$546,518 thousand) and ¥43,171 million (\$385,455 thousand), and ¥87,936 million and ¥41,324 million, respectively.

Additionally, at March 31, 2017 and 2016, non-derivative assets in “Other current financial assets” and “Other non-current financial assets” included Financial assets measured at FVTPL in the amounts of ¥12,882 million (\$115,018 thousand) and ¥12,526 million, respectively.

Derivative liabilities included in “Other current financial liabilities” and “Other non-current financial liabilities” in the Consolidated Statement of Financial Position at March 31, 2017 and 2016 were ¥65,993 million (\$589,223 thousand) and ¥2,933 million, (\$26,188 thousand) and ¥54,395 million and ¥5,461 million, respectively.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

15. Pledged Assets

The assets pledged as collateral for the Companies' loans and such like at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Cash and cash equivalents, and time deposits	¥1,043	¥527	\$9,312
Notes, trade accounts and loans receivable	24,069	30,806	214,902
Inventories	14,898	21,035	133,018
Investments in associates and joint ventures	32,756	89,475	292,464
Property, plant and equipment (after deducting accumulated depreciation)	61,856	55,834	552,286
Other	13,807	15,935	123,277
Total	¥148,429	¥213,612	\$1,325,259

The Companies pledge collateral under conventional conditions in standard borrowing arrangements, etc.

In addition to the above, import bills included in notes payable at March 31, 2017 and 2016 were secured by trust receipts on inventories.

The standard terms provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Companies' transactions, it would not be practical to determine the total amount of inventories and/or proceeds from the sales of such inventories covered by outstanding trust receipts.

As is customary in Japan, security, if requested by a lending bank, must be given and, regardless of the existence of such security, the bank has the right to offset cash deposits against any debt or obligations that become due and, in the case of default or certain other specified events, against all debt payable to the bank. To date, no such request has been made to the Companies and no such rights have been exercised.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

16. Earnings per Share

Basic and diluted earnings per share attributable to shareholders of the parent for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Numerator:			
Profit for the year attributable to owners of the parent	¥155,350	¥62,264	\$1,387,054
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (basic)			
Amount not attributable to shareholders of the parent	2,499	—	22,313
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (basic)	152,851	62,264	1,364,741
Adjustment amount used for the calculation of earnings per share attributable to shareholders of the parent (diluted)			
Adjustment concerning stock acquisition rights	(0)	—	(0)
Profit for the year used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	¥152,851	¥62,264	\$1,364,741
Denominator:			
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (basic)	1,735,357,836	1,735,368,048	
Effect of dilution			
Adjustment concerning stock acquisition rights	331,454	—	
Weighted average number of ordinary shares used for the calculation of earnings per share attributable to shareholders of the parent (diluted)	1,735,689,289	1,735,368,048	
Earnings per share attributable to shareholders of the parent			
	<i>Yen</i>		<i>U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Basic	¥88.08	¥35.88	\$0.79
Diluted	¥88.06	¥35.88	\$0.79

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

17. Other Components of Equity and Other Comprehensive Income

Changes in other components of equity for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Balance at beginning of year	¥43,066	¥108,256	\$384,517
Change for the year	11,212	(61,130)	100,107
Transfer to retained earnings	328	(4,060)	2,929
Balance at end of year	¥54,606	¥43,066	\$487,553
Foreign currency translation adjustments			
Balance at beginning of year	¥193,608	¥327,782	\$1,728,643
Change for the year	(28,298)	(134,174)	(252,661)
Balance at end of year	¥165,310	¥193,608	\$1,475,982
Gains (losses) on cash flow hedges			
Balance at beginning of year	¥(59,658)	¥(55,189)	\$(532,660)
Change for the year	14,054	4,868	125,482
Transfer to non-financial assets or non-financial liabilities	4,982	(9,337)	44,482
Balance at end of year	¥(40,622)	¥(59,658)	\$(362,696)
Remeasurements of defined benefit plan			
Balance at beginning of year	¥—	¥—	\$—
Change for the year	1,131	(16,421)	10,098
Transfer to retained earnings	(1,131)	16,421	(10,098)
Balance at end of year	¥—	¥—	\$—
Other components of equity			
Balance at beginning of year	¥177,016	¥380,849	\$1,580,500
Change for the year	(1,901)	(206,857)	(16,974)
Transfer to retained earnings	(803)	12,361	(7,169)
Transfer to non-financial assets or non-financial liabilities	4,982	(9,337)	44,482
Balance at end of year	¥179,294	¥177,016	\$1,600,839

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Each component of other comprehensive income, including non-controlling interests and related tax effects, for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>					
	March 31, 2017			March 31, 2016		
	Before tax amount	Tax (expense) or benefit	Net of tax amount	Before tax amount	Tax (expense) or benefit	Net of tax amount
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	¥17,400	¥(5,953)	¥11,447	¥(72,534)	¥11,418	¥(61,116)
Change for the year	¥17,400	¥(5,953)	¥11,447	¥(72,534)	¥11,418	¥(61,116)
Foreign currency translation adjustments:						
Gains (losses) arising for the year	¥(27,960)	¥(641)	¥(28,601)	¥(133,224)	¥867	¥(132,357)
Reclassification to profit or loss for the year	(1,492)	79	(1,413)	(6,577)	169	(6,408)
Change for the year	¥(29,452)	¥(562)	¥(30,014)	¥(139,801)	¥1,036	¥(138,765)
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	¥11,997	¥(2,998)	¥8,999	¥(15,642)	¥(58)	¥(15,700)
Reclassification to profit or loss for the year	4,057	1,092	5,149	22,430	(1,807)	20,623
Change for the year	¥16,054	¥(1,906)	¥14,148	¥6,788	¥(1,865)	¥4,923
Remeasurements of defined benefit pension plan:						
Gains (losses) arising for the year	¥4,333	¥(3,191)	¥1,142	¥(21,974)	¥5,362	¥(16,612)
Change for the year	¥4,333	¥(3,191)	¥1,142	¥(21,974)	¥5,362	¥(16,612)
Other comprehensive income (loss)	¥8,335	¥(11,612)	¥(3,277)	¥(227,521)	¥15,951	¥(211,570)
<i>Thousands of U.S. dollars</i>						
	March 31, 2017					
	Before tax amount	Tax (expense) or benefit	Net of tax amount			
Gains (losses) on financial assets measured at fair value through other comprehensive income:						
Gains (losses) arising for the year	\$155,357	\$(53,152)	\$102,205			
Change for the year	\$155,357	\$(53,152)	\$102,205			
Foreign currency translation adjustments:						
Gains (losses) arising for the year	\$(249,643)	\$(5,723)	\$(255,366)			
Reclassification to profit or loss for the year	(13,321)	705	(12,616)			
Change for the year	\$(262,964)	\$(5,018)	\$(267,982)			
Gains (losses) on cash flow hedges:						
Gains (losses) arising for the year	\$107,117	\$(26,768)	\$80,349			
Reclassification to profit or loss for the year	36,223	9,750	45,973			
Change for the year	\$143,340	\$(17,018)	\$126,322			
Remeasurements of defined benefit plan:						
Gains (losses) arising for the year	\$38,688	\$(28,491)	\$10,197			
Change for the year	\$38,688	\$(28,491)	\$10,197			
Other comprehensive income (loss)	\$74,421	\$(103,679)	\$(29,258)			

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

18. Cash Flow Information

Supplemental cash flow information for the years ended March 31, 2017 and 2016 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Non-cash investing and financing activities:			
Exchange of assets:			
Fair value of assets received	¥7,261	¥8,900	\$64,830
Carrying amounts of assets surrendered	5,459	8,308	48,741

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

19. Segment Information

(1) Operating Segments

The Companies' operating segments by which the management evaluates performance and allocates resources are classified in terms of the nature of the products and services. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a wide variety of industries and, in addition, provides the related financing, insurance and other services to these operations on a worldwide basis. The Companies have five segments identified by products and services.

These segments are outlined as follows:

Food & Consumer Products: Both domestically and internationally, the Foods sector produces and distributes all sorts of foods such as fodder, soy beans, grain, sugar, processed food and beverages, raw materials, foodstuffs for commercial use, and agricultural and marine products. The Lifestyle sector includes apparel, footwear, tires, household goods, home furnishings and sporting goods, and operates various businesses from planning, manufacturing, importing, and wholesaling/retailing of products to business investment. The Communication sector is involved in the system integration business, the data communication network business, the mobile devices sales business. The Logistics sector operates forwarding business and logistics centers, and the Insurance sector operates an insurance brokerage business, a reinsurance business and other related businesses. The Finance sector operates asset and property managements, fund operations and other businesses, while the Real estate development sector deals with condominium development business, redevelopment business, and other broad range businesses to provide various services.

Chemical & Forest Products: Both domestically and internationally, the Chemical sector handles a wide variety of goods ranging from upstream, such as basic petrochemicals, to downstream, such as electronic materials and specialty chemicals. Focusing on China, the Americas, Middle East and South East Asia as priority markets, this sector is conducting business with a balance between investment and trade. The Helena Business, which had been made independent at the division level with the aim of expanding earnings of the agriculture material sales operation in the U.S., was renamed the "Agri-Input Business Division". It seeks to further expand the Company's agriculture related business by consolidating the sales operations of other regions and the global trade business involving agrochemicals, fertilizers and raw materials of fertilizers. The Forest Products sector manufactures and distributes raw materials for paper production, paper and cardboard, and takes part in afforestation projects and sells housing materials.

Energy & Metals: Both domestically and internationally, the Energy sector, which focuses on products related to energy such as oil, gas and etc., takes part in various sorts of businesses which benefit from the development of resources through retail channels such as gas stations. The Metals and Mineral Resources sector is engaged in the development business for raw materials for production of steel and iron and nonferrous light metals. Also, this sector processes and sells nonferrous light metals, and is engaged in trading of raw materials for steel and iron and nonferrous light metals, as well as producing, processing and selling steel products in general including steel plates, steel pipes, and special steels.

Power Projects & Plant: Both domestically and internationally, this segment develops, invests in, operates and manages a variety of power projects including power generating, distributing and transforming operations, energy related infrastructure operations, desalination and water treatment operations, traffic and infra-system operations and various fields of industrial plants. In addition, this segment also delivers and contracts works of related equipments.

Transportation & Industrial Machinery: Both domestically and internationally, this segment focuses on domestic and international trade (export and import) in aerospace and defense systems, automotive, construction, agricultural machinery and other transportation-related machinery; loans and investments in wide-ranging fields such as wholesale, retail, retail finance, leasing business, product development and services related to such transportation machinery; and trading, possessing and chartering various cargo vessels, tankers and LNG carriers.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Companies' operating segment information for the years ended March 31, 2017 and 2016 was as follows:

March 31, 2017	<i>Millions of yen</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Projects & Plant
Total volume of trading transactions:				
External customers	¥4,984,336	¥2,433,392	¥2,503,116	¥396,949
Inter-segment	36,965	2,642	2,850	1,099
Total	¥5,021,301	¥2,436,034	¥2,505,966	¥398,048
Gross trading profit	¥282,585	¥175,812	¥26,155	¥45,279
Share of profits (losses) of associates and joint ventures	¥12,317	¥4,141	¥19,429	¥61,097
Profit (loss) for the year attributable to owners of the parent	¥61,269	¥28,700	¥(6,240)	¥56,508
Segment assets	¥1,880,421	¥1,080,307	¥1,691,231	¥1,117,558

March 31, 2017	<i>Millions of yen</i>		
	Transportation & Industrial Machinery	Corporate & Elimination, etc.	Consolidated
Total volume of trading transactions:			
External customers	¥810,649	¥5,727	¥11,134,169
Inter-segment	3,406	(46,962)	—
Total	¥814,055	¥(41,235)	¥11,134,169
Gross trading profit	¥93,316	¥(9,267)	¥613,880
Share of profits (losses) of associates and joint ventures	¥18,211	¥(470)	¥114,725
Profit (loss) for the year attributable to owners of the parent	¥28,615	¥(13,502)	¥155,350
Segment assets	¥797,380	¥329,836	¥6,896,733

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	<i>Thousands of U.S. dollars</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Projects & Plant
March 31, 2017				
Total volume of trading transactions:				
External customers	\$44,503,000	\$21,726,715	\$22,349,250	\$3,544,187
Inter-segment	330,045	23,589	25,446	9,813
Total	\$44,833,045	\$21,750,304	\$22,374,696	\$3,554,000
Gross trading profit	\$2,523,080	\$1,569,750	\$233,527	\$404,277
Share of profits (losses) of associates and joint ventures	\$109,973	\$36,973	\$173,473	\$545,509
Profit (loss) for the year attributable to owners of the parent	\$547,045	\$256,250	\$(55,714)	\$504,536
Segment assets	\$16,789,473	\$9,645,598	\$15,100,277	\$9,978,197

	<i>Thousands of U.S. dollars</i>		
	Transportation & Industrial Machinery	Corporate & Elimination, etc.	Consolidated
March 31, 2017			
Total volume of trading transactions:			
External customers	\$7,237,937	\$51,134	\$99,412,223
Inter-segment	30,411	(419,304)	—
Total	\$7,268,348	\$(368,170)	\$99,412,223
Gross trading profit	\$833,179	\$(82,741)	\$5,481,072
Share of profits (losses) of associates and joint ventures	\$162,598	\$(4,196)	\$1,024,330
Profit (loss) for the year attributable to owners of the parent	\$255,491	\$(120,554)	\$1,387,054
Segment assets	\$7,119,464	\$2,944,964	\$61,577,973

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

March 31, 2016	<i>Millions of yen</i>			
	Food & Consumer Products	Chemical & Forest Products	Energy & Metals	Power Projects & Plant
Total volume of trading transactions:				
External customers	¥5,439,693	¥2,557,673	¥2,845,446	¥432,810
Inter-segment	26,788	6,481	5,727	312
Total	¥5,466,481	¥2,564,154	¥2,851,173	¥433,122
Gross trading profit	¥305,655	¥197,254	¥19,417	¥54,097
Share of profits (losses) of associates and joint ventures	¥10,117	¥4,237	¥(63,846)	¥67,793
Profit (loss) for the year attributable to owners of the parent	¥58,246	¥33,259	¥(142,409)	¥72,214
Segment assets	¥1,874,173	¥1,040,441	¥1,711,361	¥1,278,555

March 31, 2016	<i>Millions of yen</i>		
	Transportation & Industrial Machinery	Corporate & Elimination, etc.	Consolidated
Total volume of trading transactions:			
External customers	¥916,518	¥15,817	¥12,207,957
Inter-segment	777	(40,085)	—
Total	¥917,295	¥(24,268)	¥12,207,957
Gross trading profit	¥98,910	¥(5,247)	¥670,086
Share of profits (losses) of associates and joint ventures	¥13,522	¥1	¥31,824
Profit (loss) for the year attributable to owners of the parent	¥24,187	¥16,767	¥62,264
Segment assets	¥806,412	¥406,744	¥7,117,686

- Notes: (1) Effective from the financial year ended March 31, 2017, all “Overseas Corporate Subsidiaries” have been allocated to the five operating segments based on products and services. In conjunction with this, operating segment information for the financial year ended March 31, 2016 has been restated and is presented accordingly.
- (2) “Total volume of trading transactions” includes all transactions involving the Companies regardless of transaction type. “Total volume of trading transactions” is not required by IFRSs but is presented here to provide readers with a better understanding and is as presented in common Japanese accounting practice.
- (3) Inter-segment transactions are generally priced in accordance with the prevailing market prices.
- (4) “Profit (loss) for the year attributable to owners of the parent” of “Corporate & Elimination, etc.” includes profit/loss such as head office expenses that are not allocated to the operating segments and inter-segment elimination. “Segment assets” of “Corporate & Elimination, etc.” include assets such as cash and cash equivalents related to financing held for general corporate purposes that are not allocated to the operating segments and inter-segment elimination.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(2) Geographical information

Geographical information is categorised according to the region or country in which the assets, which are the sources of revenue, are located.

Geographical information for the years ended March 31, 2017 and 2016 was as follows:

Revenue from external customers

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Japan	¥3,811,051	¥3,878,418	\$34,027,241
United States	2,404,209	2,430,287	21,466,152
Singapore	239,376	258,643	2,137,286
Other	674,169	732,951	6,019,366
Total	¥7,128,805	¥7,300,299	\$63,650,045

Note: There is no concentration of revenue from a specific customer for the years ended March 31, 2017 and 2016.

Non-current assets other than financial assets and deferred tax assets

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
United States	¥638,976	¥713,901	\$5,705,143
Japan	261,569	367,636	2,335,437
United Kingdom	152,481	254,923	1,361,438
Other	251,143	264,351	2,242,348
Total	¥1,304,169	¥1,600,811	\$11,644,366

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

20. Issued Capital Stock and Reserves

The number of shares authorised and issued at March 31, 2017 and 2016 were as follows:

	<i>Number of shares</i>	
	March 31, 2017	March 31, 2016
Class of share	Ordinary shares	Ordinary shares
Authorised	4,300,000,000	4,300,000,000
Issued:		
Balance at beginning of year	1,737,940,900	1,737,940,900
Change for the year	—	—
Balance at end of year	1,737,940,900	1,737,940,900

Notes: (1) Common stock has no par value.

(2) Issued stock is fully paid.

Treasury stock held by the Company and by its subsidiaries or associates at March 31, 2017 and 2016 was as follows:

Name	March 31, 2017		March 31, 2016		March 31, 2017
	<i>Shareholding</i>		<i>Shareholding</i>		<i>Shareholding</i>
	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Number of shares</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
The Company	2,398,261	¥1,347	2,390,245	¥1,342	\$12,027
Subsidiaries and associates	189,677	27	189,950	27	241
Total	2,587,938	¥1,374	2,580,195	¥1,369	\$12,268

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than capital reserve) and retained earnings (other than legal reserve) be transferred to capital reserve and legal reserve, respectively, until the sum of capital reserve and legal reserve equals 25% of the amount of issued capital.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

21. Other Equity Instruments

On August 16, 2016, the Company obtained financing through perpetual subordinated loans (the “Subordinated Perpetual”) in order to bolster its balance sheet.

The Subordinated Perpetual are classified as equity instruments in accordance with IFRS as there is no specific due date set for the repayment of the principal and interest payments are deferrable at the Company’s discretion. As a result, this arrangement resulted in an increase of ¥243,589 million (\$2,174,902 thousand) (after deducting transaction costs of ¥6,411 million (\$57,241 thousand)) in “Other equity instruments” in the “Equity” section of the Consolidated Statement of Financial Position.

Accrued interest on the Subordinated Perpetual has not been recognised as a distribution to owners of other equity instruments at March 31, 2017 because such interest payment is discretionary and it was not determined at that date. The potential amount payable would have been ¥489 million (\$4,366 thousand).

Overview of the Subordinated Perpetual

(i) Total amount of financing obtained	¥250 billion (Tranche A: ¥100 billion, Tranche B: ¥150 billion)
(ii) Arranger	Mizuho Bank, Ltd.
(iii) Co-arrangers	Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Trust Bank, Limited, and Sumitomo Mitsui Banking Corporation
(iv) Contract date	August 10, 2016
(v) Execution date	August 16, 2016
(vi) Due date of final repayment	No specific maturity has been set. However, by giving prior notice the Company has the option to make early repayments of the principal of Tranche A on August 16, 2021 and subsequent interest payment dates and the principal of Tranche B on August 16, 2023 and subsequent interest payment dates.
(vii) Restrictions on interest	The Company is able to suspend and defer interest payments at its discretion by giving prior notice. However, if dividends on common stock, etc. are distributed, feasible and reasonable efforts will be made to pay any such suspended interest and associated additional interest.
(viii) Subordination clause	If a subordination event (e.g., liquidation) provided for in the contract occurs, the order of repayment of the Subordinated Perpetual will be subordinated to all senior creditors.
(ix) Applicable interest rate	Tranche A: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2041 Tranche B: 0.25% increase on and after interest payment dates in August 2026 and another 0.75% increase on and after interest payment dates in August 2043

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

22. Dividends

Dividends on common stock recognised as distributions to shareholders of common stock for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars (U.S. dollars)</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Year-end dividend	¥18,223	¥22,562	\$162,706
(Dividends per share)	(10.5)	(13)	(0.09)
Interim dividend	16,488	18,223	147,214
(Dividends per share)	(9.5)	(10.5)	(0.08)

Dividends on common stock which were approved by resolution of the Board of Directors after the year end but which have not been recognised as distributions to shareholders of common stock for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen (Yen)</i>		<i>Thousands of U.S. dollars (U.S. dollars)</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Year-end dividend	¥23,430	¥18,223	\$209,196
(Dividends per share)	(13.5)	(10.5)	(0.12)

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

23. Share-based Payment

The Company has a stock option plan for its directors (excluding outside directors) and executive officers. Under the plan, each stock option entitles stock acquisition right holders to acquire 100 shares of common stock at an exercise price equal to ¥1 (\$0.01) per share.

Stock acquisition right holders shall be able to exercise their stock acquisition rights for 33 years after the allotment date, on and after (i) the day when three years have elapsed from the allotment date or (ii) the day following the date on which they cease to be a director or executive officer of the Company, whichever is earlier.

A summary of the Company's stock option activity is as follows:

	Year ended March 31, 2017	
	<i>Number of shares</i>	<i>Weighted average exercise price</i>
Outstanding at beginning of year	—	—
Granted	472,400	¥1(\$0.01)
Forfeited	—	—
Exercised	—	—
Expired	—	—
Outstanding at end of year	472,400	¥1(\$0.01)
Exercisable at end of year	—	—

The exercise price and weighted average remaining contractual life at March 31, 2017 were ¥1(\$0.01) and 32.3 years.

The weighted average fair value of stock options under the Company's stock option plan at the measurement date for the year ended March 31, 2017 was ¥419(\$3.74).

The fair value of the stock options was measured using the Black-Scholes model. The expected volatility is measured based on the historical share prices of the Company for a period corresponding to the expected option life. The assumptions used for measuring the fair value are as follows:

	Year ended March 31, 2017
Weighted average share price	¥478 (\$4.27)
Exercise price	¥1 (\$0.01)
Expected volatility	28.6
Expected option life	3.0
Expected dividend yield	4.4
Risk-free interest rate	(0.4)

Stock compensation expenses recorded for the year ended March 31, 2017 were ¥180 million (\$1,607 thousand).

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

24. Related Party Transactions

The Consolidated Financial Statements of the Company include following subsidiaries.

For the year ended March 31, 2017

Company name	Main businesses	Area/Country	Holding ratio
MX Mobiling Co., Ltd.	Sale of mobile phone and related products	Tokyo/Japan	100.00%
Yamaboshiya Co., Ltd.	Wholesale of confectionery, etc. to mass retailers, convenience stores, etc.	Osaka/Japan	75.62%
Marubeni Energy Corporation	Sale of petroleum and petrochemical products, management and leasing of oil terminals and service stations	Tokyo/Japan	66.60%
Marubeni Nisshin Feed Co., Ltd.	Manufacture and sale of feed	Tokyo/Japan	60.00%
Axia Power Holdings B.V.	Overseas power assets holding company	Amsterdam/ Netherlands	100.00%
Gavilon Agriculture Investment, Inc.	Company overseeing the Gavilon Group (engaged in the business of consolidation and distribution of grains, fertilizers, etc.)	Nebraska/U.S.A.	100.00%
Helena Chemical Company	Sale of agricultural materials and provision of various services	Tennessee/U.S.A.	100.00%
Marubeni Coal Pty. Ltd.	Investment in coal business in Australia	Brisbane/Australia	100.00%
Marubeni LP Holding B.V.	Investment in copper business in Chile	Amsterdam/ Netherlands	100.00%
Marubeni Oil & Gas (USA) LLC.	Exploration, development, production and sales of crude oil and natural gas in the U.S. Gulf of Mexico	Texas/U.S.A.	100.00%

In addition to the above, the financial statements of the other 275 consolidated subsidiaries are included.

Total amounts of compensation to members of the board and corporate auditors of the Company for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Basic payments	¥540	¥843	\$4,822
Stock compensation-type stock options	54	—	482
Total	¥594	¥843	\$5,304

The outstanding balances of receivables from and payables to the primary/major related parties of the Companies at March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables	Outstanding receivables	Outstanding payables
Associates	¥133,796	¥26,362	¥129,143	¥28,800	\$1,194,607	\$235,375
Joint Ventures	29,907	14,314	30,073	26,476	267,027	127,804

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Total volume of trading transactions and purchases of goods with the main related parties of the Companies for the years ended March 31, 2017 and 2016 were as follows:

	<i>Millions of yen</i>				<i>Thousands of U.S. dollars</i>	
	March 31, 2017		March 31, 2016		March 31, 2017	
	Purchases	Trading transactions	Purchases	Trading transactions	Purchases	Trading transactions
Associates	¥110,643	¥148,357	¥105,625	¥152,664	\$987,884	\$1,324,616
Joint Ventures	69,677	92,088	74,612	86,334	622,116	822,214

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Commitments and Contingent Liabilities

The Company and certain of its consolidated subsidiaries enter into long-term purchase contracts for certain goods and products in chemical, metal and machinery industries at either fixed or variable prices. The Company and certain of its consolidated subsidiaries generally enter into sales contracts for such purchase contracts with customers. The total amounts of the long-term purchase contracts were approximately ¥662,000 million (\$5,910,714 thousand) and ¥743,000 million at March 31, 2017 and 2016, respectively.

The Company and certain of its consolidated subsidiaries had commitments to make additional investments or loans in the aggregate amounts of approximately ¥224,000 million (\$2,000,000 thousand) and ¥200,000 million at March 31, 2017 and 2016, respectively, of which capital expenditures in property, plant and equipment were approximately ¥2,000 million (\$17,857 thousand) and approximately ¥4,000 million, respectively, while commitments to joint ventures were approximately ¥53,000 million (\$473,214 thousand) and approximately ¥54,000 million, respectively.

The Company and certain of its consolidated subsidiaries provide various types of guarantees for the obligations of their associates and customers in the ordinary course of business. The guarantees mainly relate to the repayment of borrowings to third parties. Should the guaranteed associates and customers fail to fulfill their obligations, the Company and certain of its consolidated subsidiaries would be required to fulfill the obligations under these guarantees.

Outstanding guarantees were ¥357,619 million (\$3,193,027 thousand) and ¥406,467 million, including ¥294,394 million (\$2,628,518 thousand) and ¥357,048 million to associates and joint ventures, at March 31, 2017 and 2016, respectively. Outstanding guarantees (total of guarantee payable) represent the maximum potential amount of future payments under the contracts without any consideration of the likelihood of such obligations being incurred.

Therefore, such amounts do not represent the anticipated losses on these guarantees and indemnifications, and they greatly exceed anticipated losses. Some guarantees are secured by counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties.

The amounts of counter guarantees provided for the Company and certain of its consolidated subsidiaries by third parties were ¥25,353 million (\$226,366 thousand) and ¥21,919 million, including ¥21,074 million (\$188,161 thousand) and ¥20,589 million relating to the associates and joint ventures at March 31, 2017 and 2016, respectively.

The Company manages the risk of fulfillment of obligations under the guarantees by setting the appropriate line of credit and by undertaking provisional measures in accordance with the credit risk rank to which each guaranteed customer belongs. The Company determines the rank of each customer before entering into the guarantee agreements according to the customer's credit risk which is estimated and reviewed based on the customer's financial information.

The likelihood of such obligations being incurred under the guarantees which would have a material effect in the Consolidated Financial Statements were estimated to be remote at March 31, 2017. A provision for loss on guarantees was recognised for the amount that was considered probable.

The Companies conduct business activities on a global scale and are involved in transactions which are subject to the oversight by various types of authorities, both in Japan and abroad. Such business activities are exposed to risk and, from time to time, may involve legal actions, claims or other disputes.

After the Supreme Court of Indonesia ("Supreme Court") ruled in favor of the Company in a lawsuit on March 17, 2011 (hereinafter referred to as the "Previous Case"), lawsuits were filed against the Company in Gunung Sugih and South Jakarta (hereinafter collectively referred to as the "Two Current Cases"), in which substantially the same claims were made as in the Previous Case, including a claim for compensation for damages. As the lower courts partially ruled in favor of the plaintiffs, the Company appealed to the Supreme Court. The Supreme Court's draft decisions on the Gunung Sugih case and South Jakarta case were made public on its website in October 2016 and December 2016, respectively. The Supreme Court handed down a ruling on the South Jakarta case on May 17, 2017.

* The Company had receivables owed by PT. Indolampung Perkasa and PT. Sweet Indolampung—both of which belong to the Indonesian enterprise group Sugar Group—and requested payment from such receivables. However, in response, Sugar Group companies including the aforementioned two debtors (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta) sued the defendants including the Company for damages and sought affirmation of the invalidity of the Company's receivables and security interest.

Marubeni Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

The draft decision on the Gunung Sugih case posted on the Supreme Court's website is as summarised below.

Gunung Sugih case:

To find five out of the seven defendants, including the Company, jointly liable for damages in a total amount of US\$250 million to the plaintiffs, i.e., four companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram and PT. Indolampung Distillery).

The Supreme Court's decision on the South Jakarta case is as summarised below.

South Jakarta case:

To find four out of the six defendants, including the Company and Marubeni Europe PLC, jointly liable for damages in a total amount of US\$250 million to the plaintiffs, i.e., five companies belonging to Indonesian enterprise group Sugar Group (PT. Indolampung Perkasa, PT. Sweet Indolampung, PT. Gula Putih Mataram, PT. Indolampung Distillery and PT. Garuda Pancaarta).

The Two Current Cases were brought before the courts again by the Sugar Group against the defendants including the Company, making substantially the same claims as in the Previous Case. The decision above is deemed to contradict with the ruling on the Previous Case by the Supreme Court itself, in which Sugar Group's claims were rejected. Pursuant to Indonesian Supreme Court legislation, the Company will file an application for judicial review (retrial) with respect to those cases.

The Company did not recognise any provisions for litigation in regards to the Gunung Sugih and South Jakarta cases at March 31, 2017, having determined that there is a high possibility that the aforementioned ruling will be overturned as a result of such judicial review (retrial).

In addition to the above, although there are certain outstanding litigations such as those relating to compensation for damages and collection of receivables regarding infrastructure projects overseas at March 31, 2017, the outcome of these cannot be determined at this time. The Company provides no further disclosures on these litigations since the Company believes that such disclosures would prejudice seriously the outcome of the proceedings.

Marubeni Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

26. Structured Entities

The Company and certain of its consolidated subsidiaries are involved in structured entities through investments and financing, but do not include certain of such structured entities engaged in financing, leasing, etc. in their scope of consolidation. Total assets of these unconsolidated structured entities at March 31, 2017 and 2016 were ¥391,400 million (\$3,494,643 thousand) and ¥405,669 million, respectively. These structured entities mainly procure funds through bank loans.

Carrying amounts of assets and liabilities recognised in the Consolidated Statement of Financial Position relating to the involvement in these unconsolidated structured entities and maximum exposures to assets, liabilities and lease contracts at March 31, 2017 and 2016 were as follows:

Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	March 31, 2017	March 31, 2016	March 31, 2017
Carrying amount of assets	¥8,031	¥11,380	\$71,705
Carrying amount of liabilities	15,043	9,774	134,313
Maximum exposures	110,196	109,807	983,893

The carrying amount of assets mainly consists of non-current notes, trade accounts and loans receivable, whereas the carrying amount of liabilities mainly consists of non-current notes and trade accounts payable. The sum of the carrying amount of assets and the carrying amount of liabilities is different from maximum exposures primarily due to lease contracts.

Maximum exposures represent the maximum potential amounts of losses precipitated through the decline in the price of assets held and lease contracts. Therefore, such amounts bear no relationship to the anticipated amounts of losses through the involvement in the structured entities.

27. Other Notes

For the year ended March 31, 2016

On January 20, 2016, the Company exercised the right to purchase all preferred shares issued by its subsidiary Gavilon Agriculture Holdings, Co. (Gavilon Agriculture Investment has absorbed and merged Gavilon Agriculture Holdings in March 2016.) that had been held by the Japan Bank for International Cooperation (hereinafter referred to as “JBIC”) pursuant to the agreement between shareholders—i.e., the Company and JBIC—and acquired the preferred shares for an aggregate amount of ¥61,886 million including the amount equivalent to the preferred shares yet to be paid for until the day of purchase, and completed the payment for the preferred shares.

As said preferred shares had been recognised as “Non-controlling interests” in the Consolidated Statement of Financial Position, the purchase during the fiscal year ended March 31, 2016 resulted in a decrease in “Non-controlling interests” by the same amount as the amount of the acquisition.

28. Subsequent Events

The Companies have assessed whether any subsequent events occurred through June 23, 2017, the issuance date of the Consolidated Financial Statements, and there are no subsequent events to be disclosed.

29. Approval of Consolidated Financial Statements

The Consolidated Financial Statements were approved by the Board of Directors on June 23, 2017.