Quarterly Securities Report

for the three-month period ended June 30, 2013

English translation of certain items disclosed in the Quarterly Securities Report for the three-month period ended June 30, 2013, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 13, 2013.

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, 2013 and 2012 and as of or for the Year Ended March 31, 2013

	In millions of Yen, except amounts per share and other					
	Three-month period ended June 30, 2013		Three-month period ended June 30, 2012		As of or for the year ended March 31, 2013	
Consolidated income statement data:						
Revenues	¥	1,415,602	¥	1,179,779	¥	4,911,609
Income before income taxes and equity in earnings	¥	111,997	¥	87,941	¥	314,098
Net income attributable to Mitsui & Co., Ltd.	¥	125,802	¥	104,447	¥	307,926
Comprehensive (loss) income attributable to Mitsui & Co., Ltd.	¥	110,431	¥	(53,837)	¥	631,260
Total trading transactions	¥	2,783,612	¥	2,495,597	¥	10,049,637
Consolidated balance sheet data:						
Total Mitsui & Co., Ltd. shareholders' equity	¥	3,253,447	¥	2,535,278	¥	3,181,819
Total equity	¥	3,500,563	¥	2,752,463	¥	3,440,104
Total assets	¥	10,442,807	¥	8,648,498	¥	10,324,581
Total Mitsui & Co., Ltd. shareholders' equity ratio		31.15%		29.31%		30.82%
Amounts per share (Yen):						
Net income attributable to Mitsui & Co., Ltd.:						
Basic	¥	68.93	¥	57.23	¥	168.72
Diluted	¥	-	¥	-	¥	-
Consolidated cash flow statement data:						
Net cash provided by operating activities	¥	112,267	¥	134,028	¥	461,430
Net cash used in investing activities	¥	(185,404)	¥	(108,765)	¥	(753,297)
Net cash (used in) provided by financing activities	¥	(259)	¥	(56,335)	¥	221,635
Cash and cash equivalents	¥	1,351,039	¥	1,378,941	¥	1,425,174

(Notes)
1. The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America.
2. Total trading transactions are calculated based on the Japanese accounting practices and disclosed for investors in Japan.
3. Revenues and total trading transactions do not include consumption taxes.
4. Diluted net income attributable to Mitsui & Co., Ltd. per share is not disclosed as there are no dilutive potential shares.

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 and steel products, mineral and metal resources, machinery and infrastructure, chemicals, energy, lifestyle, innovation & cross function. 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, 2013.

Effective April 1, 2013, we transferred some businesses across our reportable operating segments. For details, see Note 9, "SEGMENT INFORMATION."

2. Operating and Financial Review and Prospects

1. Risk Factors

For the three-month period ended June 30, 2013, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2013.

2. Material Contracts

For the three-month period ended June 30, 2013, we have not been a party to any sales contract, license of franchise contract, or business tie-up contract that on its own has a significant effect on our operating results, and there has not been any assignment of a transfer of business that on its own has a significant effect on our total assets. There are no contracts or other items which are significant in terms of our operations.

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, 2013, unless otherwise indicated.

(1) Operating Environment

During the three-month period ended June 30, 2013, the global economy continued its recovery from the second half of 2012, albeit at a very slow pace.

Growth in the U.S. economy was driven by consumer spending amid stronger-than-expected increases in employment and a bottoming out in housing markets. In Japan, the second preliminary estimates of real GDP for the Jan-Mar 2013 expanded at an annualized rate of 4.1% compared with the previous quarter, the highest rate among the major advanced economies. Growth was spurred by 'Abenomics' policies, which supported increases in consumer spending and exports.

In Europe, the overall economy continues to register negative growth. The financial crisis is still having an impact and employment and personal incomes are showing little sign of improvement. In China, the government is clearly shifting its policy focus from the pace of growth to the sustainability of growth. GDP growth in China has now slowed for the last two quarters, and concerns are emerging about the impact of the slowdown in growth rates.

Turning to conditions in commodities markets, prices softened slightly due to the impact of slowing growth in Chinese demand. The oil price (WTI) declined to slightly under the US$90-per-barrel level in mid-April, but subsequently rebounded and is now trading at over US$100 per barrel. We believe the rise in the oil price partly reflects concerns about growing geopolitical risk in the Middle East. Mirroring the trend in oil prices, the spot reference price for iron ore (Iron Ore (Fine) CFR North China (Fe 62%)) fell through the US$110-per-ton level at one point, before rebounding to around US$130 per ton. During the three-month period ended June 30, 2013, iron ore generally traded in a range of US$110–140 per ton.

Emerging countries that drove expansion in the global economy in recent years are losing momentum while advanced economies are gaining strength. Under these circumstances, two bearish factors for the global economy, i.e. a slowing in growth in China and a concern for gradual scale-back of the U.S. Quantitative Easing 3, are now emerging. Although the economic outlook remains uncertain, our view that the global economy as a whole will continue to expand at a moderate pace is unchanged.

(2) Results of Operations

1) Analysis of Consolidated Income Statements

Revenues

Total revenues for the three-month period ended June 30, 2013 were ¥1,415.6 billion, an increase of ¥235.8 billion from ¥1,179.8 billion for the corresponding three-month period of the previous year.

Revenues from sales of products for the three-month period ended June 30, 2013 were ¥1,294.0 billion, an increase of ¥242.0 billion from ¥1,052.0 billion for the corresponding three-month period of the previous year, as a result of the following:

- The Energy Segment reported an increase of ¥67.3 billion. Petroleum trading operations recorded an increase of ¥46.2 billion due to the increase in trading volume, while oil and gas producing operations recorded an increase of ¥12.4 billion reflecting the depreciation of the Japanese yen.
- The Chemicals Segment reported an increase of ¥49.8 billion mainly attributable to a recovery of trading activities of petrochemical materials.
- The Americas Segment reported an increase of ¥37.1 billion. In addition to the depreciation of the Japanese yen, an increase in trading volume of grain and new contribution from Cinco Pipe And Supply, LLC (United States) affected the increase.
- The Lifestyle Segment reported an increase of ¥32.0 billion due to an increase in trading volume of grain.
- The Mineral & Metal Resources Segment reported an increase of ¥31.1 billion. Iron ore mining operations in Australia reported an increase of ¥17.5 billion due to the depreciation of the Japanese yen and an increase in sales volume shipped owing to increased capacity which was partially offset by the decline in iron ore prices.

Revenues from sales of services for the three-month period ended June 30, 2013 were ¥100.7 billion, an increase of ¥9.3 billion from ¥91.4 billion for the corresponding three-month period of the previous year.

Revenues from other sales for the three-month period ended June 30, 2013 were ¥20.9 billion, a decline of ¥15.5 billion from ¥36.4 billion for the corresponding three-month period of the previous year. The commodity derivatives trading business at Mitsui recorded a decline in revenues from other sales corresponding to an improvement of ¥ 12.5 billion in the foreign exchange gains and losses posted in other expenses-net.

Gross Profit

Gross profit for the three-month period ended June 30, 2013 was ¥207.8 billion, an increase of ¥5.9 billion from ¥201.9 billion for the corresponding three-month period of the previous year as a result of the following:

- The Mineral & Metal Resources Segment reported an increase of ¥9.2 billion. Iron ore mining operations in Australia reported an increase of ¥7.9 billion due to the depreciation of the Japanese yen and an increase in sales volume owing to increased capacity which was partially offset by the decline in iron ore prices.
- The Iron & Steel Products Segment reported an increase of ¥5.4 billion, attributable to a positive impact of the depreciation of the Japanese yen, solid sales of tubular products and higher export volumes from Japan.
- The Chemicals Segment reported an increase of ¥5.3 billion. In addition to the depreciation of the Japanese yen, recovery of trading activities for petrochemical materials and higher ammonia prices resulted in the increase.
- The Innovation & Corporate Development Segment reported a decline of ¥15.5 billion. The commodity derivatives trading business at Mitsui recorded a decline in gross profit corresponding to an improvement of ¥ 12.5 billion in the foreign exchange gains and losses posted in other expenses-net.
- The Energy Segment reported a decline of ¥8.5 billion in gross profit. Mitsui E&P Australia Pty Limited (Australia) reported a decline of ¥8.5 billion due to a decline in production associated with overhauling of its oil production facility. Furthermore, Mitsui Coal Holdings Pty. Ltd. (Australia) reported a decline of ¥3.2 billion due to lower coal prices, in spite of reduction in production costs.

Selling General and Administrative Expenses

Selling, general and administrative expenses for the three-month period ended June 30, 2013 were ¥139.7 billion, an increase of ¥14.3 billion from ¥125.4 billion for the corresponding three-month period of the previous year. The depreciation of the Japanese yen increased selling, general and administrative expenses of overseas subsidiaries.

The table below provides a breakdown of selling, general and administrative expenses used for our internal review.

(Billions of Yen)

Three-month period ended June 30,	Personnel	Welfare	Travel	Entertainment	Communication
2013	74.7	3.6	8.1	2.0	12.4
2012	67.5	3.2	7.7	1.8	11.7
Change	7.2	0.4	0.4	0.2	0.7

Three-month period ended June 30,	Rent	Depreciation	Tax	Others	Total
2013	4.8	3.6	2.4	28.1	139.7
2012	4.3	3.0	2.0	24.2	125.4
Change	0.5	0.6	0.4	3.9	14.3

The table below provides selling, general and administrative expenses broken down by operating segments.

(Billions of Yen)

Three-month period ended June 30,	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
2013	9.0	9.1	28.9	16.6	15.7	31.3	15.5
2012	9.6	7.4	25.0	15.3	13.7	29.3	14.9
Change	(0.6)	1.7	3.9	1.3	2.0	2.0	0.6

Three-month period ended June 30,	Americas	Europe, the Middle East and Africa	Asia Pacific	Total	All other	Adjustments and Eliminations	Consolidated Total
2013	15.4	4.9	4.5	150.9	1.4	(12.6)	139.7
2012	11.9	4.6	3.7	135.4	1.4	(11.4)	125.4
Change	3.5	0.3	0.8	15.5	0.0	(1.2)	14.3

Provision for Doubtful Receivables

Provision for doubtful receivables for the three-month period ended June 30, 2013 was ¥2.8 billion, a decline of ¥1.7 billion from ¥4.5 billion for the corresponding three-month period of the previous year. The provisions for both periods represented aggregated reserves for individually small receivables.

Interest Income (Expense)—Net

Interest expense, net of interest income, for the three-month period ended June 30, 2013 was ¥3.4 billion, an improvement of ¥0.6 billion from ¥4.0 billion of expense for the corresponding three-month period of the previous year. The following table provides the month-end average of three-month Tibor for the Japanese yen and three-month Libor for the U.S. dollar for the three-month periods ended June 30, 2013 and 2012.

Month-end average of three-month rate (%p.a.)

	Three-month period ended June 30,	
	2012	**2013**
Japanese yen	0.34	0.23
U.S. dollar	0.46	0.27

Dividend Income

Dividend income for the three-month period ended June 30, 2013 was ¥49.4 billion, an increase of ¥14.0 billion from ¥35.4 billion for the corresponding three-month period of the previous year. Dividends from six LNG projects (Abu Dhabi, Oman, Qatargas 1 and 3, Equatorial Guinea, and Sakhalin II) were ¥41.5 billion in total, an increase of ¥13.0 billion from ¥28.5 billion for the corresponding three-month period of the previous year, mainly due to an increase in dividends received from the Sakhalin II project.

Gain on Sales of Securities—Net

Gain on sales of securities for the three-month period ended June 30, 2013 was ¥8.8 billion, an increase of ¥3.0 billion from ¥5.8 billion for the corresponding three-month period of the previous year.

- For the three-month period ended June 30, 2013, a ¥3.3 billion gain on the sale of shares in Daicel Corporation was recorded.
- There were miscellaneous small transactions for the corresponding three-month period of the previous year.

Loss on Write-Down of Securities

Loss on write-downs of securities for the three-month period ended June 30, 2013 was ¥8.3 billion, an improvement of ¥3.0 billion from ¥11.3 billion for the corresponding three-month period of the previous year.

- An impairment loss of ¥4.6 billion on preferred shares of Valepar S.A. was recorded reflecting an other-than-temporary decline related to a foreign exchange translation loss in the investment value of the current portion of preferred shares. Furthermore, an impairment loss of ¥3.3 billion on investment in an LNG project was recorded reflecting an other-than-temporary decline in the investment value.
- For the corresponding three-month period of the previous year, an impairment loss of ¥4.9 billion on listed shares in an iron & steel company was recorded reflecting the decline in share prices. Meanwhile, an impairment loss of ¥2.6 billion on preferred shares of Valepar S.A. was recorded in the same manner as the three-month period ended June 30, 2013.

Gain on Disposal or Sales of Property and Equipment—Net

Gain on disposal or sales of property and equipment for the three-month period ended June 30, 2013 was

¥0.2 billion, a decline of ¥1.1 billion from ¥1.3 billion for the corresponding three-month period of the previous year. There were miscellaneous small transactions in both periods.

Impairment Loss of Long-Lived Assets

There was no impairment loss of long-lived assets for the three-month period ended June 30, 2013, and ¥0.0 billion consisting of miscellaneous small impairments was recorded for the corresponding three-month period of the previous year.

Other Expenses—Net

Other expense for the three-month period ended June 30, 2013 was ¥0.0 billion, an improvement of ¥11.2 billion from ¥11.2 billion for the corresponding three-month period of the previous year.

- For the three-month period ended June 30, 2013, Mitsui recorded a foreign exchange gain of ¥8.9 billion in the commodity derivatives trading business in the Innovation & Corporate Development Segment, which corresponded to related revenues and gross profit in the same segment. Meanwhile, exploration expenses totaled ¥8.2 billion, including those recorded at oil and gas producing businesses.
- For the corresponding three-month period of the previous year, exploration expenses totaled ¥7.3 billion, including those recorded at oil and gas producing businesses. Furthermore, the Innovation & Corporate Development Segment recorded a foreign exchange loss of ¥3.6 billion in the commodity derivatives trading business at Mitsui, which corresponded to related revenues and gross profit in the same segment.

Income Taxes

Income taxes for the three-month period ended June 30, 2013 were ¥44.8 billion, an increase of ¥8.7 billion from ¥36.1 billion for the corresponding three-month period of the previous year.

- “Income before income taxes and equity in earnings” for the three-month period ended June 30, 2013 was ¥112.0 billion, an increase of ¥24.1 billion from ¥87.9 billion for the corresponding three-month period of the previous year. In response, applicable income taxes also increased.
- Reversal of deferred tax liabilities related to dividends received from the undistributed retained earnings of associated companies was approximately ¥9.0 billion for the three-month period ended June 30, 2013, a decline of approximately ¥3.0 billion from the corresponding three-month period of the previous year (*).

The effective tax rate on “Income before income taxes and equity in earnings” for the three-month period ended June 30, 2013 was 40.0%, a decline of 1.1% from 41.1% for the corresponding three-month period of the previous year. The major factors for the decline were a decrease in the ratio of income tax effect recorded for equity in earnings against “Income before income taxes and equity in earnings,” while the factors for the increase include a decline in the ratio of the aforementioned reversal of deferred tax liabilities.

(*) We, in principle, record deferred tax liabilities on undistributed retained earnings of associated companies calculating the expected tax amount payable based on the assumption that we would sell investments in associated companies in the future. At the time of profit distribution from associated companies, we reverse the deferred tax liabilities while recording an income tax expense on the dividends received. In a case where a certain portion of dividends received is treated as non-taxable, such as in the treatment of dividends under Japanese tax law, tax expenses on dividends received are smaller than the reversal amount of the deferred tax liabilities, and the balance is credited to tax expenses.

Equity in Earnings of Associated Companies - Net

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥64.0 billion, an increase of ¥3.9 billion from ¥60.1 billion for the corresponding three-month period of the previous year as a result of the following:

- IPP businesses reported an increase of ¥4.0 billion in earnings due to an improvement of ¥3.2 billion in mark-to-market valuation gains and losses such as those on power derivative contracts and fuel purchase contracts.

- Earnings at Robe River Mining Co. Pty. Ltd. (Australia) reported an increase of ¥3.4 billion, reflecting the depreciation of the Japanese yen which was partially offset by the decline in iron ore prices.
- The Lifestyle Segment recorded an impairment loss reflecting an other-than-temporary decline in the investment value recorded for an associated company.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the three-month period ended June 30, 2013 was ¥5.4 billion, a decline of ¥2.1 billion from ¥7.5 billion for the corresponding three-month period of the previous year.

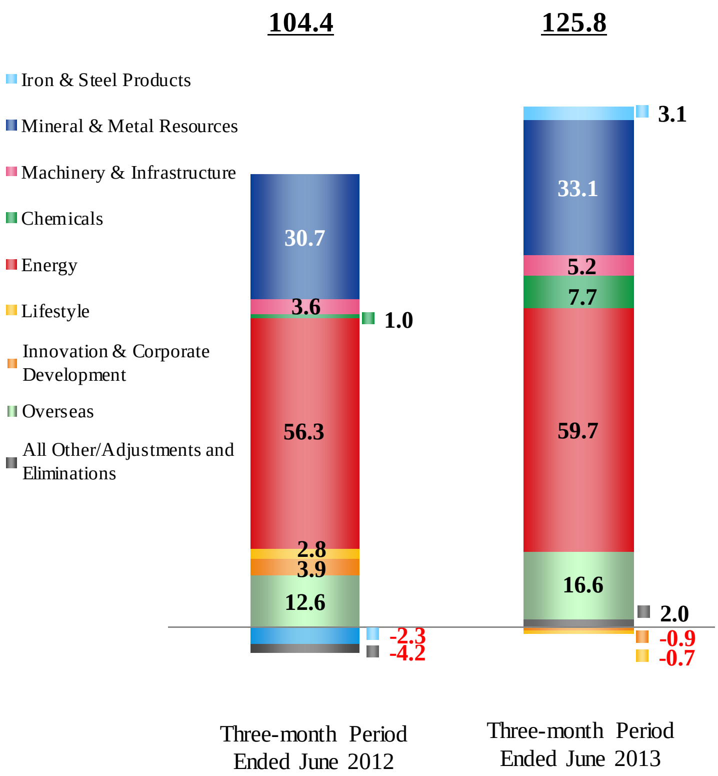
Net Income Attributable to Mitsui & Co., Ltd.

As a result, net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥125.8 billion, an increase of ¥21.4 billion from ¥104.4 billion for the corresponding three-month period of the previous year.

2) Operating Results by Operating Segment

Effective April 1, 2013, the Innovation & Cross Function Segment changed its name to Innovation & Corporate Development Segment. Logistics infrastructure businesses, including development and management of ports and airport terminal, advanced materials related businesses such as liquid crystal and electronic devices, and media-related businesses such as TV shopping and broadcasting, all included in the Innovation & Cross Function Segment until March 31, 2013, were transferred to the Machinery & Infrastructure Segment, Chemicals Segment, and Lifestyle Segment, respectively, in the three-month period ended June 30, 2013. Meanwhile, steel scrap related businesses of Mitsui Bussan Metals Co., Ltd. in the Mineral & Metal Resources Segment were transferred to Mitsui & Co. Steel Ltd. in the Iron & Steel Products Segment in the three-month period ended June 30, 2013. The operating segment information for the corresponding three-month period of the previous year has been restated to conform to the current period presentation.

Net Income attributable to Mitsui & Co., Ltd. by Operating Segment (Billions of Yen)



Iron & Steel Products Segment

Gross profit for the three-month period ended June 30, 2013 was ¥14.4 billion, an increase of ¥5.4 billion from ¥9.0 billion for the corresponding three-month period of the previous year. Major factors included a positive impact of the depreciation of the Japanese yen, solid sales of tubular products and higher export volumes from Japan.

Operating income for the three-month period ended June 30, 2013 was ¥5.0 billion, an increase of ¥5.5 billion from ¥0.5 billion of operating loss for the corresponding three-month period of the previous year.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥1.4 billion, an increase of ¥1.3 billion from ¥0.1 billion for the corresponding three-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥3.1 billion, an increase of ¥5.4 billion from net loss of ¥2.3 billion for the corresponding three-month period of the previous year. In addition to the above, an impairment loss of ¥4.3 billion on listed securities in an iron & steel company reflecting the decline in share price was recorded for the corresponding three-month period of the previous year.

Mineral & Metal Resources Segment

Gross profit for the three-month period ended June 30, 2013 was ¥50.1 billion, an increase of ¥9.2 billion from ¥40.9 billion for the corresponding three-month period of the previous year. The main factor behind the increase was a positive impact from the depreciation of the Japanese yen to iron ore mining operations in Australia.

As for iron ore pricing, the majority of contract prices applied to products sold during the three-month period ended June 30, 2013 were based on pricing that more closely reflects current spot reference prices, the same pricing as applied in the corresponding three-month period of the previous year, such as a daily average of spot reference prices for the current quarter of shipment and a daily average of spot reference prices for the shipment month.

Mitsui Iron Ore Development Pty. Ltd. (Australia) and Mitsui-Itochu Iron Pty. Ltd. (Australia) reported increases of ¥5.2 billion and ¥2.7 billion in gross profit, respectively, reflecting the positive effect of the depreciation of the Japanese yen and increase in sales volume shipped owing to increased capacity, which was partially offset by the decline in iron ore prices.

Operating income for the three-month period ended June 30, 2013 was ¥40.9 billion, an increase of ¥7.5 billion from ¥33.4 billion for the corresponding three-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥25.9 billion, an increase of ¥2.3 billion from ¥23.6 billion for the corresponding three-month period of the previous year. Earnings at Robe River Mining Co. Pty. Ltd. were ¥12.9 billion, an increase of ¥3.4 billion from ¥9.5 billion for the corresponding three-month period of the previous year, reflecting the depreciation of the Japanese yen which was partially offset by the decline in iron ore prices.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥33.1 billion, an increase of ¥2.4 billion from ¥30.7 billion for the corresponding three-month period of the previous year.

Machinery & Infrastructure Segment

Gross profit for the three-month period ended June 30, 2013 was ¥27.9 billion, an increase of ¥3.7 billion from ¥24.2 billion for the corresponding three-month period of the previous year.

- The Infrastructure Projects Business Unit reported an increase of ¥0.7 billion.
- The Integrated Transportation Systems Business Unit reported an increase of ¥3.0 billion. Automotive-related and mining and construction machinery-related businesses in South America achieved a solid performance.

Operating loss for the three-month period ended June 30, 2013 was ¥3.3 billion, an improvement of ¥0.9 billion from ¥4.2 billion for the corresponding three-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥8.8 billion, an increase of ¥1.7 billion from ¥7.1 billion for the corresponding three-month period of the previous year.

- The Infrastructure Projects Business Unit reported an increase of ¥5.8 billion. IPP businesses reported equity in earnings of ¥4.9 billion in total, an increase of ¥4.0 billion from ¥0.9 billion for the corresponding three-month period of the previous year. Mark-to-market valuation gains and losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, improved by ¥3.2 billion to a loss of ¥0.7 billion from a loss of ¥3.9 billion for the corresponding three-month period of the previous year. In addition, coal-fired plants, Paiton 3 in Indonesia and Hezhou in China, which launched commercial operation, were new contributors.
- The Integrated Transportation Systems Business Unit reported a decline of ¥4.1 billion. The main causes of the decrease included a decline in automotive-related business in North America and the research and development cost incurred for development of a new aircraft engine with General Electric Company.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥5.2 billion, an increase of ¥1.6 billion from ¥3.6 billion for the corresponding three-month period of the previous year.

Chemicals Segment

Gross profit for the three-month period ended June 30, 2013 was ¥20.3 billion, an increase of ¥5.3 billion from ¥15.0 billion for the corresponding three-month period of the previous year.

- The Basic Chemicals Business Unit reported an increase of ¥2.0 billion due to the recovery of underperforming trading activities for petrochemical materials for the corresponding three-month period of the previous year.
- The Performance Chemicals Business Unit reported an increase of ¥3.3 billion. In addition to the positive effect of the depreciation of the Japanese yen, P.T. Kaltim Pasifik Amoniak (Indonesia) reported an increase due to higher ammonia prices and Mitsui Agri Science International S.A./N.V. (Belgium) recorded an increase due to strong sales of agricultural chemicals.

Operating income for the three-month period ended June 30, 2013 was ¥3.7 billion, an increase of ¥4.0 billion from a loss of ¥0.3 billion for the corresponding three-month period of the previous year, reflecting an increase in gross profit.

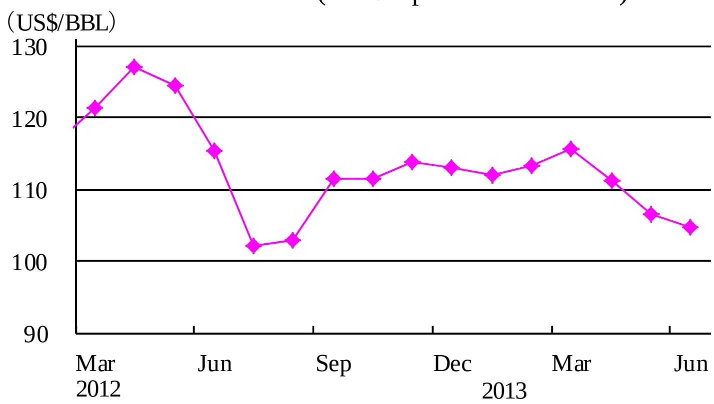
Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥1.6 billion, a decline of ¥0.7 billion from ¥2.3 billion for the corresponding three-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥7.7 billion, an increase of ¥6.7 billion from ¥1.0 billion for the corresponding three-month period of the previous year. In addition to the above, this segment recorded a gain of ¥3.3 billion on the sale of shares in Daicel Corporation for the three-month period ended June 30, 2013.

Energy Segment

The weighted average crude oil prices applied to our operating results for the three-month period ended June 30, 2013 and 2012 were estimated to be US$112 and US$117 per barrel, respectively.

Crude Oil Price (JCC: Japan Crude Cocktail)



Gross profit for the three-month period ended June 30, 2013 was ¥44.4 billion, a decline of ¥8.5 billion from ¥52.9 billion for the corresponding three-month period of the previous year, primarily due to the following factors:

- Mitsui E&P Australia Pty Limited reported a decline of ¥8.5 billion due to a decline in production associated with overhauling of its oil production facility.
- Mitsui Coal Holdings Pty. Ltd. reported a decline of ¥3.2 billion due to lower coal prices, in spite of reduction in production costs.

Operating income for the three-month period ended June 30, 2013 was ¥28.8 billion, a decline of ¥10.5 billion from ¥39.3 billion for the corresponding three-month period of the previous year. In addition to a decline in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥17.7 billion, an increase of ¥4.2 billion from ¥13.5 billion for the corresponding three-month period of the previous year. Japan Australia LNG (MIMI) Pty. Ltd. (Australia) reported an increase reflecting the depreciation of the Japanese yen.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥59.7 billion, an increase of ¥3.4 billion from ¥56.3 billion for the corresponding three-month period of the previous year. In addition to the above, the following factors also affected results:

- Dividends from six LNG projects (Abu Dhabi, Oman, Qatargas 1 and 3, Equatorial Guinea, and Sakhalin II) were ¥41.5 billion in total, an increase of ¥13.0 billion from ¥28.5 billion for the corresponding three-month period of the previous year, due mainly to an increase in dividends received from the Sakhalin II project.
- For the three-month period ended June 30, 2013, a ¥3.3 billion impairment loss on investment in an LNG project was recorded reflecting an other-than-temporary decline in the investment value.
- Reversal of deferred tax liabilities on undistributed retained earnings of associated companies at the time of profit distribution declined by approximately ¥3.0 billion from the corresponding three-month period of the previous year.
- For the three-month period ended June 30, 2013, exploration expenses of ¥8.0 billion in total were recorded in other expenses-net, including those recorded by Mitsui E&P Mozambique Area 1 Limited (United Kingdom). For the corresponding three-month period of the previous year, exploration expenses totaled ¥7.1 billion.

Lifestyle Segment

Gross profit for the three-month period ended June 30, 2013 was ¥27.5 billion, an increase of ¥1.6 billion from ¥25.9 billion for the corresponding three-month period of the previous year.

- The Food Resources Business Unit reported an increase of ¥0.5 billion due to an increase in trading volume of grain.
- The Food Products & Services Business Unit recorded a decline of ¥0.9 billion reflecting the decline in domestic businesses.
- The Consumer Service Business Unit reported an increase of ¥1.9 billion, mainly attributable to the new contribution from Paul Stuart, Inc. (United States), which was acquired during the three-month period ended December 31, 2012.

Operating loss for the three-month period ended June 30, 2013 was ¥4.0 billion, a deterioration of ¥1.0 billion from an operating loss of ¥3.0 billion for the corresponding three-month period of the previous year.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥1.9 billion, a decline of ¥3.7 billion from ¥5.6 billion for the corresponding three-month period of the previous year.

- The Food Resources Business Unit reported an increase of ¥0.1 billion.
- The Food Products & Services Business Unit recorded a decline of ¥0.4 billion.
- The Consumer Service Business Unit reported a decline of ¥3.4 billion. An impairment loss reflecting an other-than-temporary decline in the investment value was recorded for an associated company.

Net loss attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥0.7 billion, a decline of ¥3.5 billion from a net income of ¥2.8 billion for the corresponding three-month period of the previous year.

Innovation & Corporate Development Segment

Gross loss for the three-month period ended June 30, 2013 was ¥2.5 billion, a deterioration of ¥15.5 billion from a profit of ¥13.0 billion for the corresponding three-month period of the previous year. Gross profit corresponding to foreign exchange gains of ¥8.9 billion and losses of ¥3.6 billion related to the commodity derivatives trading business at Mitsui posted in other expenses-net were included in gross profit for the three-month period ended June 30, 2013 and for the corresponding three-month period of the previous year, respectively; there was a decline in gross profit corresponding to the ¥12.5 billion improvement of foreign exchange gains and losses. Meanwhile, venture capital business in the United States posted impairment losses on investments and a loss on sale of investment in gross profit. Furthermore, Mitsui & Co. Commodity Risk Management Ltd. (United Kingdom) reported a decline in gross profit due to underperforming derivatives trading.

Operating loss for the three-month period ended June 30, 2013 was ¥18.0 billion, a deterioration of ¥16.2 billion from ¥1.8 billion for the corresponding three-month period of the previous year.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥3.8 billion, a decline of ¥0.5 billion from ¥4.3 billion for the corresponding three-month period of the previous year.

Net loss attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥0.9 billion, a decline of ¥4.8 billion from a net income of ¥3.9 billion for the corresponding three-month period of the previous year. In addition, for the three-month period ended June 30, 2013 and for the corresponding three-month period of the previous year, foreign exchange gains of ¥8.9 billion and losses of ¥3.6 billion, respectively, were posted in other expense-net in relation to the commodity derivatives trading business at Mitsui.

Americas Segment

Gross profit for the three-month period ended June 30, 2013 was ¥18.2 billion, an increase of ¥0.9 billion from ¥17.3 billion for the corresponding three-month period of the previous year. Cinco Pipe And Supply, LLC which was newly acquired during the three-month period ended December 31, 2012 contributed to the increase.

Operating income for the three-month period ended June 30, 2013 was ¥2.7 billion, a decline of ¥0.6 billion from ¥3.3 billion for the corresponding three-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased reflecting the depreciation of the Japanese yen.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥1.5 billion, an increase of ¥0.2 billion from ¥1.3 billion for the corresponding three-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥2.8 billion, a decline of ¥0.9 billion from ¥3.7 billion for the corresponding three-month period of the previous year.

Europe, the Middle East and Africa Segment

Gross profit for the three-month period ended June 30, 2013 was ¥7.7 billion, an increase of ¥4.0 billion from ¥3.7 billion for the corresponding three-month period of the previous year. MBK Real Estate Europe Limited (United Kingdom) reported an increase of ¥3.5 billion due to a sale of real estate held for resale.

Operating profit for the three-month period ended June 30, 2013 was ¥2.7 billion, an increase of ¥3.6 billion from a loss of ¥0.9 billion for the corresponding three-month period of the previous year.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥0.1 billion, the same amount as the corresponding three-month period of the previous year.

Net profit attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥3.8 billion, an increase of ¥3.8 billion from ¥0.0 billion of net profit for the corresponding three-month period of the previous year.

Asia Pacific Segment

Gross profit for the three-month period ended June 30, 2013 was ¥3.5 billion, an increase of ¥0.8 billion from ¥2.7 billion for the corresponding three-month period of the previous year.

Operating loss for the three-month period ended June 30, 2013 was ¥1.0 billion, the same amount as the corresponding three-month period of the previous year.

Equity in earnings of associated companies for the three-month period ended June 30, 2013 was ¥1.0 billion, a decline of ¥1.1 billion from ¥2.1 billion for the corresponding three-month period of the previous year.

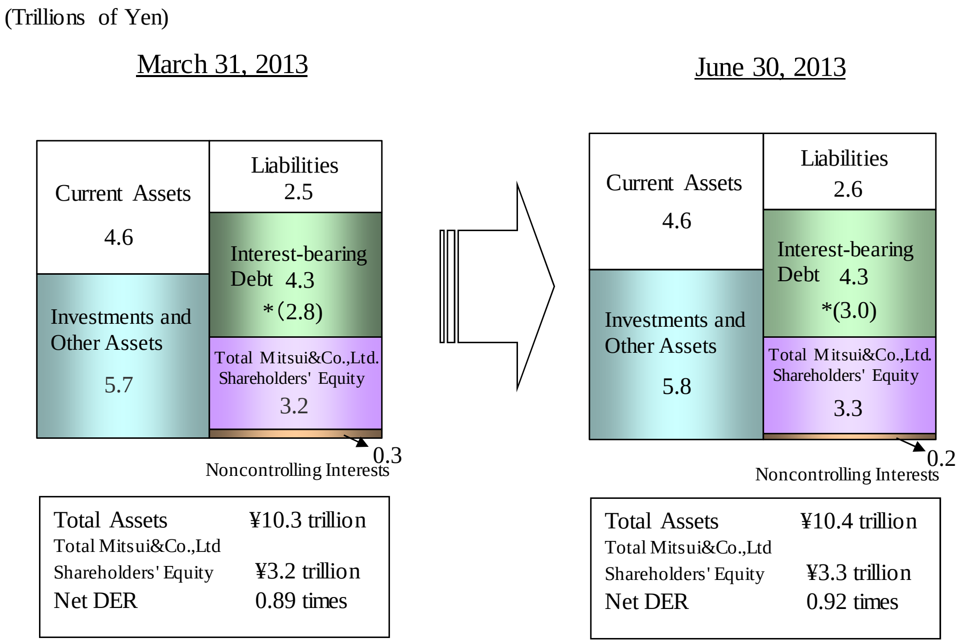
Net income attributable to Mitsui & Co., Ltd. for the three-month period ended June 30, 2013 was ¥10.0 billion, an increase of ¥1.1 billion from ¥8.9 billion for the corresponding three-month period of the previous year. In addition to the above, this segment recorded earnings from the segment's minority interest in Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd., and Mitsui Coal Holdings Pty. Ltd.

(3) Financial Condition and Cash Flows

1) Assets, Liabilities and Shareholders' Equity

Total assets as of June 30, 2013 were ¥10,442.8 billion, an increase of ¥118.2 billion from ¥10,324.6 billion as of March 31, 2013.

Total current assets as of June 30, 2013 were ¥4,571.2 billion, a decline of ¥60.3 billion from ¥4,631.5 billion as of March 31, 2013. Cash and cash equivalents declined by ¥74.2 billion. Trade receivables increased by ¥2.1 billion, while inventories declined by ¥3.9 billion. The Energy and Americas segments reported increases in trade receivables due to increases in trading volume, while the Machinery & Infrastructure Segment reported a decline due to collection of a loan from FPSO leasing business for oil and gas production in Brazil. In addition, the precious metal lease business in the Innovation & Corporate Development Segment also reported a decline.



(*) Figures in parenthesis in interest-bearing debt are "net interest-bearing debt," which is interest-bearing debt minus cash and cash equivalents and time deposits.

Total current liabilities as of June 30, 2013 increased by ¥141.6 billion to ¥3,186.9 billion from ¥3,045.3 billion as of March 31, 2013. Short-term debt increased by ¥81.3 billion and current maturities of long-term debt increased by ¥69.1 billion due to reclassification to current maturities in Mitsui. Meanwhile, trade payables declined by ¥31.1 billion, mainly due to a decline in the precious metal lease business in the Innovation & Corporate Development Segment, despite increases in the Lifestyle and Energy segments reflecting higher trading volumes.

As a result, working capital, or current assets less current liabilities, as of June 30, 2013 totaled ¥1,384.3 billion, a decline of ¥201.9 billion from ¥1,586.2 billion as of March 31, 2013.

The sum of "total investments and non-current receivables," "net property and equipment," "intangible assets, less accumulated amortization," "deferred tax assets-non-current," and "other assets" as of June 30, 2013 totaled ¥5,871.6 billion, an increase of ¥178.5 billion from ¥5,693.1 billion as of March 31, 2013, mainly due to the following factors:

Within this category, the total of investments and non-current receivables as of June 30, 2013 was ¥4,025.6 billion, an increase of ¥66.8 billion from ¥3,958.8 billion as of March 31, 2013.

・ Investments in and advances to associated companies as of June 30, 2013 was ¥2,379.0 billion, an increase of ¥53.7 billion from ¥2,325.3 billion as of March 31, 2013. Major factors were as follows:

  - An increase due to an acquisition of a 19.99% stake in Medini Iskandar Malaysia Sdn. Bhd., which is engaged in the urban development of a smart city in Malaysia;
  - An increase of ¥9.0 billion due to an investment in the Caserones copper and molybdenum project in Chile; and
  - Factors that do not involve cash flow included net increases in equity earnings of ¥7.7 billion (net of ¥56.3 billion in dividends received from associated companies,) as well as an increase of ¥10.0 billion resulting from a foreign exchange translation adjustment on foreign investments due to the depreciation of the Japanese yen.

・ Other investments as of June 30, 2013 were ¥825.6 billion, an increase of ¥9.3 billion from ¥816.3 billion as of March 31, 2013, including an ¥18.1 billion net increase in unrealized holding gains on available-for-sale securities, as well as declines due to the recognition of impairment in investments and sales of securities.

・ Net property and equipment as of June 30, 2013 totaled ¥1,680.5 billion, an increase of ¥110.2 billion from ¥1,570.3 billion as of March 31, 2013, mainly due to the following factors:

  - An increase of ¥93.3 billion due to an acquisition of a 25% interest in the Tempa Rossa onshore oil field in the Gorgoglione concession in Italy;
  - An increase of ¥18.2 billion (including a foreign exchange translation gain of ¥12.5 billion) at the Marcellus and Eagle Ford shale gas and oil projects in the United States;
  - An increase of ¥10.7 billion (including a foreign exchange translation gain of ¥7.0 billion) at oil & gas projects other than shale gas and oil projects, as well as the Tempa Rossa onshore oil field;
  - A decline of ¥11.5 billion (including a foreign exchange translation loss of ¥13.0 billion) at coal mining projects in Australia; and
  - A decline of ¥4.0 billion (including a foreign exchange translation loss of ¥24.8 billion) at iron ore mining projects in Australia.

Long-term debt less current maturities as of June 30, 2013 was ¥3,114.0 billion, a decline of ¥71.0 billion from ¥3,185.0 billion as of March 31, 2013, mainly due to a decline in long-term debt due to reclassification to current maturities at Mitsui.

Total Mitsui & Co., Ltd. shareholders' equity as of June 30, 2013, was ¥3,253.4 billion, an increase of ¥71.6 billion from ¥3,181.8 billion as of March 31, 2013. The major component of the increase was an increase in retained earnings of ¥87.4 billion and unrealized holding gains on available-for-sale securities of ¥13.4 billion reflecting the higher stock prices. Meanwhile, there was a net decline of ¥24.2 billion in foreign currency translation adjustments mainly due to the depreciation of the Australian dollar and Brazilian real against the Japanese yen.

As a result, the equity-to-asset ratio (*1) as of June 30, 2013, was 31.2%, 0.4% higher compared to 30.8%

as of March 31, 2013. Net interest-bearing debt, or interest-bearing debt less cash and cash equivalents and time deposits as of June 30, 2013 was ¥2,993.8 billion, an increase of ¥154.4 billion from ¥2,839.4 billion as of March 31, 2013. The net debt-to-equity ratio (DER) (*2) as of June 30, 2013 was 0.92 times, 0.03 points higher compared to 0.89 times as of March 31, 2013.

(*1) Taking into consideration comparability with other trading companies in Japan, in this report we define the equity-to-asset ratio as the ratio of total Mitsui & Co., Ltd. shareholders' equity to total assets.

(*2) We refer to Net Debt-to-Equity Ratio ("Net DER") in this quarterly securities report. Net DER is comprised of "net interest-bearing debt" divided by total Mitsui & Co., Ltd. shareholders' equity.
"Net interest-bearing debt" is defined as interest-bearing debt less cash and cash equivalents and time deposits. Our interest-bearing debt consists primarily of long-term debt less current maturities, which are not readily repayable. In order to flexibly meet capital requirements and to prepare for future debt-service requirements in case of unforeseen deterioration in the financial markets, we currently hold a relatively high level of cash and cash equivalents reflecting current financial market conditions and future capital requirements.
Under this policy, Net DER is a useful internal measure for our management to review the balance between:
1. our capacity to meet debt repayments; and
2. leverage to improve return on equity in our capital structure.

This measure does not recognize the fact that cash and cash equivalents and time deposits may not be completely available for debt repayment, but cash and cash equivalents and time deposits may be required for operational needs including certain contractual obligations or capital expenditures.

	Billions of Yen			
	As of March 31, 2013		As of June 30, 2013	
Short-term debt	¥	663.1	¥	744.4
Long-term debt	¥	3,606.2	¥	3,604.3
Interest bearing debt	¥	4,269.3	¥	4,348.7
Less cash and cash equivalents and time deposits	¥	(1,429.9)	¥	(1,354.9)
Net interest-bearing debt	¥	2,839.4	¥	2,993.8
Total Mitsui & Co., Ltd. Shareholders' equity	¥	3,181.8	¥	3,253.4
Net DER (times)		0.89		0.92

2) Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities for the three-month period ended June 30, 2013 was ¥112.3 billion, a decline of ¥21.7 billion from ¥134.0 billion for the corresponding three-month period of the previous year. Major components of net cash provided by operating activities were our operating income of ¥65.3 billion, dividend income of ¥99.6 billion, including dividends received from associated companies, and net cash outflow of ¥64.9 billion from an increase in working capital, or changes in operating assets and liabilities.

Compared with the corresponding three-month period of the previous year, while dividend income increased by ¥42.0 billion, operating income declined by ¥6.7 billion and net cash flow from changes in working capital deteriorated by ¥78.6 billion.

Cash Flows from Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2013 was ¥185.4 billion, an increase of ¥76.6 billion from ¥108.8 billion for the corresponding three-month period of the previous year. The net cash used in investing activities consisted of:

・ Net outflows of cash that corresponded to investments in and advances to associated companies (net of sales of investments in and collection of advances to associated companies) were ¥8.0 billion. The major cash outflows were attributable to an acquisition of a 19.99% stake in Medini Iskandar Malaysia Sdn. Bhd. and an investment in the Caserones copper and molybdenum project in Chile for ¥9.0 billion. The major cash inflows included collection of a loan for ¥24.5 billion from FPSO leasing business for oil and gas production in Brazil.

- Net outflows of cash that corresponded to other investments and business (net of sales and redemption of other investments) were ¥83.5 billion. Major cash expenditures included an acquisition of a 25% interest in an onshore oil field in Italy for ¥98.3 billion.

- Net outflows of cash relating to purchases of property leased to others and property and equipment (net of sales of those assets) were ¥96.9 billion. Major expenditures included:

  - Iron ore mining projects in Australia for ¥26.1 billion;
  - Marcellus and Eagle Ford shale gas and oil projects in the United States for ¥24.7 billion;
  - Oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥23.3 billion; and
  - Leased rolling stock for ¥9.4 billion.

Free cash flow, or the sum of net cash provided by operating activities and net cash used in investing activities, for the three-month period ended June 30, 2013 was a net outflow of ¥73.1 billion.

Cash Flows from Financing Activities

For the three-month period ended June 30, 2013, net cash used in financing activities was ¥0.3 billion, a decline of a cash outflow of ¥56.0 billion from ¥56.3 billion for the corresponding three-month period of the previous year. The net cash inflow from the borrowing of short-term debt was ¥87.7 billion, while the cash outflow from payments of cash dividends were ¥38.3 billion and the net cash outflow from the borrowing of long-term debt was ¥47.7 billion.

In addition to the changes discussed above, there was a decline in cash and cash equivalents of ¥0.7 billion due to foreign exchange translation; as a result, cash and cash equivalents as of June 30, 2013 totaled ¥1,351.0 billion, a decline of ¥74.2 billion from ¥1,425.2 billion as of March 31, 2013.

(4) Forecasts for the Year Ending March 31, 2014

We maintain our forecast for net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2014 of ¥370.0 billion announced together with the results of the year ended March 31, 2013. No updates have been made to this forecast.

(5) Research & Development

Research and development ("R&D") expenses were insignificant for the three-month period ended June 30, 2013.

3. Consolidated Financial Statements

Consolidated Balance Sheets

Mitsui & Co., Ltd. and subsidiaries
June 30, 2013 and March 31, 2013

	Millions of Yen	
	June 30, 2013	March 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes 1 and 3)	¥ 1,351,039	¥ 1,425,174
Time deposits	3,904	4,740
Marketable securities (Notes 1, 3 and 14)	373	367
Trade receivables (Notes 4 and 5):		
Notes and loans, less unearned interest	288,937	291,052
Accounts	1,599,151	1,608,915
Associated companies	152,592	138,588
Allowance for doubtful receivables (Note 1)	(16,526)	(16,463)
Inventories (Notes 1, 5 and 12)	742,693	746,584
Advance payments to suppliers	92,161	135,120
Deferred tax assets—current (Note 1)	17,985	15,644
Derivative assets (Notes 1, 12 and 14)	101,108	61,081
Other current assets	237,824	220,729
Total current assets	4,571,241	4,631,531
Investments and Non-current Receivables (Notes 1 and 5):		
Investments in and advances to associated companies (Notes 3, 4, 9 and 14)	2,378,990	2,325,255
Other investments (Notes 3 and 14)	825,553	816,343
Non-current receivables, less unearned interest (Notes 4, 12 and 14)	529,829	523,904
Allowance for doubtful receivables (Note 4)	(40,027)	(37,362)
Property leased to others—at cost, less accumulated depreciation	331,276	330,627
Total investments and non-current receivables	4,025,621	3,958,767
Property and Equipment—at Cost (Notes 1, 5 and 14):		
Land, land improvements and timberlands	220,884	218,801
Buildings, including leasehold improvements	432,411	442,255
Equipment and fixtures	1,763,531	1,668,246
Mineral rights	280,216	203,142
Vessels	42,430	42,478
Projects in progress	230,202	235,084
Total	2,969,674	2,810,006
Accumulated depreciation	(1,289,149)	(1,239,736)
Net property and equipment	1,680,525	1,570,270
Intangible Assets, less Accumulated Amortization (Notes 1 and 14)	120,930	118,448
Deferred Tax Assets—Non-current (Note 1)	31,489	31,538
Other Assets	13,001	14,027
Total	¥10,442,807	¥10,324,581

See notes to consolidated financial statements

Consolidated Balance Sheets—(Continued)

Mitsui & Co., Ltd. and subsidiaries
June 30, 2013 and March 31, 2013

	Millions of Yen	
	June 30, 2013	March 31, 2013
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt (Note 5)	¥ 744,362	¥ 663,129
Current maturities of long-term debt (Notes 5 and 12)	490,302	421,211
Trade payables:		
Notes and acceptances	44,544	46,057
Accounts	1,392,189	1,438,287
Associated companies	87,728	71,272
Accrued expenses:		
Income taxes (Note 1)	47,677	54,091
Interest	15,695	16,985
Other	92,321	80,971
Advances from customers	77,679	98,470
Derivative liabilities (Notes 1, 12 and 14)	113,068	83,940
Other current liabilities (Notes 1 and 10)	81,378	70,917
Total current liabilities	3,186,943	3,045,330
Long-term Debt, less Current Maturities (Notes 5 and 12)	3,113,986	3,184,957
Accrued Pension Costs and Liability for Severance Indemnities (Note 1)	67,388	68,312
Deferred Tax Liabilities—Non-current (Note 1)	267,611	266,544
Other Long-term Liabilities (Notes 1, 10, 12 and 14)	306,316	319,334
Contingent Liabilities (Notes 5 and 10)		
Equity (Note 7):		
Mitsui & Co., Ltd. Shareholders' equity:		
Common stock—no par value		
Authorized, 2,500,000,000 shares;		
Issued, 1,829,153,527 shares at June 30, 2013 and 1,829,153,527 shares at March 31, 2013	341,482	341,482
Capital surplus	429,355	429,828
Retained earnings:		
Appropriated for legal reserve	71,713	69,653
Unappropriated	2,490,423	2,405,008
Accumulated other comprehensive income (loss) (Note 1):		
Unrealized holding gains on available-for-sale securities (Note 3)	149,150	135,832
Foreign currency translation adjustments (Note 12)	(119,121)	(94,912)
Defined benefit pension plans	(71,647)	(74,124)
Net unrealized losses on derivatives (Note 12)	(31,930)	(24,974)
Total accumulated other comprehensive loss	(73,548)	(58,178)
Treasury stock, at cost: 4,029,789 shares at June 30, 2013 and 4,027,206 shares at March 31, 2013	(5,978)	(5,974)
Total Mitsui & Co., Ltd. shareholders' equity	3,253,447	3,181,819
Noncontrolling interests (Note 1)	247,116	258,285
Total equity	3,500,563	3,440,104
Total	¥10,442,807	¥10,324,581

See notes to consolidated financial statements

Statements of Consolidated Income and Comprehensive Income (Loss)

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2013 and 2012

Statements of Consolidated Income

	Millions of Yen	
	Three-Month Period Ended June 30, 2013	Three -Month Period Ended June 30, 2012
Revenues (Notes 1, 7, 9, 12 and 14):		
Sales of products	¥ 1,294,027	¥ 1,051,990
Sales of services	100,668	91,351
Other sales	20,907	36,438
Total revenues	1,415,602	1,179,779
Total Trading Transactions (Note 1): Three-month period ended June 30, 2013, ¥2,783,612 million; Three-month period ended June 30, 2012, ¥2,495,597 million		
Cost of Revenues (Notes 1, 7, 9, 12 and 14):		
Cost of products sold	1,154,273	925,226
Cost of services sold	38,584	38,643
Cost of other sales	14,958	13,971
Total cost of revenues	1,207,815	977,840
Gross Profit	207,787	201,939
Other Expenses (Income):		
Selling, general and administrative (Notes 1, 6, 7 and 9)	139,688	125,403
Provision for doubtful receivables (Notes 1, 4 and 9)	2,795	4,544
Interest income (Notes 1, 4 and 12)	(7,602)	(6,707)
Interest expense (Notes 1, 7 and 12)	10,992	10,690
Dividend income	(49,412)	(35,397)
Gain on sales of securities—net (Notes 3 and 7)	(8,797)	(5,758)
Loss on write-down of securities (Notes 1, 3, 7 and 14)	8,265	11,333
Gain on disposal or sales of property and equipment—net	(166)	(1,274)
Impairment loss of long-lived assets (Note 1)	-	3
Other expenses—net (Notes 1, 7, and 12)	27	11,161
Total other expenses (income)	95,790	113,998
Income before Income Taxes and Equity in Earnings	111,997	87,941
Income Taxes (Note 1)	44,810	36,102
Income before Equity in Earnings	67,187	51,839
Equity in Earnings of Associated Companies—Net (Notes 1, 7, 9 and 14)	63,990	60,095
Net Income before Attribution of Noncontrolling Interests	131,177	111,934
Net Income Attributable to Noncontrolling Interests	(5,375)	(7,487)
Net Income Attributable to Mitsui & Co., Ltd.	¥ 125,802	¥ 104,447
	Yen	
Net Income Attributable to Mitsui & Co., Ltd. per Share (Notes 1 and 8):		
Basic	68.93	57.23

See notes to consolidated financial statements

Statements of Consolidated Comprehensive Income (Loss)

	Millions of Yen	
	Three-Month Period Ended June 30, 2013	Three-Month Period Ended June 30, 2012
Comprehensive Income (Loss) (Note 1):		
Net Income before Attribution of Noncontrolling Interests	¥ 131,177	¥ 111,934
Other Comprehensive Income (Loss) (after income tax effect) (Notes 1 and 7)**:**		
Unrealized holding gains (losses) on available-for-sale securities (Note 3)	10,963	(38,794)
Foreign currency translation adjustments (Note 12)	(22,487)	(129,216)
Defined benefit pension plans	2,494	1,664
Net unrealized losses on derivatives (Note 12)	(7,209)	(743)
Total Other Comprehensive Loss (after income tax effect)	(16,239)	(167,089)
Comprehensive Income (Loss) before Attribution of Noncontrolling Interests	114,938	(55,155)
Comprehensive (Income) Loss Attributable to Noncontrolling Interests (Note 7)	(4,507)	1,318
Comprehensive Income (Loss) Attributable to Mitsui & Co., Ltd.	¥ 110,431	¥ (53,837)

Statements of Consolidated Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2013 and 2012

	Millions of Yen	
	Three -Month Period Ended June 30, 2013	Three -Month Period Ended June 30, 2012
Operating Activities:		
Net income before attribution of noncontrolling interests	¥ 131,177	¥ 111,934
Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	54,574	40,168
Pension and severance costs, less payments	965	3,094
Provision for doubtful receivables	2,795	4,544
Gain on sales of securities—net	(8,797)	(5,758)
Loss on write-down of securities	8,265	11,333
Gain on disposal or sales of property and equipment—net	(166)	(1,274)
Impairment loss of long-lived assets	-	3
Deferred income taxes	2,156	(5,842)
Equity in earnings of associated companies, less dividends received	(13,797)	(37,868)
Changes in operating assets and liabilities:		
(Increase) decrease in trade receivables	(6,145)	153,170
Decrease (increase) in inventories	15,736	(45,726)
Decrease in trade payables	(41,127)	(73,917)
Increase (decrease) in accrued expenses	8,428	(13,091)
Decrease in advance payments to suppliers	38,861	5,017
Decrease in advances from customers	(24,922)	(14,425)
Changes in derivative assets and liabilities—net	(31,577)	(10,619)
Decrease in short-term debt—other secured financing	(22,970)	-
Other—net	(1,189)	13,285
Net cash provided by operating activities	112,267	134,028
Investing Activities:		
Net decrease (increase) in time deposits	794	(1,324)
Investments in and advances to associated companies	(37,745)	(29,375)
Sales of investments in and collection of advances to associated companies	29,762	12,523
Acquisitions of other investments and businesses —net of cash acquired (Note 2)	(108,725)	(15,423)
Proceeds from sales and maturities of other investments	25,237	19,911
Increase in long-term loan receivables	(28,227)	(21,270)
Collection of long-term loan receivables	30,371	28,087
Additions to property leased to others and property and equipment	(107,299)	(104,893)
Proceeds from sales of property leased to others and property and equipment	10,428	2,999
Net cash used in investing activities	(185,404)	(108,765)
Financing Activities:		
Net increase in short-term debt	87,742	32,087
Proceeds from long-term debt	93,917	66,266
Repayments of long-term debt	(141,589)	(101,598)
Transactions with noncontrolling interests shareholders	(1,991)	(1,978)
Purchases of treasury stock—net	(4)	(1)
Payments of cash dividends	(38,334)	(51,111)
Net cash used in financing activities	(259)	(56,335)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(739)	(21,099)
Net Decrease in Cash and Cash Equivalents	(74,135)	(52,171)
Cash and Cash Equivalents at Beginning of Period	1,425,174	1,431,112
Cash and Cash Equivalents at End of Period	¥ 1,351,039	¥ 1,378,941

See notes to consolidated financial statements

1. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Mitsui & Co., Ltd. (the "Company") is incorporated and principally operates.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"). Effect has been given in the consolidated financial statements to adjustments which have not been entered in the companies' general books of account maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Major adjustments include those relating to accounting for derivative instruments and hedging activities, accounting for certain investments including non-monetary exchange of investments and effects of changes in foreign currency exchange rates on foreign-currency-denominated available-for-sale debt securities, accounting for pension costs and severance indemnities, accounting for consolidation, accounting for business combinations, accounting for goodwill and other intangible assets, accounting for consolidation of variable interest entities, accounting for leasing, accounting for stock issuance costs, accounting for uncertainty and change of rate in income taxes, and accounting for subsequent events.

Total trading transactions, as presented in the accompanying Statements of Consolidated Income, are voluntary disclosures, and represent the gross transaction volume as the aggregate nominal value of the sales contracts in which the companies act as a principal and the commissions in which the Company and certain subsidiaries serve as an agent.

Total trading transactions should not be construed as equivalent to, or a substitute or a proxy for, revenues, or as an indicator of the companies' operating performance, liquidity or cash flows generated by operating, investing or financing activities. The companies have included the gross transaction volume information because similar Japanese trading companies have generally used it as an industry benchmark. As such, management believes that total trading transactions are a useful supplement to the results of operations information for users of the consolidated financial statements.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company, its majority-owned domestic and foreign subsidiaries, the variable interest entities (“VIEs”) where the Company or one of its subsidiaries is a primary beneficiary, and its proportionate share of the assets, liabilities, revenues and expenses of certain of its oil and gas producing, and mining unincorporated joint ventures in which the companies own an undivided interest in the assets, and pursuant to the joint venture agreements, are severally liable for their share of each liability. The VIEs are defined by Accounting Standard Codification (“ASC”) 810, “Consolidation.”

The difference between the cost of investments in VIEs which are not a business and the equity in the fair value of the net assets at the dates of acquisition is accounted for as a gain or loss while the excess of the cost of investments in other subsidiaries that meet the definition of a business over the equity in the fair value of the net assets at the dates of acquisition is accounted for as goodwill.

Changes in the companies’ ownership interests while retaining their controlling financial interests in their subsidiaries are accounted for as equity transactions. When the companies cease to have their controlling financial interests, any retained investments are remeasured at their fair value at that date and the difference between the fair value and the carrying amount of the retained noncontrolling investments is recognized as a gain or loss in net income attributable to Mitsui & Co., Ltd.

Certain subsidiaries with a first-quarter-end on or after March 31, but prior to the parent company’s first-quarter-end of June 30, are included on the basis of the subsidiaries’ respective first-quarter-ends.

Foreign currency translation

The assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective period-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting translation adjustments are included in accumulated other comprehensive income (loss).

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at period-end exchange rates with the resulting gains and losses recognized in earnings.

Cash equivalents

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments which are readily convertible into cash and have no significant risk of change in value including certificates of deposit, time deposits, financing bills and commercial papers with original maturities of three months or less.

Allowance for credit losses

The companies have loans and trade receivables relating to businesses with corporate customers (“corporate business”) and financial business with retail customers (“retail finance business”).

If the debtor is under litigation or if there is significant difficulty in collecting receivables considering the debtor’s financial condition, an allowance is recorded for the credit loss of the doubtful receivables which are deemed to be impaired. The allowance is based on the latest information of the debtor and is measured individually based on the present value of expected cash flows discounted with the original effective interest rate of the loan or the fair value of the collateral if the loan is collateral dependent.

Other than the cases above, as for the corporate businesses, an allowance for credit losses is measured collectively based primarily upon the companies’ historical credit loss experiences and an evaluation of the potential losses for all receivables. As for the retail finance business, some subsidiaries engaged in the business of providing financial services for the purchase of automobiles and motorcycles have credit risks relating to retail customers. Those subsidiaries record an allowance for doubtful receivables collectively based on each subsidiaries’ historical credit loss ratio based on dates past due of the receivables considering the current economic situation.

Loans or trade receivables are charged-off when certain conditions are met. The following are the cases in which loans and trade receivables are charged-off: cutoff of loans and receivables by legal liquidation, obtainment of evident facts that suggest that it is impossible for the debtors to repay their debts from their perceived solvency and/or asset situation, and arrearage of payment after a certain period of time after a suspension of business operations.

Inventories

Inventories, consisting mainly of commodities and materials for resale, are stated at the lower of cost, principally on a specific-identification basis, or market.
The Company and a certain subsidiary accounted for certain physical commodity swap transactions related to precious metal as financings with physical commodities pledged as collateral.

Derivative instruments and hedging activities

In accordance with ASC 815, "Derivatives and Hedging," all derivative instruments are recognized and measured at fair value as either assets or liabilities in the Consolidated Balance Sheets. The accounting for changes in the fair value depends on the intended use of the derivative instruments and their resulting hedge designation. On the Consolidated Balance Sheets, the companies offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

The companies enter into derivative commodity instruments, such as future, forward, option and swap contracts, as a means of hedging the exposure to changes in the fair value of inventories and unrecognized firm commitments and the exposure to variability in the expected future cash flows from forecasted transactions, principally for non-ferrous metals, crude oil and agricultural products.

Changes in the fair value of derivative commodity instruments, designated and effective as fair value hedges, are recognized in sales of products or cost of products sold as offsets to changes in the fair value of the hedged items. Changes in the fair value of derivative commodity instruments, designated and effective as cash flow hedges, are initially recorded as other comprehensive income (loss) and reclassified into earnings as sales of products or cost of products sold when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in sales of products or cost of products sold immediately.

Changes in the fair value of derivative commodity instruments, for which hedge requirements are not met, are currently recognized in sales of products, cost of products sold or other sales without any offsetting changes in the fair value of the hedged items.

The Company and certain subsidiaries also enter into agreements for derivative commodity instruments as a part of their trading activities. These derivative instruments are marked to market and gains or losses resulting from these contracts are reported in other sales.

Changes in the fair value of all open positions of precious metals traded in terminal (future) markets are recognized in other sales in order to reflect the fair value of commodity trading transactions consisting of inventories, unrecognized firm commitments and derivative commodity instruments as a whole.

The companies enter into derivative financial instruments such as interest rate swap agreements, foreign exchange forward contracts, currency swap agreements, and interest rate and currency swap agreements as a means of hedging their interest rate and foreign exchange exposure.

Changes in the fair value of interest rate swap agreements, designated and effective as fair value hedges for changes in the fair value of fixed-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are recognized in interest income and expense as offsets to changes in the fair value of hedged items. Changes in the fair value of interest rate swap agreements, designated and effective as cash flow hedges for changes in the cash flows of floating-rate financial assets or liabilities attributable to changes in the designated benchmark interest rate, are initially recorded in other comprehensive income (loss) and reclassified into earnings as interest income and expense when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in interest income and expense immediately.

Changes in the fair value of foreign exchange forward contracts and currency swap agreements, designated and effective as cash flow hedges for changes in the cash flows of foreign-currency-denominated assets or liabilities, unrecognized firm commitments and forecasted transactions attributable to changes in the related foreign currency exchange rate, are initially recorded in other comprehensive income (loss) and reclassified into earnings as mainly sales of products or other expense (income)-net when the hedged transactions affect earnings. Changes in the fair value of the ineffective portion are recognized in mainly other expense (income)-net immediately.

Changes in the fair value of interest rate and currency swap agreements, designated and effective as fair value hedges or cash flow hedges for changes in the fair values or cash flows of foreign-currency-denominated assets or liabilities attributable to changes in the designated benchmark interest rate or the related foreign currency exchange rate are recorded as either earnings or other comprehensive income depending on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

Changes in the fair value of derivative financial instruments, for which hedge requirements are not met, are currently recognized in interest income and expense for interest rate swap agreements and in mainly other expense (income)-net for foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements.

The Company and certain subsidiaries also enter into agreements for certain derivative financial instruments as a part of their trading activities. These derivative instruments are marked to market and the related gains or losses are reported in other sales.

The companies use derivative instruments and non-derivative financial instruments in order to reduce the foreign currency exposure in the net investment in a foreign operation. The foreign currency transaction gains or losses on these instruments, designated as and effective as hedging instruments, are deferred and recorded as foreign currency translation adjustments within other comprehensive income (loss) to the extent they are effective as hedges. These amounts are only recognized in income upon the complete or partial sale of the related investment or the complete liquidation of the investment.

For the Statements of Consolidated Cash Flows, cash flows from derivative commodity instruments and derivative financial instruments that qualify for hedge accounting are included in the same category as the items being hedged.

Debt and marketable equity securities

The companies classify debt and marketable equity securities, at acquisition, into one of three categories: held-to-maturity, available-for-sale or trading.

Securities are classified as trading securities and carried at fair value only if the companies possess those securities for the purpose of purchase and sale. Unrealized holding gains and losses are included in earnings.

Debt securities are classified as held-to-maturity and measured at amortized cost in the Consolidated Balance Sheets only if the companies have the positive intent and ability to hold those securities to maturity. Premiums and discounts amortized in the period are included in interest income.

Debt and marketable equity securities other than those classified as trading or held-to-maturity securities are classified as available-for-sale securities and carried at fair value with related unrealized holding gains and losses reported in accumulated other comprehensive income (loss) in equity on a net-of-tax basis.

For an other-than-temporary decline in the value of debt and marketable equity securities below their cost or amortized cost, the investment is reduced to its fair value, which becomes the new cost basis of the investment. The amount of the reduction is reported as a loss for the period in which such determination is made. Whether the decline in the value of marketable equity securities is other-than-temporary is judged by reviewing various factors, such as the extent by which the cost exceeds the market value, the duration of the market decline, the financial condition and near-term prospects of the issuer, foreign exchange rates, and the intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. Debt securities are reduced to their fair value, when the companies intend to sell the debt security or it is more likely than not that the companies will be required to sell the security prior to recovery of its amortized cost basis. When the companies do not intend to sell the security and it is not more likely than not that the companies will be required to sell the security before recovery of its amortized cost basis, the companies will recognize the credit component of an other-than-temporary impairment of the debt security in earnings and the noncredit component in other comprehensive income (loss).

The cost of debt and marketable securities sold is determined based on the moving-average cost method.

Non-marketable equity securities

Non-marketable equity securities are carried at cost. When an other-than-temporary decline in the value of such securities below their cost occurs, the investment is reduced to its fair value and an impairment loss is recognized. Various factors, such as the financial condition and near-term prospects of the issuer, are reviewed to judge whether it is other-than-temporary.

The cost of non-marketable equity securities sold is determined based on the moving-average cost method.

Investments in associated companies

Investments in associated companies (20% to 50%-owned corporate investees, corporate joint ventures, and less than 20%-owned corporate investees over which the companies have the ability to exercise significant influence) and noncontrolling investments in general partnerships, limited partnerships and limited liability companies are accounted for under the equity method, after appropriate adjustments for intercompany profits and dividends. The differences between the cost of such investments and the companies' equity in the underlying fair value of the net assets of associated companies at the dates of acquisition are recognized as equity method goodwill.

For an other-than-temporary decline in the value of investments in associated companies below the carrying amount, the investment is reduced to its fair value and an impairment loss is recognized.

Leasing

The companies are engaged in lease financing consisting of direct financing leases, sales-type leases and leveraged leases, and in operating leases of properties. For direct financing leases and sales-type leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Income on leveraged leases is recognized over the life of the lease at a constant rate of return on the positive net investment. Income from the sales under sales-type leases is recognized at the inception of lease. Initial direct costs of direct financing leases and leveraged leases are deferred and amortized using the interest method over the lease period. Operating lease income is recognized as other sales over the term of underlying leases on a straight-line basis.

The companies are also lessees of various assets. Rental expenses on operating leases are recognized over the respective lease terms using the straight-line method.

Property and equipment

Property and equipment are stated at cost.

Depreciation of property and equipment (including property leased to others) is computed principally under the straight-line method, using rates based upon the estimated useful lives of the related property and equipment. Mineral rights are amortized over their respective estimated useful lives, using the straight-line method or the unit-of-production method.

Leasehold improvements are amortized over the lesser of the useful life of the improvement or the term of the underlying lease.

Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and improvements are charged to expense as incurred.

Impairment of long-lived assets

Long-lived assets to be held and used or to be disposed of other than by sale are reviewed, by using undiscounted future cash flows, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Such impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Business combinations

In accordance with ASC 805, "Business Combinations," the acquisition method of accounting which requires the measurement of the fair value of all of the assets and liabilities of an acquired company, including noncontrolling interests, is used for all business combinations from April 1, 2009. The companies separately recognize and report acquired intangible assets as goodwill or other intangible assets. Any excess of fair value of acquired net assets over cost arising from a business combination is recognized as a gain from a bargain purchase. In a business combination achieved in stages, its previously held equity interest is remeasured at its acquisition-date fair value and the resulting gains or losses are recognized in earnings.

Goodwill and other intangible assets

Goodwill is not amortized but tested for impairment annually or more frequently if impairment indicators arise. Identifiable intangible assets with a finite useful life are amortized over their respective estimated useful lives and reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment." Any identifiable intangible asset determined to have an indefinite useful life is not amortized, but instead tested for impairment in accordance with ASC 350, "Intangibles-Goodwill and Other," until its useful life is determined to be no longer indefinite.

Equity method goodwill is reviewed for impairment as part of an other-than-temporary decline in the value of investments in associated companies below the carrying amount in accordance with ASC 323, "Investments-Equity Method and Joint Ventures."

Oil and gas producing activities

Oil and gas exploration and development costs are accounted for using the successful efforts method of accounting. The costs of acquiring properties, costs of drilling and equipping exploratory wells, and costs of development wells and related plant and equipment are capitalized, and amortized using the unit-of-production method. Exploratory well costs are expensed, if economically recoverable reserves are not found. Other exploration costs, such as geological and geophysical costs, are expensed as incurred.

In accordance with ASC 360, proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the fair value. Unproved properties are assessed annually for impairment in accordance with ASC 932-360-35-11, "Extractive Activities-Oil and Gas—Unproved Properties," with any impairment charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on undiscounted future net cash flow approach, as well as taking into consideration various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

Mining operations

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using either the unit-of-production method or straight-line method based on the proven and probable reserves.

In open pit mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as "stripping costs." During the development of a mine, before production commences, such costs are generally capitalized as part of the development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs are variable production costs to be considered as a component of mineral inventory costs and are recognized as a component of costs of products sold in the same period as the related revenues from the sales of the minerals. Depending on the configuration of the mineral deposits, the post-production stripping costs could lead to a lower of cost or market inventory adjustment.

Asset retirement obligations

The companies record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

Pension and severance indemnities plans

The Company and certain subsidiaries have defined benefit pension plans and severance indemnities plans. The costs of defined benefit pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods. The Company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the Consolidated Balance Sheets. The net actuarial gain or loss and net prior service cost or credit are included in accumulated other comprehensive income (loss) in equity on a net-of-tax basis and are amortized into net periodic pension costs over the certain future periods.

Guarantees

In accordance with ASC 460, "Guarantees," the companies recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for the guarantee.

Revenue recognition

The companies recognize revenues when they are realized or realizable and earned. Revenues are realized or realizable and earned when the companies have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured. In addition to this general policy, the following are specific revenue recognition policies:

Sales of products

Sales of products include the sales of various products as a principal in the transactions, the manufacture and sale of a wide variety of products such as metals, chemicals, foods and general consumer merchandise, the development of natural resources such as coal, iron ore, oil and gas, and the development and sale of real estate. The companies recognize those revenues at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when the goods are received by the customer, the title to the warehouse receipts is transferred, or the implementation testing is duly completed.

For long-term construction contracts such as railroad projects, depending on the nature of the contract, revenues are accounted for by the percentage-of-completion method if estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable, otherwise the companies use the completed contract method.

The Company and certain subsidiaries enter into buy/sell arrangements, mainly relating to transactions of crude oil and petroleum products. Under buy/sell arrangements, which are entered into primarily to optimize supply or demand requirements, the Company and certain subsidiaries agree to buy (sell) a specific quality and quantity of commodities to be delivered at a specific location and/or time while agreeing to sell (buy) the same quality and quantity of the commodities to be delivered at a different location and/or time to the same counterparty. The buy/sell arrangements are reported on a net basis in the Statements of Consolidated Income.

Sales of services

Sales of services include the revenues from trading margins and commissions related to various trading transactions in which the companies act as a principal or an agent. Specifically, the companies charge a commission for the performance of various services such as logistic and warehouse services, information and communication services, and technical support. For some back-to-back sales and purchase transactions of products, the companies act as a principal and record the net amount of sales and purchase prices as revenues. The companies also facilitate conclusion of the contracts between manufacturers and customers and deliveries for the products between suppliers and customers. Revenues from service related businesses are recorded as revenues when the contracted services are rendered to third-party customers pursuant to the agreements.

Other sales

Other sales principally include the revenues from leasing activities of real estate, rolling stock, ocean transport vessels, equipment and others, the revenues from derivative commodity instruments and derivative financial instruments held for trading purposes, and the revenues from financing. See accounting policies for leasing and derivative instruments and hedging activities for the revenue recognition policies regarding leasing and derivative transactions, respectively.

Research and development expenses

Research and development costs are charged to expenses when incurred.

Advertising expenses

Advertising costs are charged to expenses when incurred.

Income taxes

Income tax expense is calculated based on reported earnings before income taxes and equity in earnings of associated companies. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, tax loss carryforwards and tax credit carryforwards. These deferred taxes are measured using the currently enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards or tax credit carryforwards are expected to reverse. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be realized.

Upon the introduction of the Australian Mineral Resource Rent Tax Act and Expansion of the Petroleum Resource Rent Tax Act, companies are allowed to elect to use market value as a starting base for existing transitional projects at May 1, 2010. A company electing to use the market value approach can obtain a deduction for the amortization of the market value of the project. As we plan to apply the market value approach, and the Mineral Resource Rent Tax and Petroleum Resource Rent Tax are regarded as an income tax subject to tax effect accounting in accordance with ASC 740 "Income Taxes," we recorded deferred tax assets for the operating assets based on the difference in the book values for accounting purposes and tax purposes (the market values as of May 1, 2010 based on our best estimation), and apply a valuation allowance for the portion we judged could not be realized in consideration of several tax deductible items such as royalties and the impact of future augmentation which will be incurred on tax losses carried forward in the Mineral Resource Rent Tax and Petroleum Resource Rent Tax.

In accordance with ASC 740, "Income Taxes," the companies recognize and measure uncertainty in income taxes. Interests and penalties incurred in relation to income taxes are reported in current income taxes in the Statements of Consolidated Income.

Net income per share

Basic net income per share attributable to Mitsui & Co., Ltd. is computed by dividing net income attributable to Mitsui & Co., Ltd. by the weighted-average number of common shares outstanding for the period. Diluted net income per share attributable to Mitsui & Co., Ltd. reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

Subsequent events

The Company has evaluated subsequent events by August 13, 2013.

III. RECLASSIFICATION

Certain reclassifications and format changes have also been made to amounts for the three-month period ended June 30, 2012 to conform to the current period presentation.

IV. DISCONTINUED OPERATIONS

The companies have the policy of presenting the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line in the Statements of Consolidated Income under income or loss from discontinued operations—net (after income tax effect). The figures of discontinued operations for the three-month periods ended June 30, 2013 and 2012, were not reclassified due to their immateriality to the companies' financial position and results of operations.

Ⅴ.NEW ACCOUNTING STANDARDS

Testing indefinite-lived intangible assets for impairment
Effective April 1, 2013, the companies adopted the new provisions in ASC350,”Intangibles-Goodwill and Other,” which the FASB issued as ASU 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment.”

ASU 2012-02 amends the provisions in ASC 350 and permits the companies not to calculate the fair value of the indefinite-lived intangible assets unless it is more likely than not that the fair value of the assets is less than its carrying amount as a result of qualitative approach.

The effect of the adoption of these provisions on the companies’ financial position and results of operations was immaterial.

Disclosures about offsetting assets and liabilities
Effective April 1, 2013, the companies adopted the new provisions in ASC210,”Balance Sheet,” which the FASB issued as ASU 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.”

ASU 2013-01 clarifies that the scope of ASU 2011-11, “Disclosures about Offsetting Assets and Liabilities,” applies to derivatives accounted for in accordance with ASC 815, “Derivatives and Hedging,” including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement.

The effect of the adoption of these provisions on the companies’ financial position and results of operations was immaterial.

Reporting of amounts reclassified out of accumulated other comprehensive income
Effective April 1, 2013, the companies adopted the new provisions in ASC220,”Comprehensive Income,” which the FASB issued as ASU 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.”

ASU 2013-02 amends the provisions in ASC 220 to require enhanced disclosures regarding the changes in other comprehensive income by component and reclassification of items out of accumulated other comprehensive income.

The adoption of these provisions had no impact on the companies’ financial position and results of operations.

2. *BUSINESS COMBINATIONS*

For the three-month period ended June 30, 2013

Total E&P Energia Italia S.r.l

On March 18, 2013, Mitsui E&P Italia A S.r.l, an 89.34% owned subsidiary of the Company, entered into a definitive agreement with Total E&P Italia S.p.A, to acquire all shares of Total E&P Energia Italia S.r.l which owns a 25% participating interest in the Tempa Rossa onshore oil field in the Gorgoglione concession in Italy, for the purpose of establishing a well-balanced business portfolio and to contribute to the stable supply of energy resources in the region. This acquisition for ¥98,321 million (€757 million) was closed on June 21, 2013 (the acquisition date).

The Company is in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired. The following table summarizes the acquisition-date fair values of such assets provisionally recorded at June 30, 2013. No liabilities were recorded at June 30, 2013.

	Millions of Yen
Current assets	¥ 5,059
Property and equipment	93,262
Total assets acquired	¥ 98,321

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements.

A net decrease in cash and cash equivalents of ¥98,321 million arising from this business combination is included in acquisitions of other investments and businesses—net of cash acquired in the Statements of Consolidated Cash Flows for the three-month period ended June 30, 2013.

For the three-month period ended June 30, 2012

No material business combinations were completed during the three-month period ended June 30, 2012.

3. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Debt and marketable equity securities

At June 30, 2013 and March 31, 2013, the cost, fair value and gross unrealized holding gains on available-for-sale securities and the amortized cost, fair value and gross unrealized holding gains and losses on held-to-maturity debt securities were as follows:

	Millions of Yen				
			Unrealized holding gains (losses)		
	Cost	Fair value	Gains	Losses	Net
June 30, 2013:					
Available-for-sale:					
Marketable equity securities (Japan)	¥ 201,205	¥ 404,148	¥ 202,981	¥ (38)	¥ 202,943
Marketable equity securities (Non-Japan)	21,236	58,404	37,628	(460)	37,168
Preferred stock that must be redeemed	45,130	38,358	1,344	(8,116)	(6,722)
Government bonds	15	15	0	—	0
Other securities	483	483	0	—	0
March 31, 2013:					
Available-for-sale:					
Marketable equity securities (Japan)	¥ 207,774	¥ 403,264	¥ 195,583	¥ (93)	¥ 195,490
Marketable equity securities (Non-Japan)	19,653	48,399	28,968	(222)	28,746
Preferred stock that must be redeemed	52,923	47,168	1,933	(7,688)	(5,755)
Government bonds	15	15	0	—	0
Other securities	285	285	0	—	0

	Millions of Yen				
			Unrealized holding gains (losses)		
	Amortized cost	Fair value	Gains	Losses	Net
June 30, 2013:					
Held-to-maturity debt securities	¥ 3,828	¥ 3,828	¥ 0	—	¥ 0
March 31, 2013:					
Held-to-maturity debt securities	¥ 3,593	¥ 3,593	¥ 0	—	¥ 0

At June 30, 2013 and March 31, 2013, the companies did not hold available-for-sale securities with original maturities of three months or less included in cash and cash equivalents in the Consolidated Balance Sheets.

At June 30, 2013 and March 31, 2013, the fair value and gross unrealized holding losses on available-for-sale securities, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions, were as follows:

	Millions of Yen			
	Less than 12 months		12 months or more	
	Fair value	Unrealized holding losses	Fair value	Unrealized holding losses
June 30, 2013:				
Available-for-sale:				
Marketable equity securities	¥ 2,875	¥ (498)	—	—
Debt securities, consisting of preferred stock that must be redeemed	—	—	¥ 23,425	¥ (8,116)
Total	¥ 2,875	¥ (498)	¥ 23,425	¥ (8,116)
March 31, 2013:				
Available-for-sale:				
Marketable equity securities	¥ 3,404	¥ (315)	—	—
Debt securities, consisting of preferred stock that must be redeemed	—	—	¥ 38,300	¥ (7,688)
Total	¥ 3,404	¥ (315)	¥ 38,300	¥ (7,688)

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities and preferred stock that must be redeemed at June 30, 2013. The unrealized losses on marketable equity securities were due principally to a temporary decline in the stock market. The companies evaluated the near-term prospects of the issuers of the equity securities in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at June 30, 2013.

The unrealized losses on preferred stock that must be redeemed were due to a devaluation of foreign currencies against the yen in the foreign exchange market. Losses on write-down of current portion of the preferred stock were recognized to reflect the devaluation of foreign currencies considered to be other-than-temporary. For the non-current portion, the companies evaluated the prospects of the foreign exchange market for the period of maturity of the stock. Based on that evaluation, the companies did not consider this portion to be other-than-temporarily impaired at June 30, 2013.

For the three-month periods ended June 30, 2013 and 2012 losses of ¥4,841 million and ¥9,540 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

The portions of net trading gains and losses for the three-month periods that relate to trading securities still held at June 30, 2013 and 2012 didn't exist.

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the three-month periods ended June 30, 2013 and 2012 were as follows:

	Millions of Yen	
	2013	2012
Proceeds from sales	¥ 14,300	¥ 7,285
Gross realized gains	¥ 7,433	¥ 1,751
Gross realized losses	—	(1)
Net realized gains	¥ 7,433	¥ 1,750

Debt securities classified as available-for-sale and held-to-maturity at June 30, 2013 mature as follows:

	Millions of Yen			
	Available-for-sale		Held-to-maturity	
	Amortized cost	Aggregate fair value	Amortized cost	Aggregate fair value
Contractual maturities:				
Within 1 year	¥ 13,604	¥ 14,948	¥ 126	¥ 126
After 1 year through 5 years	31,726	23,610	15	15
After 5 years through 10 years	298	298	—	—
After 10 years	—	—	3,687	3,687
Total	¥ 45,628	¥ 38,856	¥ 3,828	¥ 3,828

The actual maturities may differ from the contractual maturities shown above because certain issuers may have the right to redeem debt securities before their maturities.

Investments other than debt and marketable equity securities

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥358,699 million and ¥360,822 million at June 30, 2013 and March 31, 2013, respectively.

Investments in non-marketable equity securities are carried at cost; however, if the fair value of an investment has declined and such decline is judged to be other-than-temporary, the investment is written down to its estimated fair value. Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥3,423 million and ¥1,793 million for the three-month periods ended June 30, 2013 and 2012, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥304,396 million and ¥315,599 million at June 30, 2013 and March 31, 2013, respectively.

4. *FINANCING RECEIVABLES AND RELATED ALLOWANCES*

Portfolio segment

The financing receivables below are mainly loans and long-term receivables for the purpose of providing financing other than short term receivables. The amounts of recorded investment in financing receivables defined in ASC 310 and the analysis of the change in the related allowances as of June 30, 2013 and 2012, were as follows:

	Millions of Yen		
	Corporate Businesses	**Retail Finance Business**	**Total**
Three-month period ended June 30, 2013:			
Related Allowances			
Balance at March 31, 2013	¥ 39,845	¥ 6,218	¥ 46,063
Credits charged off	(70)	(2,088)	(2,158)
Provision for doubtful receivables	946	2,102	3,048
Others	2,251	29	2,280
Balance at June 30, 2013	¥ 42,972	¥ 6,261	¥ 49,233
Allowances Collectively Evaluated	1,288	1,554	2,842
Allowances Individually Evaluated	41,684	4,707	46,391
Financing Receivables			
Balance at June 30, 2013	¥ 537,623	¥ 132,659	¥ 670,282
Financing Receivables with Allowances Collectively Evaluated	471,603	125,348	596,951
Financing Receivables with Allowances Individually Evaluated	66,020	7,311	73,331

Note: "Others" principally includes the effect of deconsolidation of subsidiaries, transfer from other accounts and the effect of changes in foreign exchange rates.

	Millions of Yen		
	Corporate Businesses	**Retail Finance Business**	**Total**
Three-month period ended June 30, 2012:			
Related Allowances			
Balance at March 31, 2012	¥ 33,951	¥ 9,625	¥ 43,576
Credits charged off	(485)	(3,059)	(3,544)
Provision for doubtful receivables	2,159	3,075	5,234
Others	14	(652)	(638)
Balance at June 30, 2012	¥ 35,639	¥ 8,989	¥ 44,628
Allowances Collectively Evaluated	1,039	2,378	3,417
Allowances Individually Evaluated	34,600	6,611	41,211
Financing Receivables			
Balance at June 30, 2012	¥ 415,605	¥ 120,550	¥ 536,155
Financing Receivables with Allowances Collectively Evaluated	356,284	109,520	465,804
Financing Receivables with Allowances Individually Evaluated	59,321	11,030	70,351

Note: "Others" principally includes the effect of deconsolidation of subsidiaries, transfer from other accounts and the effect of changes in foreign exchange rates.

Credit quality indicators

The companies engaged in businesses with corporate customers ("corporate businesses") assess and monitor financing receivables every quarter by classifying the receivables into two categories, performing financing receivables and nonperforming financing receivables. Certain receivables are classified as nonperforming financing receivables in accordance with an internal guideline for managing receivables. Receivables from counterparties that meet any of the following conditions are classified as nonperforming financing receivables.

1) Counterparties who have filed a petition for liquidation, adjustments, rehabilitation or reorganization under the Bankruptcy Act.

2) Counterparties experiencing suspension or discontinuance of business, as well as those who have found it impossible or extremely difficult to fulfill their payments or deliveries, due to deficits in equity or insolvency for a considerable period without prospects for business improvement, also those who have suffered from tremendous losses due to natural disasters, sudden changes of economic conditions, or similar catastrophes.

3) Counterparties from which amounts due have been outstanding for more than one year.

Companies engaged in financial business with retail customers ("retail finance business") assess and monitor financing receivables every quarter by dates past due.

The amounts of recorded investments in financing receivables of the companies engaged in corporate businesses classified by Credit Quality Indicators were as follows. As for the financing receivables of the companies engaged in the retail finance business, refer to the table of Financing Receivables by Dates Past Due.

Balance at June 30, 2013:
Corporate Businesses

	Millions of Yen				
	Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle
Performing	¥ 134,294	¥ 238,383	¥ 1,971	¥ 30,786	¥ 10,123
Nonperforming	3,580	12,927	7,220	4,133	2,263
Total	¥ 137,874	¥ 251,310	¥ 9,191	¥ 34,919	¥ 12,386

	Millions of Yen		
	Innovation & Corporate Development	Others	Total
Performing	¥ 11,426	¥ 65,226	¥ 492,209
Nonperforming	6,082	9,209	45,414
Total	¥ 17,508	¥ 74,435	¥ 537,623

Balance at March 31, 2013:
Corporate Businesses

	Millions of Yen				
	Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle
Performing	¥ 126,037	¥ 259,152	¥ 1,664	¥ 31,760	¥ 9,421
Nonperforming	3,549	12,343	6,899	3,943	2,449
Total	¥ 129,586	¥ 271,495	¥ 8,563	¥ 35,703	¥ 11,870

	Millions of Yen		
	Innovation & Corporate Development	Others	Total
Performing	¥ 11,274	¥ 62,297	¥ 501,605
Nonperforming	5,890	8,847	43,920
Total	¥ 17,164	¥ 71,144	¥ 545,525

Corporate Businesses are mainly classified into the following business areas.
Metals: Iron & Steel Products, Mineral & Metal Resources
Machinery & Infrastructure: Infrastructure Projects, Motor Vehicles & Construction Machinery, Marine & Aerospace
Chemicals: Chemical
Energy: Energy
Lifestyle: Foods Resources, Food Product & Services, Consumer Service
Innovation & Corporate Development: IT, Financial & New Business, Transportation Logistics

Financing receivables by dates past due

The amounts of recorded investments in financing receivables classified by dates past due were as follows:

Balance at June 30, 2013:
Corporate Businesses

	Millions of Yen				
	Metals	**Machinery & Infrastructure**	**Chemicals**	**Energy**	**Lifestyle**
Less than 90 days (including not past due)...	¥ 134,105	¥ 236,116	¥ 5,789	¥ 29,824	¥ 10,653
90 days or more	3,769	15,194	3,402	5,095	1,733
Total...............................	¥ 137,874	¥ 251,310	¥ 9,191	¥ 34,919	¥ 12,386

	Millions of Yen		
	Innovation & Corporate Development	**Others**	**Total**
Less than 90 days (including not past due)...	¥ 14,402	¥ 70,270	¥ 501,159
90 days or more	3,106	4,165	36,464
Total............................	¥ 17,508	¥ 74,435	¥ 537,623

Retail Finance Business

	Millions of Yen
Less than 30 days (including not past due)..........	¥ 122,588
30-89 days past due	4,338
90-179 days past due	2,539
180-359 days past due	1,553
360 days or more past due	1,641
Total	¥ 132,659

For the companies engaged in both corporate business and retail finance business, the recorded investments of financing receivables of 90 days or more past due and accruing were considered minor.

Balance at March 31, 2013:
Corporate Businesses

	Millions of Yen				
	Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle
Less than 90 days (including not past due)...	¥ 125,012	¥ 257,341	¥ 5,532	¥ 28,602	¥ 10,092
90 days or more...............	4,574	14,154	3,031	7,101	1,778
Total...............................	¥ 129,586	¥ 271,495	¥ 8,563	¥ 35,703	¥ 11,870

	Millions of Yen		
	Innovation & Corporate Development	Others	Total
Less than 90 days (including not past due)...	¥ 14,153	¥ 66,864	¥ 507,596
90 days or more...............	3,011	4,280	37,929
Total............................	¥ 17,164	¥ 71,144	¥ 545,525

Retail Finance Business

	Millions of Yen
Less than 30 days (including not past due)..........	¥ 120,353
30-89 days past due................	4,843
90-179 days past due..............	2,944
180-359 days past due............	1,311
360 days or more past due......	1,739
Total	¥ 131,190

For the companies engaged in both corporate business and retail finance business, the recorded investments of financing receivables of 90 days or more past due and accruing were considered minor.

Impaired financing receivables

The amounts of recorded investments in the impaired financing receivables were as follows.

Balance at June 30, 2013:
Corporate Businesses

	Millions of Yen							
	Metals		Machinery & Infrastructure		Chemicals		Energy	
	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance
With allowance for credit losses	¥19,984	¥ 5,325	¥ 14,024	¥ 12,907	¥ 5,223	¥ 4,620	¥ 5,105	¥ 4,516
Without allowance for credit losses	—	—	472	—	—	—	—	—
Total	¥ 19,984	¥ 5,325	¥ 14,496	¥ 12,907	¥ 5,223	¥ 4,620	¥ 5,105	¥ 4,516

	Millions of Yen							
	Lifestyle		Innovation & Corporate Development		Others		Total	
	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance
With allowance for credit losses	¥ 4,462	¥ 3,968	¥ 6,078	¥ 4,794	¥ 11,144	¥ 5,554	¥ 66,020	¥41,684
Without allowance for credit losses	70	—	15	—	1,427	—	1,984	—
Total	¥ 4,532	¥ 3,968	¥ 6,093	¥ 4,794	¥ 12,571	¥ 5,554	¥68,004	¥41,684

Retail Finance Business

	Millions of Yen	
	Receivable	Allowance
With allowance for credit losses	¥ 7,311	¥ 4,707
Without allowance for credit losses	—	—
Total	¥ 7,311	¥ 4,707

Note: Unpaid principal and recorded investment in the impaired financing receivables are equal.

Balance at March 31, 2013:
Corporate Businesses

	Millions of Yen							
	Metals		Machinery & Infrastructure		Chemicals		Energy	
	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance
With allowance for credit losses	¥ 19,935	¥ 4,686	¥ 13,429	¥ 11,556	¥ 4,907	¥ 4,377	¥ 7,048	¥ 4,308
Without allowance for credit losses	58	—	632	—	12	—	—	—
Total	¥ 19,993	¥ 4,686	¥ 14,061	¥ 11,556	¥ 4,919	¥ 4,377	¥ 7,048	¥ 4,308

	Millions of Yen							
	Lifestyle		Innovation & Corporate Development		Others		Total	
	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance	Receivable	Allowance
With allowance for credit losses	¥ 3,079	¥ 2,994	¥ 5,886	¥ 5,244	¥ 10,903	¥ 5,371	¥ 65,187	¥ 38,536
Without allowance for credit losses	72	—	16	—	1,379	—	2,169	—
Total	¥ 3,151	¥ 2,994	¥ 5,902	¥ 5,244	¥ 12,282	¥ 5,371	¥ 67,356	¥ 38,536

Retail Finance Business

	Millions of Yen	
	Receivable	Allowance
With allowance for credit losses	¥ 7,590	¥ 4,697
Without allowance for credit losses	—	—
Total	¥ 7,590	¥ 4,697

Note: Unpaid principal and recorded investment in the impaired financing receivables are equal.

The average investments in the impaired financing receivables were as follows.

Three-month period ended June 30, 2013:

Millions of Yen								
Corporate Businesses								Retail Finance Business
Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Others	Total	
¥ 19,989	¥ 14,279	¥ 5,071	¥ 6,077	¥ 3,842	¥ 5,998	¥ 12,427	¥ 67,680	¥ 7,451

Three-month period ended June 30, 2012:

Millions of Yen								
Corporate Businesses								Retail Finance Business
Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Others	Total	
¥ 11,654	¥ 13,189	¥ 4,986	¥ 5,316	¥ 3,006	¥ 4,641	¥ 14,023	¥ 56,815	¥ 11,094

Note: Interest income for the three-month period ended June 30, 2013and 2012, recognized on impaired financing receivables was considered minor.

Financing receivables on nonaccrual status

The companies recognize interest income on the accrual-basis. However, for companies engaged in corporate businesses, interest on impaired financing receivables is primarily recognized on a cash basis. For companies engaged in retail finance business, interest is recognized on a cash basis after a specified period without payment of interest. The companies resume the accrual of interest earnings only after the full amount of contractually outstanding interest has been collected.

The amounts of the recorded investments in financing receivables on nonaccrual status were as follows.

Balance at June 30, 2013:

Millions of Yen								
Corporate Businesses								Retail Finance Business
Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Others	Total	
¥ 19,984	¥ 28,596	¥ 5,223	¥ 5,105	¥ 4,532	¥ 6,093	¥ 12,572	¥ 82,105	¥ 7,311

Balance at March 31, 2013:

Millions of Yen								
Corporate Businesses								Retail Finance Business
Metals	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Others	Total	
¥ 19,993	¥ 27,512	¥ 4,919	¥ 7,048	¥ 3,151	¥ 5,902	¥ 12,282	¥ 80,807	¥ 7,590

Troubled Debt Restructurings

The companies classify receivables as troubled debt restructurings ("TDRs") as the receivables which: 1) had their conditions modified through the conclusion of an agreement for deferred payment or reduction of interest and 2) are considered outstanding from borrowers which are experiencing financial difficulty. For receivables classified as TDRs, the companies measure the allowance for doubtful accounts in consideration of the fair value of collateral and risk of changes in future cash flow due to an extension of the due date.

The following table provides information on loans and financing receivables modified as TDRs within the retail finance business due to an extension of the due date during the three-month period ended June 30, 2013 and 2012.

Millions of Yen			
Three-month period ended June 30, 2013		Three-month period ended June 30, 2012	
Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
¥ 2,647	**¥ 2,305**	**¥ 3,850**	**¥ 3,578**

The increase in the provision of allowance for doubtful accounts as a result of the classification of TDRs for the three-month period ended June 30, 2013 and 2012 was considered minor. As for the corporate businesses, the financial effects of the modifications in relation to TDRs were considered minor.

The amounts of financing receivables modified as TDRs after April 1, 2012 and subsequently defaulted during the three-month period ended June 30, 2013 for the retail finance business was ¥1,857 million. As for the corporate businesses, the financial effects of the modifications in relation to TDRs were considered minor.
The amounts of financing receivables modified as TDRs after April 1, 2011 and subsequently defaulted during the three-month period ended June 30, 2012 for both the corporate businesses and the retail finance business were considered minor.

5. PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL

Pledged assets

At June 30, 2013 and March 31, 2013, the following assets (exclusive of assets covered by trust receipts discussed below) were pledged as collateral for certain liabilities of the companies:

	Millions of Yen	
	June 30, 2013	March 31, 2013
Trade receivables (current and non-current)	¥ 84,919	¥ 86,830
Inventories	98,971	141,885
Investments	207,774	192,808
Property leased to others (net book value)	16,338	15,748
Property and equipment (net book value)	22,326	36,756
Other	6,450	6,538
Total	¥ 436,778	¥ 480,565

The distribution of such collateral among short-term debt, long-term debt, and financial guarantees and other was as follows:

	Millions of Yen	
	June 30, 2013	March 31, 2013
Short-term debt	¥ 104,071	¥ 147,104
Long-term debt	95,879	112,994
Financial guarantees and other	236,828	220,467
Total	¥ 436,778	¥ 480,565

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts.

In addition to the above, the companies have bank borrowings under certain provisions of loan agreements which require the companies, upon the request of the bank, to immediately provide collateral, which is not originally identified in the loan agreements.

Financial assets accepted as collateral

At June 30, 2013 and March 31, 2013, the fair values of financial assets that the companies accepted as collateral for trade receivables and that they are permitted to sell or repledge consisted of the following:

	Millions of Yen	
	June 30, 2013	March 31, 2012
Bank deposits	¥ 923	¥ 918
Trade receivables—accounts	2,145	1,777
Stocks and bonds	5,774	5,457

There were no financial assets repledged or accepted as collateral under security repurchase agreements at June 30, 2013 and March 31, 2013.

6. PENSION COSTS AND SEVERANCE INDEMNITIES

Net periodic pension costs of the companies' defined benefit pension plans for the three-month periods ended June 30, 2013 and 2012 included the following components:

	Millions of Yen	
	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012
Service cost – benefits earned during the period	¥ 2,815	¥ 2,406
Interest cost on projected benefit obligation	1,093	1,425
Expected return on plan assets	(1,397)	(1,835)
Amortization of prior service cost	76	16
Amortization of net actuarial loss	2,674	2,727
Settlement loss	-	7
Net periodic pension costs	¥ 5,261	¥ 4,746

7. EQUITY

Mitsui & Co., Ltd. shareholders' equity and noncontrolling interests

During the three-month periods ended June 30, 2013 and 2012, changes in Mitsui & Co., Ltd. shareholders' equity and noncontrolling interests were as follows:

	Millions of Yen		
	Three-month period ended June 30, 2013		
	Mitsui & Co., Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	¥ 3,181,819	¥ 258,285	¥ 3,440,104
Cash dividends paid to Mitsui & Co., Ltd. shareholders	(38,327)	—	(38,327)
Dividends paid to noncontrolling interest shareholders	—	(7,297)	(7,297)
Comprehensive income (loss):			
Net income	125,802	5,375	131,177
Other comprehensive income (loss) (after income tax effect):			
Unrealized holding gains (losses) on available-for-sale securities	13,318	(2,355)	10,963
Foreign currency translation adjustments	(24,210)	1,723	(22,487)
Defined benefit pension plans	2,477	17	2,494
Net unrealized losses on derivatives	(6,956)	(253)	(7,209)
Total	110,431	4,507	114,938
Sales and purchases of treasury stock	(4)	—	(4)
Equity transactions with noncontrolling interest shareholders and other	(472)	(8,379)	(8,851)
Balance at end of period	¥ 3,253,447	¥ 247,116	¥ 3,500,563

	Millions of Yen		
	Three-month period ended June 30, 2012		
	Mitsui & Co., Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at beginning of period	¥ 2,641,318	¥ 219,492	¥ 2,860,810
Cash dividends paid to Mitsui & Co., Ltd. shareholders	(51,099)	—	(51,099)
Dividends paid to noncontrolling interest shareholders	—	(7,153)	(7,153)
Comprehensive income (loss):			
Net income	104,447	7,487	111,934
Other comprehensive income (loss) (after income tax effect):			
Unrealized holding losses on available-for-sale securities	(35,067)	(3,727)	(38,794)
Foreign currency translation adjustments	(124,138)	(5,078)	(129,216)
Defined benefit pension plans	1,666	(2)	1,664
Net unrealized (losses) gains on derivatives	(745)	2	(743)
Total	(53,837)	(1,318)	(55,155)
Sales and purchases of treasury stock	(1)	—	(1)
Equity transactions with noncontrolling interest shareholders and other	(1,103)	6,164	5,061
Balance at end of period	¥ 2,535,278	¥ 217,185	¥ 2,752,463

Equity transactions with noncontrolling interest shareholders

During the three-month periods ended June 30, 2013 and 2012, changes in noncontrolling interests due to equity transactions with noncontrolling interest shareholders were as follows:

	Millions of Yen	
	Three-month period ended	
	June 30, 2013	June 30, 2012
Increase in noncontrolling interests due to transfers of Mitsui & Co., Ltd.'s ownership interests in its subsidiaries to noncontrolling interests, and contributions from noncontrolling interest shareholders	¥ 5,689	¥ 5,288
Increase in noncontrolling interests due to transfers of ownership interests in its subsidiaries from noncontrolling interests	84	741

Increase in noncontrolling interests related to newly consolidated entities

During the three-month periods ended June 30, 2013 and 2012, no material noncontrolling interests were recorded in "Equity transactions with noncontrolling interest shareholders and other" attributable to the noncontrolling interests related to newly consolidated subsidiaries.

Gains and losses recorded due to the deconsolidation of subsidiaries

During the three-month periods ended June 30, 2013 and 2012, gains and losses recorded due to the deconsolidation of subsidiaries were immaterial.

Other comprehensive income (loss)

Changes in each component of other comprehensive income (loss) for the three-month period ended June 30, 2013 were as follows:

	Millions of Yen
	Three-month period ended June 30, 2013
Unrealized Holding Gains on Available-for-Sale Securities:	
Pre-tax amount of unrealized holding gains on available-for-sale securities	¥ 22,694
Deferred income taxes	(7,556)
Adjustments for three-month period (after income tax effect)	15,138
Pre-tax amount of reclassification adjustments	(2,592)
Deferred income taxes	772
Adjustments for three-month period (after income tax effect)	(1,820)
Foreign Currency Translation Adjustments:	
Pre-tax amount of translation adjustments	¥ (37,676)
Deferred income taxes	12,358
Adjustments for three-month period (after income tax effect)	(25,318)
Pre-tax amount of reclassification adjustments	1,108
Deferred income taxes	—
Adjustments for three-month period (after income tax effect)	1,108
Defined Benefit Pension Plans:	
Pre-tax amount of defined benefit pension plans	¥ (218)
Deferred income taxes	935
Adjustments for three-month period (after income tax effect)	717
Pre-tax amount of reclassification adjustments	2,750
Deferred income taxes	(990)
Adjustments for three-month period (after income tax effect)	1,760
Net Unrealized Losses on Derivatives:	
Pre-tax amount of net unrealized losses on derivatives	¥ (6,237)
Deferred income taxes	(922)
Adjustments for three-month period (after income tax effect)	(7,159)
Pre-tax amount of reclassification adjustments	270
Deferred income taxes	(67)
Adjustments for three-month period (after income tax effect)	203
Other Comprehensive Loss Attributable to Mitsui & Co., Ltd. —Total:	
Pre-tax amount	¥ (19,901)
Deferred income taxes	4,530
Adjustments for three-month period (after income tax effect)	(15,371)
Other Comprehensive Loss Attributable to Noncontrolling Interests:	
Pre-tax amount	¥ (2,275)
Deferred income taxes	1,407
Adjustments for three-month period (after income tax effect)	(868)
Other Comprehensive Loss:	
Pre-tax amount	¥ (22,176)
Deferred income taxes	5,937
Adjustments for three-month period (after income tax effect)	(16,239)

The amounts of other comprehensive income (loss) reclassified into earnings for the three-month period ended June 30, 2013 were as follows:

Three-month period ended June 30, 2013	**Millions of Yen**	
Components of Accumulated other comprehensive income (loss)	**Amounts of reclassification adjustments**	**Affected line items in the Statements of Consolidated Income**
Unrealized Holding Gains (Losses) on Available-for-Sale Securities:		
Sales of securities	¥ (7,433)	Gain on sales of securities—net
Write-down of securities	4,841	Loss on write-down of securities
	(2,592)	Pre-tax amount
	772	Deferred income taxes
	(1,820)	Adjustments for three-month period (after income tax effect)
Foreign Currency Translation Adjustments:		
Liquidation of affiliated companies	¥ 1,108	Other expenses—net
	1,108	Pre-tax amount
	—	Deferred income taxes
	1,108	Adjustments for three-month period (after income tax effect)
Defined Benefit Pension Plans:		
Prior service cost	¥ 76	Selling, general and administrative
Net actuarial loss	2,674	Selling, general and administrative
	2,750	Pre-tax amount
	(990)	Deferred income taxes
	1,760	Adjustments for three-month period (after income tax effect)
Net Unrealized Gains (Losses) on Derivatives:		
Foreign exchange contracts	¥ 1,251	Sales of products , Cost of products sold, Equity in Earnings of Associated Companies—Net
Interest rate contracts	(1,043)	Interest expense, Equity in Earnings of Associated Companies—Net
Commodity contracts	62	Equity in Earnings of Associated Companies—Net
	270	Pre-tax amount
	(67)	Deferred income taxes
	203	Adjustments for three-month period (after income tax effect)
Total reclassification adjustments	¥ 1,251	Adjustments for three-month period (after income tax effect)

Note: Increases (decreases) in amounts indicate decreases (increases) in earnings in the Statements of Consolidate Income.

8. NET INCOME ATTRIBUTABLE TO MITSUI & CO., LTD. PER SHARE

The following shows basic net income attributable to Mitsui & Co., Ltd. per share for the three-month periods ended June 30, 2013 and 2012:

	Three-Month Period Ended June 30, 2013			**Three-Month Period Ended June 30, 2012**		
	Net income (numerator)	Shares (denominator)	Per share amount	Net income (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic Net Income Attributable to Mitsui & Co., Ltd. per Share:						
Net income available to common shareholders	¥125,802	1,825,125	¥68.93	¥104,447	1,824,949	¥57.23

Note: Diluted net income attributable to Mitsui & Co., Ltd. per share for the three-month periods ended June 30, 2013 and 2012 is not disclosed as there are no dilutive potential shares.

9. SEGMENT INFORMATION

Three-month period ended June 30, 2013 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenues	¥ 58,311	¥ 153,710	¥ 93,726	¥ 222,786	¥ 412,736	¥ 220,003	¥ 14,461
Gross Profit (Loss)	¥ 14,429	¥ 50,135	¥ 27,894	¥ 20,310	¥ 44,385	¥ 27,549	¥ (2,528)
Operating Income (Loss)	¥ 5,027	¥ 40,869	¥ (3,290)	¥ 3,723	¥ 28,843	¥ (4,013)	¥ (17,994)
Equity in Earnings of Associated Companies—Net	¥ 1,433	¥ 25,856	¥ 8,836	¥ 1,580	¥ 17,673	¥ 1,924	¥ 3,810
Net Income (Loss) Attributable to Mitsui & Co., Ltd	¥ 3,074	¥ 33,112	¥ 5,176	¥ 7,681	¥ 59,736	¥ (738)	¥ (931)
Total Assets at June 30, 2013	¥ 529,185	¥ 1,557,994	¥1,578,630	¥ 714,607	¥2,155,079	¥ 1,436,049	¥ 599,798
Investments in and advances to associated companies at June 30, 2013	¥ 33,846	¥ 852,205	¥ 496,869	¥ 82,412	¥ 302,499	¥ 250,571	¥ 108,306
Depreciation and amortization	¥ 341	¥ 6,020	¥ 4,447	¥ 2,078	¥ 33,186	¥ 1,862	¥ 1,322
Additions to property leased to others and property and equipment	¥ 161	¥ 26,137	¥ 15,005	¥ 2,572	¥ 54,463	¥ 2,202	¥ 2,314

Three-month period ended June 30, 2013 :	Americas	Europe, the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenues	¥ 176,361	¥ 36,570	¥ 26,462	¥ 1,415,126	¥ 468	¥ 8	¥ 1,415,602
Gross Profit (Loss)	¥ 18,165	¥ 7,676	¥ 3,464	¥ 211,479	¥ 234	¥ (3,926)	¥ 207,787
Operating Income (Loss)	¥ 2,695	¥ 2,700	¥ (1,020)	¥ 57,540	¥ (1,146)	¥ 8,910	¥ 65,304
Equity in Earnings of Associated Companies—Net	¥ 1,519	¥ 62	¥ 1,024	¥ 63,717	¥ 267	¥ 6	¥ 63,990
Net Income (Loss) Attributable to Mitsui & Co., Ltd	¥ 2,774	¥ 3,814	¥ 10,007	¥ 123,705	¥ 2,804	¥ (707)	¥ 125,802
Total Assets at June 30, 2013	¥ 514,711	¥ 114,085	¥ 314,229	¥ 9,514,367	¥ 3,586,570	¥(2,658,130)	¥10,442,807
Investments in and advances to associated companies at June 30, 2013	¥ 57,246	¥ 14,877	¥ 172,586	¥ 2,371,417	¥ 933	¥ 6,640	¥ 2,378,990
Depreciation and amortization	¥ 2,011	¥ 173	¥ 112	¥ 51,552	¥ 47	¥ 2,975	¥ 54,574
Additions to property leased to others and property and equipment	¥ 2,590	¥ 146	¥ 218	¥ 105,808	¥ 19	¥ 1,472	¥ 107,299

Three-month period ended June 30, 2012(As restated):	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenues	¥ 56,631	¥ 122,431	¥ 79,748	¥ 172,179	¥ 349,388	¥ 186,292	¥ 35,507
Gross Profit	¥ 9,000	¥ 40,915	¥ 24,196	¥ 15,002	¥ 52,882	¥ 25,929	¥ 13,025
Operating Income (Loss)	¥ (518)	¥ 33,388	¥ (4,156)	¥ (261)	¥ 39,344	¥ (3,044)	¥ (1,756)
Equity in Earnings of Associated Companies—Net	¥ 84	¥ 23,602	¥ 7,119	¥ 2,305	¥ 13,504	¥ 5,608	¥ 4,276
Net Income (Loss) Attributable to Mitsui & Co., Ltd	¥ (2,287)	¥ 30,688	¥ 3,580	¥ 1,019	¥ 56,276	¥ 2,788	¥ 3,924
Total Assets at June 30, 2012	¥ 538,202	¥ 981,903	¥ 1,292,425	¥ 667,071	¥1,551,187	¥ 1,246,398	¥ 445,830
Investments in and advances to associated companies at June 30, 2012	¥ 24,341	¥ 506,417	¥ 361,499	¥ 68,902	¥ 148,876	¥ 219,836	¥ 107,114
Depreciation and amortization	¥ 430	¥ 3,866	¥ 3,280	¥ 1,919	¥ 21,841	¥ 2,735	¥ 1,294
Additions to property leased to others and property and equipment	¥ 834	¥ 24,869	¥ 12,032	¥ 1,619	¥ 55,260	¥ 2,878	¥ 1,354

Three-month period ended June 30, 2012(As restated):	Americas	Europe, the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenues	¥ 137,548	¥ 24,280	¥ 15,298	¥ 1,179,302	¥ 477	¥ 0	¥ 1,179,779
Gross Profit	¥ 17,309	¥ 3,721	¥ 2,710	¥ 204,689	¥ 209	¥ (2,959)	¥ 201,939
Operating Income (Loss)	¥ 3,250	¥ (850)	¥ (1,018)	¥ 64,379	¥ (1,227)	¥ 8,840	¥ 71,992
Equity in Earnings of Associated Companies—Net	¥ 1,263	¥ 67	¥ 2,118	¥ 59,946	—	¥ 149	¥ 60,095
Net Income (Loss) Attributable to Mitsui & Co., Ltd	¥ 3,657	¥ 36	¥ 8,856	¥ 108,537	¥ (170)	¥ (3,920)	¥ 104,447
Total Assets at June 30, 2012	¥ 430,537	¥ 87,639	¥ 290,090	¥ 7,531,282	¥ 2,929,465	¥(1,812,249)	¥ 8,648,498
Investments in and advances to associated companies at June 30, 2012	¥ 38,925	¥ 7,030	¥ 132,280	¥ 1,615,220	¥ 338	¥ 39,855	¥ 1,655,413
Depreciation and amortization	¥ 1,341	¥ 218	¥ 96	¥ 37,020	¥ 79	¥ 3,069	¥ 40,168
Additions to property leased to others and property and equipment	¥ 4,237	¥ 174	¥ 67	¥ 103,324	—	¥ 1,569	¥ 104,893

Notes: (1) "All Other" includes business activities which primarily provide services, such as financing services and operations services to external customers and/or to the companies and associated companies. Total assets of "All Other" at June 30, 2013 and 2012 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of certain subsidiaries related to the above services.

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

(3) Net Income (Loss) Attributable to Mitsui & Co., Ltd. of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable operating segments, and eliminations of intersegment transactions.
Net Income (Loss) Attributable to Mitsui & Co., Ltd. of "Adjustments and Eliminations" for the three-month periods ended June 30, 2013 and 2012 includes ¥3,774 million (loss) and ¥5,772 million (loss) related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and other miscellaneous amounts.

(4) During the three-month period ended June 30, 2013, logistics infrastructure businesses including development and management of ports and airport terminal, advanced materials related businesses such as liquid crystal and electronic devices, and media related businesses such as TV shopping and broadcasting, all included in "Innovation & Corporate Development" segment, were transferred to "Machinery & Infrastructure" segment, "Chemicals" segment, and "Lifestyle" segment, respectively.
In accordance with these changes, the operating segment information for the three-month period ended June 30, 2012, has been restated to conform to the current period presentation.

(5) During the three-month period ended June 30, 2013, the steel scrap related businesses of Mitsui Bussan Metals Co., Ltd. in "Mineral & Metal Resources" segment were transferred to Mitsui & Co. Steel Ltd. in "Iron & Steel Products" segment.
In accordance with this change, the operating segment information for the three-month period ended June 30, 2012, has been restated to conform to the current period presentation.

(6) During the three-month period ended June 30, 2013, "Innovation & Cross Function" changed its name to "Innovation & Corporate Development".

(7) Operating Income (Loss) reflects the companies' a) Gross Profit, b) Selling, general and administrative expenses, and c) Provision for doubtful receivables as presented in the Statements of Consolidated Income.

10. CONTINGENT LIABILITIES

I. GUARANTEES

The table below summarizes the companies' guarantees as defined in ASC 460, "Guarantees," at June 30, 2013 and March 31, 2013. The maximum potential amount of future payments represents the amounts 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, results of operations, or cash flows of the companies is remote at June 30, 2013.

	Millions of Yen				
	Amount outstanding	Recourse provisions/ collateral	Maximum potential amount of future payments	Carrying amount of liabilities	Expire no later than
June 30, 2013:					
Type of guarantees:					
Credit guarantees:					
Guarantees for third parties	¥ 75,244	¥ 12,609	¥ 135,068	¥ 462	2045
Guarantees for associated companies	200,627	22,291	268,524	3,861	2046
Guarantees to financial institutions for employees' housing loans	2,734	—	2,734	—	2036
Total	¥ 278,605	¥ 34,900	¥ 406,326	¥ 4,323	
Market value guarantees:					
Obligation to repurchase bills of exchange	¥ 125,254	¥ 122,234	¥ 125,254	—	2014
Residual value guarantees of leased assets	2,097	—	2,097	—	2016
Total	¥ 127,351	¥ 122,234	¥ 127,351	—	
Derivative instruments	¥ 11,706	—	¥ 11,706	¥ 1,980	

	Millions of Yen				
	Amount outstanding	Recourse provisions/ collateral	Maximum potential amount of future payments	Carrying amount of liabilities	Expire no later than
March 31, 2013:					
Type of guarantees:					
Credit guarantees:					
Guarantees for third parties	¥ 75,622	¥ 12,558	¥ 113,843	¥ 475	2045
Guarantees for associated companies	198,083	875	253,832	3,938	2046
Guarantees to financial institutions for employees' housing loans	2,969	—	2,969	—	2036
Total	¥ 276,674	¥ 13,433	¥ 370,644	¥ 4,413	
Market value guarantees:					
Obligation to repurchase bills of exchange	¥ 115,296	¥ 112,713	¥ 115,296	—	2014
Residual value guarantees of leased assets	7,218	—	7,218	—	2016
Total	¥ 122,514	¥ 112,713	¥ 122,514	—	
Derivative instruments	¥ 14,357	—	¥ 14,357	¥ 1,312	

Credit guarantees

The companies provide various types of guarantees to 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, trade payable or contractual performance.

Categories of credit guarantees are as follows:

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 at June 30, 2013 and March 31, 2013, will expire through 2023.

Guarantees for associated companies

The companies, severally or jointly with others, issue guarantees for associated companies for the purpose of furtherance of their trading activities and credit enhancement of associated companies. Main items of these guarantees are contractual performance guarantees which guarantee Toyo Engineering Corporation regarding plant construction contracts executed under the name of the guaranteed party in Southeast Asia. In the case that Toyo Engineering Corporation failed to fulfill the contractual obligation, the project owners would execute the performance guarantees to claim compensation for damages to the companies. Most of these guarantees outstanding at June 30, 2013 and March 31, 2013, will expire through 2025.

Guarantees to financial institutions for employees' housing loans

As a part of its employee benefits program, the Company issues guarantees to financial institutions for employees' housing loans. The maximum duration of the guarantees is 23 years. The Company obtains a mortgage on the employees' assets, if necessary.

Market value guarantees

Obligation to repurchase bills of exchange

In connection with export transactions, the companies issue bills of exchange, some of which are discounted by its negotiating banks. If a customer fails to fulfill its obligation with respect to the bills, the companies would be obligated to repurchase the bills based on the banking transaction agreement. The maximum potential amount of future payments is represented by the aggregate par value of the bills discounted by the banks, and the recourse provisions and collateral are represented by the amount backed by letters of credit from the issuing banks of the customers. Most of these outstanding obligations will be extinguished within a year.

Residual value guarantees of leased assets

As lessees in operating lease contracts, a subsidiary has issued residual value guarantees on the leased locomotives. On the date of expiration of the major part of the operating lease contracts, in case of sales of those leased locomotives to the third party, the subsidiary will be responsible for making up any shortfall between the actual sales price and the guaranteed price for sales of those leased locomotives to the third party. Most of these guarantees outstanding at June 30, 2013 and March 31, 2013, will expire through 2016.

Derivative instruments

Certain derivative contracts, including written put options and credit default swaps, meet the accounting definition of guarantees under ASC 460, "Guarantees," when it is probable that the counterparties have underlying assets or liabilities related to the derivative contracts.

The companies consider the business relationship with counterparties and other circumstances in deciding whether it is probable that the counterparties have underlying assets or liabilities, and did not include the derivative contracts with certain financial institutions and traders.

ASC 460, "Guarantees," does not require disclosure about derivative contracts if such contracts permit or require net settlement and the companies have no basis for concluding that it is probable that the counterparties have underlying assets or liabilities.

The companies have written put options as a part of various derivative transactions related to energy, non-ferrous metals, precious metals and grain. The aggregation of notional amounts computed based on the strike prices and quantities of written options are disclosed as the total amount outstanding and the maximum potential amount of future payments. The carrying amount of liabilities is represented by the fair value of such written options recorded in the consolidated balance sheet. Most of these put options will expire within a year.

The companies manage the market and credit risks on these derivative instruments by monitoring fair values against loss limits and credit lines, and generally the maximum potential amount of future payments as stated above greatly overstates the companies' exposure to market and credit risks.

Indemnification contracts

Indemnification for cargo delivery

The companies have issued Discharging Letters of Indemnification ("DLOI") to shipping companies for international trading activities. The maximum potential amount of future payments can not be estimated since the amount to be compensated is not specified in DLOI. No liability is recorded since the companies believe that there is little likelihood of incurring any loss from DLOI.

Indemnification for Sakhalin Energy Investment Company Ltd.

The Company has entered into an indemnity agreement which indemnifies the banks against the companies' equity interest percentage of any impairment caused to the banks as a result of the mortgages over certain assets of Sakhalin Energy Investment Company Ltd. ("Sakhalin Energy"), in which the companies hold a 12.5% equity interest, as stipulated in the bank loan agreement not being granted nor perfected. The guaranteed amount not being stipulated in the indemnity agreement nor the measurement of the maximum potential amount of future payment not being practicable, no liability is recorded since the companies believe that there is little likelihood of incurring any loss from performance under the indemnity agreement.

The total amount of Sakhalin Energy's bank borrowings is U.S.$6.7 billion. The repayments of the borrowings have been made as stipulated in the loan agreement.

Product warranties

The companies provide warranties, in relation to their sales of products, including residential houses, for the performance of such products during specified warranty periods, and they are responsible for repair or payments of compensation against the claims by the customers regarding defects in performance or function. Estimated warranty costs are accrued at the time the products are sold based on the historical claim experiences. Main items of these warranties are the maintenance costs based on the defect liabilities for houses sold by Mitsui Bussan House-Techno, Inc. Most of these guarantees outstanding at June 30, 2013 and June 30, 2012, will expire through 2024 and 2023, respectively.

A tabular reconciliation of changes in the estimated liabilities for product warranties for the three-month periods ended June 30, 2013 and 2012 is as follows:

	Millions of Yen	
	June 30, 2013	June 30, 2012
Balance at beginning of the period	¥ 4,208	¥ 4,482
Payments made in cash or in kind	(143)	(176)
Accrual for warranties issued during the period	112	71
Changes in accrual related to pre-existing warranties	46	(46)
Balance at end of the period	¥ 4,223	¥ 4,331

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, other liabilities will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

11. *VARIABLE INTEREST ENTITIES*

The companies are involved with VIEs which mainly engage in leasing and financing activities within the Machinery & Infrastructure and Chemicals Segments.

When evaluating whether the companies are the primary beneficiary of a VIE and must therefore consolidate the VIE, the companies perform a qualitative analysis that the companies have both the: (1) power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Consolidated Variable Interest Entities

VIEs that have been consolidated by the companies in accordance with ASC 810, "Consolidation," are described by groups aggregated by similar characteristics of risks and rewards of each VIE as follows:

The companies hold a majority of the voting interests in VIEs, whose primary activity is chartering a vessel under a single-lessee leasing arrangement ("Vessel chartering VIE"), and whose primary activity is providing loans ("Loan VIE"). These VIEs are financed mainly by issuance of stock including preferred securities or borrowings.

The total assets of the Vessel chartering VIEs as of June 30 and March 31, 2013 are ¥7,882 million and ¥10,472 million, respectively; and the total assets of the Loan VIEs as of June 30 and March 31, 2013 are ¥36,391 million and ¥34,715 million, respectively.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the three-month period ended June 30, 2013 and for the year ended March 31, 2013.

The creditors or beneficial interest holders of the consolidated VIEs do not have recourse to the general credit of the companies except for certain entities.

Non-consolidated Variable Interest Entities

VIEs that are not consolidated because the companies are not the primary beneficiary, but in which the companies have significant variable interests, are described as follows. In addition, the following include VIEs that the companies determined not to consolidate as the power to direct the activities that most significantly impact the entity's economic performance is shared among multiple unrelated parties by contractual provisions and the like.

The companies are involved with and have significant variable interests in a number of VIEs that have been established to finance crude oil and gas producing plants and equipment or to finance subordinated debts by providing guarantees or subordinated loans to the VIEs. Those VIEs provide financing for customers located principally in Latin America, Middle East, and Southeast Asia in the form of leases and loans. These entities are financed mainly by bank borrowings and issuance of stock including preferred securities.

The total assets of the VIEs and the companies' maximum exposure to loss as of June 30, 2013 are ¥1,661,336 million and ¥82,711 million, respectively. The total assets of the VIEs and the companies' maximum exposure to loss as of March 31, 2013 were ¥1,650,961 million and ¥103,170 million, respectively. The total assets of the VIEs reflect the most current information available to the companies.

The amount of maximum exposure to loss represents a loss that the companies could incur from the variability in value of the leased assets, from financial difficulties of the customers and the like. In addition, the amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the VIEs and is considered to greatly exceed the anticipated loss.

The maximum exposure to loss represents the amounts of investments, advances and guarantees provided by the companies to the VIEs as of June 30 and March 31, 2013.

The companies did not provide any financial or other support to the VIEs that they were not previously contractually obligated to provide for the three-month period ended June 30, 2013 and for the year ended March 31, 2013.

12. *DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES*

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business.

In order to offset or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity future, forward, option and swap contracts, to hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use derivative instruments and non-derivative financial instruments, such as foreign-currency-denominated debt, to hedge the foreign currency exposure in the net investment in a foreign operation.

The notional amounts of the companies' derivative instruments as of June 30, 2013 and March 31, 2013 were as follows:

	Billions of Yen	
	June 30, 2013	March 31, 2013
Foreign exchange contracts	¥ 3,004	¥ 3,222
Interest rate contracts	1,611	1,496
Commodity contracts	23,491	19,616
Other contracts	9	9
Total derivative notional amounts	¥ 28,115	¥ 24,343

Foreign currency exchange rate risk hedging activities

The companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements, to fix the expected future cash flows from foreign-currency-denominated receivables and payables resulting from selling and purchasing activities in currencies other than the local currency and long-term financing transactions as part of the companies' global operations in many countries. The companies also use derivative instruments and non-derivative financial instruments, such as foreign-currency-denominated debt, in order to hedge the foreign currency exposure in the net investment in a foreign operation.

Interest rate risk hedging activities

The companies use interest rate swap agreements and interest rate and currency swap agreements to diversify the sources of fund raising, reduce fund-raising costs, fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and reduce the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

Commodity price risk hedging activities

The companies use derivative instruments, such as commodity future, forward, option and swap contracts, to reduce the exposure to changes in the fair value of inventories and unrecognized firm commitments and to fix the expected future cash flows from forecasted transactions in marketable commodities, such as non-ferrous metals, crude oil and agricultural products.

Risk management policy

The companies have strictly separated the trading sections from the sections that record the results and positions of derivative instruments and are responsible for cash settlement and account confirmation with counterparties. Risk management sections classify the derivative transactions into trading transactions and hedging transactions. The distinction between trading and hedging transactions is strictly managed by confirming the correspondence with the hedged items for transactions for hedging purposes. Furthermore, these risk management sections comprehensively monitor, evaluate and analyze the positions of derivative instruments and report the results periodically to the Company's executive officers in charge of risk management. Based on these reports, the executive officers assess derivative instruments and the market risks surrounding these instruments, and establish the companies' risk management policy regarding derivative instruments.

Fair value hedges

Changes in the fair value of derivative instruments designated as hedging the exposure to changes in the fair value of recognized assets or liabilities or unrecognized firm commitments are recorded in earnings together with changes in the fair value of the corresponding hedged items attributable to the hedged risks.

The net gain or loss recognized in earnings representing the amount of the hedges' ineffectiveness and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness were immaterial for the three-month periods ended June 30, 2013 and 2012.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the three-month periods ended June 30, 2013 and 2012.

The companies include the gain and loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments.

The following table presents the gain/(loss) on hedged items and derivative instruments designated and qualifying as a fair value hedge included within the Statement of Consolidated Income for the three-month periods ended June 30, 2013 and 2012:

Three-Month Period Ended June 30, 2013	Millions of Yen			
Income statement location	**Hedged items**	**Gain (loss) on hedged items**	**Hedging instruments**	**Gain (loss) on hedging instruments**
Interest expense	Long-term debt	¥ 7,200	Interest rate contracts	¥ (7,195)
Other expense (income)—net	Long-term debt	881	Foreign exchange contracts	(883)
Total		¥ 8,081		¥ (8,078)

Three-Month Period Ended June 30, 2012	Millions of Yen			
Income statement location	**Hedged items**	**Gain (loss) on hedged items**	**Hedging instruments**	**Gain (loss) on hedging instruments**
Interest expense	Long-term debt	¥ (4,712)	Interest rate contracts	¥ 4,676
Other expense (income)—net	Long-term debt	(748)	Foreign exchange contracts	574
Cost of products sold	Inventories	(1,141)	Commodity contracts	974
Total		¥ (6,601)		¥ 6,224

Cash flow hedges

Changes in the fair value of foreign exchange forward contracts, currency swap agreements and interest rate and currency swap agreements designated as hedging instruments to hedge the exposure to variability in expected future cash flows of recognized assets or liabilities, unrecognized firm commitments and forecasted transactions denominated in foreign currencies are initially recorded as other comprehensive income ("OCI") to the extent they are effective. The amounts in accumulated other comprehensive income ("AOCI") are reclassified into earnings when earnings are affected by the hedged items.

Changes in the fair value of interest rate swap agreements designated as hedging instruments to reduce the exposure to variability in expected future cash flows of floating-rate financial assets and liabilities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as interest income and expense when earnings are affected by the hedged items.

Changes in the fair value of commodity forward and swap contracts designated as hedging instruments to hedge the exposure to variability in expected future cash flows of the marketable commodities are initially recorded as OCI to the extent they are effective. The amounts in AOCI are reclassified into earnings as sales of products or cost of products sold when earnings are affected by the hedged transactions.

The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in AOCI is reclassified into earnings. These amounts were immaterial for the three-month periods ended June 30, 2013 and 2012.

The estimated net amounts of the existing gains or losses in AOCI at June 30, 2013 and March 31, 2013 that were expected to be reclassified into earnings within the next 12 months were net loss of ¥6,059 million and net gain of ¥717 million, respectively.

As of June 30, 2013 and March 31, 2013, the maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) was 40 and 14 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

Hedges of the net investment in a foreign operation

The foreign currency transaction gain or loss on the derivative instrument and the non-derivative financial instrument that are designated as, and are effective as, hedging instruments to hedge the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within OCI to the extent they are effective as a hedge.

Derivative instruments for trading purposes and risk management policy

The Company and certain subsidiaries use derivative instruments such as foreign exchange forward contracts, interest rate swap agreements and commodity future, forward, swap and option contracts for trading purposes. The Company's executive officers in charge of risk management have set strict position and loss limits for these instruments. Independent back and middle offices strictly separated from trading sections (front offices) monitor, evaluate and analyze the position of trading transactions and market risks. Those results are periodically reported to the executive officers. Among others, VaR (Value at Risk: Statistical measure of the potential maximum loss in the fair value of a portfolio resulting from adverse market movements in the underlying risk factors such as foreign currency exchange rates, interest rates and commodity prices, over a defined period, within a certain confidence level) is used to measure the market risks of derivative instruments for trading purposes.

The following table presents the fair value of derivative instruments included within the Consolidated Balance Sheets as of June 30, 2013 and March 31, 2013:

Derivative instruments designated as hedging instruments under ASC 815 "Derivatives and Hedging"

Derivative instruments	Balance sheet location	June 30, 2013 Fair value	March 31, 2013 Fair value	Balance sheet location	June 30, 2013 Fair value	March 31, 2013 Fair value
	Millions of Yen					
Foreign exchange contracts	Derivative assets	¥ 6,255	¥ 7,859	Derivative liabilities	¥ 49,809	¥ 31,395
	Non-current receivables, less unearned interest	7,682	6,532	Other Long-Term Liabilities	13,567	17,925
Interest rate contracts.	Derivative assets	1,691	702	Derivative liabilities	94	89
	Non-current receivables, less unearned interest	22,891	28,459	Other Long-Term Liabilities	9,455	10,873
Commodity contracts	Derivative assets	317	52	Derivative liabilities	20	58
Total		¥ 38,836	¥ 43,604		¥ 72,945	¥ 60,340

Derivative instruments not designated as hedging instruments under ASC 815 "Derivatives and Hedging"

Derivative instruments	Balance sheet location	June 30, 2013 Fair value	March 31, 2013 Fair value	Balance sheet location	June 30, 2013 Fair value	March 31, 2013 Fair value
	Millions of Yen					
Foreign exchange contracts	Derivative assets	¥ 66,316	¥ 51,371	Derivative liabilities	¥ 49,177	¥ 52,886
	Non-current receivables, less unearned interest	36,626	37,574	Other Long-Term Liabilities	24,182	27,416
Interest rate contracts.	Derivative assets	493	475	Derivative liabilities	1,192	484
	Non-current receivables, less unearned interest	4,929	4,397	Other Long-Term Liabilities	5,576	7,568
Commodity contracts	Derivative assets	442,435	310,523	Derivative liabilities	420,017	299,316
	Non-current receivables, less unearned interest	158,944	129,129	Other Long-Term Liabilities	171,395	125,382
Other contracts	Non-current receivables, less unearned interest	3,244	3,508			
Total		¥ 712,987	¥ 536,977		¥ 671,539	¥ 513,052

Non-derivative instruments designated as hedging instruments under ASC 815 "Derivatives and Hedging"

		Millions of Yen	
		June 30, 2013	March 31, 2013
Hedging instruments	**Balance sheet location**	**Carrying amount**	**Carrying amount**
Foreign-currency-denominated debt	Current maturities of long-term debt	¥ 67,067	¥ 36,371
	Long-term Debt, less Current Maturities	472,454	444,132
Foreign-currency-denominated bonds	Long-term Debt, less Current Maturities	8,017	7,567
Total		¥ 547,538	¥ 488,070

The following tables present the amounts affecting the Statements of Consolidated Income and other comprehensive income for the three-month periods ended June 30, 2013 and 2012:

Derivative instruments in ASC 815 fair value hedging relationships

Three-Month Period Ended June 30, 2013	**Millions of Yen**	
Derivative instruments	**Location of gain (loss) recognized in income of derivative instruments**	**Amount of gain (loss) recognized in income on derivative instruments**
Foreign exchange contracts	Other expense (income) —net	¥ (883)
Interest rate contracts	Interest expense	(7,195)
Total		¥ (8,078)

Three-Month Period Ended June 30, 2012	**Millions of Yen**	
Derivative instruments	**Location of gain (loss) recognized in income of derivative instruments**	**Amount of gain (loss) recognized in income on derivative instruments**
Foreign exchange contracts	Other expense (income) —net	¥ 574
Interest rate contracts	Interest expense	4,676
Commodity contracts	Cost of products sold	974
Total		¥ 6,224

Derivative instruments in ASC 815 cash flow relationships

Three-Month Period Ended June 30, 2013	Millions of Yen				
	Effective portion			Ineffective portion and amount excluded from effective testing	
Derivative instruments	Amount of gain (loss) recognized in OCI on derivative instruments	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) reclassified from AOCI into income	Location of gain (loss) recognized in income on derivative instruments	Amount of gain (loss) recognized in income on derivative instruments
Foreign exchange contracts	¥ (12,563)	Sales of products	¥ (987)		
		Cost of products sold	(450)		
Interest rate contracts.........	7,470	Interest expense	922		
Commodity contracts.........	404				
Total..................................	¥ (4,689)		¥ (515)		—

Three-Month Period Ended June 30, 2012	Millions of Yen				
	Effective portion			Ineffective portion and amount excluded from effective testing	
Derivative instruments	Amount of gain (loss) recognized in OCI on derivative instruments	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) reclassified from AOCI into income	Location of gain (loss) recognized in income on derivative instruments	Amount of gain (loss) recognized in income on derivative instruments
Foreign exchange contracts	¥ (471)				
Interest rate contracts.........	(1,446)	Interest expense	¥ 387		
Commodity contracts.........	(565)			Sales of products	¥ 197
Total..................................	¥ (2,482)		¥ 387		¥ 197

Derivative instruments and hedging instruments in ASC 815 net investment hedging relationships

Three-Month Period Ended June 30, 2013	Millions of Yen				
	Effective portion			Ineffective portion and amount excluded from effective testing	
Derivative instruments	Amount of gain (loss) recognized in OCI on derivative instruments	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) reclassified from AOCI into income	Location of gain (loss) recognized in income on derivative instruments	Amount of gain (loss) recognized in income on derivative instruments
Foreign exchange contracts	¥ (14,722)			Interest income	¥ (578)
				Other expense (income) —net	(1,102)
Foreign-currency -denominated debt	(23,576)			Other expense (income) —net	(1,085)
Total	¥ (38,298)		—		¥ (2,765)

Three-Month Period Ended June 30, 2012	Millions of Yen				
	Effective portion			Ineffective portion and amount excluded from effective testing	
Derivative instruments	Amount of gain (loss) recognized in OCI on derivative instruments	Location of gain (loss) reclassified from AOCI into income	Amount of gain (loss) reclassified from AOCI into income	Location of gain (loss) recognized in income on derivative instruments	Amount of gain (loss) recognized in income on derivative instruments
Foreign exchange contracts	¥ 8,510			Interest income	¥ (201)
				Other expense (income) —net	(1,301)
Foreign-currency -denominated debt	12,683			Other expense (income) —net	130
Total	¥ 21,193		—		¥ (1,372)

Derivative instruments not designated as hedging instruments under ASC 815

Three-Month Period Ended June 30, 2013	Millions of Yen	
Derivative instruments	**Location of gain (loss) recognized in income of derivative instruments**	**Amount of gain (loss) recognized in income on derivative instruments**
Foreign exchange contracts	Sales of products	¥ 674
	Other sales	320
	Cost of products sold	486
	Interest income	(206)
	Other expense (income) —net	9,406
Interest rate contracts	Interest expense	334
	Other expense (income) —net	341
Commodity contracts	Sales of products	11,794
	Other sales	8,534
	Cost of products sold	2,034
Total		¥ 33,717

Three-Month Period Ended June 30, 2012	Millions of Yen	
Derivative instruments	**Location of gain (loss) recognized in income of derivative instruments**	**Amount of gain (loss) recognized in income on derivative instruments**
Foreign exchange contracts	Sales of products	¥ (516)
	Other sales	(273)
	Cost of products sold	(884)
	Other expense (income) —net	4,306
Interest rate contracts	Other sales	146
	Interest income	(176)
Commodity contracts	Sales of products	(2,425)
	Other sales	11,753
	Cost of products sold	2,367
	Other expense (income) —net	3,137
Total		¥ 17,435

Credit-risk-related contingent features

Certain of the companies' derivative instruments, mainly for commodity future, forward, option and swap contracts, contain provisions that require the companies' debt to maintain a certain credit rating from each of the major credit rating agencies such as Standard & Poor's Services. If the credit rating of the companies' debt falls below a designated credit rating, it will be in violation of these provisions, and the counterparties to the derivative instruments can request early termination or demand immediate and ongoing overnight collateralization on derivative instruments in net liability positions.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on June 30, 2013 and March 31, 2013, was ¥9,663 million and ¥2,956 million, respectively (¥6,232 million and ¥1,335 million on the net basis of liability position after offsetting derivative assets against derivative liabilities in accordance with ASC 210-20 "Balance Sheet: Offsetting"). Collateral of ¥125 million and ¥449 million in the normal course of business associated with these contracts were posted at June 30, 2013 and March 31, 2013, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2013 and March 31, 2013, the aggregate fair value of additional assets that would be required to be posted as collateral and/or the aggregate fair value of assets needed to settle the instruments would be ¥6,158 million and ¥886 million, respectively.

Offsetting derivative asset and derivative liabilities

On the Consolidated Balance Sheets, the companies offset derivative assets and derivative liabilities in accordance with the adoption of ASC210-20 “Balance Sheet: Offsetting”. The companies also offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

The following table presents the gross amounts, gross amounts offset and net amounts of derivative assets and derivative liabilities as of June 30, 2013 and March 31, 2013.

As of June 30, 2013	**Millions of Yen**	
Derivative instruments	**Derivative assets**	**Derivative liabilities**
(1) Gross amounts of recognized derivative assets and derivative liabilities	¥ 751,823	¥ 744,484
(2) Gross amounts offset in the Consolidated Balance Sheets	591,828	589,124
(3) Net amounts of derivative assets and derivative liabilities presented in the Consolidated Balance Sheets	159,995	155,360

Derivative assets and Non-current receivables, less unearned interest, with amount ¥101,108 million and ¥58,887 million, respectively, and derivative liabilities and Other Long-Term Liabilities with amount ¥113,068 million and ¥42,292 million, respectively, are included in (3) of the table above.

As of March 31, 2013	**Millions of Yen**	
Derivative instruments	**Derivative assets**	**Derivative liabilities**
(1) Gross amounts of recognized derivative assets and derivative liabilities	¥ 580,581	¥ 573,392
(2) Gross amounts offset in the Consolidated Balance Sheets	446,888	434,931
(3) Net amounts of derivative assets and derivative liabilities presented in the Consolidated Balance Sheets	133,693	138,461

Derivative assets and Non-current receivables, less unearned interest, with amount ¥61,081 million and ¥72,612 million, respectively, and derivative liabilities and Other Long-Term Liabilities with amount ¥83,940 million and ¥54,521 million, respectively, are included in (3) of the table above.

Gross amounts not offset in the Consolidated Balance Sheets as of June 30, 2013 and March 31, 2013, were immaterial, and net exposures as of June 30, 2013 and March 31, 2013, approximate net amounts of derivative assets and derivative liabilities presented in the Consolidated Balance Sheets.

As of June 30, 2013 and March 31, 2013, the amount of receivables in respect of cash collateral paid that was netted against derivatives was ¥21,290 million and ¥2,931 million, respectively. The amount of payables associated with cash collateral received that was netted against derivative assets was ¥23,994 million and ¥14,888 million, respectively. Cash collateral receivables and payables of ¥38,517 million and ¥29,414 million, respectively, as of June 30, 2013 and March 31, 2013, and ¥3,235 million and ¥2,569 million, respectively, as of June 30, 2013 and March 31, 2013, were not offset.

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

In accordance with the requirements of ASC 825-10-50, “Disclosures about Fair Value of Financial Instruments,” the companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. When market prices are unavailable, fair values are estimated using discounted cash flow analysis or other valuation techniques.

Current financial assets other than marketable securities and current financial liabilities

The carrying amount approximates the fair value of the majority of these instruments because of their short maturities.

Marketable securities and other investments

See Note 3, “MARKETABLE SECURITIES AND OTHER INVESTMENTS” and Note 14, “FAIR VALUE MEASUREMENT.”

Non-current receivables and advances to associated companies

The fair values of non-current receivables, including fixed rate, long-term loans receivable, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities. The carrying amounts of loans with floating rates approximate the fair value.

Long-term debt

The fair values for long-term debt, except for debt with floating rates whose carrying amounts approximate fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

Financial guarantees and financing commitments

The fair values of financial guarantees are estimated based on the present values of expected future cash flows, considering the remaining terms of the arrangements and the counterparties’ credit standings.

The companies have not estimated the fair values of financing commitments because management does not believe it is practicable to estimate the fair values due to uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market. However, management believes the likelihood is remote that material payments will be required under these financing commitments.

Derivative financial instruments

See Note 14, “FAIR VALUE MEASUREMENT.”

The estimated fair values of certain financial instruments at June 30, 2013 and March 31, 2013 were as follows:

	Millions of Yen			
	June 30, 2013		March 31, 2013	
	Carrying amount	Fair value*	Carrying amount	Fair value*
Financial Assets (other than derivative financial instruments):				
Current financial assets other than marketable securities	¥3,575,782	¥3,575,782	¥3,634,300	¥3,634,300
Non-current receivables and advances to associated companies (less allowance for doubtful receivables)	431,374	432,714	407,771	409,678
Financial Liabilities (other than derivative financial instruments):				
Current financial liabilities	2,476,767	2,476,767	2,413,370	2,413,370
Long-term debt (including current maturities)	3,764,122	3,843,146	3,765,082	3,857,866

* The fair values of financial assets and liabilities other than derivative financial instruments, which primarily include cash and cash equivalents, accounts receivable, loans, accounts payable, borrowings, and bonds, are estimated using a discounted cash flow model by incorporating such key observable inputs as market interest rates, and are classified as level 2 except for the following:

1. The fair values of cash and cash equivalents included in current financial assets other than marketable securities which are classified as level 1 as of June 30, 2013 and March 31, 2013 were ¥1,066,326 million and ¥1,208,441 million, respectively.
2. The fair values of loans and other receivables included in non-current receivables and advances to associated companies (less allowance for doubtful receivables) which are classified as level 3 as of June 30, 2013 and March 31, 2013 were ¥183,874 million and ¥178,562 million, respectively. These are estimated using a discounted cash flow model by incorporating such key significant unobservable inputs as credit spreads, probability of default, and loss severity of each loan or receivable.

Concentration of Credit Risk

The companies' global operations include a variety of businesses with diverse customers and suppliers, which reduces concentrations of credit risks. The companies mainly deal with selective international financial institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk represents the likelihood that the counterparties may be unable to meet the terms of the agreements. Management does not expect any significant losses as a result of counterparty default on financial instruments. Credit risk is managed with approvals of credit lines by management and continuous monitoring of counterparties' operations. The companies require counterparties to post collateral, if necessary.

14. FAIR VALUE MEASUREMENT

ASC 820 “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. ASC 820 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:

(1) Quoted prices for similar assets or liabilities in active markets
(2) Quoted prices for identical or similar assets or liabilities in markets that are not active
(3) Inputs other than quoted prices that are observable for the asset or liability
(4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3:
Unobservable inputs for the asset or liability.

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.

I. Valuation techniques

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

Securities
- Marketable equity securities and debt securities are measured at fair value.
- Publicly-traded, marketable equity securities are valued using quoted market prices and classified as level 1.
- Debt securities, consisting principally of preferred stock that must be redeemed and government bonds, are valued using a discounted cash flow analysis or quoted prices obtained from third parties, and classified as level 2.
- In the event of an other-than-temporary decline in fair value of non-marketable equity securities and investments in associated companies, these are measured at fair value. Retained investments in the former consolidated subsidiaries are remeasured at fair value using principally a discounted cash flow model with gains and losses recognized in earnings when subsidiaries are deconsolidated. The investments in listed associated companies are valued based on quoted market prices. These are classified as level 1. Some non-marketable equity securities are valued based primarily on quoted market prices for similar securities. These securities are classified as level 2. Other non-marketable equity securities, apart from those classified as level 2, and the investments in unlisted associated companies are valued based on the net asset value of the investment adjusted using cash flows and other factors that would impact the fair value. These are classified as level 3.

Derivative Instruments
- Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.
- Exchange-traded derivative commodity instruments valued using quoted market prices are classified as level 1. The valuation for certain derivative commodity instruments is based upon adjusted quoted prices. These derivative commodity instruments are classified as level 2 or level 3 depending on the level of adjustment made.
- Derivative financial instruments classified as level 2 are mainly valued by a discounted cash flow analysis using foreign exchange and interest rates or quoted prices currently available for similar types of agreements.

Nonfinancial Assets
- Long-lived assets include tangible assets and identifiable intangible assets subject to amortization.

- The assets are valued based on independent appraisals, prices for similar assets or discounted future cash flows whichever management considers most appropriate and categorized as level 3.
- Goodwill classified as level 3 is mainly valued on the basis of the fair value of the subsidiary, which is measured using discounted cash flows or third party valuations.

Long-term Loans

- Long-term loans are measured based on the fair value of the collateral. The fair value of the collateral is measured based on a broker's price opinion and classified as level 3.

II. 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 management of the Corporate Staff Division. Based on the policy and procedures, either personnel from the accounting division or the investment directors 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 their results of valuations are reviewed by the responsible personnel. All valuations, including those performed by the external experts, are reviewed and approved by the Corporate Staff Division management before being recorded in the general ledgers. The companies analyze, on a quarterly basis, changes in the recurring fair valuation measurements of non-marketable equity securities based on such information as prices from the most recent transactions.

III. Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and March 31, 2013, are as follows:

June 30, 2013	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Equity securities and debt securities:					
Marketable equity securities (Japan)	¥ 404,148	—	—		
Marketable equity securities (Non-Japan)	60,133	—	¥ 10,750		
Preferred stock that must be redeemed	—	¥ 38,358	—		
Government bonds	—	15	—		
Other securities	—	483	—		
Total equity securities and debt securities	¥ 464,281	¥ 38,856	¥ 10,750		¥ 513,887
Derivative assets:					
Foreign exchange contracts	—	¥ 116,879	—		
Interest rate contracts	¥ 74	29,930	—		
Commodity contracts	72,453	529,114	¥ 129		
Other contracts	—	—	3,244		
Total derivative assets (current and non-current)	¥ 72,527	¥ 675,923	¥ 3,373	¥ (591,828)	¥ 159,995
Total assets	¥ 536,808	¥ 714,779	¥ 14,123	¥ (591,828)	¥ 673,882
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	—	¥ 136,735	—		
Interest rate contracts	¥ 106	16,211	—		
Commodity contracts	43,504	547,786	¥ 142		
Total derivative liabilities (current and non-current)	¥ 43,610	¥ 700,732	¥ 142	¥ (589,124)	¥ 155,360
Total liabilities	¥ 43,610	¥ 700,732	¥ 142	¥ (589,124)	¥ 155,360

March 31, 2013	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Equity securities and debt securities:					
Marketable equity securities (Japan)	¥ 403,264	—	—		
Marketable equity securities (Non-Japan)	48,399	—	¥ 11,007		
Preferred stock that must be redeemed	—	¥ 47,168	—		
Government bonds	—	15	—		
Other securities	—	285	—		
Total equity securities and debt securities	¥ 451,663	¥ 47,468	¥ 11,007		¥ 510,138
Derivative assets:					
Foreign exchange contracts	—	¥ 103,336	—		
Interest rate contracts	¥ 8	34,025	—		
Commodity contracts	23,085	416,421	¥ 198		
Other contracts	—	—	3,508		
Total derivative assets (current and non-current)	¥ 23,093	¥ 553,782	¥ 3,706	¥ (446,888)	¥ 133,693
Total assets	¥ 474,756	¥ 601,250	¥ 14,713	¥ (446,888)	¥ 643,831
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	—	¥ 129,622	—		
Interest rate contracts	¥ 41	18,973	—		
Commodity contracts	13,486	411,048	¥ 222		
Total derivative liabilities (current and non-current)	¥ 13,527	¥ 559,643	¥ 222	¥ (434,931)	¥ 138,461
Total liabilities	¥ 13,527	¥ 559,643	¥ 222	¥ (434,931)	¥ 138,461

* Amounts of netting adjustments include the impact of legally enforceable master netting agreements that allow the companies to settle positive and negative positions and also cash collateral held or placed with the same counterparties.

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended June 30, 2013 is as follows:

	Millions of Yen	
June 30, 2013	**Fair value measurements using significant unobservable inputs (Level 3)**	
	Equity securities and debt securities Marketable equity securities (Non-Japan)	**Derivative assets (liabilities)—net Commodity contracts and other contracts**
Opening balance	¥ 11,007	¥ 3,484
Total gains or losses for the period:	—	(25)
Included in earnings	—	(25)
Included in other comprehensive income (loss)	—	—
Purchases, sales, issues, and settlements:	590	(425)
Purchases	590	—
Sales	—	—
Issues	—	—
Settlements	—	(425)
Transfers into Level 3:	—	—
Transfers out of Level 3:	(1,375)	30
Translation adjustments	528	167
Closing balance	¥ 10,750	¥ 3,231
Change in unrealized gains for the period included in earnings for assets held at the reporting date	—	¥ 50

“Transfers out of Level 3”of Marketable equity securities (Non-Japan) is due to the fact that the equity securities owned by a certain subsidiary began to be publicly traded for the three-month period ended June 30, 2013.

Gains and losses are included in cost of products sold and other sales in the Statement of Consolidated Income for the three-month period ended June 30, 2013.

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended June 30, 2012 is as follows:

	Millions of Yen	
June 30, 2012	**Fair value measurements using significant unobservable inputs (Level 3)**	
	Equity securities and debt securities Marketable equity securities (Non-Japan)	**Derivative assets (liabilities)—net Commodity contracts**
Opening balance	¥ 14,569	¥ 64
Total gains or losses for the period:	—	581
Included in earnings	—	581
Included in other comprehensive income (loss)	—	—
Purchases, sales, issues, and settlements:	(2,633)	(662)
Purchases	1,078	—
Sales	(3,711)	—
Issues	—	—
Settlements	—	(662)
Transfers into Level 3:	—	1
Transfers out of Level 3:	—	11
Translation adjustments	(493)	(2)
Closing balance	¥ 11,443	¥ (7)
Change in unrealized gains for the period included in earnings for assets held at the reporting date	—	¥ 130

	Millions of Yen		
	Other sales	**Cost of products sold**	**Total gains**
Total gains for the period included in earnings	¥ 57	¥ 524	¥ 581
Change in unrealized gains for the period included in earnings for assets held at the reporting date	95	35	130

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis at June 30, 2013 and March 31, 2013 are as follows:

June 30, 2013	Millions of Yen Fair Value	Valuation Technique	Principal Unobservable Input	Range
Recurring fair value measurements:				
Non-marketable equity securities	¥ 2,521	Income approach	Revenue growth rate	0%-43%
			Discount rate	15%-40%
	5,113	Market approach	Discount for lack of marketability	0%-30%
			Volatility rate	50%-105%
Derivative assets (other contracts)	3,244	Market approach	Probability of success	0%-100%
			Discount rate	0%-10%

March 31, 2013	Millions of Yen Fair Value	Valuation Technique	Principal Unobservable Input	Range
Recurring fair value measurements:				
Non-marketable equity securities	¥ 940	Income approach	Revenue growth rate	0%-40.4%
			Discount rate	15%-40%
	4,124	Market approach	Discount for lack of marketability	0%-30%
			Volatility rate	40%-105%
Derivative assets (other contracts)	3,508	Market approach	Probability of success	0%-100%
			Discount rate	0%-10%

Information about sensitivity to changes in significant unobservable inputs

For recurring fair value measurements of non-marketable equity securities measured using the income approach, increases (decreases) in discount rates would result in a lower (higher) fair value, and increases (decreases) in revenue growth rates would result in a higher (lower) fair value. For those non-equity securities measured using the market approach, increases (decreases) in revenue multiples would result in a higher (lower) fair value, increases (decreases) in discounts for lack of marketability would result in a lower (higher) fair value, and increases (decreases) in volatility rates would result in a higher (lower) fair value. For recurring fair value measurements of derivative assets (other contracts), increases (decreases) in probability of success would result in a higher (lower) fair value, and increases (decreases) in discount rates would result in a lower (higher) fair value.

IV. Assets and liabilities measured at fair value on a nonrecurring basis

Certain non-marketable equity securities and investments in associated companies are written down to fair value if the fair value of these investments has declined and such decline is judged to be other-than-temporary. Non-marketable equity securities and investments in unlisted associated companies are primarily valued by unobservable inputs based on financial information obtained from counterparties or third parties.

Financial assets measured at fair value on a nonrecurring basis for the three-month period ended June 30, 2013 and June 30, 2012 are as follows:

	Millions of Yen				
		Fair value measurements using			
	Fair value	Level 1	Level 2	Level 3	Three-month period ended June 30, 2013 Total losses
Non-marketable equity securities					
Japan	—	—	—	—	¥ (1)
Non-Japan	¥ 10,228	—	—	¥ 10,228	(3,422)
Total non-marketable equity securities	¥ 10,228	—	—	¥ 10,228	¥ (3,423)

	Millions of Yen				
		Fair value measurements using			
	Fair value	Level 1	Level 2	Level 3	Three-month period ended June 30, 2012 Total losses
Non-marketable equity securities					
Japan	¥ 2,979	—	—	¥ 2,979	¥ (1,102)
Non-Japan	609	—	—	609	(691)
Total non-marketable equity securities	¥ 3,588	—	—	¥ 3,588	¥ (1,793)

No nonfinancial assets were measured at fair value on a nonrecurring basis for the three-month period ended June 30, 2013. Nonfinancial assets measured at fair value on a nonrecurring basis for the three-month period ended June 30, 2012 were immaterial.

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a non-recurring basis for the three-month period ended June 30, 2013 and June 30, 2012, are as follows:

	Millions of Yen			
Three-month Period Ended June 30, 2013	**Fair Value**	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Non-recurring fair value measurements:				
Non-marketable equity securities	¥ 9,958	Income approach	Discount rate	14.6%-15.6%

	Millions of Yen			
Three-month Period Ended June 30, 2012	**Fair Value**	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Non-recurring fair value measurements:	¥ 2,974	Market approach	Price-to-embedded value multiple	0.29-0.36
Non-marketable equity securities				
			Discount for lack of marketability	0%-15%