Quarterly Securities Report

for the Three-Month Period Ended June 30, 2017

English translation of certain items disclosed in the Quarterly Securities Report for the three-month period ended June 30, 2017, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 10, 2017.

Mitsui & Co., Ltd.

CONTENTS

As used in this report, “Mitsui” is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), “we”, “us”, and “our” are used to indicate Mitsui & Co., Ltd. and subsidiaries, unless otherwise indicated.

1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

As of or for the periods ended June 30, 2017 and 2016 and as of or for the year ended March 31, 2017

	In millions of Yen, except amounts per share and other					
	Three-month period ended June 30, 2017		Three-month period ended June 30, 2016		As of or for the year ended March 31, 2017	
Consolidated financial data						
Revenue	¥	1,181,660	¥	1,019,971	¥	4,363,969
Gross profit	¥	199,392	¥	164,121	¥	719,295
Profit for the period attributable to owners of the parent	¥	110,756	¥	61,145	¥	306,136
Comprehensive income for the period attributable to owners of the parent	¥	117,397	¥	(184,347)	¥	503,025
Total equity attributable to owners of the parent	¥	3,796,068	¥	3,137,606	¥	3,732,179
Total assets	¥	11,512,782	¥	10,509,237	¥	11,501,013
Basic earnings per share attributable to owners of the parent (Yen)	¥	62.79	¥	34.11	¥	171.20
Diluted earnings per share attributable to owners of the parent (Yen)	¥	62.75	¥	34.10	¥	171.10
Equity attributable to owners of the parent ratio		32.97%		29.86%		32.45%
Cash flows from operating activities	¥	202,762	¥	39,469	¥	404,171
Cash flows from investing activities	¥	(20,582)	¥	(122,662)	¥	(353,299)
Cash flows from financing activities	¥	(103,944)	¥	168,534	¥	(50,265)
Cash and cash equivalents at the end of period	¥	1,583,235	¥	1,534,585	¥	1,503,820

(Notes) 1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS).
2. Revenue does not include consumption taxes.

2. Business Overview

We are a general trading company engaged in a range of global business activities including worldwide trading of various commodities, arranging financing for customers and suppliers in connection with our trading activities, organizing and coordinating international industrial projects by using the global office network and ability to gather information. Our business activities include the sale, import, export, offshore trading, production and a wide variety of comprehensive services such as retail, information and telecommunication, technology, logistics and finance in the areas of iron & steel, mineral & metal resources, machinery & infrastructure, chemicals, energy, lifestyle, innovation & corporate development. We also participate in the development of natural resources such as oil, gas, iron and steel raw materials. We have been proactively making strategic business investments in certain new industries such as IT, renewable energy and environmental solution businesses.

There has been no significant change in our business for the three-month period ended June 30, 2017.

Effective April 1, 2017, the region-focused reporting segments were aggregated to product-focused reporting segments, and allocation of overhead costs and income taxes to reporting segments was changed. For details, see Note 4, "SEGMENT INFORMATION."

2. Operating and Financial Review and Prospects

1. Risk Factors

For the three-month period ended June 30, 2017, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2017.

2. Material Contracts

There are no contracts for which disclosure is required.

3. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows

This quarterly securities report contains forward-looking statements about Mitsui and its consolidated subsidiaries. These forward-looking statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Mitsui's actual consolidated financial position, consolidated operating results or consolidated cash flows to be materially different from any future consolidated financial position, consolidated operating results or consolidated cash flows expressed or implied by these forward-looking statements.

Forward-looking statements were made as of June 30, 2017, unless otherwise indicated.

(1) Operating Environment

In the three-month period ended June 30, 2017, the global economy was generally firm, supported by resilient consumer spending and coupled with a recovery in production.

In the U.S., although automotive sales are slowing down, production is recovering, particularly in the energy industry, and consumer spending is expected to be firm backed by the improving environment for employment and employee income. As such, continued economic recovery is expected. The economy is expected to be firm in Europe as well, following the recovery in exports and production. Also, in Japan, economic recovery is expected to continue as a result of consumer spending maintaining a trend of recovery following improvement in the employment environment, and because construction investment is at a high level as a result of construction projects related to the Olympic and Paralympic Games being in full swing. Meanwhile, in China, although there is currently stable growth as a result of increased infrastructure investment, growth is expected to weaken in the medium term following an environment of excess capacity and adjustments of debts. Also, economic recovery is expected in Russia and Brazil due in part to the reduction of policy interest rates.

The global economy is expected to follow a trend of gentle recovery going forward. However, careful watch is needed on the progress of policies under the new U.S. administration and policy trends under the Chinese government after the National Communist Party Congress, in addition to the escalation of geopolitical risk surrounding the Middle East and East Asia.

(2) **Results of Operations**

1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Period	Previous Period	Change
Revenue		1,181.7	1,020.0	+161.7
Gross Profit		199.4	164.1	+35.3
Selling, General and Administrative Expenses		(132.1)	(130.5)	(1.6)
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments—Net	3.3	2.9	+0.4
	Impairment Reversal (Loss) of Fixed Assets—Net	(1.3)	(0.1)	(1.2)
	Gain (Loss) on Disposal or Sales of Fixed Assets—Net	6.5	0.1	+6.4
	Other Income (Expense)—Net	4.8	(8.3)	+13.1
Finance Income (Costs)	Interest Income	9.7	7.6	+2.1
	Dividend Income	17.4	11.9	+5.5
	Interest Expense	(16.1)	(12.7)	(3.4)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		62.3	50.7	+11.6
Income Taxes		(37.4)	(21.4)	(16.0)
Profit for the Period		116.5	64.3	+52.2
Profit for the Period Attributable to Owners of the Parent		110.8	61.1	+49.7

* May not match with the total of items due to rounding off. The same shall apply hereafter.

Revenue

Revenue from sales of products for the three-month period ended June 30, 2017 (“current period”) was ¥1,042.3 billion, an increase of ¥148.9 billion from the corresponding three-month period of the previous year (“previous period”), and revenue from rendering of services for the current period was ¥103.1 billion, an increase of ¥11.5 billion from the previous period. Furthermore, other revenue for the current period was ¥36.3 billion, an increase of ¥1.3 billion from the previous period.

Gross Profit

Mainly the Mineral & Metal Resources Segment and the Energy Segment reported an increase in gross profit, while the Chemicals Segment and the Innovation & Corporate Development Segment recorded a decline.

Other Income (Expenses)

Gain (Loss) on Disposal or Sales of Fixed Assets—Net

For the current period, a gain on disposal of fixed assets was recorded in the Innovation & Corporate Development Segment.

Other Expense—Net

The Innovation & Corporate Development Segment recorded an improvement of foreign exchange gains (losses) in the commodity derivatives trading business, which corresponded to related gross profit, and exploration expenses declined mainly in the Energy Segment.

Finance Income (Costs)

Dividend Income

Mainly the Energy Segment reported an increase.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method

Mainly the Mineral & Metal Resources Segment recorded an increase, while the Machinery & Infrastructure Segment recorded a decline.

Income Taxes

Income taxes for the current period increased as profit before income taxes for the current period increased by ¥68.2 billion. The effective tax rate for the current period was 24.3%, a decline of 0.7% from 25.0% for the previous period.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent was ¥110.8 billion, an increase of ¥49.7 billion from the previous period.

2) Operating Results by Operating Segment

Effective April 1, 2017, the region-focused reporting segments were aggregated to product-focused reporting segments, and allocation of overhead costs and income taxes to reporting segments was changed. In accordance with the aforementioned changes, the operating segment information for the previous period has been restated to conform to the operating segments as of April 2017.

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	6.9	2.1	+4.8
Gross profit	12.7	8.7	+4.0
Profit (loss) of equity method investments	4.1	2.5	+1.6
Dividend income	1.2	0.9	+0.3
Selling, general and administrative expenses	(9.1)	(8.8)	(0.3)
Others	(2.0)	(1.2)	(0.8)

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	54.4	19.3	+35.1
Gross profit	56.9	30.5	+26.4
Profit (loss) of equity method investments	27.0	9.8	+17.2
Dividend income	1.1	0.2	+0.9
Selling, general and administrative expenses	(9.3)	(9.2)	(0.1)
Others	(21.3)	(12.0)	(9.3)

- Gross profit increased mainly due to the following factors:
  - Coal mining operations in Australia reported an increase of ¥13.6 billion reflecting higher coal prices.
  - Iron ore mining operations in Australia reported an increase of ¥9.2 billion due to higher iron ore prices.
- Profit (loss) of equity method investments increased mainly due to the following factors:
  - Valepar S.A. increased by ¥8.2 billion, mainly due to higher iron ore prices and a reversal effect of a provision in the previous period, which was partially offset by a reversal effect of foreign exchange valuation profit in the previous period.
  - Inversiones Mineras Acrux SpA, a copper mining company in Chile, increased by ¥3.4 billion, mainly due to a reversal of impairment loss.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	15.5	18.3	(2.8)
Gross profit	31.2	28.5	+2.7
Profit (loss) of equity method investments	14.9	20.2	(5.3)
Dividend income	1.3	1.1	+0.2
Selling, general and administrative expenses	(32.0)	(30.4)	(1.6)
Others	0.1	(1.1)	+1.2

- Profit (loss) of equity method investments declined mainly due to the following factors:
  - IPP businesses recorded a decline of ¥4.4 billion.
    - Mark-to-market valuation losses, such as those on long-term power derivative contracts, deteriorated by ¥4.7 billion to ¥5.2 billion from ¥0.5 billion for the previous period.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	6.3	11.5	(5.2)
Gross profit	33.6	40.5	(6.9)
Profit (loss) of equity method investments	2.0	2.2	(0.2)
Dividend income	1.0	0.9	+0.1
Selling, general and administrative expenses	(24.6)	(24.4)	(0.2)
Others	(5.7)	(7.7)	+2.0

- Gross profit declined mainly due to the following factor:
  - Novus International, Inc. reported a decline of ¥7.6 billion mainly due to lower methionine prices.

Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	16.3	0.2	+16.1
Gross profit	27.5	14.7	+12.8
Profit (loss) of equity method investments	5.6	4.6	+1.0
Dividend income	7.6	2.8	+4.8
Selling, general and administrative expenses	(11.6)	(11.9)	+0.3
Others	(12.8)	(10.0)	(2.8)

- Gross profit increased mainly due to the following factor:
  - Mitsui E&P USA LLC reported an increase of ¥4.0 billion mainly due to higher gas prices.
- In addition to the above, the following factors also affected results:
  - Dividends from six LNG projects (Abu Dhabi, Qatargas 1, Equatorial Guinea, Oman, Qatargas 3 and Sakhalin II) were ¥7.1 billion in total, an increase of ¥4.9 billion from the previous period.
  - For the current period, exploration expenses of ¥3.1 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous period, exploration expenses of ¥4.1 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	6.4	3.7	+2.7
Gross profit	34.4	33.3	+1.1
Profit (loss) of equity method investments	6.8	8.9	(2.1)
Dividend income	2.2	2.6	(0.4)
Selling, general and administrative expenses	(37.6)	(36.4)	(1.2)
Others	0.6	(4.7)	+5.3

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	5.8	5.7	+0.1
Gross profit	12.6	16.8	(4.2)
Profit (loss) of equity method investments	2.0	2.7	(0.7)
Dividend income	2.3	2.5	(0.2)
Selling, general and administrative expenses	(14.2)	(14.1)	(0.1)
Others	3.1	(2.2)	+5.3

- Gross profit declined mainly due to the following factor:
  - A decline in gross profit corresponding to an improvement of ¥4.8 billion of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense for the current period and in the previous period.
- In addition to the above, the following factors also affected results:
  - For the current period and for the previous period, foreign exchange gains of ¥0.2 billion and losses of ¥4.6 billion were posted, respectively, in other expense in relation to the commodity derivatives trading business.
  - For the current period, a gain on the sales of warehouses in Japan was recorded.

(3) <u>Financial Condition and Cash Flows</u>

1) Financial Condition

(Billions of yen)	June 30, 2017	March 31, 2017	Change
Total Assets	11,512.8	11,501.0	+11.8
Current Assets	4,496.7	4,474.7	+22.0
Non-current Assets	7,016.1	7,026.3	(10.2)
Current Liabilities	2,533.5	2,524.0	+9.5
Non-current Liabilities	4,920.1	4,986.9	(66.8)
Net Interest-bearing Debt	*3,148.8*	*3,282.1*	*(133.3)*
Total Equity Attributable to Owners of the Parent	3,796.1	3,732.2	+63.9
Net Debt-to-Equity Ratio (times) (*)	0.83	0.88	(0.05)

(*) We refer to "Net Debt-to-Equity Ratio" ("Net DER") in this "Liquidity and Capital Resources" and elsewhere in this report. Net DER is comprised of "net interest bearing debt" divided by total equity attributable to owners of the parent. We define "net interest bearing debt" as follows:
- calculate interest bearing debt by adding up short-term debt and long-term debt
- calculate net interest bearing debt by subtracting cash and cash equivalents and time deposits with maturities within one year after three months from interest bearing debt

<u>Assets</u>

Current Assets:

- Trade and other receivables declined by ¥83.3 billion, mainly due to the decrease in trading volume in the

Machinery & Infrastructure, Chemicals, and Lifestyle Segment. Meanwhile, cash and cash equivalents increased by ¥79.4 billion following the decrease in trade and other receivables.

Non-current Assets:

- Investments accounted for using the equity method increased by ¥3.3 billion, mainly due to an increase of ¥62.3 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥60.2 billion due to dividends received from equity accounted investees.
- Other investments increased by ¥43.2 billion. Fair value on financial assets measured at FVTOCI increased by ¥30.0 billion mainly due to higher share prices.
- Trade and other receivables (Non-Current) declined by ¥28.1 billion. Loan to SUMIC Nickel Netherlands, an investment company for oversea Nickel businesses, declined by ¥19.4 billion due to collection.
- Property, plant and equipment declined by ¥26.7 billion. Shale gas and oil projects in the U.S. declined by ¥20.9 billion (including a foreign exchange translation loss of ¥0.4 billion), mainly due to partial sale of interest in the Marcellus Shale Gas Project.

<u>Liabilities</u>

Current Liabilities:

- Trade and other payables declined by ¥25.7 billion, corresponding to the decline in trade and other receivables. Meanwhile, the current portion of long-term debt increased by 41.7 billion mainly due to reclassification to current maturities, despite a decline due to repayment of debt.

Non-current Liabilities:

- Long-term debt, less the current portion declined by ¥77.3 billion mainly due to reclassification to current maturities.

<u>Total Equity Attributable to Owners of the Parent</u>

- Retained earnings increased by ¥60.7 billion.
- Other components of equity increased by ¥3.8 billion, mainly due to the following factors:
    - Financial assets measured at FVTOCI increased by ¥19.5 billion, mainly due to higher share prices.
    - Foreign currency translation adjustments declined by ¥13.5 billion mainly reflecting the depreciation of the Brazilian real against the Japanese yen.

2) Cash Flows

(Billions of yen)	Current Period	Previous Period	Change
Cash Flows from Operating Activities	202.8	39.5	+163.3
Cash Flows from Investing Activities	(20.6)	(122.7)	+102.1
Free Cash Flow	182.2	(83.2)	+265.4
Cash Flows from Financing Activities	(103.9)	168.5	(272.4)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1.2	(41.5)	+42.7
Change in Cash and Cash Equivalents	79.4	43.8	+35.6

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash Flows from Operating Activities	a	202.8	39.5	+163.3
Cash Flows from Change in Working Capital	b	47.4	(48.0)	+95.4
Core Operating Cash Flow	a-b	155.4	87.5	+67.9

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥47.4 billion of net cash inflow mainly due to the effects of decline in trade and other receivables. Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current period amounted to ¥155.4 billion.
  - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥75.8 billion, an increase of ¥26.9 billion from ¥48.9 billion for the previous period.
  - Depreciation and amortization for the current period was ¥47.5 billion, a decline of ¥1.3 billion from ¥48.8 billion for the previous period.

The following table shows core operating cash flow by operating segment.

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	6.2	0.6	+5.6
Mineral & Metal Resources	70.4	29.2	+41.2
Machinery & Infrastructure	20.1	16.4	+3.7
Chemicals	11.8	14.0	(2.2)
Energy	44.0	22.5	+21.5
Lifestyle	1.7	(0.6)	+2.3
Innovation & Corporate Development	1.0	2.5	(1.5)
All Other and Adjustments and Eliminations	0.2	2.9	(2.7)
Consolidated Total	155.4	87.5	+67.9

Cash Flows from Investing Activities

- Net cash inflows that corresponded to investments in and advances to equity accounted investees (net of sales of investment and collection of advances) were ¥6.2 billion. The major cash inflows included the collection of loan to SUMIC Nickel Netherlands, an investment company for oversea Nickel businesses for ¥18.8 billion.
- Net cash outflows that corresponded to purchases of property, plant, equipment and investment property (net of sales of those assets) were ¥21.7 billion, mainly due to the following factors:
  - An expenditure for the oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥19.8 billion; and
  - A partial sale of interest in the Marcellus Shale Gas Project for ¥16.2 billion.

Cash Flows from Financing Activities

- Net cash outflows from the borrowing of long-term debt was ¥33.9 billion, mainly due to the repayment of debt.
- Meanwhile, the cash outflow from payments of cash dividends was ¥52.9 billion.

(4) Management Issues

For the three-month period ended June 30, 2017, there is no significant change in management issues. We maintain our profit forecast attributable to owners of the parent of ¥320.0 billion and core operating cash flow forecast of ¥500.0 billion for the year ending March 31, 2018 which were described on our Annual Securities Report for the year ended March 31, 2017. No updates have been made to these forecasts.

(5) Research & Development

There are no contracts for which disclosure is required.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position

Mitsui & Co., Ltd. and subsidiaries
June 30, 2017 and March 31, 2017

	Millions of Yen	
	June 30, 2017	March 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	¥ 1,583,235	¥ 1,503,820
Trade and other receivables	1,656,137	1,739,402
Other financial assets (Note 12)	270,525	267,680
Inventories (Note 12)	596,741	589,539
Advance payments to suppliers	241,523	225,442
Other current assets	148,507	148,865
Total current assets	4,496,668	4,474,748
Non-current Assets:		
Investments accounted for using the equity method	2,744,965	2,741,741
Other investments (Note 12)	1,380,389	1,337,164
Trade and other receivables (Note 12)	449,021	477,103
Other financial assets (Note 12)	137,502	145,319
Property, plant and equipment (Note 5)	1,796,752	1,823,492
Investment property (Note 5)	183,767	179,789
Intangible assets	173,504	168,677
Deferred tax assets	89,615	92,593
Other non-current assets	60,599	60,387
Total non-current assets	7,016,114	7,026,265
Total assets	¥11,512,782	¥11,501,013

Condensed Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries
June 30, 2017 and March 31, 2017

	Millions of Yen	
	June 30, 2017	March 31, 2017
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 287,786	¥ 304,563
Current portion of long-term debt (Note 7)	429,972	388,347
Trade and other payables	1,178,014	1,203,707
Other financial liabilities (Notes 11 and 12)	291,099	315,986
Income tax payables	50,616	52,177
Advances from customers	235,480	212,142
Provisions	13,342	13,873
Other current liabilities	47,183	33,172
Total current liabilities	2,533,492	2,523,967
Non-current Liabilities:		
Long-term debt, less current portion (Notes 7 and 12)	4,031,433	4,108,674
Other financial liabilities (Notes 11 and 12)	106,351	111,289
Retirement benefit liabilities	62,251	60,358
Provisions	196,043	196,718
Deferred tax liabilities	495,369	481,358
Other non-current liabilities	28,676	28,487
Total non-current liabilities	4,920,123	4,986,884
Total liabilities	7,453,615	7,510,851
Equity:		
Common stock	341,482	341,482
Capital surplus	408,967	409,528
Retained earnings	2,610,781	2,550,124
Other components of equity (Note 8)	489,243	485,447
Treasury stock	(54,405)	(54,402)
Total equity attributable to owners of the parent	3,796,068	3,732,179
Non-controlling interests	263,099	257,983
Total equity	4,059,167	3,990,162
Total liabilities and equity	¥11,512,782	¥11,501,013

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2017 and 2016

	Millions of Yen	
	Three-month Period Ended June 30, 2017	Three-month Period Ended June 30, 2016
Revenue (Notes 4 and 12):		
Sale of products	¥ 1,042,347	¥ 893,411
Rendering of services	103,058	91,644
Other revenue	36,255	34,916
Total revenue	1,181,660	1,019,971
Cost:		
Cost of products sold	(923,331)	(802,713)
Cost of services rendered	(43,571)	(38,269)
Cost of other revenue	(15,366)	(14,868)
Total cost	(982,268)	(855,850)
Gross Profit	199,392	164,121
Other Income (Expenses):		
Selling, general and administrative expenses	(132,070)	(130,509)
Gain (loss) on securities and other investments—net (Note 12)	3,295	2,900
Impairment reversal (loss) of fixed assets—net	(1,282)	(74)
Gain (loss) on disposal or sales of fixed assets—net	6,461	120
Other income (expense)—net	4,758	(8,341)
Total other income (expenses)	(118,838)	(135,904)
Finance Income (Costs):		
Interest income	9,682	7,622
Dividend income	17,429	11,875
Interest expense	(16,053)	(12,726)
Total finance income (costs)	11,058	6,771
Share of Profit(Loss)of Investments Accounted for Using the Equity Method (Note 4)	62,312	50,726
Profit before Income Taxes	153,924	85,714
Income Taxes	(37,391)	(21,411)
Profit for the Period	¥ 116,533	¥ 64,303
Profit for the Period Attributable to:		
Owners of the parent	¥ 110,756	¥ 61,145
Non-controlling interests	5,777	3,158

	Yen	
Earnings per Share Attributable to Owners of the Parent(Note 10):		
Basic	¥ 62.79	¥ 34.11
Diluted	¥ 62.75	¥ 34.10

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2017 and 2016

	Millions of Yen	
	Three-month Period Ended June 30, 2017	**Three-month Period Ended June 30, 2016**
Comprehensive Income:		
Profit for the period	¥ 116,533	¥ 64,303
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	31,109	(45,704)
Remeasurements of defined benefit plans	(408)	(877)
Share of other comprehensive income of investments accounted for using the equity method	2,258	(2,260)
Income tax relating to items not reclassified	(10,679)	13,890
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(11,269)	(60,845)
Cash flow hedges	(1,998)	(5,221)
Share of other comprehensive income of investments accounted for using the equity method	(2,917)	(181,509)
Income tax relating to items that may be reclassified	126	22,849
Total other comprehensive income	6,222	(259,677)
Comprehensive Income for the Period	¥ 122,755	¥ (195,374)
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 117,397	¥ (184,347)
Non-controlling interests	5,358	(11,027)

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Changes in Equity

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2017 and 2016

	Attributable to owners of the parent							
Millions of Yen	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 8)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2016	¥ 341,482	¥ 412,064	¥ 2,314,185	¥ 317,955	¥ (5,961)	¥ 3,379,725	¥ 286,811	¥ 3,666,536
Profit for the period			61,145			61,145	3,158	64,303
Other comprehensive income for the period				(245,492)		(245,492)	(14,185)	(259,677)
Comprehensive income for the period						(184,347)	(11,027)	(195,374)
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥32)			(57,368)			(57,368)		(57,368)
Dividends paid to non-controlling interest shareholders							(32,976)	(32,976)
Acquisition of treasury stock					(1)	(1)		(1)
Sales of treasury stock			(0)		0	0		0
Equity transactions with non-controlling interest shareholders		(2,959)		2,556		(403)	(1,519)	(1,922)
Transfer to retained earnings			(1,019)	1,019		—		—
Balance as at June 30, 2016	¥ 341,482	¥ 409,105	¥ 2,316,943	¥ 76,038	¥ (5,962)	¥ 3,137,606	¥ 241,289	¥ 3,378,895

	Attributable to owners of the parent							
Millions of Yen	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 8)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2017	¥ 341,482	¥ 409,528	¥ 2,550,124	¥ 485,447	¥ (54,402)	¥ 3,732,179	¥ 257,983	¥ 3,990,162
Profit for the period			110,756			110,756	5,777	116,533
Other comprehensive income for the period				6,641		6,641	(419)	6,222
Comprehensive income for the period						117,397	5,358	122,755
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥30)			(52,922)			(52,922)		(52,922)
Dividends paid to non-controlling interest shareholders							(4,825)	(4,825)
Acquisition of treasury stock					(3)	(3)		(3)
Sales of treasury stock			(0)		0	0		0
Equity transactions with non-controlling interest shareholders		(561)		(22)		(583)	4,583	4,000
Transfer to retained earnings			2,823	(2,823)		—		—
Balance as at June 30, 2017	¥ 341,482	¥ 408,967	¥ 2,610,781	¥ 489,243	¥ (54,405)	¥ 3,796,068	¥ 263,099	¥ 4,059,167

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2017 and 2016

	Millions of Yen	
	Three -Month Period Ended June 30, 2017	Three -Month Period Ended June 30, 2016
Operating Activities:		
Profit for the period	¥ 116,533	¥ 64,303
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	47,462	48,847
Change in retirement benefit liabilities	344	(193)
Provision for doubtful receivables	2,177	1,599
(Gain) loss on securities and other investments—net	(3,295)	(2,900)
Impairment (reversal) loss of fixed assets—net	1,282	74
(Gain) loss on disposal or sales of fixed assets—net	(6,461)	(120)
Finance (income) costs	(9,220)	(5,063)
Income taxes	37,391	21,411
Share of (profit) loss of investments accounted for using the equity method	(62,312)	(50,726)
Changes in operating assets and liabilities:		
Change in trade and other receivables	52,745	54,654
Change in inventories	(2,858)	(24,629)
Change in trade and other payables	(32,625)	(45,546)
Other—net	30,100	(32,544)
Interest received	7,840	6,591
Interest paid	(18,340)	(20,129)
Dividends received	75,797	48,872
Income taxes paid	(33,798)	(25,032)
Cash flows from operating activities	202,762	39,469
Investing Activities:		
Change in time deposits	(1,945)	(85,118)
Investments in and advances to equity accounted investees	(42,369)	(13,959)
Proceeds from sales of investments in and collection of advances from equity accounted investees	48,567	8,949
Purchases of other investments	(12,139)	(10,489)
Proceeds from sales and maturities of other investments	4,806	10,173
Increase in long-term loan receivables	-	(608)
Collections of long-term loan receivables	4,217	5,256
Purchases of property, plant, equipment and investment property	(43,990)	(41,138)
Proceeds from sales of property, plant, equipment and investment property	22,271	4,272
Cash flows from investing activities	(20,582)	(122,662)
Financing Activities:		
Change in short-term debt	(18,764)	(26,716)
Proceeds from long-term debt	68,044	414,280
Repayments of long-term debt	(101,923)	(131,769)
Purchases and sales of treasury stock	(3)	(1)
Dividends paid	(52,922)	(57,368)
Transactions with non-controlling interests shareholders	1,624	(29,892)
Cash flows from financing activities	(103,944)	168,534
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,179	(41,531)
Change in Cash and Cash Equivalents	79,415	43,810
Cash and Cash Equivalents at Beginning of Period	1,503,820	1,490,775
Cash and Cash Equivalents at End of Period	¥ 1,583,235	¥ 1,534,585

See Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

Mitsui & Co., Ltd. and subsidiaries

1. REPORTING ENTITY

Mitsui & Co., Ltd. (the “Company”) is a company incorporated in Japan. Condensed Consolidated Financial Statements of the Company have a quarterly closing date as of June 30 and comprises the financial statements of the Company and its subsidiaries (collectively, the “companies”), and the interests in associated companies and joint ventures (collectively, the “equity accounted investees”).

The companies, as sogo shosha or general trading companies, are engaged in business activities, such as trading in various commodities, financing for customers and suppliers relating to such trading activities worldwide, and organizing and coordinating industrial projects through their worldwide business networks.

The companies conduct sales, export, import, offshore trades and manufacture of products in the areas of “Iron & Steel Products,” “Mineral & Metal Resources,” “Machinery & Infrastructure,” “Chemicals,” “Energy,” “Lifestyle,” and “Innovation & Corporate Development,” while providing general services for retailing, information and communications, technical support, transportation, and logistics and financing.

In addition to the above, the companies are also engaged in the development of natural resources such as oil and gas, and iron and steel raw materials and in strategic business investments in new areas such as information technology, renewable energy, and environmental solution business.

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION

Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard No.34 (“IAS34”) and not all information required in Consolidated Financial Statements as of the end of fiscal year is included. Therefore, Condensed Consolidated Financial Statements should be used with Consolidated Financial Statements of the previous fiscal year.

II. USE OF ESTIMATES AND JUDGMENTS

The preparation of Condensed Consolidated Financial Statements requires management to make judgments based on assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these judgments based on assumptions and estimates.

The judgments based on assumptions and estimates which could affect the accompanying Condensed Consolidated Financial Statements are the same as those of the previous fiscal year.

III. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the accompanying Condensed Consolidated Financial Statements are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

The companies apply the following new standard for Condensed Consolidated Financial Statements from the beginning of three-month period ended June 30, 2017. There are no impacts on Condensed Consolidated Financial Statements of application of these.

IFRS	Title	Summaries
IAS 7 (Amended)	Statement of Cash Flows	Disclosures about changes in liabilities arising from financing activities in the Consolidated Statement of Cash Flows.

3. BUSINESS COMBINATIONS

No material business combinations were completed during the three-month periods ended June 30, 2017 and 2016.

4. SEGMENT INFORMATION

The components of deciding resources to be allocated to the segments and assessing their performance by the Company's chief operating decision-maker have been changed to the components where the regional operating segments were consolidated by the product operating segments. During the three-month period ended June 30, 2017, the previous 10 reportable segments that include 7 product segments of "Iron & Steel Products", "Mineral & Metal Resources", "Machinery & Infrastructure", "Chemicals", "Energy", "Lifestyle" and "Innovation & Corporate Development" along with 3 regional segments of "Americas", "Europe, the Middle East and Africa" and "Asia Pacific", have been changed to 7 reportable segments of "Iron & Steel Products", "Mineral & Metal Resources", "Machinery & Infrastructure", "Chemicals", "Energy", "Lifestyle" and "Innovation & Corporate Development", where the regional segments were consolidated by the product segments. In addition, part of each of the regional segments have been consolidated to "All Other". In accordance with these changes, the segment information for the three-month period ended June 30, 2016 has been restated to conform to the current period presentation.

Three-month period ended June 30, 2017:	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue	¥ 65,338	¥ 218,482	¥ 108,024	¥ 274,189	¥ 122,560	¥ 369,753	¥ 30,191	¥ 1,188,537
Gross Profit	¥ 12,650	¥ 56,897	¥ 31,236	¥ 33,552	¥ 27,522	¥ 34,350	¥ 12,596	¥ 208,803
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 4,123	¥ 27,029	¥ 14,886	¥ 2,012	¥ 5,606	¥ 6,833	¥ 2,035	¥ 62,524
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 6,870	¥ 54,378	¥ 15,474	¥ 6,258	¥ 16,324	¥ 6,410	¥ 5,815	¥ 111,529
Core Operating Cash Flow	¥ 6,194	¥ 70,360	¥ 20,108	¥ 11,787	¥ 44,022	¥ 1,736	¥ 975	¥ 155,182
Total Assets at June 30, 2017	¥ 657,241	¥ 1,939,484	¥ 2,210,959	¥ 1,110,866	¥ 1,879,563	¥ 1,816,259	¥ 603,699	¥ 10,218,071

Three-month period ended June 30, 2017:	Millions of Yen All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 6,059	¥ (12,936)	¥ 1,181,660
Gross Profit	¥ 3,525	¥ (12,936)	¥ 199,392
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ (19)	¥ (193)	¥ 62,312
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (5,634)	¥ 4,861	¥ 110,756
Core Operating Cash Flow	¥ 3,948	¥ (3,730)	¥ 155,400
Total Assets at June 30, 2017	¥ 5,892,678	¥ (4,597,967)	¥ 11,512,782

Three-month period ended June 30, 2016 (As restated):	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue	¥ 48,745	¥ 148,116	¥ 108,821	¥ 253,011	¥ 107,373	¥ 325,083	¥ 36,012	¥ 1,027,161
Gross Profit	¥ 8,717	¥ 30,476	¥ 28,549	¥ 40,495	¥ 14,709	¥ 33,315	¥ 16,766	¥ 173,027
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,548	¥ 9,774	¥ 20,244	¥ 2,161	¥ 4,579	¥ 8,853	¥ 2,747	¥ 50,906
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 2,124	¥ 19,315	¥ 18,285	¥ 11,480	¥ 247	¥ 3,689	¥ 5,700	¥ 60,840
Core Operating Cash Flow	¥ 617	¥ 29,206	¥ 16,449	¥ 14,018	¥ 22,492	¥ (627)	¥ 2,511	¥ 84,666
Total Assets at March 31, 2017	¥ 612,632	¥ 1,962,236	¥ 2,238,142	¥ 1,175,205	¥ 1,905,252	¥ 1,723,399	¥ 611,395	¥ 10,228,261

Three-month period ended June 30, 2016 (As restated):	Millions of Yen All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 4,743	¥ (11,933)	¥ 1,019,971
Gross Profit	¥ 2,802	¥ (11,708)	¥ 164,121
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ (26)	¥ (154)	¥ 50,726
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (3,513)	¥ 3,818	¥ 61,145
Core Operating Cash Flow	¥ 1,559	¥ 1,309	¥ 87,534
Total Assets at March 31, 2017	¥ 5,798,648	¥ (4,525,896)	¥ 11,501,013

Notes: (1) "All Other" principally consisted of the Corporate Staff Unit which provides financing services and operations services to external customers and/or to the companies and affiliated companies. Total assets of "All Other" at March 31, 2017 and June 30, 2017 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

(2) Transfers between reportable segments are made at cost plus a markup.

(3) Profit (Loss) for the Period Attributable to Owners of the parent of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.

(4) During the three-month period ended June 30, 2017, Core Operating Cash Flow has been identified as the performance indicator that is more important than EBITDA, therefore, Core Operating Cash Flow has been disclosed by reportable segments instead of EBITDA. Core Operating Cash Flow is calculated by eliminating the sum of the "Changes in Operating Assets and Liabilities" from "Cash Flows from Operating Activities" as presented in the Condensed Consolidated Statements of Cash Flows.

(5) Previously, there was a difference between the Company's actual income taxes and the reportable segments' income taxes that were calculated using the internal tax rate and the difference was included in the "Adjustments and Eliminations". During the three-month period ended June 30, 2017, the internal tax rate has been made the same as the external tax rate. In addition, during the three-month period ended June 30, 2017, the scope of allocation of expenses incurred at Corporate Staff Unit to reportable segments was reviewed, and part of the expenses which were previously allocated to the reportable segments have been excluded from the scope of allocation.

(6) Previously, the profit and loss of consolidated subsidiaries that are jointly held by numerous operating segments were allocated from the supervising to non-supervising operating segments based on the profit share of each of the segments using the Share of Profit (Loss) of Investments Accounted for Using the Equity Method and Income for the Period Attributable to Non-controlling Interests. During the three-month period ended June 30, 2017, these allocations are made based on the profit share of each of the segments in each of the accounts disclosed in the segment information to reflect the performance of the operating segments more properly.

(7) In accordance with the changes in 4-6 above, the segment information for the three-month period ended June 30, 2016 has been restated to conform to the current period presentation.

5. ACQUISITIONS, DISPOSALS AND COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The amounts of acquisitions of property, plant and equipment for the three-month periods ended June 30, 2017 and 2016 were ¥47,506 million and ¥51,570 million, respectively.
The amounts of disposals of property, plant and equipment for the three-month periods ended June 30, 2017 and 2016 were ¥38,560 million and ¥31,959 million, respectively.
The changes in commitments for the purchase of property, plant and equipment for the three-month periods ended June 30, 2017 were not material.
The amounts of commitments for the purchase of property, plant and equipment as of March 31, 2017 were ¥134,568 million.

6. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amounts of impairment losses for assets for the three-month periods ended June 30, 2017 and 2016 were not material.
The amounts of reversals of impairment losses for assets for the three-month periods ended June 30, 2017 and 2016 were not material.

7. BONDS AND LOANS

Bonds
The total amount of repaid bonds for the three-month period ended June 30, 2017 was none.
The total amount of issued bonds for the three-month period ended June 30, 2017 was none.

The total amount of repaid bonds for the three-month period ended June 30, 2016 was ¥25,000 million.
The total amount of issued bonds for the three-month period ended June 30, 2016 was none.

Loans
The loans executed for the three-month period ended June 30, 2017 were not material.
The loans executed for the three-month period ended June 30, 2016 include a subordinated syndicated loan of ¥350.0 billion (Maturity Date : June 15, 2076), whose prepayment will be enabled from June 15, 2023.

8. EQUITY

Changes in other components of equity for the three-month periods ended June 30, 2017 and 2016 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2017	**Three-month period ended June 30, 2016**
Financial Assets Measured at FVTOCI:		
Balance at beginning of period	¥ 204,100	¥ 80,427
Increase (decrease) during the period	21,327	(32,534)
Transfer to retained earnings	(1,785)	(1,044)
Balance at end of period	¥ 223,642	¥ 46,849
Remeasurements of Defined Benefit Pension Plans:		
Balance at beginning of period	¥ -	¥ -
Increase (decrease) during the period	1,038	(2,063)
Transfer to retained earnings	(1,038)	2,063
Balance at end of period	¥ -	¥ -
Foreign Currency Translation Adjustments:		
Balance at beginning of period	¥ 308,054	¥ 279,858
Increase (decrease) during the period	(13,495)	(196,993)
Balance at end of period	¥ 294,559	¥ 82,865
Cash Flow Hedges:		
Balance at beginning of period	¥ (26,707)	¥ (42,330)
Increase (decrease) during the period	(2,251)	(11,346)
Balance at end of period	¥ (28,958)	¥ (53,676)
Total:		
Balance at beginning of period	¥ 485,447	¥ 317,955
Increase (decrease) during the period	6,619	(242,936)
Transfer to retained earnings	(2,823)	1,019
Balance at end of period	¥ 489,243	¥ 76,038

9. DIVIDENDS

During the three-month periods ended June 30, 2017 and 2016, the Company paid dividends of ¥30 per share (total dividend of ¥52,922 million) and ¥32 per share (total dividend of ¥57,368 million), respectively.

10. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the three-month periods ended June 30, 2017 and 2016:

	Three-month Period Ended June 30, 2017			Three-month Period Ended June 30, 2016		
	Profit (numerator)	Shares (denominator)	Per share amount	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic earnings per share attributable to owners of the parent:	¥ 110,756	1,763,955	¥ 62.79	¥ 61,145	1,792,509	¥ 34.11
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies…	(18)	-		(10)	-	
Stock options…………………………………	-	877		-	514	
Diluted earnings per share attributable to owners of the parent:	¥ 110,738	1,764,832	¥ 62.75	¥ 61,135	1,793,023	¥ 34.10

11. CONTINGENT LIABILITIES

I. GUARANTEES

The companies provide various types of guarantees for the benefit of third parties and related 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 table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of June 30, 2017 and March 31, 2017. 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.
The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at June 30, 2017.

	Millions of Yen			
	Maximum potential amount of future payments	**Amount outstanding (a)**	**Recourse provisions/ Collateral (b)**	**Net amount outstanding (a)-(b)**
June 30, 2017				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties.....	¥ 85,963	¥ 57,697	¥ 5,685	¥ 52,012
Guarantees for the investments accounted for using the equity method	835,089	573,150	134,080	439,070
Performance guarantees				
Guarantees for third parties.....	61,893	48,803	5,070	43,733
Guarantees for the investments accounted for using the equity method	37,976	33,032	3,852	29,180
Total..................................	¥ 1,020,921	¥ 712,682	¥ 148,687	¥ 563,995

	Millions of Yen			
	Maximum potential amount of future payments	**Amount outstanding (a)**	**Recourse provisions/ Collateral (b)**	**Net amount outstanding (a)-(b)**
March 31, 2017				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties.....	¥ 113,305	¥ 66,313	¥ 5,966	¥ 60,347
Guarantees for the investments accounted for using the equity method	825,871	557,606	128,966	428,640
Performance guarantees				
Guarantees for third parties.....	57,308	45,702	4,836	40,866
Guarantees for the investments accounted for using the equity method	36,171	31,361	3,866	27,495
Total..................................	¥ 1,032,655	¥ 700,982	¥ 143,634	¥ 557,348

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of June 30, 2017 and March 31, 2017 will expire through 2023 and 2022, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of June 30, 2017 and March 31, 2017 will expire through 2025.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of June 30, 2017 and March 31, 2017.

	Millions of Yen	
	June 30, 2017	**March 31, 2017**
Within 1 year	¥ 403,980	¥ 433,318
After 1 to 5 years	376,475	357,070
After 5 years	240,466	242,267
Total	¥ 1,020,921	¥ 1,032,655

II. LITIGATION

Various claims and legal actions are pending against the companies in respect of contractual obligations and other matters arising out of the conduct of the companies' 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 consolidated financial position, operating results, or cash flows of the companies.

12. 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. The companies recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each reporting period when the transfers occur.

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 assets or liabilities, 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 assets or liabilities
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3:
Unobservable inputs for the assets or liabilities.

(1)Valuation techniques

Primary valuation techniques used for each financial instrument and non-financial asset measured at fair value are as follows:

Trades and other receivables

- Trades and other receivables other than measured at amortized cost are measured at fair value.
- Trades and other receivalbles other than measured at amortized cost are measured at fair value principally using the discounted cash flow method and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the

customer. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as level 3.

Other Investments

- Other investments other than measured at amortized cost are measured at fair value.
- Publicly-traded Other investments are measured using quoted market prices and classified as level 1.
- Non-marketable Other investments are measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as level 3.

Derivative Instruments

- Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.
- Exchange-traded derivative commodity instruments measured using quoted market prices are classified as level 1. Certain derivative commodity instruments measured using observable inputs of the quoted prices obtained from the market, financial information providers and brokers, are classified as level 2. Also, the derivative commodity instruments measured using unobservable inputs are classified as level 3.
- Derivative financial instruments are mainly measured by discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements and are classified as level 2.

Inventories

- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of June 30, 2017 and June 30, 2016 were immaterial.

(2)Valuation process

The valuation process involved in level 3 measurements for each applicable asset and liability is governed by the model validation policy and related procedures pre-approved by appropriate personnel. Based on the policy and procedures, the personnel determine the valuation model to be utilized to measure each asset and liability at fair value. We engage independent external experts of valuation to assist in the valuation process for certain assets over a specific amount, and results of their valuations are reviewed by the responsible personnel of the Company. All of the valuations, including those performed by the external experts, are reviewed and approved by he responsible personnel of the Company.

(3)Assets and liabilities measured at fair value on a recurring basis

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and March 31, 2017 were as follows. No assets or liabilities were transferred between level 1 and 2 for the three-month period ended June 30, 2017 and for the three-month period ended June 30, 2016.

	Millions of Yen				
June 30, 2017	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Trades and other receivables:					
Loan measured at FVTPL	–	–	32,654		
Total trades and other receivables	–	–	¥ 32,654	–	¥ 32,654
Other investments:					
Financial assets measured at FVTPL	¥ 23,319	–	¥ 96,690		
Financial assets measured at FVTOCI	613,761	–	642,412		
Total other investments	¥ 637,080	–	¥ 739,102	–	¥ 1,376,182
Derivative assets:					
Foreign exchange contracts	–	¥ 62,721	–		
Interest rate contracts	–	67,020	–		
Commodity contracts	¥ 14,832	361,430	¥ 719		
Others	–	–	3,304		
Total derivative assets	¥ 14,832	¥ 491,171	¥ 4,023	¥ (314,355)	¥ 195,671
Inventories	–	¥ 138,399	–	–	¥ 138,399
Total assets	¥ 651,912	¥ 629,570	¥ 775,779	¥ (314,355)	¥ 1,742,906
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 54,463	–		
Interest rate contracts	–	6,083	–		
Commodity contracts	¥ 16,985	361,433	¥ 716		
Others	–	–	16,821		
Total derivative liabilities	¥ 16,985	¥ 421,979	¥ 17,537	¥ (310,513)	¥ 145,988
Total liabilities	¥ 16,985	¥ 421,979	¥ 17,537	¥ (310,513)	¥ 145,988

March 31, 2017	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Trades and other receivables:					
Loan measured at FVTPL	–	–	32,710		
Total trades and other receivables	–	–	¥ 32,710	–	¥ 32,710
Other investments:					
Financial assets measured at FVTPL	¥ 21,432	–	¥ 86,352		
Financial assets measured at FVTOCI	579,133	–	646,034		
Total other investments	¥ 600,565	–	¥ 732,386	–	¥ 1,332,951
Derivative assets:					
Foreign exchange contracts	–	¥ 69,128	–		
Interest rate contracts	–	68,066	–		
Commodity contracts	¥ 19,920	356,547	¥ 546		
Others	–	–	3,306		
Total derivative assets	¥ 19,920	¥ 493,741	¥ 3,852	¥ (317,426)	¥ 200,087
Inventories	–	¥ 133,120	–	–	¥ 133,120
Total assets	¥ 620,485	¥ 626,861	¥ 768,948	¥ (317,426)	¥ 1,698,868
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 50,976	–		
Interest rate contracts	–	6,138	–		
Commodity contracts	¥ 13,161	363,296	¥ 649		
Others	–	–	22,875		
Total derivative liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597
Total liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597

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

Reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

The balance at beginning of period of the loan measured at FVTPL is ¥32,710 million and the balance of period of it is ¥32,654 million for the three-month period ended June 30, 2017. There is no material movement other than its exchange rate change during the three-month period ended June 30, 2017. The company did not have any loans' movement measured at FVTPL for the three-month period ended June 30, 2016.

The reconciliation of financial assets measured at FVTPL for the three-month period ended June 30, 2017 and 2016 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2017	**Three-month period ended June 30, 2016**
Balance at beginning of period	¥ 86,352	¥ 67,567
Gains (losses)	990	(1,355)
Purchases	13,696	5,543
Sales	(2,777)	(800)
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Others (Note)	(1,570)	(1,233)
Balance at end of period	¥ 96,690	¥ 69,722
Net change in unrealized gains (losses) still held at end of period	¥ 990	¥ (1,355)

Note: “Others” includes the effect of changes in foreign exchange rates (including in the foreign currency transaction adjustments) and in scope of consolidation.

Gains (losses) related to financial assets measured at FVTPL ("FVTPL gains(losses)") for the three-month period ended June 30, 2016 were included in “Gain (loss) on securities and other investments—net” and FVTPL gains(losses) for the three-month period ended June 30, 2017 are included in “Other revenue” in the Condensed Consolidated Statements of Income respectively.

The reconciliation of financial assets measured at FVTOCI for the three-month period ended June 30, 2017 and 2016 were as follows:r

	Millions of Yen	
	Three-month period ended June 30, 2017	**Three-month period ended June 30, 2016**
Balance at beginning of period	¥ 646,034	¥ 561,011
Other comprehensive income	(2,427)	(6,685)
Purchases	4,082	1,965
Sales	(1,349)	(2,616)
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Others (Note)	(3,928)	(37,399)
Balance at end of period	¥ 642,412	¥ 516,276

Note: “Others” includes the effect of changes in foreign exchange rates (including in the foreign currency transaction adjustments) and in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in “Financial assets measured at FVTOCI” in the Condensed Consolidated Statements of Comprehensive Income.

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of June 30, 2017 and March 31, 2017 were as follows:

June 30, 2017	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6%~14.3%

March 31, 2017	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6%~14.3%

Information about sensitivity to changes in significant unobservable inputs

For recurring fair value measurements of financial assets measured at FVTOCI using the income approach, increases (decreases) in discount rates would result in a lower (higher) fair value.

(4) Fair value of non-current financial assets and liabilities

The fair values of non-current receivables with floating rates, including long-term loans receivable, and long-term debt with floating rates approximately equal their respective carrying amounts. The fair values of non-current receivables with fixed rate and long-term debt with fixed rate are estimated by discount cash flow analysis, using interest rates currently available for similar types of loans, accounts receivable and borrowings with similar terms and remaining maturities.
The fair values of financial instruments as of June 30, 2017 and March 31, 2017 were as follows. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts reasonably approximate their fair values..

	Millions of Yen			
	June 30, 2017		March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and Other financial assets (*)......	¥ 586,523	¥ 586,963	¥ 622,422	¥ 622,943
Non-current liabilities				
Long-term debts, less current portion and Other financial liabilities (*)	¥ 4,137,784	¥ 4,219,961	¥ 4,219,963	¥ 4,317,549

(*)The fair values of Other financial assets and Other financial liabilities approximate their respective carrying amounts.

Trade and other receivables include loans receivable. Long-term debts include borrowings and bonds.

13. SUBSEQUENT EVENTS

Stock options
The Company approved at the meeting of the Board of Directors held on July 5, 2017, to allot the stock option scheme as stock-based compensation with stock price conditions to the Company's Directors (excluding External Directors) and Executive Officers to purchase up to 325,200 shares of the Company's common stock in the period from July 20, 2020 to July 19, 2047 with payment due upon the exercise of offered subscription rights to shares being ¥1 per share.

14. THE INCORPORATION OF VALEPAR S.A.

We have 15% share in Valepar S.A. ("Valepar"), a holding company of Vale S.A. ("Vale"). We have agreed that 1) conversion of Vale's preferred shares to common shares, 2) amendment to Vale bylaw and 3) incorporation of Valepar by Vale shall be executed subject to approval at Vale's extraordinary shareholders meeting and consent of at least 54.09% to the conversion of Vale's preferred shares to common shares. At the time of the incorporation of Valepar by Vale, we will record profit/loss for the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and the profit due to the reversal of deferred tax liabilities.
All proposals related to above 1)2)3) were approved at Vale's extraordinary shareholders meeting on June 27, 2017. The conversion window for the consent of at least 54.09% to the conversion of Vale's preferred shares to common shares is due on August 11 (Brazil time).

15. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Keigo Matsubara, Representative Director, Senior Executive Managing Officer and CFO, on August 10, 2017.