Mitsui & Co. (U.S.A.), Inc.

Financial Statements as of and
for the Years Ended March 31, 2016 and 2015, and
Independent Auditors' Report

MITSUI & CO.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Mitsui & Co. (U.S.A.), Inc.:

We have audited the accompanying financial statements of Mitsui & Co. (U.S.A.), Inc. (the ''Company'') (an ultimate wholly-owned subsidiary of Mitsui & Co., Ltd.), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Company has extensive transactions with Mitsui & Co., Ltd. and its subsidiaries and affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations or its cash flows which would have been attained by the Company if it had operated without such affiliations. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

New York, NY
June 17, 2016

Mitsui & Co. (U.S.A.), Inc.

Statements of Financial Position
March 31, 2016 and 2015

	Notes	2016 (In thousands)	2015 (In thousands)
ASSETS			
Current Assets:			
Cash and cash equivalents		$ 488,895	$ 45,258
Short-term loan receivables	4, 5, 15	389,949	388,736
Current portion of long-term loan receivables	4, 5, 15	110,784	113,205
Trade and other receivables	4, 5, 6, 15	635,644	552,318
Derivative-related assets	4, 13, 15	62,545	25,576
Inventories		120,035	161,116
Advance payments to suppliers	15	63,626	4,829
Other current assets		5,387	5,224
Total current assets		1,876,865	1,296,262
Non-Current Assets:			
Investments in subsidiaries and associates	3	1,016,414	1,105,729
Other investments	4, 13	36,273	37,794
Long-term loan receivables, less current portion	4, 5, 15	641,294	544,512
Finance lease receivables	4, 5, 6	—	6,866
Derivative-related assets	4, 13, 15	10,244	—
Property, plant, and equipment	6, 7	17,251	19,318
Deferred tax assets	12	68,179	25,004
Total non-current assets		1,789,655	1,739,223
Total assets		$ 3,666,520	$ 3,035,485
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term debt	8, 15	$ 1,084,375	$ 383,364
Current portion of long-term debt	4, 8, 15	256,202	411,200
Trade and other payables	8, 15	290,845	377,237
Derivative-related liabilities	4, 8, 13, 15	46,094	29,341
Other current liabilities	12, 15	34,048	121,827
Total current liabilities		1,711,564	1,322,969
Non-Current Liabilities:			
Long-term debt, less current portion	4, 8, 15	1,239,915	965,704
Derivative-related liabilities	4, 8, 13, 15	807	2,288
Retirement benefit liabilities	9	55,716	54,888
Other non-current liabilities	12, 15	58,634	62,816
Total non-current liabilities		1,355,072	1,085,696
Total liabilities		3,066,636	2,408,665
Equity:			
Common stock, no par value—authorized 2,000 shares; issued, fully paid, and outstanding 1,050 shares		350,000	350,000
Additional paid-in capital		118,446	118,446
Retained earnings		135,763	160,112
Accumulated other comprehensive loss	10	(4,325)	(1,738)
Total equity		599,884	626,820
Total liabilities and equity		$ 3,666,520	$ 3,035,485

Mitsui & Co. (U.S.A.), Inc.

Statements of Comprehensive Income
Years Ended March 31, 2016 and 2015

	Notes	2016 (In thousands)	2015 (In thousands)
Revenue:			
Sales of products		$ 2,898,335	$ 2,948,361
Revenue from rendering of services		14,895	25,859
Total revenue	15	2,913,230	2,974,220
Cost of Revenue:			
Cost of products sold		(2,867,454)	(2,925,439)
Cost of services rendering		(54)	(2,542)
Total cost of revenue	7	(2,867,508)	(2,927,981)
Gross Profit		45,722	46,239
Other Income (Expenses):			
Selling, general, and administrative expenses	6, 7, 11	(151,136)	(144,461)
Other income	3, 4, 6, 7, 15	85,484	75,225
Other expense	3, 4, 6, 7, 13	(65,848)	(44,935)
Total other expenses—net		(131,500)	(114,171)
Finance Income (Cost):			
Interest income	4, 15	18,571	22,045
Dividend income	4	188,762	219,618
Interest expense	4, 15	(22,703)	(21,916)
Total finance income—net		184,630	219,747
Profit before Income Taxes		98,852	151,815
Income Tax Benefit	12	45,829	17,257
Profit for the Year Attributable to Owner of the Company		144,681	169,072
Other Comprehensive Income (Loss):			
Items that will not be reclassified to profit or loss:			
Remeasurements of equity instruments	10	(5,087)	(1,649)
Remeasurements of defined benefit plans	9, 10	1,142	(17,576)
Income tax relating to items not reclassified to profit or loss	10	1,399	7,073
Total other comprehensive loss		(2,546)	(12,152)
Comprehensive Income for the Year Attributable to Owner of the Company		$ 142,135	$ 156,920

Mitsui & Co. (U.S.A.), Inc.

Statements of Changes in Equity
Years Ended March 31, 2016 and 2015

		(In thousands, except number of shares)					
		Common stock				Accumulated	
	Notes	Shares	Amounts	Additional paid-in capital	Retained earnings	other comprehensive income (loss)	Total equity
Balance as of April 1, 2014		1,050	$ 350,000	$ 118,446	$ 152,066	$ 4,148	$ 624,660
Profit for the year					169,072		169,072
Other comprehensive loss for the year	10					(12,152)	(12,152)
Dividends to owner of the Company					(148,600)		(148,600)
In-kind dividend to owner of the Company	3				(6,400)		(6,400)
Other					240		240
Transfer to retained earnings	10				(6,266)	6,266	—
Balance as of March 31, 2015		1,050	$ 350,000	$ 118,446	$ 160,112	$ (1,738)	$ 626,820
Profit for the year					144,681		144,681
Other comprehensive loss for the year	10					(2,546)	(2,546)
Dividends to owner of the Company	3				(169,071)		(169,071)
Transfer to retained earnings	10				41	(41)	—
Balance as of March 31, 2016		1,050	$ 350,000	$ 118,446	$ 135,763	$ (4,325)	$ 599,884

Mitsui & Co. (U.S.A.), Inc.

Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	(In thousands)	
	2016	2015
Operating Activities:		
Profit for the year	$ 144,681	$ 169,072
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,319	4,872
Provision for doubtful receivables	1,852	(2,395)
Loss on investments—net	51,270	17,705
Gain on sales of finance lease receivables—net	—	(2,152)
Impairment loss and loss on sales of property, plant, and equipment—net	—	1,657
Finance income—net	(184,630)	(219,747)
Income tax benefit	(45,829)	(17,257)
Changes in operating assets and liabilities:		
Change in trade and other receivables	(85,396)	362,186
Change in inventories	41,081	(9,881)
Change in advance payments to suppliers	(58,797)	(1,996)
Change in trade and other payables	(86,730)	(15,286)
Other—net	(58,416)	169,163
Interest received	18,113	22,196
Interest paid	(22,365)	(23,264)
Dividends received	147,292	206,311
Income taxes (paid) received	(7,438)	14,027
Net cash provided by (used in) operating activities	(142,993)	675,211
Investing Activities:		
Additional investments	(39,255)	(46,839)
Return of capital on investments	18,463	204,626
Proceeds from sales of investments	29,667	41,660
Net change in short-term loan receivables of three months or less	(1,212)	246,202
Issuance of loan receivables of more than three months	(275,432)	(215,407)
Collections of loan receivables of more than three months	181,070	188,565
Collections of finance lease receivables	7,542	21,861
Proceeds from sales of finance lease receivables	—	153,785
Proceeds from sales of property, plant, and equipment	—	23,987
Purchases of property, plant, and equipment	(281)	(539)
Net cash provided by (used in) investing activities	(79,438)	617,901
Financing Activities:		
Net change in short-term debt of three months or less	702,011	(872,984)
Proceeds from debt of more than three months	164,198	841,250
Repayments of debt of more than three months	(48,370)	(1,139,771)
Dividends paid	(151,771)	(148,600)
Net cash provided by (used in) financing activities	666,068	(1,320,105)
Net Change in Cash and Cash Equivalents	443,637	(26,993)
Cash and Cash Equivalents at Beginning of Year	45,258	72,251
Cash and Cash Equivalents at End of Year	$ 488,895	$ 45,258

Supplemental Cash Flow Information:		
Non-cash investing and financing activities:		
Assets received from subsidiaries and associates as capital returns and in-kind dividends (Notes 3 and 4)	$ 47,756	$ —
Debt assumed by a buyer on sale of finance leases (leveraged leases) (Note 8)	—	22,979
Settlement of receivable with owner of the Company (Note 3)	17,300	—
In-kind dividend to owner of the Company (Note 3)	—	6,400
Issuance and collections of loan receivables of more than three months (Note 15)	410,053	131,492
Proceeds and repayments of debt of more than three months (Note 15)	420,342	356,000

1. Reporting Entity

Mitsui & Co. (U.S.A.), Inc. ("Mitsui USA" or the "Company") is a company incorporated in the United States. Mitsui USA is a wholly-owned subsidiary of MBK USA Holdings, Inc. ("MUH"), which is a wholly-owned subsidiary of Mitsui & Co., Ltd. ("Mitsui Japan" or the "Parent"). Mitsui USA was directly owned by Mitsui Japan until March 31, 2014.

Mitsui USA as well as Mitsui Japan are general trading companies (*Sogo Shosha*) which engage in trading activities worldwide. The Company is engaged in business activities such as trading in various commodities, financing for customers and suppliers relating to such trading activities and organizing and coordinating industrial projects through its business networks. The Company conducts sales, export, import and offshore trades in the areas of ''Iron & Steel Products,'' ''Mineral & Metal Resources,'' ''Infrastructure Projects,'' ''Integrated Transportation Systems,'' ''Chemicals,'' "Energy," "Foods & Retail," "Consumer Service Business," and others, each having a diverse customer base, while providing general services for retailing, information and communications, technical support, transportation and logistics and financing. The Company has significant transactions with Mitsui Japan and its subsidiaries and affiliates.

2. Basis of Financial Statements and Summary of Significant Accounting Policies

Statement of Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Separate Financial Statements

The financial statements have been prepared in accordance with the International Accounting Standards ("IAS") 27, *Separate Financial Statements.* The financial statements present information about the Company as an individual entity and do not include accounts of its subsidiaries over which the Company has control. Investments in subsidiaries and associates are accounted for under the cost method. Associates are those over which the Company is able to exercise significant influence. The ultimate parent company of the Company, Mitsui Japan, prepares consolidated financial statements in accordance with IFRS.

The Company's financial statements are prepared on the historical cost basis, except for certain financial assets or liabilities that are measured at fair value and retirement benefit liabilities that are measured based on the accounting policies described in the later section. The financial statements are presented in U.S. dollars, which is the functional currency of the Company. All financial information presented in U.S. dollars has been rounded to the nearest thousands, except as otherwise indicated.

Use of Estimates and Judgments

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The judgments based on assumptions and estimates are reviewed on an ongoing basis.

Management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the financial statements:

- Impairment loss on investments in subsidiaries and associates – Note 3
- Revaluation of financial instruments – Notes 4, 5, and 13
- Allowance for doubtful receivables – Note 5
- Impairment loss on property, plant, and equipment – Note 7
- Measurement of defined benefit obligations – Note 9
- Recoverability of deferred tax assets – Note 12

- Fair value measurement – Note 13
- Contingent liabilities – Note 14

Summary of Significant Accounting Policies

The accounting policies described below have been applied consistently to all periods presented in these financial statements.

Foreign currency transactions

Foreign currency transactions are translated into U.S. dollars using the spot exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollar amounts using year-end exchange rates and the resulting gains and losses are recognized in earnings. During the years ended March 31, 2016 and 2015, net foreign exchange gains were $63 and $230, respectively, and included in other income in the accompanying statements of comprehensive income.

Investments in subsidiaries and associates

The Company prepares separate financial statements and accounts for investments in subsidiaries and associates at cost less impairment.

Financial instruments

The Company has early adopted IFRS 9 (2013), *Financial Instruments*. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade and other receivables, loan receivables, equity instruments, and derivative instruments with a positive fair value. Financial liabilities of the Company mainly comprise notes and loans due to financial institutions and affiliated companies, trade and other payables, and derivative instruments with a negative fair value.

Financial instruments are recognized in the accompanying statements of financial position when the Company becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Cash equivalents – Cash equivalents are highly-liquid short-term investments with an original maturity of three months or less that are readily convertible into cash and have no significant risk of change in value. Such cash equivalents include time deposits and commercial paper with original maturities of three months or less.

Trade and other receivables and loan receivables – Trade and other receivables and loan receivables are measured at amortized cost using the effective interest method, less any impairment losses. Impairment losses on receivables are recognized using separate allowance accounts. Gains and losses are recognized in the accompanying statements of comprehensive income when the loans and receivables are derecognized or impaired.

The Company recognizes allowances for doubtful receivables on an individual basis for receivables that are considered to have been impaired based on the latest information, or upon events, such as the debtor's bankruptcy, financial failure, or failure to repay debts due to financial difficulty, even if the debtor is not yet in financial failure.

Impairment losses are measured by using the present value of expected future cash flows, discounted at the effective interest rate based on the original terms of the contract, or fair value of the collateral if its value depends on the collateral. The resulting value is compared to the carrying value of the financial asset and the difference between the two values is recognized in profit or loss. After an impairment loss is recognized, interest income continues to be recognized on the reduced carrying amount using the same discount rate used to discount the expected future cash flows when the impairment loss was measured. If the fair value of previously impaired receivables subsequently recovers due to factors occurring after the recognition of impairment, a reversal of impairment loss is recognized in profit or loss. The reversal amount is deducted from the related provision for receivables.

For receivables for which allowances are not recognized on an individual basis, the Company records an allowance for doubtful receivables collectively based primarily on the Company's credit loss experiences and the current economic environment.

Equity instruments – Equity instruments (except for investments in subsidiaries and associates) are measured at fair value through profit or loss ("FVTPL"). However, for certain equity instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the Company elects at initial recognition to designate these instruments at fair value through other comprehensive income ("FVTOCI"). When equity instruments measured at FVTOCI are derecognized, the accumulated other comprehensive income (loss) is directly transferred to retained earnings without being recognized in profit or loss. Dividend income received on those measured at FVTOCI is recognized in profit or loss.

Finance income and cost – Finance income and cost include interest income, interest expense, dividend income, and gain or loss from derivatives instruments that were used to hedge financial assets and liabilities. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the right of the Company to receive the dividends vest.

Derivative instruments and hedging activities – Derivative financial instruments, such as foreign currency exchange contracts, foreign currency and interest rate swap contracts, commodity futures and forward contracts, and contingent earnouts are measured at fair value. Changes in the fair value of derivative financial instruments are recognized in profit or loss. Derivative instrument held for the purpose of eliminating the risk of changes in the fair value of hedged items are designated as fair value hedge and subject to the assessment of hedge effectiveness. To the extent that they satisfy the requirements for hedge accounting, any changes in fair value are recognized in profit or loss together with the corresponding changes in fair value of hedged item. Currently, the Company does not hold derivative instruments for cash flow hedge purposes.

Trade and other payable and debt – Trade and other payables and debt are measured at amortized cost.

Offsetting financial assets and financial liabilities – Financial assets and financial liabilities are offset and the net amount is presented in the accompanying statements of financial position when, and only when, the Company currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Leasing

The Company as lessor – For finance leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Initial direct costs of finance leases are deferred and amortized using the interest method over the lease period. Finance lease income, net of direct amortization cost, is included in interest income. For operating leases, income is recognized as revenue over the term of underlying leases on a straight-line basis. The Company sold property leased to others under operating leases during the year ended March 31, 2015.

The Company as lessee – Lease expenses on operating leases are recognized over the respective lease terms on a straight-line basis.

Property, plant, and equipment

Property, plant, and equipment are recorded at cost. Depreciation of property, plant, and equipment is provided over the estimated useful lives (ranging from 3 to 33 years) of such assets using the straight-line method. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the improvement or the remaining term of the underlying lease. Significant renewals and additions are capitalized at cost. Expenditures for improvements and betterments of operating rental properties are capitalized. Maintenance, repairs, and minor renewals and betterments are charged to expense as incurred.

Impairment of non-financial assets and investments in subsidiaries and associates

The Company periodically performs analyses to determine whether there is any indication of impairment of non-financial assets and investments in subsidiaries and associates. If any such indication exists, the recoverable amounts of the non-financial assets and the investments are estimated.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value, less costs of disposal, and its value in use and is determined for an individual asset when the asset generates cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount with the impairment loss recognized in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed and included in other income only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized.

Inventories

Inventories, consisting of commodities and materials for sale, are measured at the lower of cost or net realizable value. The costs of inventory of items that are not ordinarily interchangeable are assigned by using specific identification of their individual costs. For those items which are interchangeable, the costs are mainly assigned by using the weighted average cost formula.

Revenue recognition

Revenue is recognized as follows:

Sale of products – Revenues from sale of products include those arising from the sale of various products such as metals, chemicals, foods, and general consumer merchandise. The Company acts as a principal in the sales transactions and recognizes revenues on a gross basis when all of the following conditions are satisfied:

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

These conditions are usually considered to have been met at the time of delivery and when conditions agreed upon with customers are satisfied.

Revenue from rendering of services – Revenues from rendering of services include those arising from trading margins and commissions related to various trading transactions in which the Company acts as a principal or an agent. Specifically, the Company charges a commission for the performance of various services such as logistic and warehouse services, information and communication services, and technical support. For certain back-to-back sales and purchase transactions of products, the Company acts as an agent and records the net amount of sales and purchase prices as revenues. All other sales of services in which the Company acts as principal are recorded on a gross basis. The determination of whether the Company acts as a principal or agent in a transaction is based on an evaluation of the terms of a transaction with respect to exposure to the risks and rewards associated with the sale of products or rendering of services. Revenues from service-related businesses are recorded as revenue when all of 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 Company;
- The stage of completion of the transaction at the end of reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

These conditions are usually considered to have been met when the contracted services are rendered to third-party customers pursuant to the agreements.

Employee benefits

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognized immediately as part of the current service cost. When a plan amendment, settlement (eliminating all obligations for benefits already accrued), or a curtailment (reducing future obligations as a result of a significant reduction in the plan membership or a reduction in future entitlement) occurs, the obligations and related plan assets are remeasured using current actuarial assumptions and the resulting gain or loss recognized in earnings during the period in which the plan amendment, settlement, or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of plan obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligations, taking into account material changes in the obligations during the year. The expected return on plan assets is based on a long-term market return assumption that is automatically set equal to the discount rate used to value the benefit obligations, and then adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. All components of net pension cost are presented as a single net amount and included in selling, general, and administrative expenses in the accompanying statements of comprehensive income. The remeasurements of defined benefit plans are recognized in other comprehensive income (loss) and are transferred immediately to retained earnings.

Retirement benefit liabilities in the accompanying statements of financial position comprise the total of the present value of the defined benefit obligations, less the fair value of plan assets out of which the obligations are to be settled directly.

The Company and certain participating affiliated companies share the costs of the defined benefit pension plan. See Note 9 for further discussion.

The Company also has defined contribution plans. Payments to defined contribution plans are recognized as an expense when employees have rendered service.

Income taxes

The Company records income taxes based on IAS 12, *Income Taxes*.

Income taxes comprise current taxes and deferred taxes. Income tax expense is calculated based on profit before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards, and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards, or tax credit carryforwards are expected to reverse.

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

Deferred tax liabilities arising from taxable temporary differences concerning investments in subsidiaries and associates are recognized unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

As of April 1, 2014, the Company joined the MUH federal consolidated tax group, and the Company’s operations are included in the consolidated federal income tax return of MUH. The Company records its current and deferred income tax provision as if it were a separate taxable entity. The Company includes in its income tax provision the tax effect of profits and losses of partnerships and limited liability companies that do not have a tax sharing agreement with the Company.

The Company recognizes uncertain tax positions in income taxes in the financial statements when it is probable that an economic outflow would occur if the tax positions were examined and challenged by tax authorities.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that outflows of resources embodying economic benefits will be required to settle the obligation, and the reliable estimates of the amount of the obligation can be made. Provisions are measured as the best estimate of the amount of expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Financial guarantees

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognized at fair value and are subsequently measured at the greater of the best estimate of the likely outflow and the amount initially recognized less, where appropriate, cumulative amortization.

Reclassifications, Restatements, and Financial Statement Presentations

Advance payments to suppliers were previously included in other current assets in the statement of financial position at March 31, 2015. At March 31, 2016, the Company presented advance payments to suppliers in a separate line item in the statement of financial position since the balance was significant. Prior year comparative of $4,829 at March 31, 2015 has been reclassified from other current assets to advance payments to suppliers in the statements of financial positions.

Subsequent to the issuance of the Company's financial statements as of and for the year ended March 31, 2015, the Company determined that certain non-cash transactions were included in the statements of cash flows previously reported. As a result, prior year comparative for the year ended March 31, 2015 has been restated by excluding non-cash transactions in investing activities of $131,492 and non-cash transactions in financing activities of $356,000 from the statement of cash flows and disclosing those non-cash transactions as supplemental cash flow information. The restatement had no impact on the Company's financial position, result of operations, or total cash flows from operating, investing, or financing activities.

New Accounting Standards

In August 2014, the IASB issued amendments to IAS 27, *Equity Method in Separate Financial Statements*. These amendments permit entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. These amendments are effective for the Company from the fiscal year beginning April 1, 2016. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows*, to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities. These amendments are effective for the Company from the fiscal year beginning April 1, 2017, with earlier application permitted. It requires new disclosures only and will have no impact on the Company's financial position, result of operations or cash flows.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. The core principle of this standard is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also requires extensive disclosures related to revenue recognition. In September

(In thousands, except where otherwise noted)

2015, the IASB deferred the effective date. This standard is effective for the Company from the fiscal year beginning April 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of adoption of this standard on its financial statements.

In July 2014, the IASB issued amendments to IFRS 9, mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain debt instruments. These amendments are effective for the Company from the fiscal year beginning April 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of adoption of these amendments on its financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*. IFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. IFRS 16 does not introduce any significant change in lessor accounting, and accordingly, a lessor continues to classify its leases as operating leases or finance leases. This standard is effective for the Company from the fiscal year beginning April 1, 2019, with earlier application permitted. The Company is currently evaluating the impact of adoption of this standard on its financial statements.

3. Investments in Subsidiaries and Associates

The Company prepares separate financial statements and records investments in subsidiaries and associates at cost less impairment. The changes in the investments in subsidiaries and associates for the years ended March 31, 2016 and 2015 consisted of the following:

	Investments in subsidiaries	Investments in associates	Total
Balance at April 1, 2014	$ 1,085,397	$ 243,940	$ 1,329,337
Additions	17,138	15,449	32,587
Disposals	(11,625)	(14,211)	(25,836)
Capital returns	(190,255)	(14,369)	(204,624)
Impairment	(24,991)	(744)	(25,735)
Reclassification	(24,796)	24,796	—
Balance at March 31, 2015	$ 850,868	$ 254,861	$ 1,105,729
Additions	8,383	26,721	35,104
Disposals	—	(60,422)	(60,422)
Capital returns	(13,488)	(11,261)	(24,749)
Impairment	(39,248)	—	(39,248)
Balance at March 31, 2016	$ 806,515	$ 209,899	$ 1,016,414

The followings are significant activities reflected in the table above:

Additions

Additions to investments in subsidiaries during the year ended March 31, 2016 mainly relate to the establishment of wholly owned subsidiaries, namely, Engine Leasing 4, LLC, Engine Leasing 5, LLC, and Engine Leasing 6, LLC with an initial aggregate investment of approximately $8.3 million.

Additions to investments in associates during the year ended March 31, 2016 mainly relate to the acquisition of shares in Bluegrass Farms of Ohio Inc. and an additional investment in Yorozu Automotiva do Brasil Ltda. in the amount of approximately $9.0 million and $6.2 million, respectively.

Additions to investments in subsidiaries during the year ended March 31, 2015 mainly relate to the establishment of wholly owned subsidiaries, namely, Acieta, LLC with an initial investment of approximately $7.0 million and Engine Leasing 1, LLC, Engine Leasing 2, LLC, and Engine Leasing 3, LLC with an initial aggregate investment of approximately $8.3 million.

Disposals

Disposals in investments in associates during the year ended March 31, 2016 included the sale of all the Company's shares in Ellison Technologies, Inc. ("Ellison") to MUH, Multiexport Pacific Farms S.A. to Mitsui Japan, and Transfreight, LLC to a third party for a selling price of approximately $17.3 million, $20.7 million, and $7.0 million, respectively. The Company recorded gain and loss on these sales of approximately $10.5 million in other income and approximately $21.0 million in other expense, respectively, in the accompanying statement of comprehensive income for the year ended March 31, 2016. The receivable from MUH of $17.3 million from the sale of Ellison was settled by offsetting with a dividend distribution of the same amount during the year ended March 31, 2016.

Disposals in investments in subsidiaries during the year ended March 31, 2015 mainly relate to the sale of all the Company's shares in Argo Sales Ltd. to a third party for a selling price of approximately $10.7 million. The disposals in investments in associates during the year ended March 31, 2015 included the sale of all the Company's shares in Acero Prime, S. de. R.L. de C.V. to a third party for a selling price of approximately $3.9 million and Mitsui Rail Capital, LLC to Mitsui Japan for a selling price of approximately $12.5 million. The Company recorded gain and loss on these sales of approximately $8.2 million in other income and approximately $0.9 million in other expense, respectively, in the accompanying statement of comprehensive income for the year ended March 31, 2015. The disposals in investments in associates during the year ended March 31, 2015 also included the transfer of shares in Mitsui & Co. Precious Metals, Inc. as an in-kind dividend to MUH in the amount of $6.4 million.

Capital Returns

During the year ended March 31 2016, the Company received a liquidating return of capital on its investment in Prime Aviation Capital, LLC, a wholly-owned subsidiary, and an in-kind distribution from Mitsui & Co. Venture Partners II, L.P. ("MCVP II"), an associate, in the amount of approximately $11.3 million and $6.1 million, respectively.

During the year ended March 31, 2015, the Company received a return of capital on its investments in wholly owned subsidiaries, namely, Game Changer Holdings Inc. and Ginrei, Inc., as well as MCVP II in the amount of approximately $181.6 million, $8.7 million, and $7.8 million, respectively.

Impairment

During the years ended March 31, 2016 and 2015, the Company recorded impairment losses on its investment in Cinco Pipe and Supply, LLC, a wholly-owned subsidiary, of approximately $39.2 million and $24.0 million, respectively. The impairment was recognized due to reduced product demand from continuous decline in oil prices. The fair value of the investment was estimated using the discounted cash flow method and categorized as Level 3 in the fair value hierarchy. The significant unobservable input used for this fair value measurement was the discount rate and projected cash flows. See Note 13 regarding the fair value hierarchy.

The impairment losses were included in other expense in the accompanying statements of comprehensive income for the years ended March 31, 2016 and 2015.

Reclassification

The reclassification during the year ended March 31, 2015 relates to equity dilution in MAG Aliança Automóveis do Brasil SSC, resulting in a change of its investment classification from subsidiary to associate.

(In thousands, except where otherwise noted)

Details of the significant investments in subsidiaries and associates at March 31, 2016 and 2015 were as follows:

Subsidiaries:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2016	2015
Champions Pipe & Supply, Inc.	United States	100	100
Cinco Pipe and Supply, LLC	United States	100	100
Engine Leasing 1-6, LLC[1]	United States	100	100
Game Changer Holdings Inc.	United States	100	100
Hydro Capital Corporation	Mexico[2]	100	100
Intercontinental Terminals Company LLC	United States	100	100
MBK Real Estate Holdings Inc.	United States	100	100
MIT Wind Power, Inc.	United States	100	100
Mitsui de Mexico, S. de R.L. de. C.V.	Mexico	100	100
Mitsui Foods, Inc.	United States	100	100
Mitsui Plastics, Inc.	United States	100	100
Novus International, Inc.	United States	65[3]	65
Prime Aviation Capital, LLC	United States	—	100
United Grain Corporation of Oregon	United States	80	80

[1] Engine Leasing 1-3, LLC were established during 2015. Engine Leasing 4-6, LLC were established during 2016.
[2] Hydro Capital Corporation is incorporated in the United States.
[3] On May 11, 2016, MUH acquired a 43% interest in Novus International, Inc. As a result, the Company's ownership interest decreased to 37%. See Note 17 for further discussion.

Associates:

Name of investees	Principal place of business	Proportion of ownership interest (%)	
		2016	2015
Aethon, Inc.	United States	33	27
Android Industries, LLC	United States	33	33
AWC Investments, Inc.	United States	29	29
Ellison Technologies, Inc.	United States	—	44
MAG Aliança Automóveis do Brasil SSC	Brazil	50	50
Multiexport Pacific Farms S.A.	Chile	—	30
Penske Automotive Group, Inc.	United States	4[4]	3[4]
PK U.S.A., Inc.	United States	25	25
Road Machinery LLC	Mexico[5]	50	50
Yorozu Automotiva do Brasil Ltda.	Brazil	30	30

[4] Mitsui Japan also owns shares of Penske Automotive Group, Inc. Mitsui USA has significant influence over the entity jointly with Mitsui Japan.
[5] Road Machinery LLC is organized in the United States.

(In thousands, except where otherwise noted)

4. Financial Instruments and Related Matters

Trade and Other Receivables, Finance Lease Receivables, and Derivative-related Assets

Trade and other receivables, finance lease receivables, and derivative-related assets as of March 31, 2016 and 2015 were measured at amortized cost, except for derivative assets, and consisted of the following:

	2016	2015
Current:		
Trade and other receivables:		
Customers	$ 428,150	$ 298,998
Parent and affiliates	205,289	248,863
Finance lease receivables	4,345	7,168
Allowance for doubtful receivables	(2,140)	(2,711)
Total	$ 635,644	$ 552,318
Derivative-related assets:		
Derivative assets	50,569	19,788
Margin deposits	11,976	5,788
Total	$ 62,545	$ 25,576
Non-current:		
Finance lease receivables	$ —	$ 6,866
Derivative-related assets—Derivative assets	10,244	—

Other Investments

The carrying amounts of other investments as of March 31, 2016 and 2015 were as follows:

	2016	2015
Equity instruments measured at FVTPL	$ 13,171	$ 9,605
Equity instruments measured at FVTOCI	23,102	28,189
Total	$ 36,273	$ 37,794

Equity Instruments Measured at FVTPL

The fair value of equity instruments measured at FVTPL as of March 31, 2016 and 2015 was as follows:

	2016	2015
Unlisted securities	$ 13,171	$ 9,605

There were no individually significant equity instruments measured at FVTPL as of March 31, 2016 and 2015.

Gain (Loss) on Equity Instruments Measured at FVTPL

The Company recorded a net loss of $1,102 and a net gain of $184 on sales and valuation of equity instruments measured at FVTPL for the years ended March 31, 2016 and 2015, respectively. Net gain (loss) on equity instruments measured at FVTPL is included in other income and other expense in the accompanying statements of comprehensive income for the years ended March 31, 2016 and 2015.

(In thousands, except where otherwise noted)

Equity Instruments Measured at FVTOCI

The fair value of equity instruments measured at FVTOCI as of March 31, 2016 and 2015 was as follows:

	2016	2015
Publicly listed securities	$ 4,665	$ 5,882
Unlisted securities	18,437	22,307
Total	$ 23,102	$ 28,189

There were no individually significant equity instruments measured at FVTOCI as of March 31, 2016 and 2015.

Derecognized Equity Instruments Measured at FVTOCI

During the years ended March 31, 2016 and 2015, the Company disposed of certain equity instruments measured at FVTOCI because it determined such equity instruments no longer met the Company's business strategies. The fair value at the date of derecognition and cumulative gains (losses) on disposal—net related to those equity instruments were as follows:

	2016	2015
Fair value of the equity instruments at the date of derecognition	$ 149	$ 12,515
Cumulative gains (losses) on disposition—net	(835)	7,987

The Company received no dividends from those disposed equity instruments measured at FVTOCI during the years ended March 31, 2016 and 2015.

Finance Income and Cost

The finance income and finance cost for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Interest income:		
Loan and finance lease receivables	$ 18,571	$ 20,229
Derivatives	—	1,816
Total	$ 18,571	$ 22,045
Dividend income:		
Subsidiaries and associates	$ 188,566	$ 219,542
Equity instruments measured at FVTOCI	196	76
Total	$ 188,762	$ 219,618
Interest expense:		
Debt	$ (22,264)	$ (21,530)
Derivatives	(439)	(386)
Total	$ (22,703)	$ (21,916)

Fee income and expense arising from financial assets measured at amortized cost were immaterial for the years ended March 31, 2016 and 2015.

Fair Value of Long-term Loan Receivables and Long-term Debt

The carrying amounts of long-term loan receivables and long-term debt with floating rates approximate their respective fair value. The fair value of long-term loan receivables and long-term debt with fixed rates is estimated by discounted cash flow analysis, using interest rates currently available for similar types of loan receivables and debt with similar terms and remaining maturities. These amounts are classified as Level 2 in the fair value hierarchy.

(In thousands, except where otherwise noted)

The carrying amounts and fair value of long-term loan receivables and long-term debt as of March 31, 2016 and 2015 were as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loan receivables, including current portion	$ 752,078	$ 753,052	$ 657,717	$ 659,207
Long-term debt, including current portion	1,496,117	1,500,817	1,376,904	1,378,995

Capital Management and Financial Risk Management

(1) Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Board of Directors manages the level of dividends to the shareholder to maintain an optimal capital structure. No changes were made in the objectives, policies, or processes during the years ended March 31, 2016 and 2015. The capital of the Company consists of equity attributable to the Parent.

(2) Credit risk

Credit risk is the risk of loss resulting from counterparty default arising on all credit exposures. The Company's credit risk is primarily attributable to its trade, loan, and finance lease receivables. The Company manages its credit risk by having and applying a strict credit approval process, with different levels of management having a varying credit approval limit. The Company has an established credit department which controls and monitors credit. Each counterparty is appraised annually and the credit limit and company rating are updated, if appropriate. In addition, certain counterparties are covered by credit insurance policies. See Note 5 for further analysis of allowance for doubtful receivables.

The credit risk on liquid funds and derivative instruments are limited because the counterparties are financial institutions and other parties with high credit ratings assigned by international credit rating agencies and other counterparties which have to pass through a credit approval process before credit lines are approved.

Approximately 51% of trade receivables was derived from three customers in China and Switzerland at March 31, 2016. Approximately 53% of trade receivables was derived from three customers in China and Singapore at March 31, 2015. Approximately half of those transactions is backed-up by letters of credit issued by established international banks and the remainders are customers with strong financial status.

The carrying amounts of financial assets recorded in the financial statements, net of any allowances for losses, and the financial guarantees represents the Company’s maximum exposure to credit risk.

(3) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations as they become due because of insufficient financial resources. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and continually monitoring forecast and actual cash flows by the use of the cash management arrangement utilized by various affiliated companies.

In its funding strategy, the Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings from third-party financial institutions and an affiliated company which specializes in financing services. See Note 8 for liquidity risk analysis for each class of financial liabilities and Notes 8 and 15 for information on lines of credit.

(4) Interest rate risk

The Company is exposed to interest rate risk arising from floating-rate assets and liabilities. An increase in interest rates may adversely affect its operating results. The Company has entered into interest rate and currency swap contracts to hedge exposures on these assets and liabilities.

The impact on profit before income taxes assuming a 1% rise in interest rates is a lower profit of approximately $9.2 million and $6.3 million for the years ended March 31, 2016 and 2015, respectively. This sensitivity analysis is calculated by multiplying the net amounts of floating-rate financial assets and liabilities as of March 31, 2016 and 2015 by 1%, without considering future changes in the balance, the effect of exchange rate fluctuations, or the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts and assuming that all other variables are constant.

The instruments that are included in the sensitivity analysis include floating-rate interest-bearing loan receivables and debt, fixed-rate interest-bearing loan receivables and debt that are effectively converted to floating-rate instruments with interest rate swap contracts, cash and cash equivalents, and time deposits.

(5) Foreign currency exchange rate risk

The Company has limited exposure to foreign currency exchange rate risk as most of its receivables and payables arising from transactions such as purchases and sales of products and services and financial transactions are denominated in U.S. dollars. The Company effectively eliminated the foreign currency exchange rate risk from its Japanese-yen denominated borrowing by using a cross-currency swap contract. The impact on profit before income taxes assuming a 1% rise in exchange rate of any currency is not material for the years ended March 31, 2016 and 2015.

(6) Commodity price risk

The Company trades in commodities, mainly agricultural products, and as a result it is exposed to the risk of price fluctuations. The Company uses the Value at Risk ("VaR") method to measure the price risk for certain commodities for which historical price fluctuations are significant. VaR is a statistical measure of the potential maximum loss in the fair value of a given portfolio over a certain holding period and within a certain confidence level. It is calculated by mainly using a 10-day holding period and a confidence level of 99%. The VaR was $0.7 million and $4.2 million as of March 31, 2016 and 2015, respectively. Those figures do not take into account correlations among various commodities. The actual results may differ significantly from VaR as VaR is calculated by using historical fluctuations of each risk component.

(7) Contingent earnouts

The Company received certain receivables as an in-kind distribution from one of its investments on March 31, 2016 and recorded the receivables as derivatives. The receivables represent contingent development and sales earnouts to be received at various times based on achievements of various clinical and regulatory milestones as well as earnout payments based on achievements of various sales milestones. The fair value of such payments is adjusted to reflect the estimated risk with the relative uncertainty of both the timing and achievement of individual development and sales earnouts.

Derivative Instruments and Hedging Activities

The Company manages interest rates, foreign currency exchange rates, and commodity price risks associated with individual transactions by using various derivative instruments.

Interest rate risk hedging activities

The Company uses interest rate swap contracts to convert certain fixed-rate financial assets to floating-rate to match cash flows from the financial assets with floating-rate liabilities. The Company does not apply hedge accounting on such interest rate swaps and hedged items, and changes in fair value, which are not significant, are recognized in earnings.

Foreign currency exchange rate risk hedging activities

The Company mitigates the fluctuation in long-term debt fair value with a cross-currency swap contract. The cross-currency swap contract offsets an impact of future changes in foreign exchange rates designated as the hedged risk on the fair value of the underlying Japanese-yen denominated long-term debt. The Company applies fair value hedge accounting on the cross-currency swap contract and hedged item. The Company also uses foreign exchange forward contracts to reduce the risks from foreign currency-denominated receivables and payables. Those foreign exchange forward contracts and hedged items do not qualify for hedge accounting and changes in fair value, which are not significant, are recognized in earnings.

(In thousands, except where otherwise noted)

Commodity price risk hedging activities

The Company uses exchange-traded futures to manage its net position of agricultural commodity forward purchase and sales contracts to reduce price risk caused by market fluctuations in agricultural commodities, such as soy beans, wheat, and corn. The Company does not apply hedge accounting on such contracts and hedged items.

The following table presents the fair value of the derivative instrument designated as hedging instrument, the cross-currency swap contract, as of March 31, 2016 and 2015:

		2016		2015	
		Assets	Liabilities	Assets	Liabilities
Foreign exchange contract	Non-current	$ 482	$ —	$ —	$ 1,920

The following table presents the notional amount of the cross-currency swap contract as of March 31, 2016 and 2015:

	2016	2015
Foreign exchange contract—		
Later than 1 year and not later than 5 years	$ 45,098	$ 45,098

For the cross-currency swap contract, the interest received in Japanese-yen is based on a fixed interest rate of 1.745% and the interest paid in U.S. dollars is based on the 6 month London Interbank Offered Rate (“LIBOR”) rate plus 23 bps. The 6 month LIBOR rate at March 31, 2016 and 2015 was 0.900% and 0.401%, respectively.

The following table presents the fair value of derivative instruments not designated as hedging instruments as of March 31, 2016 and 2015:

		2016		2015	
		Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts	Current	$ 107	$ 163	$ 67	$ 53
Interest rate contracts	Non-current	—	807	—	368
Commodity contracts	Current	56,430	54,031	20,209	30,665
Contingent earnouts	Non-current	9,762	—	—	—
Total		$ 66,299	$ 55,001	$ 20,276	$ 31,086

Current and non-current derivative assets and current and non-current derivative liabilities are included in derivative-related assets and derivative-related liabilities on the accompanying statements of financial position, respectively.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the accompanying statements of financial position resulted from netting derivative assets and derivative liabilities with cash collateral. See Note 13 for netting adjustments.

(In thousands, except where otherwise noted)

Offset of Financial Assets and Liabilities

A financial asset and a financial liability, including collateral, are offset and the net amount is presented in the accompanying statements of financial position of the Company when, and only when, the Company currently has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The following table presents the gross amounts of recognized financial assets and liabilities, amounts set-off, amounts presented in the accompanying statements of financial position, and net amounts as of March 31, 2016 and 2015. The net amounts presented below are net of those amounts that are covered by enforceable netting arrangements (offsetting arrangements and collateral), but do not qualify for the net presentation in the accompanying statements of financial position.

	2016	
	Financial Assets	Financial Liabilities
Gross amounts of recognized financial assets and liabilities	$ 80,889	$ 55,001
Gross amounts of financial assets and liabilities set-off in the accompanying statement of financial position	(8,100)	(8,100)
Net amounts of financial assets and liabilities presented in the accompanying statement of financial position	72,789	46,901
Related amounts not set-off in the accompanying statement of financial position (including collateral) *	(28,986)	(28,986)
Exposure on a net basis	$ 43,803	$ 17,915

	2015	
	Financial Assets	Financial Liabilities
Gross amounts of recognized financial assets and liabilities	$ 27,443	$ 33,496
Gross amounts of financial assets and liabilities set-off in the accompanying statement of financial position	(1,867)	(1,867)
Net amounts of financial assets and liabilities presented in the accompanying statement of financial position	25,576	31,629
Related amounts not set-off in the accompanying statement of financial position (including collateral) *	(11,958)	(11,958)
Exposure on a net basis	$ 13,618	$ 19,671

* The Company has the right to set-off, which is enforceable only in the event of default, insolvency, or bankruptcy of its customers.

(In thousands, except where otherwise noted)

5. Receivables and Related Allowances

Changes in Allowance for Doubtful Receivables

The analysis of the changes in allowance for doubtful receivables for the years ended March 31, 2016 and 2015 is as follows:

	Finance lease receivables	Trade and other receivables	Total
Balance at April 1, 2014	$ 396	$ 8,530	$ 8,926
Provision for doubtful receivables	(396)	(1,999)	(2,395)
Credits charged-off	—	(3,820)	(3,820)
Balance at March 31, 2015	$ —	$ 2,711	$ 2,711
Provision for doubtful receivables	2,423	(571)	1,852
Credits charged-off	(2,423)	—	(2,423)
Balance at March 31, 2016	$ —	$ 2,140	$ 2,140

Credit Quality Indicators

To assess the adequacy of the allowance for loans and finance lease receivables, the Company performs a quarterly analysis of receivables using credit quality indicators, performing receivables, and nonperforming receivables. Receivables that meet one of the following conditions are classified as nonperforming receivables:

- Counterparties who have filed a petition for liquidation, adjustments, rehabilitation, or reorganization under bankruptcy codes;
- Counterparties whose debts have not been collected for more than one year since the original due date; or
- Counterparties experiencing suspension or discontinuance of business, as well as those whose ability to fulfill their obligations is doubtful based on an internal review of their financial conditions.

The Company classifies loans and finance lease receivables other than nonperforming receivables as performing receivables.

To assess the adequacy of the allowance on trade and other receivables, the Company performs a quarterly analysis of dates past due.

The amounts of recorded investments in receivables classified by credit quality indicators as of March 31, 2016 and 2015 were as follows:

	2016	2015
Loan receivables and finance lease receivables:		
Performing:		
Loan receivables	$ 1,142,027	$ 1,046,453
Finance lease receivables	4,345	14,034
Total	$ 1,146,372	$ 1,060,487
Other receivables excluding finance lease receivables:		
Less than 30 days past due (including not past due)	$ 769,291	$ 572,985
30-89 days past due	419	222
90 days or more past due	144	230
Total	$ 769,854	$ 573,437

(In thousands, except where otherwise noted)

Impaired Receivables

All of the loan receivables and finance lease receivables are classified as performing and there were no impaired loan receivables and finance lease receivables at March 31, 2016 and 2015. In addition, there were no past due or non-accrual loan receivables and finance lease receivables at March 31, 2016 and 2015.

Trade and other receivables that were classified as impaired amounted to $200 and $201 as of March 31, 2016 and 2015, respectively. Substantially all of the impaired receivables were provided with an allowance for doubtful receivables.

During the year ended March 31, 2016, in conjunction with an agreement to sell all locomotives under finance leases at the end of the lease term, the Company recorded a provision for credit loss of approximately $2.4 million which represents the reduction in residual value of the locomotives. See Note 6 for further discussion.

6. Leases

Lessor

Leases of locomotives are classified as finance leases and the net investments are included as part of trade and other receivables and finance lease receivables in the accompanying statements of financial position. The unguaranteed residual value represents the estimate of the value of the leased assets at the end of the lease contracts and are initially recorded based on appraisals and estimates at the commencement of the lease. Realization of the residual value is dependent on the Company's future ability to sell the related assets under then-prevailing market conditions.

The following is a schedule of future minimum sublease payments to be received from finance leases as well as the components of the present value as of March 31, 2016 and 2015:

	Gross investment in finance leases		Present value of future minimum lease payments receivable	
	2016	2015	2016	2015
Not later than 1 year	$ 4,554	$ 7,846	$ 4,325	$ 7,015
Later than 1 year and not later than 5 years	—	7,083	—	4,082
Total	$ 4,554	$ 14,929	$ 4,325	$ 11,097
Unearned income	(209)	(895)		
Unguaranteed residual value of leased assets (present value)	(20)	(2,937)		
The present value of future minimum lease payments to be received	$ 4,325	$ 11,097		

During the year ended March 31, 2016, the Company entered into an agreement to sell all locomotives under finance leases at the end of the lease term. Based on the sales amount, the Company recorded an impairment loss on unguaranteed residual value of leases of approximately $2.4 million, which was recorded in the selling, general, and administrative expenses in the accompanying statement of comprehensive income for the year ended March 31, 2016.

During the year ended March 31, 2015, the Company sold certain finance leases to third-party buyers for approximately $131.8 million in aggregate and recorded a net loss on the sale of approximately $2.5 million. The net loss on sale is included in other expense in the accompanying statement of comprehensive income for the year ended March 31, 2015.

During the year ended March 31, 2015, the Company sold certain finance leases that were classified as held for sale at the lower of carrying amount or estimated fair value, less costs to sell, for approximately $22.0 million. Together with the lease payments received during the year, the Company recorded a gain on sale of $4.7 million, which is included in other income in the accompanying statement of comprehensive income for the year ended March 31, 2015.

(In thousands, except where otherwise noted)

During the year ended March 31, 2015, the Company sold certain operating leases and the related assets to third-party buyers. See Note 7 for further discussion.

Lessee

The Company leases real estate, rolling stock, and storage tanks under operating leases. Most of the storage tanks under operating leases are subleased to third parties and certain office spaces are subleased to affiliated companies.

The following is a schedule of future minimum lease payments under noncancellable operating leases as of March 31, 2016 and 2015:

	2016	2015
Not later than 1 year	$ 14,630	$ 9,997
Later than 1 year and not later than 5 years	41,365	18,957
Later than 5 years	146,296	3,161
Total	$ 202,291	$ 32,115

The following is a schedule of future minimum sublease payments to be received under noncancellable operating leases as of March 31, 2016 and 2015:

	2016	2015
Not later than 1 year	$ 4,756	$ 3,106
Later than 1 year and not later than 5 years	4,497	1,763
Total	$ 9,253	$ 4,869

Rental expenses incurred for operating leases for the years ended March 31, 2016 and 2015 were $13,080 and $10,339, respectively. Sublease rental income for the years ended March 31, 2016 and 2015 was $4,314 and $4,727, respectively.

(In thousands, except where otherwise noted)

7. Property, Plant, and Equipment

The changes in acquisition cost, accumulated depreciation, and impairment losses and the carrying amount of property, plant, and equipment for the years ended March 31, 2016 and 2015 were as follows:

Acquisition cost:

	Land and buildings	Equipment and fixtures	Aircraft*	Construction in progress	Software	Total
Balance at April 1, 2014	$ 24,203	$ 7,961	$ 45,300	$ 1,597	$ 7,214	$ 86,275
Additions	61	336	—	99	43	539
Disposals	(7)	(966)	(45,300)	—	(84)	(46,357)
Reclassification	1,011	684	—	(1,695)	—	—
Balance at March 31, 2015	$ 25,268	$ 8,015	$ —	$ 1	$ 7,173	$ 40,457
Additions	45	179	—	51	6	281
Disposals	(2)	(223)	—	—	(788)	(1,013)
Reclassification	22	1	—	(23)	—	—
Balance at March 31, 2016	$ 25,333	$ 7,972	$ —	$ 29	$ 6,391	$ 39,725

Accumulated depreciation and impairment losses:

	Land and buildings	Equipment and fixtures	Aircraft*	Construction in progress	Software	Total
Balance at April 1, 2014	$ 6,257	$ 6,168	$ 12,172	$ —	$ 7,158	$ 31,755
Depreciation/amortization expense	1,684	791	2,363	—	34	4,872
Disposals	(4)	(865)	(16,373)	—	(84)	(17,326)
Impairment losses	—	—	1,838	—	—	1,838
Balance at March 31, 2015	$ 7,937	$ 6,094	$ —	$ —	$ 7,108	$ 21,139
Depreciation/amortization expense	1,657	639	—	—	23	2,319
Disposals	(2)	(194)	—	—	(788)	(984)
Balance at March 31, 2016	$ 9,592	$ 6,539	$ —	$ —	$ 6,343	$ 22,474

Carrying amount:

	Land and buildings	Equipment and fixtures	Aircraft*	Construction in progress	Software	Total
Balance at March 31, 2015	$ 17,331	$ 1,921	$ —	$ 1	$ 65	$ 19,318
Balance at March 31, 2016	15,741	1,433	—	29	48	17,251

* Aircraft was leased to third parties under operating leases.

During the review of impairment of non-financial assets, the Company recorded an impairment loss on aircraft leased to others of $1,838 for the year ended March 31, 2015. Recoverable amount of the aircraft was determined using a market based approach. In December 2014, the Company sold the aircraft to a third party for a selling price of approximately $24.0 million and recorded a gain on the sale of $277, net of approximately $5.2 million of deferred revenue. The impairment loss is included in other expense and gain on sale is included in other income in the accompanying statement of comprehensive income for the year ended March 31, 2015.

Of the total depreciation and amortization expense, $1.2 million and $1.4 million is included in selling, general, and administrative expenses in the accompanying statements of comprehensive income for the years ended March 31, 2016 and 2015, respectively. The remaining $1.1 million and $3.5 million of expense are included in cost of revenue in the accompanying statements of comprehensive income for the years ended March 31, 2016 and 2015, respectively.

(In thousands, except where otherwise noted)

8. Financial Liabilities

Short-term Debt

Short-term debts as of March 31, 2016 and 2015 were comprised of the following:

	2016		2015	
		Interest Rate		Interest Rate
Subsidiaries and affiliates	$ 818,659	0.42%	$ 283,420	0.05%
Commercial paper	265,716	0.57%	99,944	0.22%
Total	$ 1,084,375		$ 383,364	

The interest rates represent weighted-average rates in effect as of March 31, 2016 and 2015.

Unused lines of credit for short-term financing from third-party financial institutions were $525 million as of March 31, 2016 and 2015.

Long-term Debt

Long-term debts as of March 31, 2016 and 2015 consisted of the following:

	2016		2015	
		Interest Rate		Interest Rate
Affiliated company	$ 1,450,478	1.33% to 3.22%	$ 1,333,650	1.05% to 2.94%
Financial institution	45,639	1.75%	43,254	1.75%
Total long-term debt	1,496,117		1,376,904	
Less current portion	(256,202)		(411,200)	
Long-term debt, less current portion	$ 1,239,915		$ 965,704	

The long-term debt from financial institution is debt denominated in Japanese-yen.

Long-term debt with financial institutions included loans related to certain finance leases. During the year ended March 31, 2015, approximately $33 million of these loans were matured or were transferred to the buyer of the finance leases. These loan agreements included default provisions which granted the financial institutions sale or possession rights of the leased assets. See Note 15 for more details on lines of credit for long-term financing from related parties.

Trade and Other Payables and Derivative-Related Liabilities

Trade and other payables and derivative-related liabilities as of March 31, 2016 and 2015 were measured at amortized cost, except for derivative liabilities, consisted of the following:

	2016	2015
Current:		
Trade and other payables:		
Trade creditors	$ 82,093	$ 114,080
Parent and affiliates	196,298	248,765
Accrued expenses	12,454	14,392
Total	$ 290,845	$ 377,237
Derivative-related liabilities	46,094	29,341
Non-current:		
Derivative-related liabilities	807	2,288

(In thousands, except where otherwise noted)

Liquidity Risk Analysis

Non-derivative financial liabilities

The contractual maturities of financial liabilities, excluding derivative liabilities, as of March 31, 2016 and 2015 were as follows:

	2016			
	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Short-term debt	$ 1,084,375	$ —	$ —	$ 1,084,375
Trade and other payables	290,845	—	—	290,845
Long-term debt (including current portion)	256,202	1,207,949	31,966	1,496,117

	2015			
	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Short-term debt	$ 383,364	$ —	$ —	$ 383,364
Trade and other payables	377,237	—	—	377,237
Long-term debt (including current portion)	411,200	965,704	—	1,376,904

Derivative financial liabilities

The following tables reflect expected net cash receipts and payments from derivative financial liabilities. If amounts to be received or paid are not fixed, the amounts are calculated using forward currency exchange rates and interest rates estimated in reference to the yield curve as of March 31, 2016 and 2015.

		2016			
		Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Foreign exchange contracts:	Receipts	$ 495	$ 100	$ —	$ 595
	Payments	(163)	—	—	(163)
Interest rate contracts:	Receipts	—	—	—	—
	Payments	(478)	(1,096)	(182)	(1,756)
Commodity contracts:	Receipts	56,430	—	—	56,430
	Payments	(54,031)	—	—	(54,031)

		2015			
		Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Foreign exchange contracts:	Receipts	$ 447	$ 84	$ —	$ 531
	Payments	(53)	(2,713)	—	(2,766)
Interest rate contracts:	Receipts	—	10	204	214
	Payments	(604)	(612)	—	(1,216)
Commodity contracts:	Receipts	20,209	—	—	20,209
	Payments	(30,665)	—	—	(30,665)

(In thousands, except where otherwise noted)

9. Employee Benefits

The Company sponsors a non-contributory defined benefit pension plan covering substantially all employees (except Japanese nationals assigned in the United States by Mitsui Japan) of the Company and certain subsidiaries and affiliated companies (collectively, "Group Companies"). The pension plan is classified as a defined benefit plan that shares risks between entities under common control in accordance with IAS 19, *Employee Benefits*. The Company amended the pension plan, effective January 1, 2007, to freeze participation in the pension plan.

In addition to providing pension benefits, the Company provides certain healthcare benefits for retired employees.

Changes in Defined Benefit Obligations and Plan Assets

The following table sets forth the changes in the Company's defined benefit obligations and plan assets for the years ended March 31, 2016 and 2015:

	Pension plan		Post-retirement welfare plan	
	2016	2015	2016	2015
Change in defined benefit obligations:				
Defined benefit obligations at beginning of year	$ 124,543	$ 120,402	$ 17,601	$ 13,863
Service cost	3,026	2,625	783	453
Interest expense	4,812	4,890	751	674
Actuarial (gain) loss – financial assumption changes	(2,535)	11,842	(888)	2,955
Actuarial (gain) loss – demographic assumption changes	(1,918)	5,112	(508)	1,514
Actuarial (gain) loss – experience adjustments	789	749	(1,781)	(1,555)
Plan participants' contributions	—	—	282	254
Benefits paid from plan assets	(5,263)	(20,287)	(606)	(557)
Settlement of certain benefit obligations	—	(790)	—	—
Defined benefit obligations at end of year	123,454	124,543	15,634	17,601
Change in plan assets:				
Fair value of plan assets at beginning of year	87,256	93,204	—	—
Interest income	3,408	3,898	—	—
Return on plan assets (excluding interest income)	(5,700)	3,041	—	—
Contributions by the employer	4,561	8,000	324	303
Plan participants' contributions	—	—	282	254
Benefits paid from plan assets	(5,263)	(20,287)	(606)	(557)
Others	(890)	(600)	—	—
Fair value of plan assets at end of year	83,372	87,256	—	—
Net defined benefit liabilities at end of year	$ 40,082	$ 37,287	$ 15,634	$ 17,601

Components of Net Defined Benefit Costs

Net defined benefit costs of the Company's defined benefit plans for the years ended March 31, 2016 and 2015 included the following components:

	Pension plan		Post-retirement welfare plan	
	2016	2015	2016	2015
Service cost	$ 3,026	$ 2,625	$ 783	$ 453
Interest expense	4,812	4,890	751	674
Interest income	(3,408)	(3,898)	—	—
Recognized gain on settlement of certain benefit obligations	—	(790)	—	—
Others	890	600	—	—
Net defined benefit costs	$ 5,320	$ 3,427	$ 1,534	$ 1,127

(In thousands, except where otherwise noted)

Information about Shared Risks under Common Control

There is no contractual agreement or stated policy for charging to individual Group Companies the net defined benefit costs for the pension plan as a whole measured in accordance with IAS 19. For the years ended March 31, 2016 and 2015, the contribution to the pension plan is allocated to the Company and the participating Group Companies based on the respective percentage of the total payroll for the period. During the years ended March 31, 2016 and 2015, the Company received from Group Companies approximately $1.2 million and $3.0 million, respectively, for their share of the contributions to the pension plan. The Company recorded such contributions received from Group Companies as a reduction of net defined benefit costs.

Assumptions

The weighted-average assumptions used to determine the Company's defined benefit obligations as of March 31, 2016 and 2015 were as follows:

	2016	2015
Pension plan:		
Discount rate	4.1%	4.0%
Rate of increase in future compensation levels	3.0%	3.0%
Post-retirement welfare plan—		
Discount rate	4.6%	4.3%

The Company determines the discount rates each year as of the measurement date, based on a review of interest rates associated with high-quality fixed-income corporate bonds.

The rate of increase in future compensation levels was 3.0% in determining the defined benefit obligation of the pension plan for the years ended March 31, 2016 and 2015. The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of the post-retirement welfare plan, because the benefit formula of the post-retirement welfare plan does not contain factors relating to compensation levels.

The following tables illustrates the sensitivity to changes in assumptions for the pension plan and the post-retirement welfare plan:

	Impact of change in assumption on defined benefit obligations as of March 31, 2016	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$8,065 increase	$1,558 increase
0.5% increase in discount rate	$7,248 decrease	$1,353 decrease
1.0% decrease in salary increase rate	$3,156 decrease	—
1.0% increase in salary increase rate	$3,337 increase	—
1.0% decrease in health care trend rate	—	$2,387 decrease
1.0% increase in health care trend rate	—	$3,102 increase

(In thousands, except where otherwise noted)

	Impact of change in assumption on defined benefit obligations as of March 31, 2015	
	Pension plan	Post-retirement welfare plan
0.5% decrease in discount rate	$8,448 increase	—
0.5% increase in discount rate	$7,570 decrease	—
1.0% decrease in salary increase rate	$3,524 decrease	—
1.0% increase in salary increase rate	$3,762 increase	—
1.0% decrease in discount rate	—	$4,219 increase
1.0% increase in discount rate	—	$3,128 decrease
1.0% decrease in health care trend rate	—	$2,949 decrease
1.0% increase in health care trend rate	—	$4,048 increase

The discount rate sensitivity was measured by adjusting the discount rate up and down by 0.5% for the pension plan and the post-retirement welfare plan as of March 31, 2016 and 0.5% for the pension plan and 1.0% for the post-retirement welfare plan as of March 31, 2015. The sensitivity due to the salary increase rate was measured by adjusting the salary increase assumption up and down by 1.0% for the pension plan. The sensitivity due to health care trend rate was measured by adjusting the health care trend rate assumption up and down by 1.0% for the post-retirement welfare plan.

Plan Assets

The Company's investment objective is to meet current and future benefit payment needs while maximizing total investment returns (income and appreciation) after inflation within the constraints of diversification and prudent risk taking. The Company invests primarily in a diversified portfolio of equity and fixed income securities that provide for long-term growth within reasonable and prudent levels of risk. The asset allocation targets established by the Company are strategic and intended to reduce exposure to risk assets in favor of long duration fixed income securities as the funded status of the pension plan improves. The portfolio is maintained to provide adequate liquidity to meet associated liabilities and minimize long-term expense and provide prudent diversification among asset classes. The pension plan employs a diversified mix of actively managed investments around a core of passively managed exposures in each asset class. Assets are rebalanced periodically to their strategic targets to maintain the pension plan's strategic risk/reward characteristics.

The fair value of the pension plan assets as of March 31, 2016 and 2015 by asset class was as follows:

	2016			2015		
	Quoted market price in an active market			Quoted market price in an active market		
Asset Class	Available	Not available	Total	Available	Not available	Total
Equity instruments (US)	$ —	$ 26,807	$ 26,807	$ —	$ 31,240	$ 31,240
Equity instruments (Non-US)	—	21,902	21,902	—	20,286	20,286
Debt securities	—	26,627	26,627	—	28,221	28,221
Life insurance company general accounts	—	8,006	8,006	—	7,479	7,479
Cash and deposits	30	—	30	30	—	30
Total	$ 30	$ 83,342	$ 83,372	$ 30	$ 87,226	$ 87,256

Equity instruments and debt securities above are included in collective trust funds. Collective trust funds are stated at the aggregate market value of units of participation. Such value reflects accumulated contributions, dividends, and realized and unrealized investment gains or losses apportioned to such contributions. The insurance contract is primarily valued at the present value of the future benefit payments owed by the insurance company to the pension plan's participants.

(In thousands, except where otherwise noted)

Cash Flows

Contributions

The Company expects to contribute $7.0 million and $0.5 million to the pension plan and the post-retirement welfare plan, respectively, for the year ending March 31, 2017. The funding of the pension plan is through a combination of contributions received from the employer and investment income generated by the pension plan's investments. The funding level is designed to comply with requirements of the Employee Retirement Income Security Act of 1974, the 21st Century Act and the Highway and Transportation Funding Act of 2014, the Pension Protection Act of 2006, and the Internal Revenue Code. These requirements include minimum funding levels. The Company creates and implements the funding policy and monitors the funding level with the assistance of the pension plan's enrolled actuary and investment consultant.

Maturity profile

The weighted average duration of the benefit payments for the pension plan is 11.4 years and 12.3 years as of March 31, 2016 and 2015, respectively. The weighted average duration of the benefit payments for the post-retirement welfare plan is 17.1 years and 19.9 years as of March 31, 2016 and 2015, respectively.

In addition to the above defined pension plan and post-retirement welfare plan, Mitsui USA has a defined contribution plan. The defined contribution plan expense was approximately $0.8 million and $0.7 million for the years ended March 31, 2016 and 2015, respectively.

10. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Remeasurements of equity instruments:		
Balance at beginning of year	$ (1,738)	$ 4,148
Decrease during the year	(3,177)	(1,093)
Transfer to retained earnings	590	(4,793)
Balance at end of year	$ (4,325)	$ (1,738)
Remeasurements of defined benefit plans:		
Balance at beginning of year	$ —	$ —
Increase (decrease) during the year	631	(11,059)
Transfer to retained earnings	(631)	11,059
Balance at end of year	$ —	$ —
Total:		
Balance at beginning of year	$ (1,738)	$ 4,148
Decrease during the year	(2,546)	(12,152)
Transfer to retained earnings	(41)	6,266
Balance at end of year	$ (4,325)	$ (1,738)

Each component of other comprehensive income (loss) and related tax benefit (expense) for the years ended March 31, 2016 and 2015 was as follows:

	2016			2015		
	Pre-tax	Tax effect	Net	Pre-tax	Tax effect	Net
Items that will not be reclassified to profit or loss:						
Remeasurements of equity instruments	$ (5,087)	$ 1,910	$ (3,177)	$ (1,649)	$ 556	$ (1,093)
Remeasurements of defined benefit plans	1,142	(511)	631	(17,576)	6,517	(11,059)
Total	$ (3,945)	$ 1,399	$ (2,546)	$ (19,225)	$ 7,073	$(12,152)

(In thousands, except where otherwise noted)

11. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2016 and 2015 consisted of the following:

	2016	2015
Personnel expenses	$ 90,337	$ 83,023
Professional service expenses	17,299	20,206
Travel and entertainment expenses	17,588	19,115
Other	25,912	22,117
Total	$ 151,136	$ 144,461

12. Income Taxes

Income tax expense (benefit) recognized for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Current:		
Federal	$ (1,306)	$ 64,017
State and local	(3,468)	3,803
Total current	(4,774)	67,820
Deferred	(41,055)	(85,077)
Total	$ (45,829)	$ (17,257)

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended March 31, 2016 and 2015 is as follows:

	2016	2015
Statutory U.S. federal tax rate	35.0%	35.0%
Increase (decrease) in tax rate resulting from:		
State income taxes, net of federal benefit	1.0	(1.0)
Tax loss from sale of investments	(1.8)	—
Non-deductible expenses	1.9	1.2
Dividend received deduction	(63.8)	(46.3)
Prior year permanent difference true-up	(2.7)	0.4
Utilization of tax credits	(15.6)	—
Investment basis difference	4.2	9.1
Reserves for tax contingencies	(3.0)	(10.3)
Others—net	(1.5)	0.5
Effective income tax rate	(46.3)%	(11.4)%

The tax effects of significant temporary differences and carryforwards which result in deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

(In thousands, except where otherwise noted)

	2016	2015
Deferred tax assets:		
Allowance for doubtful receivables and other reserves	$ 7,362	$ 7,205
Inventories	380	376
Investment basis	38,710	955
Accrued expenses	3,081	3,626
Liabilities of defined benefit plans	26,818	27,428
Net operating loss carryforward (state taxes) and credit carryforward	4,964	15
Finance leases	—	365
Transaction costs	3,037	1,685
Other	5,549	3,040
Total deferred tax assets	$ 89,901	$ 44,695
Deferred tax liabilities:		
Depreciation and amortization	(10,667)	(4,527)
Finance leases	(121)	—
Deferred gain	(10,934)	(15,164)
Net deferred tax assets	$ 68,179	$ 25,004

The Company is included in the consolidated federal income tax return of MUH beginning with the year ended March 31, 2015. The Company had filed a consolidated federal income tax return as the Mitsui USA consolidated tax group through the year ended March 31, 2014. Although the Company had federal net operating loss carryforwards, computed on a stand-alone basis, as of March 31, 2014, no deferred tax asset has been recorded since the Company's net operating losses were fully utilized by other members of the Mitsui USA consolidated tax group in prior years.

The Company files certain state returns on a stand-alone basis, and has state net operating loss carryforwards of approximately $155.3 million and $184 million as of March 31, 2016 and 2015, respectively, which will expire primarily between the years ending March 31, 2017 and March 31, 2037. The Company has reevaluated the realizability of state net operating loss carryforwards at March 31, 2016, and it is more likely than not that state net operating losses will be realized. Accordingly, the Company has recorded deferred tax assets of approximately $4.9 million for the entire state net operating loss carryforwards as of March 31, 2016.

The Company also has foreign tax credit carryforwards of approximately $4.7 million and $14.7 million as of March 31, 2016 and 2015, respectively. If not used, these credits will generally expire during the year ending March 31, 2025. The Company has determined it is more likely than not that foreign tax credit carryforwards will not be realized. Accordingly, the Company has not recorded the deferred tax assets related to the foreign tax credit carryforwards as of March 31, 2016 and 2015.

The net realizable value of deferred tax assets may need to be adjusted in the future if facts and circumstances change causing a reassessment of the amount of the net deferred tax assets more likely than not to be realized.

The Company had a liability for uncertain tax positions of $15.2 million, including interest and penalties of $0.9 million and $0.7 million, respectively, as March 31, 2016. As of March 31, 2015, the Company had a liability for uncertain tax positions of $18.3 million, including interest and penalties of $1.4 million and $0.8 million, respectively. These amounts are reported in other non-current liabilities in the accompanying statements of financial position. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense (benefit).

The Company is subject to income taxes in the U.S. and withholding taxes in various foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state, local, and foreign income tax examinations for years ended before March 31, 2013.

(In thousands, except where otherwise noted)

13. Fair Value Measurement

IFRS 13, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes the fair value hierarchy that may be used to measure fair value, which is provided as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3: Unobservable inputs for the asset or liability.

The Company recognizes transfers of assets or liabilities between levels of the fair value hierarchy when the transfers occur.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015 were as follows:

	2016				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Other investments:					
Equity instruments measured at FVTPL	$ —	$ —	$ 13,171	$ —	$ 13,171
Equity instruments measured at FVTOCI	4,665	—	18,437	—	23,102
Total other investments	4,665	—	31,608	—	36,273
Derivative assets:					
Foreign exchange contracts	—	589	—	—	589
Commodity contracts	5,970	50,460	—	(5,968)	50,462
Contingent earnouts	—	—	9,762	—	9,762
Total derivative assets	5,970	51,049	9,762	(5,968)	60,813
Total assets	$ 10,635	$ 51,049	$ 41,370	$ (5,968)	$ 97,086
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	$ —	$ 163	$ —	$ —	$ 163
Interest rate contracts	—	807	—	—	807
Commodity contracts	9,780	44,251	—	(8,100)	45,931
Total derivative liabilities	9,780	45,221	—	(8,100)	46,901
Total liabilities	$ 9,780	$ 45,221	$ —	$ (8,100)	$ 46,901

* See following page.

(In thousands, except where otherwise noted)

	2015				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Other investments:					
Equity instruments measured at FVTPL	$ —	$ —	$ 9,605	$ —	$ 9,605
Equity instruments measured at FVTOCI	5,882	—	22,307	—	28,189
Total other investments	5,882	—	31,912	—	37,794
Derivative assets:					
Foreign exchange contracts	—	67	—	—	67
Commodity contracts	2,227	17,982	—	(488)	19,721
Total derivative assets	2,227	18,049	—	(488)	19,788
Total assets	$ 8,109	$ 18,049	$ 31,912	$ (488)	$ 57,582
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	$ —	$ 1,973	$ —	$ —	$ 1,973
Interest rate contracts	—	368	—	—	368
Commodity contracts	3,331	27,334	—	(1,377)	29,288
Total derivative liabilities	3,331	29,675	—	(1,377)	31,629
Total liabilities	$ 3,331	$ 29,675	$ —	$ (1,377)	$ 31,629

* Amounts of netting adjustments include the net amount when, and only when, the Company currently has a legally enforceable right to set-off the recognized amounts as well as intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

No assets or liabilities were transferred between Levels 1 and 2 during the years ended March 31, 2016 and 2015.

Primary valuation techniques used for financial instruments measured at fair value on a recurring basis are as follows:

Other investments: Publicly-listed securities are measured using quoted market prices and classified as Level 1. Unlisted securities are measured at fair value using the income approach, the market approach, the cost approach, and other appropriate valuation techniques considering various assumptions. Under the income approach, fair value is determined by the discounted cash flow method. Under the market approach, fair value may be determined by reference to a recent transaction involving investee companies or by reference to observable valuation measures for investees that are determined by the Company to be comparable. Under the cost approach, fair value may be determined by recent rounds of equity financing. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as Level 2 or 3.

Derivative instruments: Exchange-traded derivative commodity contracts are measured using quoted market prices and are classified as Level 1. Other derivative commodity contracts are measured using observable inputs of the quoted prices obtained from the market, financial information providers, and brokers, and are classified as Level 2. Derivative foreign exchange contracts and derivative interest rate contracts are measured by discounted cash flow analysis using foreign exchange and interest rates and are classified as Level 2. Contingent earnouts are measured by discounted cash flow analysis using discount rates and the probability of milestone achievement and are classified as Level 3.

The reconciliation of equity instruments measured at FVTPL on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2016 and 2015 was as follows:

(In thousands, except where otherwise noted)

	2016	2015
Balance at beginning of year	$ 9,605	$ 8,606
Remeasurement losses	(1,096)	(1)
Purchases	5,500	1,000
Sales	(875)	—
In-kind distribution	37	—
Balance at end of year	$ 13,171	$ 9,605

The remeasurement losses related to equity instruments measured at FVTPL were included in other expense in the accompanying statements of comprehensive income.

The reconciliation of equity instruments measured at FVTOCI on a recurring basis using significant unobservable inputs (Level 3) for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Balance at beginning of year	$ 22,307	$ 14,881
Other comprehensive loss	(3,870)	(824)
Purchases	—	13,251
Sales	—	(2,001)
Transfers out of Level 3**	—	(3,000)
Balance at end of year	$ 18,437	$ 22,307

** Certain securities that were previously measured at FVTOCI became publicly-traded during the year ended March 31, 2015.

Other comprehensive loss related to equity instruments measured at FVTOCI was included in remeasurements of equity instruments in the accompanying statements of comprehensive income.

The reconciliation of contingent earnouts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2016 was as follows:

	2016
Balance at beginning of year	$ —
In-kind distribution	9,762
Balance at end of year	$ 9,762

(In thousands, except where otherwise noted)

The following table presents the various valuation methods and significant unobservable inputs used to determine the fair value of other investments and contingent earnouts as of March 31, 2016 and 2015:

	2016		
	Balance	Unobservable inputs	Range
Equity instruments measured at FVTPL:			
Income approach/market approach	$ 9,171	Discount rate	8.5% - 9.5%
Cost approach	4,000	—	
Total FVTPL	13,171		
Equity instruments measured at FVTOCI:			
Cost approach - precedent transaction method	$ 7,556	Volatility	14% - 30%
Income approach/market approach	10,881	Discount rate	17%
		Revenue multiple	5.8x - 6.0x
Total FVTOCI	18,437		
Contingent earnouts—			
Income approach	$ 9,762	Discount rate	7.0% - 14.0%
		Probability of milestone achievement	0.3% - 61.0%

	2015		
	Balance	Unobservable inputs	Range
Equity instruments measured at FVTPL—			
Income approach	$ 9,605	Discount rate	6.0% - 21.7%
Equity instruments measured at FVTOCI—			
Income approach	$ 22,307	Discount rate	11.3% - 30.6%

For recurring fair value measurements, increases (decreases) in discount rates and volatility would result in a lower (higher) fair value whereas increases (decreases) in the revenue multiple and probability of milestone achievement would result in a higher (lower) fair value.

14. Contingent Liabilities

Guarantees

The Company provides various types of guarantees to the benefit of subsidiaries, affiliated companies, and third parties principally to enhance their credit standings, and would be required to execute payments if a guaranteed party failed to fulfill its obligation with respect to a borrowing or trade payable.

The Company evaluates the risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitors outstanding positions and records an adequate allowance to cover losses expected from probable performance under these agreements. The Company believes that the likelihood to perform guarantees which would materially affect the Company's financial position, results of operations, or cash flows is remote at March 31, 2016 and 2015.

The following table summarizes the maximum potential amount of future payments and outstanding amount of the Company's guarantees as of March 31, 2016 and 2015. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

(In thousands, except where otherwise noted)

	2016	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 534,318	$ 90,231
Guarantees for associates and other related parties	86,670	39,984
Guarantees for third parties	9,110	9,110
Total	$ 630,098	$ 139,325

	2015	
	Maximum potential amount of future payments	Outstanding amount
Type of guarantees:		
Guarantees for subsidiaries	$ 769,915	$ 86,468
Guarantees for associates and other related parties	132,807	88,045
Guarantees for third parties	9,110	9,110
Total	$ 911,832	$ 183,623

The table below summarizes the maximum potential amount of future payments for the Company's guarantees by the remaining contractual periods as of March 31, 2016 and 2015.

	2016	2015
Not later than 1 year	$ 578,299	$ 786,723
Later than 1 year and not later than 5 years	8,881	23,733
Later than 5 years	42,918	101,376
Total	$ 630,098	$ 911,832

Letter of Credit

At March 31, 2016 and 2015, the Company had commercial letters of credit outstanding of approximately $23.8 million and $25.4 million, respectively.

Litigation

Various claims and legal actions are pending against the Company in respect to contractual obligations and other matters arising out of the conduct of the Company's business. Appropriate provision has been recorded for the estimated loss on claims and legal actions. In the opinion of management, any additional liabilities will not materially affect the financial position, results of operations, or cash flows of the Company.

(In thousands, except where otherwise noted)

15. Related Party Transactions

During the year, the Company has various transactions with related parties in the normal course of business. The related party balances and transactions included within the financial statements as of March 31, 2016 and 2015 and for the years ended March 31, 2016 and 2015 are as follows:

Statements of financial position:

	2016	2015
Trade and other receivables:		
Parent	$ 184,826	$ 222,068
Subsidiaries	7,483	14,798
Associates	271	1,161
Other related parties	12,709	10,836
Short-term loan receivables and current portion of long-term loan receivables:		
Subsidiaries	486,126	494,191
Other related parties	14,607	7,750
Long-term loan receivables, less current portion:		
Subsidiaries	641,294	537,963
Associates	—	299
Other related parties	—	6,250
Derivative-related assets:		
Parent	5,381	5,212
Subsidiaries	243	113
Other related parties	36,302	5,044
Advance payment to suppliers—		
Other related parties	40,831	—
Trade and other payables:		
Parent	78,632	147,466
Subsidiaries	2,385	13,608
Associates	447	613
Other related parties	114,834	87,078
Short-term debt and current portion of long-term debt:		
Parent	415,534	—
Subsidiaries	19,340	137,416
Associates	47,273	88,041
Other related parties	592,659	469,163
Long-term debt, less current portion—		
Other related parties	1,194,276	922,450
Tax due to MUH and subsidiaries*	53,366	127,936
Derivative-related liabilities:		
Parent	4,241	348
Subsidiaries	653	1,488
Other related parties	18,673	14,388

* The Company started to file federal consolidated tax returns with MUH from the tax year ended March 31, 2015. Tax due to MUH and subsidiaries represents the payables between the Company and MUH or subsidiaries based on tax sharing agreements. Tax due to MUH and subsidiaries are included in other current liabilities and other non-current liabilities in the accompanying statements of financial position. Approximately $13.5 million and $90.7 million of current income tax payable to MUH are included in other current liabilities at March 31, 2016 and 2015, respectively, in the accompanying statements of financial position.

(In thousands, except where otherwise noted)

Statements of comprehensive income:

	2016	2015
Revenue from related parties:		
Parent	$ 56,521	$ 41,294
Subsidiaries	688	228
Other related parties	16,265	30,534
Purchases from related parties:		
Parent	378,861	415,367
Subsidiaries	417,667	323,731
Other related parties	1,309,391	1,447,627
Service income included in other income:		
Parent	54,516	49,012
Subsidiaries	2,433	1,423
Associates	783	354
Other related parties	4,351	3,364
Interest income:		
Parent	1,191	1,092
Subsidiaries	14,484	14,018
Associates	15	1,076
Other related parties	626	1,780
Interest expense:		
Parent	1,161	—
Subsidiaries	89	126
Associates	100	15
Other related parties	18,626	19,041

The Company has trading relationships such as sales and purchase of goods with Mitsui Japan and its subsidiaries and other affiliated companies. The Company enters into certain commodity derivatives transactions with related parties in order to hedge market risks. Gains and losses on such derivatives transactions are included in purchases from related parties in above table.

The Company provides short-term and long-term financing to subsidiaries and affiliates. The Company provides a centralized cash management arrangement whereby subsidiaries and affiliates deposit excess cash for overnight investments and borrow funds to meet daily working capital needs. The Company provided approximately $2,251 million and $2,286 million line of credit to subsidiaries and affiliated companies effective March 31, 2016 and 2015, respectively. Those lines of credit generally expire within a year. The Company obtains long-term debt from one of the subsidiaries of Mitsui Japan. The Company had $2,234 million and $2,526 million line of credit from the affiliated company effective March 31, 2016 and 2015, respectively. Those lines of credit generally expire within a year. See Note 8 for more details on debt. For most of investing and financing transactions with related parties, interest accrues at a mutually agreed-upon rate, typically the LIBOR, plus a margin.

During the years ended March 31, 2016 and 2015, the Company renewed loan receivables with original maturities of more than three months with certain subsidiaries and affiliates in the total amount of $410,053 and $131,492, respectively, without cash settlement. During the years ended March 31, 2016 and 2015, the Company renewed debt with original maturities of more than three months with a subsidiary of Mitsui Japan in the total amount of $420,342 and $356,000, respectively, without cash settlement.

The Company provides various types of guarantees to the benefit of subsidiaries and affiliated companies. See Note 14 for more details on guarantees. The Company's loan receivables guaranteed by Mitsui Japan are $40,613 and $32,762 at March 31, 2016 and 2015, respectively. The Company's debt guaranteed by Mitsui Japan are $44,373 amd $41,608 at March 31, 2016 and 2015, respectively.

The Company performs certain administrative services for Mitsui Japan, MUH, and other affiliated companies and receives service fees based on various service agreements. Service fee income is included in other income in the accompanying statements of comprehensive income.

The Company has extensive transactions with Mitsui Japan and its subsidiaries and affiliates. Accordingly, the accompanying financial statements may not be indicative of the financial position, the results of its operations, or its cash flows which would have been attained by the Company if it had operated without such affiliations.

Key management personnel

Remunerations for members of the Board of Directors, who are considered as key management personnel, for the years ended March 31, 2016 and 2015 were $2,107 and $2,548, respectively.

16. Ultimate Parent and Controlling Party

Mitsui Japan is the Company's ultimate parent and controlling party. Copies of the consolidated financial statements of Mitsui Japan that complies with IFRS are available from:

Mitsui & Co., Ltd.
Corporate Communications Division
1-3, Marunouchi 1-chome, Chiyoda-ku
Nippon Life Marunouchi Garden Tower
Tokyo 100-8631, Japan

17. Subsequent Events

In May 2016, Novus International, Inc. ("Novus"), a 65%-owned subsidiary, completed a series of transactions that effectively recapitalized Novus. On May 6, 2016, Novus declared a cash dividend to the shareholders. On May 10, 2016, the Company provided a long-term loan to Novus of $370 million with a 2.72% interest, maturing on March 31, 2021, and received a cash dividend of approximately $525 million from Novus. On May 11, 2016, Novus issued additional shares to MUH in exchange for a 43% interest. As a result, the Company's interest in Novus decreased to 37%.

18. Authorization of Issuance of Financial Statements

The issuance of the financial statements was authorized by Yasushi Takahashi, President and Chief Executive Officer, and Yoshimitsu Gushiken, Senior Vice President and Chief Financial Officer, on June 17, 2016.

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