Quarterly Securities Report

for the three-month period ended June 30, 2014

English translation of certain items disclosed in the Quarterly Securities Report for the three-month period ended June 30, 2014, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 13, 2014.

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, 2014 and 2013 and as of or for the year ended March 31, 2014

	In millions of Yen, except amounts per share and other		
	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013	As of or for the year ended March 31, 2014
Consolidated financial data			
Revenue	¥ 1,370,526	¥ 1,407,293	¥ 5,731,918
Gross profit	¥ 210,389	¥ 211,329	¥ 880,106
Profit for the period attributable to owners of the parent	¥ 127,806	¥ 132,968	¥ 350,093
Comprehensive income for the period attributable to owners of the parent	¥ 125,804	¥ 126,407	¥ 521,457
Total trading transactions	¥ 2,681,331	¥ 2,775,265	¥ 11,155,434
Total equity attributable to owners of the parent	¥ 3,878,556	¥ 3,526,745	¥ 3,815,767
Total assets	¥ 11,582,231	¥ 10,989,527	¥ 11,491,319
Basic earnings per share attributable to owners of the parent (Yen)	¥ 71.30	¥ 72.85	¥ 192.22
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 71.30	¥ 72.85	¥ 192.21
Equity attributable to owners of the parent ratio	33.49%	32.09%	33.21%
Net cash provided by operating activities	¥ 130,122	¥ 82,750	¥ 449,243
Net cash used in investing activities	¥ (151,376)	¥ (172,544)	¥ (659,818)
Net cash provided by (used in) financing activities	¥ 20,830	¥ 14,329	¥ (13,237)
Cash and cash equivalents at the end of period	¥ 1,221,257	¥ 1,356,330	¥ 1,226,317

(Notes)
1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS).
2. Total trading transactions are voluntary disclosures for users of the consolidated financial statements as a measure commonly used by Japanese trading companies. It is not to be constructed as equivalent to revenue under IFRS. Total trading transactions 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.
3. Revenue and total trading transactions do not include consumption taxes.

2. Business Overview

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

There has been no significant change in our business for the three-month period ended June 30, 2014.

2. Operating and Financial Review and Prospects

1. Risk Factors

For the three-month period ended June 30, 2014, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2014.

2. Material Contracts

For the three-month period ended June 30, 2014, 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, 2014, unless otherwise indicated.

(1) Operating Environment

The following is an overview of the operating environment for the three-month period ended June 30, 2014, and afterwards.

On the whole, advanced nations experienced economic recovery and disinflation while emerging nations experienced economic slowdown and high inflation, with gaps between the two becoming notable in terms of the economy and prices.

Although the U.S. economy suffered a greater-than-expected fall in GDP from January to March due to a severe cold snap, economic fundamentals remained strong as evidenced by steady employment growth, an upturn in the housing market, the wealth effect generated by higher stock prices, and robust corporate earnings. These effects are expected to gradually accelerate U.S. economic growth throughout the second half of the year.

In the Japanese economy, the increased demand prior to the consumption tax hike in April 2014 exceeded previous forecast and there has been consequent downturn in demand from April. Even so, the resultant economic slowdown is forecast to be only temporary mainly due to strong employment and income environment, yen depreciation, and higher stock prices.

In Europe, although the economy has finally bottomed out, economic growth is expected to remain low for the time being reflecting a continuation in the harsh employment situation, heightened deflation concerns due to a substantial gap between supply and demand, and a slump in domestic demand.

In China, government policies that take into account both avoiding economic downturn through fiscal measures and structural reforms are continuing. Although an economic upturn seems unlikely, China is forecast to maintain a certain degree of economic growth in the future.

Looking at other emerging nations, currencies and stock prices strengthened due to eased concerns about a dramatic outflow of funds following the start of scaling back by the U.S. of its third round of quantitative easing (QE3), but slowness in improvement of economic fundamentals such as current account deficits, fiscal deficits and inflation remains a cause for concern.

Turning to current conditions in commodities markets, prices softened due to persistent concerns about a fall in the economic growth rate of China. The spot reference price for iron ore CFR North China (Fe 62%) temporarily fell below the US$90-per-ton level in June. Although the Dubai Crude spot price rose at some points due to heightened geopolitical risks such as problems in Iraq, the price remained stable around US$105 per barrel.

The global economy faces risk factors including slower economic growth in China, heightened geopolitical risks, and the outflow of funds from emerging countries affected by U.S. monetary policy. Nevertheless, we believe that economic growth in the U.S. and other advanced nations will contribute to pull the global economy out of the standstill it experienced in the first half of the year, and the recovery will gradually gain momentum.

(2) Results of Operations

1) Analysis of Consolidated Income Statements

Revenue

Mitsui & Co., Ltd. (“Mitsui”) and its subsidiaries (collectively “we”) recorded total revenue of ¥1,370.5 billion for the three-month period ended June 30, 2014 (“current period”), a decline of ¥36.8 billion from ¥1,407.3 billion for the corresponding three-month period of the previous year (“previous period”).

- Revenue from sales of products for the current period was ¥1,238.0 billion, a decline of ¥47.5 billion from ¥1,285.5 billion for the previous period, as a result of the following:
  - The Energy Segment reported a decline of ¥98.4 billion. The sale of Mitsui Oil Co., Ltd. resulted in a decline of ¥74.1 billion and petroleum trading operations recorded a decline of ¥65.0 billion due to a decline in trading volume. Meanwhile, oil and gas producing operations recorded an increase of ¥18.2 billion reflecting higher gas prices in the United States and increased production volume. MMGS Inc., a gas distribution subsidiary in the United States, also reported an increase of ¥12.3 billion due to an increase in sales volume.
  - The Iron & Steel Products Segment reported a decline of ¥9.2 billion. Transactions of line pipe to LNG projects had been almost shipped by the end of the previous year and trading volume of other steel products also declined.
  - The Americas Segment reported an increase of ¥55.5 billion due to an increase in trading volume of soybean.
- Revenue from rendering of services for the current period was ¥100.7 billion, the same amount as the previous period.
- Other revenue for the current period was ¥31.8 billion, an increase of ¥10.7 billion from ¥21.1 billion for the previous period. The commodity derivatives trading business at Mitsui recorded an increase in other revenue corresponding to a deterioration of ¥9.8 billion in the foreign exchange gains and losses posted in other expenses.

Gross Profit

Gross profit for the current period was ¥210.4 billion, a decline of ¥0.9 billion from ¥211.3 billion for the previous period.

- The Innovation & Corporate Development Segment reported an increase of ¥12.0 billion. The commodity derivatives trading business at Mitsui recorded an increase in gross profit corresponding to a deterioration of ¥9.8 billion in the foreign exchange gains and losses posted in other expense.
- The Mineral & Metal Resources Segment reported a decline of ¥4.8 billion. Iron ore mining operations in Australia reported a decline of ¥5.2 billion due to lower iron ore prices, which was partially offset by an increase in income from infrastructure usage and an increase in sales volume.
- The Iron & Steel Products Segment reported a decline of ¥4.3 billion. Transactions of line pipe to LNG projects had been almost shipped by the end of the previous year and trading volume of other steel products also declined.

Other Income (Expenses)

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the current period were ¥139.2 billion, a decline of ¥1.6 billion from ¥140.8 billion for the previous period. The table below provides a breakdown of selling, general and administrative expenses used for our internal review.

(Billions of Yen)	Personnel	Welfare	Travel	Entertainment	Communication
Current Period	71.8	3.6	8.4	2.0	11.9
Previous Period	72.2	3.6	8.1	2.0	12.4
Change	(0.4)	0.0	0.3	0.0	(0.5)

(Billions of Yen)	Rent	Depreciation	Tax	Provision for doubtful receivables	Others	Total
Current Period	5.1	3.5	3.5	3.0	26.4	139.2
Previous Period	4.8	3.6	2.4	2.8	28.9	140.8
Change	0.3	(0.1)	1.1	0.2	(2.5)	(1.6)

Gain on securities and other investments—net

Gain on securities and other investments for the current period was ¥1.2 billion, a decline of ¥10.2 billion from ¥11.4 billion for the previous period.

- There were miscellaneous small transactions for the current period.
- For the previous period, an ¥8.4 billion gain was recorded due to a reversal of impairment loss on shares in Penske Automotive Group, Inc., reflecting a rise in the share price.

Impairment Loss of Fixed Assets

Impairment loss of fixed assets for the current period was ¥0.0 billion, a decline of ¥0.1 billion from ¥0.1 billion for the previous period. There were miscellaneous small transactions in both periods.

Gain on Disposal or Sales of Fixed Assets—Net

Gain on disposal or sales of fixed assets for the current period was ¥0.5 billion, an increase of ¥0.4 billion from ¥0.1 billion for the previous period. There were miscellaneous small transactions in both periods.

Other Expense—Net

Other expense for the current period was ¥1.6 billion, an increase of ¥1.3 billion from ¥0.3 billion for the previous period.

- For the current period, exploration expenses totaled ¥4.4 billion, including those recorded at oil and gas producing businesses.
- For the previous period, exploration expenses totaled ¥6.3 billion, including those recorded at oil and gas producing businesses. Furthermore, the Innovation & Corporate Development Segment recorded foreign exchange gains of ¥8.9 billion in the commodity derivatives trading business at Mitsui, which corresponded to related gross profit in the same segment.

Finance Income (Costs)

Interest Income

Interest income for the current period was ¥8.4 billion, an increase of ¥3.0 billion from ¥5.4 billion for the previous period.

Dividend Income

Dividend income for the current period was ¥41.0 billion, a decline of ¥8.8 billion from ¥49.8 billion for the previous period.

- Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥29.1 billion in total, a decline of ¥12.4 billion from ¥41.5 billion for the previous period, due to a decline in dividends received from the Sakhalin II project.
- Dividends from preferred shares in JA Mitsui Leasing Ltd. increased by ¥4.0 billion.

Interest Expense

Interest expense for the current period was ¥11.7 billion, a decline of ¥0.5 billion from ¥12.2 billion for the previous period. 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 both periods.

	Current Period	Previous Period
Japanese yen	0.21%	0.23%
U.S. dollar	0.23%	0.27%

Share of Profit of Investments Accounted for Using the Equity Method

Share of profit of investments accounted for using the equity method for the current period was ¥64.3 billion, a decline of ¥2.8 billion from ¥67.1 billion for the previous period.

- Valepar S.A. reported a decline of ¥4.0 billion, reflecting lower iron ore prices and impairment losses on assets related to an iron ore mine in Guinea and a coal mine in Australia owned.
- For the previous period, Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted a ¥4.2 billion impairment loss on fixed assets and other assets.

Income Taxes

Income taxes for the current period were ¥39.6 billion, a decline of ¥12.8 billion from ¥52.4 billion for the previous period. Profit before income taxes for the current period was ¥173.1 billion, a decline of ¥18.6 billion from ¥191.7 billion for the previous period. In response, applicable income taxes also declined.

The effective tax rate for the current period was 22.9%, a decline of 4.5% from 27.4% for the previous period. The major factor for the decline was a decrease in the ratio of income tax effect related to equity accounting against profit before income taxes.

Profit for the Period

As a result of the above factors, profit for the period was ¥133.5 billion, a decline of ¥5.8 billion from ¥139.3 billion for the previous period.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent was ¥127.8 billion, a decline of ¥5.2 billion from ¥133.0 billion for the previous period.

2) EBITDA

We use EBITDA as a measure of underlying earning power from the current period.

EBITDA is the total of “gross profit,” “selling, general and administrative expenses,” “dividend income” and “share of profit of investments accounted for using the equity method” from the consolidated states of income and “depreciation and amortization” from the consolidated statements of cash flows.

(Billions of Yen)		Current Period	Previous Period	Change
EBITDA (a+b+c+d+e) (*1)		244.2	240.1	+4.1
Gross profit	a	210.4	211.3	(0.9)
Selling, general and administrative expenses	b	(139.2)	(140.8)	+1.6
Dividend Income	c	41.0	49.8	(8.8)
Profit of equity method investments (*2)	d	64.3	67.1	(2.8)
Depreciation and amortization	e	67.7	52.7	+15.0

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

*2 “Profit of equity method investments” means “share of profit of investments accounted for using the equity method” in the consolidated statements of income. The same shall apply hereafter.

3) Operating Results by Operating Segment

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	2.1	7.3	(5.2)
Gross profit	10.1	14.4	(4.3)
Selling, general and administrative expenses	(9.6)	(9.4)	(0.2)
Dividend Income	0.8	0.5	+0.3
Profit of equity method investments	0.5	1.4	(0.9)
Depreciation and amortization	0.3	0.3	0.0
Profit for the period attributable to owners of the parent	1.0	3.0	(2.0)

EBITDA declined by ¥5.2 billion, mainly due to the following factors:

Gross profit declined by ¥4.3 billion. Transactions of line pipe to LNG projects had been almost shipped by the end of the previous year and trading volume of other steel products also declined.

Profit of equity method investments declined by ¥0.9 billion.

Profit for the period attributable to owners of the parent declined by ¥2.0 billion. In addition to the above-mentioned factors, foreign exchange losses corresponding to transactions of line pipe declined by ¥1.9 billion.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	71.3	76.1	(4.8)
Gross profit	45.0	49.8	(4.8)
Selling, general and administrative expenses	(10.0)	(10.4)	+0.4
Dividend Income	0.5	0.3	+0.2
Profit of equity method investments	21.9	26.6	(4.7)
Depreciation and amortization	13.8	10.0	+3.8
Profit for the period attributable to owners of the parent	38.7	39.6	(0.9)

EBITDA declined by ¥4.8 billion, mainly due to the following factors:

Gross profit declined by ¥4.8 billion reflecting an impact from lower iron ore prices on iron ore mining operations in Australia.

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

Mitsui Iron Ore Development Pty. Ltd. reported a decline of ¥5.1 billion in gross profit, reflecting lower iron ore prices, which was partially offset by an increase in income from infrastructure usage and an increase in sales volume owing to increased capacity.

Profit of equity method investments declined by ¥4.7 billion. Valepar S.A. posted ¥8.4 billion of profit, a decline of ¥4.0 billion from ¥12.4 billion for the previous period, reflecting lower iron ore prices and impairment losses on assets related to an iron ore mine in Guinea and a coal mine in Australia.

Depreciation and amortization increased by ¥3.8 billion. Iron ore mining operations in Australia reported an increase of ¥3.6 billion.

Profit for the period attributable to owners of the parent declined by ¥0.9 billion.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	16.5	14.0	2.5
Gross profit	27.4	27.7	(0.3)
Selling, general and administrative expenses	(31.9)	(31.2)	(0.7)
Dividend Income	1.3	1.2	+0.1
Profit of equity method investments	15.0	11.9	+3.1
Depreciation and amortization	4.7	4.4	+0.3
Profit for the period attributable to owners of the parent	11.6	9.8	+1.8

EBITDA increased by ¥2.5 billion, mainly due to the following factors:

Gross profit declined by ¥0.3 billion.

- The Infrastructure Projects Business Unit reported the same amount as the previous period.
- The Integrated Transportation Systems Business Unit reported a decline of ¥0.3 billion.

Profit of equity method investments increased by ¥3.1 billion.

- The Infrastructure Projects Business Unit reported a decline of ¥0.1 billion. IPP businesses posted profit of ¥6.3 billion in total, a decline of ¥1.6 billion from ¥7.9 billion for the previous period. A decline of ¥3.0 billion was caused by the one-time negative factor related to deferred tax recorded in the current period. Meanwhile, mark-to-market valuation gains and losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, improved by ¥1.8 billion to a gain of ¥2.1 billion from ¥0.3 billion for the previous period.
- The Integrated Transportation Systems Business Unit reported an increase of ¥3.2 billion. Automotive-related business in North America achieved a solid performance.

Profit for the period attributable to owners of the parent increased by ¥1.8 billion. In addition to the above-mentioned factors, in the previous period, this segment recorded a ¥6.7 billion gain due to a reversal of impairment loss on shares in Penske Automotive Group, Inc., reflecting a rise in the share price.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	6.1	7.9	(1.8)
Gross profit	18.5	20.3	(1.8)
Selling, general and administrative expenses	(16.7)	(16.7)	0.0
Dividend Income	0.5	0.7	(0.2)
Profit of equity method investments	1.5	1.5	0.0
Depreciation and amortization	2.3	2.1	+0.2
Profit for the period attributable to owners of the parent	2.6	3.9	(1.3)

EBITDA declined by ¥1.8 billion, mainly due to the following factors:

Gross profit declined by ¥1.8 billion.

- The Basic Chemicals Business Unit reported an increase of ¥0.1 billion.
- The Performance Chemicals Business Unit reported a decline of ¥1.9 billion. P.T. Kaltim Pasifik Amoniak, an ammonia producer in Indonesia, reported a decline of ¥3.1 billion due to a shutdown at the end of previous year as a result of an asset transfer under the build-operate-transfer (BOT) contract.

Profit of equity method investments was the same amount as the previous period.

Profit for the period attributable to owners of the parent declined by ¥1.3 billion.

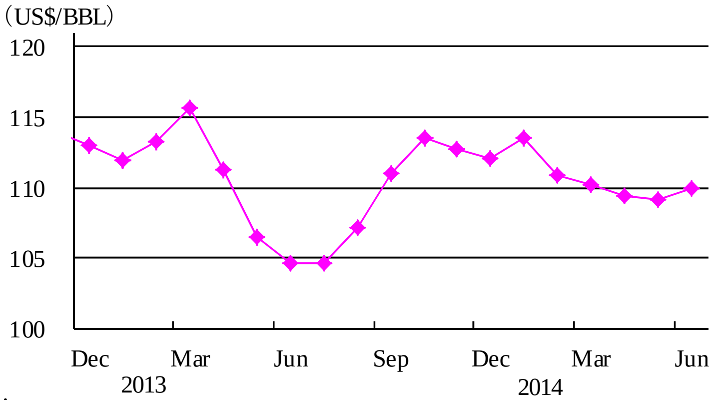
Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	119.5	121.1	(1.6)
Gross profit	52.9	50.2	+2.7
Selling, general and administrative expenses	(13.7)	(15.0)	+1.3
Dividend Income	30.0	42.7	(12.7)
Profit of equity method investments	13.7	16.6	(2.9)
Depreciation and amortization	36.6	26.7	+9.9
Profit for the period attributable to owners of the parent	56.7	64.7	(8.0)

EBITDA declined by ¥1.6 billion, mainly due to the following factors:

The weighted average crude oil prices applied to our operating results for the current period and the previous period were estimated to be US$111 and US$112 per barrel, respectively.

Crude Oil Price (JCC: Japan Crude Cocktail)



Gross profit increased by ¥2.7 billion, primarily due to the following factors:

- Mitsui E&P USA LLC reported an improvement of ¥6.0 billion, reflecting higher gas prices in the United States.
- Mitsui E&P Australia Pty Limited reported an improvement of ¥5.2 billion due to a reversal of declined production during the previous period associated with refurbishment of its oil production facility.
- A decline of ¥3.1 billion was recorded from LNG transactions.

Dividend income decreased by ¥12.7 billion due to a decline in dividends received from the Sakhalin II project. Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥29.1 billion in total, a decline of ¥12.4 billion from ¥41.5 billion for the previous period.

Profit of equity method investments declined by ¥2.9 billion.

Depreciation and amortization increased by ¥9.9 billion. Oil and gas producing operations recorded an increase of ¥10.3 billion.

Profit for the period attributable to owners of the parent declined by ¥8.0 billion. In addition to the above, exploration expenses of ¥4.0 billion in total and ¥6.0 billion in total were recorded for the current period and the previous period, respectively.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	2.8	3.4	(0.6)
Gross profit	26.3	27.9	(1.6)
Selling, general and administrative expenses	(35.3)	(31.5)	(3.8)
Dividend Income	2.5	2.5	0.0
Profit of equity method investments	6.2	1.8	+4.4
Depreciation and amortization	3.1	2.7	+0.4
Profit for the period attributable to owners of the parent	0.2	(1.1)	+1.3

EBITDA declined by ¥0.6 billion, mainly due to the following factors:

Gross profit declined by ¥1.6 billion.

- The Food Resources Business Unit reported a decline of ¥0.4 billion.
- The Food Products & Services Business Unit recorded a decline of ¥0.8 billion
- The Consumer Service Business Unit reported a decline of ¥0.4 billion.

Selling, general and administrative expenses increased by ¥3.8 billion due to increases in Multigrain Trading AG and new subsidiaries.

Profit of equity method investments increased by ¥4.4 billion.

- The Food Resources Business Unit reported the same amount as the previous period.
- The Food Products & Services Business Unit reported a decline of ¥0.1 billion.
- The Consumer Service Business Unit reported an increase of ¥4.6 billion. Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted a ¥4.2 billion impairment loss on fixed assets and other assets for the previous period.

Profit for the period attributable to owners of the parent increased by ¥1.3 billion.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	0.9	(11.9)	+12.8
Gross profit	9.5	(2.5)	+12.0
Selling, general and administrative expenses	(15.4)	(15.5)	+0.1
Dividend Income	4.3	0.5	+3.8
Profit of equity method investments	1.2	4.2	(3.0)
Depreciation and amortization	1.3	1.3	0.0
Loss for the period attributable to owners of the parent	(0.9)	(1.7)	+0.8

EBITDA increased by ¥12.8 billion, mainly due to the following factors:

Gross profit increased by ¥12.0 billion. There was an increase in gross profit corresponding to a ¥9.8 billion deterioration of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense for the current period and for the previous period.

Dividend income increased by ¥3.8 billion. Dividends from preferred shares in JA Mitsui Leasing Ltd. increased by ¥4.0 billion.

Profit of equity method investments declined by ¥3.0 billion due to a decline in profit of JA Mitsui Leasing Ltd.

Loss for the period attributable to owners of the parent improved by ¥0.8 billion. In addition to the above-mentioned factors, for the current period and for the previous period, foreign exchange losses of ¥0.9 billion and gains of ¥8.9 billion, respectively, were posted in other expense in relation to the commodity derivatives trading business at Mitsui.

Americas Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	7.5	7.8	(0.3)
Gross profit	18.4	19.4	(1.0)
Selling, general and administrative expenses	(15.2)	(15.3)	+ 0.1
Dividend Income	0.0	0.0	0.0
Profit of equity method investments	2.3	1.7	+0.6
Depreciation and amortization	2.1	1.9	+0.2
Profit for the period attributable to owners of the parent	5.8	5.0	+0.8

EBITDA declined by ¥0.3 billion, mainly due to the following factors:

Gross profit declined by ¥1.0 billion.

Profit of equity method investments increased by ¥0.6 billion.

Profit for the period attributable to owners of the parent increased by ¥0.8 billion.

Europe, the Middle East and Africa Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	(0.2)	(0.3)	+0.1
Gross profit	4.3	4.3	0.0
Selling, general and administrative expenses	(5.0)	(4.9)	(0.1)
Dividend Income	0.0	0.0	0.0
Profit of equity method investments	0.4	0.1	+0.3
Depreciation and amortization	0.1	0.2	(0.1)
Profit for the period attributable to owners of the parent	1.1	0.4	+0.7

EBITDA increased by ¥0.1 billion, mainly due to the following factors:

Gross profit was the same as the previous period.

Profit of equity method investments increased by ¥0.3 billion.

Profit for the period attributable to owners of the parent increased by ¥0.7 billion.

Asia Pacific Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	0.5	0.7	(0.2)
Gross profit	2.9	3.5	(0.6)
Selling, general and administrative expenses	(4.6)	(4.5)	(0.1)
Dividend Income	0.4	0.6	(0.2)
Profit of equity method investments	1.7	1.0	+0.7
Depreciation and amortization	0.2	0.1	+0.1
Profit for the period attributable to owners of the parent	10.3	10.7	(0.4)

EBITDA declined by ¥0.2 billion, mainly due to the following factors:

Gross profit declined by ¥0.6 billion.

Profit of equity method investments increased by ¥0.7 billion.

Profit for the period attributable to owners of the parent declined by ¥0.4 billion. In addition to the above, this segment recorded profit from the segment's minority interest in iron ore mining and coal mining operations in Australia.

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

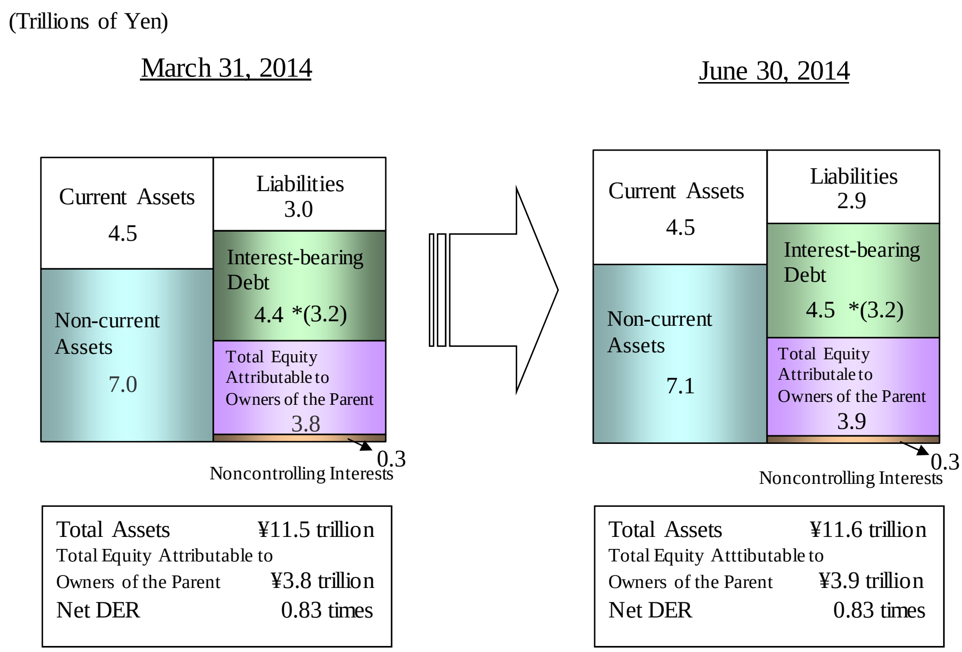
1) Financial Condition

Total assets as of June 30, 2014 were ¥11,582.2 billion, an increase of ¥90.9 billion from ¥11,491.3 billion as of March 31, 2014.

Total current assets as of June 30, 2014 were ¥4,496.3 billion, an increase of ¥30.9 billion from ¥4,465.4 billion as of March 31, 2014. Inventories increased by ¥51.3 billion, mainly due to a seasonal increase at Multigrain Trading AG. As of June 30, 2014, assets of ¥122.1 billion and liabilities of ¥61.8 billion were transferred to the assets held for sale and liabilities directly associated with assets held for sale accounts, respectively, due to the planned merger of domestic construction steel and metal scrap businesses of Mitsui & Co., Steel Ltd. with Metal One Structural Steel & Resource Corporation.

Total current liabilities as of June 30, 2014 were ¥2,945.5 billion, a decline of ¥39.2 billion from ¥2,984.7 billion as of March 31, 2014. Current portion of long-term debt declined by ¥51.7 billion due to repayment, while short-term debt increased by ¥31.7 billion.

As a result, working capital, or current assets less current liabilities, as of June 30, 2014, totaled ¥1,550.8 billion, an increase of ¥70.1 billion from ¥1,480.7 billion as of March 31, 2014.



(*) 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 non-current assets as of June 30, 2014 totaled ¥7,085.9 billion, an increase of ¥60.0 billion from ¥7,025.9 billion as of March 31, 2014, mainly due to the following factors:

- Investments accounted for using the equity method as of June 30, 2014 was ¥2,520.2 billion, an increase of ¥71.4 billion from ¥2,448.8 billion as of March 31, 2014. A major factor was an increase of ¥70.1 billion due to an acquisition of a 20% stake in VLI S.A., which is engaged in integrated freight transportation in Brazil. Furthermore, factors that do not involve cash flow included a decline of ¥19.3 billion resulting from foreign currency exchange fluctuations despite a net increase of ¥4.6 billion corresponding to the profit of equity method (net of ¥59.7 billion in dividends received from equity accounted companies).
- Other investments as of June 30, 2014 were ¥1,558.1 billion, an increase of ¥3.4 billion from ¥1,554.7 billion as of March 31, 2014, mainly due to the following factors:
  - A ¥25.1 billion net increase due to valuation on financial assets measured at FVTOCI; and
  - A ¥10.8 billion net decline due to foreign currency exchange fluctuations.
- Property, plant and equipment as of June 30, 2014 totaled ¥2,023.8 billion, an increase of ¥16.3 billion from ¥2,007.5 billion as of March 31, 2014, mainly due to an increase of ¥9.9 billion (including a foreign exchange translation gain of ¥1.3 billion) at iron ore mining operations in Australia.

Total non-current liabilities as of June 30, 2014 totaled ¥4,472.0 billion, an increase of ¥65.6 billion from ¥4,406.4 billion as of March 31, 2014. Long-term debt, less current portion as of June 30, 2014 was ¥3,550.2 billion, an increase of ¥81.9 billion from ¥3,468.3 billion as of March 31, 2014, mainly due to an increase in long-term borrowings at the Marcellus and Eagle Ford shale gas and oil producing operations in the United States.

Total equity attributable to owners of the parent as of June 30, 2014 was ¥3,878.6 billion, an increase of ¥62.8 billion from ¥3,815.8 billion as of March 31, 2014. Major components included:

- Treasury stock declined by ¥50.1 billion, due to a cancellation;
- Retained earnings increased by ¥18.3 billion which was partially offset by a payment of dividend and a cancellation of treasury stock; and
- Other components of equity as of June 30, 2014 declined by ¥2.7 billion to ¥763.9 billion from ¥766.6 billion as of March 31, 2014, mainly due to the following factors:
  - Foreign currency translation adjustments declined by ¥12.9 billion, reflecting the depreciation of the U.S. dollar against the Japanese yen; and
  - Financial assets measured at FVTOCI increased by ¥14.8 billion reflecting the higher stock prices.

Net interest-bearing debt, or interest-bearing debt less cash and cash equivalents and time deposits as of June 30, 2014 was ¥3,230.7 billion, an increase of ¥51.9 billion from ¥3,178.8 billion as of March 31, 2014. The net debt-to-equity ratio (DER) (*) as of June 30, 2014 was 0.83 times, the same level as March 31, 2014.

(*) We refer to “Net Debt-to-Equity Ratio” (“Net DER”) in this “Liquidity and Capital Resources” and elsewhere in this report. Net DER is comprised of “net interest bearing debt” divided by total equity attributable to owners of the parent. We define “net interest bearing debt” as follows:

- calculate interest bearing debt by adding up short-term debt and long-term debt
- calculate net interest bearing debt by subtracting cash and cash equivalents and time deposits with maturities within one year after three months from interest bearing debt

Our management considers that Net DER is a useful measure for investors to review the balance between interest bearing debt and total equity attributable to owners of the parent for the purpose of improving our capacity to meet debt repayment and leverage to improve return on equity in our capital structure.

"Net interest bearing debt" and "Net DER" are presented in the table below.

	Billions of Yen			
		As of March 31, 2014		As of June 30, 2014
Short-term debt	¥	436.9	¥	468.6
Long-term debt	¥	3,974.2	¥	4,004.4
Interest bearing debt	¥	4,411.1	¥	4,473.0
Less cash and cash equivalents and time deposits	¥	(1,232.3)	¥	(1,242.3)
Net interest-bearing debt	¥	3,178.8	¥	3,230.7
Total equity attributable to owners of the parent	¥	3,815.8	¥	3,878.6
Net DER (times)		0.83		0.83

2) Cash Flows

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	130.1	82.8	+47.3
Cash flows from change in working capital	b	(71.1)	(103.8)	+32.7
Core operating cash flow	a-b	201.2	186.6	+14.6

Net cash provided by operating activities for the current period was ¥130.1 billion, an increase of ¥47.3 billion from ¥82.8 billion for the previous period.

Net cash outflow from an increase in working capital, or changes in operating assets and liabilities for the current period was ¥71.1 billion, a decline of ¥32.7 billion from ¥103.8 billion for the previous period.

Core operating cash flow, cash flows from operating activities without the net cash outflow from an increase in working capital, for the current period amounted ¥201.2 billion, an increase of ¥14.6 billion from ¥186.6 billion for the previous period.

- Depreciation and amortization for the current period was ¥67.7 billion, an increase of ¥15.0 billion from ¥52.7 billion for the previous period.
- Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥98.2 billion, a decline of ¥2.2 billion from ¥100.4 billion for the previous period.

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

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	1.9	3.0	(1.1)
Mineral & Metal Resources	51.4	46.2	+5.2
Machinery & Infrastructure	14.4	8.2	+6.2
Chemicals	7.1	10.8	(3.7)
Energy	97.9	100.1	(2.2)
Lifestyle	(0.1)	3.6	(3.7)
Innovation & Corporate Development	2.5	(0.5)	+3.0
Americas	7.3	4.2	+3.1
Europe, the Middle East and Africa	0.2	(3.0)	+3.2
Asia Pacific	2.3	1.2	+1.1
All Other and Adjustments and Eliminations	16.3	12.8	+3.5
Consolidated Total	201.2	186.6	+14.6

Cash Flows from Investing Activities

Net cash used in investing activities for the current period was ¥151.4 billion, a decline of ¥21.1 billion from ¥172.5 billion for the previous period. The net cash used in investing activities consisted of:

- Net cash outflows that corresponded to investments in and advances to equity accounted investees (net of sales of investments and collection of advances) were ¥64.3 billion. The major cash outflow was an acquisition of a 20% stake in VLI S.A. for ¥70.1 billion. The major cash inflow was redemption of preferred shares in Valepar S.A. for ¥10.0 billion.
- Net cash outflows that corresponded to other investments (net of sales and maturities of other investments) were ¥5.4 billion.
- Net cash inflows that corresponded to long-term loan receivables (net of collection) were ¥12.7 billion.
- Net outflows that corresponded to purchases of property, plant, equipment and investment property (net of sales of those assets) were ¥79.4 billion. Major expenditures included:
  - Oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥30.8 billion;
  - Iron ore mining projects in Australia for ¥20.9 billion; and
  - Marcellus and Eagle Ford shale gas and oil projects in the United States for ¥16.7 billion.

  The major cash inflows included the sale of an ammonia plant by P.T. Kaltim Pasifik Amoniak for ¥9.9 billion.

Free cash flow, or the sum of net cash provided by operating activities and net cash used in investing activities, for the current period was a net outflow of ¥21.3 billion.

Cash Flows from Financing Activities

For the current period, net cash provided by financing activities was ¥20.8 billion, an increase of ¥6.5 billion from ¥14.3 billion for the previous period. The net cash inflow from the borrowing of long-term debt was ¥51.7 billion and short-term debt was ¥36.2 billion. Meanwhile, the cash outflow from payments of cash dividends were ¥61.0 billion.

In addition to the changes discussed above, there was a decline in cash and cash equivalents of ¥4.2 billion due to foreign exchange translation and a decline of ¥0.4 billion due to the reclassification to assets held for sale; as a result, cash and cash equivalents as of June 30, 2014 totaled ¥1,221.3 billion, a decline of ¥5.0 billion from ¥1,226.3 billion as of March 31, 2014.

(4) Management Issues

For the three-month period ended June 30, 2014, there is no significant change in management issues. We maintain our profit forecast for the year ending March 31, 2015 attributable to owners of the parent of ¥380.0 billion which were described on our Annual Securities Report for the year ended March 31, 2014. 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, 2014.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position

Mitsui & Co., Ltd. and subsidiaries
June 30, 2014 and March 31, 2014

	Millions of Yen	
	June 30, 2014	March 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	¥ 1,221,257	¥ 1,226,317
Trade and other receivables	1,922,816	2,040,855
Other financial assets (Note 13)	240,027	271,288
Inventories (Note 13)	676,618	625,328
Advance payments to suppliers	174,777	183,576
Assets held for sale (Note 4)	122,143	-
Other current assets	138,695	118,049
Total current assets	4,496,333	4,465,413
Non-current Assets:		
Investments accounted for using the equity method (Note 7)	2,520,162	2,448,848
Other investments (Note 13)	1,558,135	1,554,673
Trade and other receivables	440,076	470,880
Other financial assets (Note 13)	114,170	116,298
Property, plant and equipment (Note 6)	2,023,823	2,007,452
Investment property	144,255	139,334
Intangible assets	141,067	144,153
Deferred tax assets	74,084	74,419
Other non-current assets	70,126	69,849
Total non-current assets	7,085,898	7,025,906
Total assets	¥11,582,231	¥11,491,319

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries
June 30, 2014 and March 31, 2014

	Millions of Yen	
	June 30, 2014	March 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 468,616	¥ 436,869
Current portion of long-term debt (Note 8)	454,221	505,946
Trade and other payables	1,387,449	1,473,834
Other financial liabilities (Notes 12 and 13)	293,701	301,047
Income tax payables	42,603	42,857
Advances from customers	172,659	165,124
Provisions	23,976	17,491
Liabilities directly associated with assets held for sale (Note 4)	61,815	-
Other current liabilities	40,487	41,486
Total current liabilities	2,945,527	2,984,654
Non-current Liabilities:		
Long-term debt, less current portion (Note 8)	3,550,163	3,468,301
Other financial liabilities (Notes 12 and 13)	92,807	95,541
Retirement benefit liabilities	68,858	69,558
Provisions	176,938	174,855
Deferred tax liabilities	564,603	567,281
Other non-current liabilities	18,604	30,825
Total non-current liabilities	4,471,973	4,406,361
Total liabilities	7,417,500	7,391,015
Equity:		
Common stock	341,482	341,482
Capital surplus	415,023	418,004
Retained earnings	2,364,066	2,345,790
Other components of equity (Note 9)	763,937	766,631
Treasury stock	(5,952)	(56,140)
Total equity attributable to owners of the parent	3,878,556	3,815,767
Non-controlling interests	286,175	284,537
Total equity	4,164,731	4,100,304
Total liabilities and equity	¥11,582,231	¥11,491,319

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2014 and 2013

	Millions of Yen	
	Three-month Period Ended June 30, 2014	**Three-month Period Ended June 30, 2013**
Revenue (Note 5):		
Sale of products	¥ 1,237,992	¥ 1,285,483
Rendering of services	100,715	100,668
Other revenue	31,819	21,142
Total revenue	1,370,526	1,407,293
Cost:		
Cost of products sold	(1,100,672)	(1,142,202)
Cost of services rendered	(44,531)	(38,538)
Cost of other revenue	(14,934)	(15,224)
Total cost	(1,160,137)	(1,195,964)
Gross Profit	210,389	211,329
Other Income (Expenses):		
Selling, general and administrative expenses	(139,248)	(140,781)
Gain (loss) on securities and other investments—net (Notes 7 and 13)	1,157	11,407
Impairment loss of fixed assets	(11)	(78)
Gain (loss) on disposal or sales of fixed assets—net	475	54
Other income (expense)—net	(1,588)	(291)
Total other income (expenses)	(139,215)	(129,689)
Finance Income (Costs):		
Interest income	8,357	5,380
Dividend income	40,989	49,774
Interest expense	(11,706)	(12,191)
Total finance income (costs)	37,640	42,963
Share of Profit of Investments Accounted for Using the Equity Method (Note 5)	64,320	67,109
Profit before Income Taxes	173,134	191,712
Income Taxes	(39,604)	(52,448)
Profit for the Period	¥ 133,530	¥ 139,264
Profit for the Period Attributable to:		
Owners of the parent	¥ 127,806	¥ 132,968
Non-controlling interests	5,724	6,296

	Yen	
Earnings per Share Attributable to Owners of the Parent(Note 11):		
Basic	¥ 71.30	¥ 72.85
Diluted	¥ 71.30	¥ 72.85

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2014 and 2013

	Millions of Yen	
	Three-month Period Ended June 30, 2014	Three-month Period Ended June 30, 2013
Comprehensive Income:		
Profit for the period	¥ 133,530	¥ 139,264
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	23,564	(371)
Remeasurements of defined benefit pension plans	(1,561)	631
Share of other comprehensive income of investments accounted for using the equity method	2,008	(464)
Income tax relating to items not reclassified	(6,003)	3,887
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(2,846)	(28,684)
Cash flow hedges	(2,684)	(2,554)
Share of other comprehensive income of investments accounted for using the equity method	(18,754)	10,944
Income tax relating to items that may be reclassified	2,000	9,032
Total other comprehensive income	(4,276)	(7,579)
Comprehensive Income for the Period	¥ 129,254	¥ 131,685
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 125,804	¥ 126,407
Non-controlling interests	3,450	5,278

Condensed Consolidated Statements of Changes in Equity

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2014 and 2013

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2013	¥ 341,482	¥ 428,552	¥ 2,060,298	¥ 614,783	¥ (5,974)	¥ 3,439,141	¥ 245,848	¥ 3,684,989
Profit for the period			132,968			132,968	6,296	139,264
Other comprehensive income for the period				(6,561)		(6,561)	(1,018)	(7,579)
Comprehensive income for the period						126,407	5,278	131,685
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥21)			(38,327)			(38,327)		(38,327)
Dividends paid to non-controlling interest shareholders							(7,302)	(7,302)
Acquisition of treasury stock					(4)	(4)		(4)
Sale of treasury stock			(0)		0	0		0
Equity transactions with non-controlling interest shareholders		(475)		3		(472)	6,189	5,717
Transfer to retained earnings			6,367	(6,367)		-		-
Balance as at June 30, 2013	¥ 341,482	¥ 428,077	¥ 2,161,306	¥ 601,858	¥ (5,978)	¥ 3,526,745	¥ 250,013	¥ 3,776,758

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2014	¥ 341,482	¥ 418,004	¥ 2,345,790	¥ 766,631	¥ (56,140)	¥ 3,815,767	¥ 284,537	¥ 4,100,304
Profit for the period			127,806			127,806	5,724	133,530
Other comprehensive income for the period				(2,002)		(2,002)	(2,274)	(4,276)
Comprehensive income for the period						125,804	3,450	129,254
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥34)			(60,946)			(60,946)		(60,946)
Dividends paid to non-controlling interest shareholders							(4,437)	(4,437)
Acquisition of treasury stock					(3)	(3)		(3)
Sale of treasury stock			0		0	0		0
Cancellation of treasury stock			(50,191)		50,191	-		-
Equity transactions with non-controlling interest shareholders		(2,981)		915		(2,066)	2,625	559
Transfer to retained earnings			1,607	(1,607)		-		-
Balance as at June 30, 2014	¥ 341,482	¥ 415,023	¥ 2,364,066	¥ 763,937	¥ (5,952)	¥ 3,878,556	¥ 286,175	¥ 4,164,731

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2014 and 2013

	Millions of Yen	
	Three -Month Period Ended June 30, 2014	Three -Month Period Ended June 30, 2013
Operating Activities:		
Profit for the Period	¥ 133,530	¥ 139,264
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	67,717	52,716
Change in retirement benefit liabilities	(2,082)	1,144
Provision for doubtful receivables	2,957	2,795
(Gain)/loss on securities and other investments—net	(1,157)	(11,407)
Impairment loss of fixed assets	11	78
(Gain)/loss on disposal or sales of fixed assets—net	(475)	(54)
Finance (income)/costs—net	(35,846)	(41,123)
Income taxes	39,604	52,448
Share of profit of investments accounted for using equity method	(64,320)	(67,109)
Changes in operating assets and liabilities:		
Change in trade and other receivables	2,434	203
Change in inventories	(58,757)	(48,697)
Change in trade and other payables	(4,272)	(58,254)
Other—net	(10,457)	2,958
Interest received	9,337	7,172
Interest paid	(11,993)	(15,202)
Dividends received	98,157	100,402
Income taxes paid	(34,266)	(34,584)
Cash flows from operating activities	130,122	82,750
Investing Activities:		
Net change in time deposits	(14,979)	794
Investments in and advances to equity accounted investees	(84,082)	(36,852)
Proceeds from sales of investments in and collection of advances from equity accounted investees	19,759	29,760
Purchases of other investments	(12,972)	(11,107)
Proceeds from sales and maturities of other investments	7,592	25,237
Increase in long-term loan receivables	(775)	(5,642)
Collections of long-term loan receivables	13,457	9,903
Purchases of property, plant, equipment and investment property	(92,845)	(96,549)
Proceeds from sales of property, plant, equipment and investment property	13,469	10,233
Acquisitions of subsidiaries or other businesses	-	(98,321)
Cash flows from investing activities	(151,376)	(172,544)
Financing Activities:		
Net change in short-term debt	36,202	109,731
Proceeds from long-term debt	256,746	95,852
Repayments of long-term debt	(205,078)	(150,925)
Purchases and sales of treasury stock	(3)	(4)
Dividends paid	(60,955)	(38,334)
Transactions with non-controlling interests shareholders	(6,082)	(1,991)
Cash flows from financing activities	20,830	14,329
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,210)	(739)
Cash and Cash Equivalents Included in Assets Held for Sale	(426)	-
Change in Cash and Cash Equivalents	(5,060)	(76,204)
Cash and Cash Equivalents at Beginning of Period	1,226,317	1,432,534
Cash and Cash Equivalents at End of Period	¥ 1,221,257	¥ 1,356,330

See Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

Mitsui & Co., Ltd. and subsidiaries

1. REPORTING ENTITY

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

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

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION

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

II. USE OF ESTIMATES AND JUDGMENTS

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

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

III. SIGNIFICANT ACCOUNTING POLICIES

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

The companies apply the following new standards and interpretation for Condensed Consolidated Financial Statements from the beginning of three-month period ended June 30, 2014. Potential impacts on Condensed Consolidated Financial Statements of application of these are immaterial.

IFRS	Title	Summaries
IFRIC 21	Levies	Clarification of accounting for levies
IAS 36	Impairment of Assets	Clarification of recoverable amount disclosures for non-financial assets
IFRS 9	Financial Instruments: Hedge Accounting	Comprehensive amendments of requirements for hedge accounting

3. BUSINESS COMBINATIONS

For the three-month period ended June 30, 2014

No material business combinations were completed during the three-month period ended June 30, 2014.

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 following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

		Millions of Yen
Current assets	¥	4,491
Property, plant and equipment		101,556
Intangible assets		19,141
Total assets acquired		125,188
Current liabilities		(409)
Non-current liabilities		(26,458)
Total liabilities assumed		(26,867)
Net assets acquired	¥	98,321

Intangible assets are goodwill arising from the above business combination. The goodwill mainly derives from a deferred tax liability based on the difference in the net fair value of assets acquired and liabilities assumed by the above business combination and their book value for tax purpose. The goodwill is non-deductible for tax purpose and has been assigned to the Energy segment.

Pro forma results of operations for the above business combination have not been presented because the effects were not material to Condensed Consolidated Financial Statements.

A net cash outflow in cash flows from investing activities of ¥98,321 million arising from the above business combination is included in acquisitions of subsidiaries or other businesses in Condensed Consolidated Statements of Cash Flows for the three-month period ended June 30, 2013.

4. ASSETS HELD FOR SALE

On June 16, 2014, Mitsui & Co. Steel Ltd. (“Mitsui Steel” a 100% subsidiary of the Company), Metal One Corporation and Metal One Structural Steel & Resource Corporation have reached an agreement to integrate its domestic construction steel and metal scrap business to Metal One Structural Steel & Resource Corporation as of October 1, 2014 for the purpose of responding to changes in the business environment. The integrated company will become a 50% owned associated company of Mitsui Steel. Therefore, at June 30, 2014, a part of the assets and liabilities of Mitsui Steel are presented as single line items in the assets held for sale and liabilities directly associated with assets held for sale account. These accounts mostly consist of “Trade and other receivables” and “Trade and other payables”. The assets and liabilities are included in the Iron & Steel Products Segment.

5. SEGMENT INFORMATION

Three-month period ended June 30, 2014 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 44,360	¥ 191,839	¥ 100,679	¥ 218,761	¥ 279,242	¥ 221,014	¥ 27,375
Gross Profit	¥ 10,125	¥ 45,046	¥ 27,413	¥ 18,495	¥ 52,927	¥ 26,271	¥ 9,485
Share of Profit of Investments Accounted for Using the Equity Method	¥ 526	¥ 21,919	¥ 14,993	¥ 1,536	¥ 13,730	¥ 6,247	¥ 1,178
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,038	¥ 38,655	¥ 11,573	¥ 2,558	¥ 56,672	¥ 169	¥ (860)
EBITDA	¥ 2,107	¥ 71,279	¥ 16,515	¥ 6,134	¥ 119,500	¥ 2,799	¥ 872
Total Assets at June 30, 2014	¥ 555,246	¥ 1,938,510	¥ 1,910,185	¥ 758,725	¥ 2,397,388	¥ 1,547,231	¥ 485,398

Three-month period ended June 30, 2014 :	Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 232,852	¥ 27,449	¥ 26,479	¥ 1,370,050	¥ 476	-	¥ 1,370,526
Gross Profit	¥ 18,357	¥ 4,343	¥ 2,875	¥ 215,337	¥ 224	¥ (5,172)	¥ 210,389
Share of Profit of Investments Accounted for Using the Equity Method	¥ 2,269	¥ 436	¥ 1,684	¥ 64,518	-	¥ (198)	¥ 64,320
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 5,757	¥ 1,084	¥ 10,346	¥ 126,992	¥ 1,853	¥ (1,039)	¥ 127,806
EBITDA	¥ 7,525	¥ (158)	¥ 493	¥ 227,066	¥ (302)	¥ 17,403	¥ 244,167
Total Assets at June 30, 2014	¥ 601,357	¥ 99,753	¥ 350,980	¥ 10,644,773	¥ 4,956,954	¥ (4,019,496)	¥ 11,582,231

Three-month period ended June 30, 2013 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 58,311	¥ 185,072	¥ 93,726	¥ 222,786	¥ 381,343	¥ 220,223	¥ 14,476
Gross Profit (Loss)	¥ 14,429	¥ 49,751	¥ 27,702	¥ 20,310	¥ 50,165	¥ 27,899	¥ (2,467)
Share of Profit of Investments Accounted for Using the Equity Method	¥ 1,434	¥ 26,598	¥ 11,906	¥ 1,516	¥ 16,560	¥ 1,777	¥ 4,244
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 3,025	¥ 39,609	¥ 9,799	¥ 3,903	¥ 64,655	¥ (1,097)	¥ (1,727)
EBITDA	¥ 7,265	¥ 76,129	¥ 13,976	¥ 7,918	¥ 121,109	¥ 3,385	¥ (11,908)
Total Assets at March 31, 2014	¥ 567,741	¥ 1,970,858	¥ 1,872,585	¥ 765,751	¥ 2,478,158	¥ 1,495,387	¥ 496,533

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						
Revenue	¥ 176,361	¥ 28,057	¥ 26,462	¥ 1,406,817	¥ 480	¥ (4)	¥ 1,407,293
Gross Profit (Loss)	¥ 19,435	¥ 4,324	¥ 3,464	¥ 215,012	¥ 254	¥ (3,937)	¥ 211,329
Share of Profit of Investments Accounted for Using the Equity Method	¥ 1,720	¥ 85	¥ 1,025	¥ 66,865	¥ 267	¥ (23)	¥ 67,109
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 4,970	¥ 417	¥ 10,700	¥ 134,254	¥ 3,141	¥ (4,427)	¥ 132,968
EBITDA	¥ 7,801	¥ (320)	¥ 738	¥ 226,093	¥ 1,012	¥ 13,042	¥ 240,147
Total Assets at March 31, 2014	¥ 568,772	¥ 105,907	¥ 345,074	¥ 10,666,766	¥ 5,037,172	¥ (4,212,619)	¥ 11,491,319

Notes: (1) "All Other" principally consisted of the Corporate Staff Unit which provides financing services and operations services to external customers and/or to the companies and affiliated companies. Total assets of "All Other" at June 30, 2014 and March 31, 2014 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

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

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

Profit (Loss) for the Period Attributable to Owners of the parent of "Adjustments and Eliminations" for the three-month periods ended June 30, 2014 and 2013 include ¥7,076 million (loss) and ¥8,266 million (loss) respectively related to tax items including adjustments of difference between the actual tax rate and the intercompany tax rate, and other miscellaneous amounts.

(4) During the three-month period ended June 30, 2014, EBITDA is disclosed by reportable segments as the information of the operating segments periodically reviewed by the management. EBITDA is comprised of the companies' (a) gross profit, (b) selling, general and administrative expenses, (c) dividend income and (d) share of profit of investments accounted for using the equity method as presented in Condensed Consolidated Statements of Income and (e) depreciation and amortization as presented in Condensed Consolidated Statements of Cash Flows.

6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amounts of acquisitions of property, plant and equipment as of June 30, 2014 and 2013 are ¥77,101 million and ¥194,947 million.
The amounts of disposals of property, plant and equipment as of June 30, 2014 and 2013 are ¥5,976 million and ¥11,172 million.

7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amount of impairment losses for assets for the three-month periods ended June 30, 2014 and 2013 were not material.

The amount of reversals of impairment losses for assets for the three-month period ended June 30, 2014 was not material. For the three-month period ended June 30, 2013, the companies reversed an impairment loss of ¥8,407 million of an investment accounted for using the equity method in the Machinery & Infrastructure Segment due to recovery of the market price.

8. ISSUES, REPURCHASES AND REPAYMENTS OF FINANCIAL INSTRUMENTS

The total amount of repaid bonds for the three-month period ended June 30, 2014 was not material.
The total amount of issued bonds for the three-month period ended June 30, 2014 was not material.
The total amount of repaid bonds for the three-month period ended June 30, 2013 was ¥36,699 million.
The total amount of issued bonds for the three-month period ended June 30, 2013 was none.

9. EQUITY

Changes in other components of equity for the three-month periods ended June 30, 2014 and 2013 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2014	**Three-month period ended June 30, 2013**
Financial Assets Measured at FVTOCI:		
Balance at beginning of period	¥ 369,267	¥ 335,847
Increase (decrease) during the period	16,328	5,396
Transfer to retained earnings	(1,526)	(5,777)
Balance at end of period	¥ 384,069	¥ 335,466
Remeasurements of Defined Benefit Pension Plans:		
Balance at beginning of period	¥ -	¥ -
Increase (decrease) during the period	81	590
Transfer to retained earnings	(81)	(590)
Balance at end of period	¥ -	¥ -
Foreign Currency Translation Adjustments:		
Balance at beginning of period	¥ 413,931	¥ 311,934
Increase (decrease) during the period	(12,911)	(12,095)
Balance at end of period	¥ 401,020	¥ 299,839
Cash Flow Hedges:		
Balance at beginning of period	¥ (16,567)	¥ (32,998)
Increase (decrease) during the period	(4,585)	(449)
Balance at end of period	¥ (21,152)	¥ (33,447)
Total:		
Balance at beginning of period	¥ 766,631	¥ 614,783
Increase (decrease) during the period	(1,087)	(6,558)
Transfer to retained earnings	(1,607)	(6,367)
Balance at end of period	¥ 763,937	¥ 601,858

10. DIVIDENDS

During the three-month periods ended June 30, 2014 and 2013, the Company paid dividends of ¥34 per share (total dividend of ¥60,955 million) and ¥21 per share (total dividend of ¥38,334 million), respectively.

11. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the three-month periods ended June 30, 2014 and 2013:

	Three-month Period Ended June 30, 2014			Three-month Period Ended June 30, 2013		
	Profit (numerator)	Shares (denominator)	Per share amount	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic earnings per share attributable to owners of the parent:	¥ 127,806	1,792,511	¥ 71.30	¥ 132,968	1,825,125	¥ 72.85
Effect of dilutive securities:						
Adjustment of effect of dilutive securities of associated companies…	(3)	-		-	-	
Diluted earnings per share attributable to owners of the parent:	¥ 127,803	1,792,511	¥ 71.30	¥ 132,968	1,825,125	¥ 72.85

12. CONTINGENT LIABILITIES

I. 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 or trade payable.

The table below summarizes the maximum potential amount of future payments of the companies' guarantees as of June 30, 2014 and March 31, 2014. 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, result of operations, or cash flows of the companies is remote at June 30, 2014.

	Millions of Yen			
	June 30, 2014		March 31, 2014	
Type of guarantees:				
Guarantees for third parties	¥	138,543	¥	189,591
Guarantees for the investments accounted for using the equity method		412,092		379,792
Others		6,828		7,095
Total	¥	557,463	¥	576,478

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of June 30, 2014 and March 31, 2014, will expire through 2023.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of June 30, 2014 and March 31, 2014, will expire through 2023 and 2022, respectively.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of June 30, 2014 and March 31, 2014.

	Millions of Yen			
	June 30, 2014		March 31, 2014	
Within 1 year	¥	132,101	¥	116,863
After 1 to 5 years		242,346		252,316
After 5 years		183,016		207,299
Total	¥	557,463	¥	576,478

II. LITIGATION

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

13. FAIR VALUE MEASUREMENT

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

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

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

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

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

Level 3:
Unobservable inputs for the asset or liability.

(1)Valuation techniques

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

Other Investments
- Other investments other than measured at amortized cost are measured at fair value.
- Publicly-traded other investments are measured using quoted market prices and classified as level 1.
- Non-marketable other investments are measured at fair value principally using discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as level 2 or 3.

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

Inventories
- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of June 30, 2014 and March 31, 2014 were immaterial.

(2)Valuation process

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

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and March 31, 2014 were as follows. No assets or liabilities were transferred between level 1 and 2 for the three-month period ended June 30, 2014 and for the year ended March 31, 2014.

	Millions of Yen				
June 30, 2014	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 3,842	–	¥ 40,101		
Financial assets measured at FVTOCI	545,134	–	965,237		
Total other investments	¥ 548,976	–	¥ 1,005,338	–	¥ 1,554,314
Derivative assets:					
Foreign exchange contracts	–	¥ 69,154	–		
Interest rate contracts	¥ 126	33,610	–		
Commodity contracts	21,082	355,852	¥ 100		
Other contracts	–	–	2,950		
Total derivative assets	¥ 21,208	¥ 458,616	¥ 3,050	¥ (330,948)	¥ 151,926
Inventories..	–	¥ 201,218	–	–	¥ 201,218
Total assets	¥ 570,184	¥ 659,834	¥ 1,008,388	¥ (330,948)	¥ 1,907,458
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	¥ 5	¥ 64,793	–		
Interest rate contracts	89	11,508	–		
Commodity contracts	22,723	365,343	¥ 464		
Other contracts	–	–	682		
Total derivative liabilities	¥ 22,817	¥ 441,644	¥ 1,146	¥ (342,814)	¥ 122,793
Total liabilities...	¥ 22,817	¥ 441,644	¥ 1,146	¥ (342,814)	¥ 122,793

March 31, 2014	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 3,203	–	¥ 39,687		
Financial assets measured at FVTOCI	516,968	–	990,593		
Total other investments	¥ 520,171	–	¥ 1,030,280	–	¥ 1,550,451
Derivative assets:					
Foreign exchange contracts	–	¥ 92,317	–		
Interest rate contracts	¥ 144	29,924	–		
Commodity contracts	23,068	393,204	¥ 122		
Other contracts	–	–	3,357		
Total derivative assets	¥ 23,212	¥ 515,445	¥ 3,479	¥ (371,035)	¥ 171,101
Inventories	–	¥ 175,917	–	–	¥ 175,917
Total assets	¥ 543,383	¥ 691,362	¥ 1,033,759	¥ (371,035)	¥ 1,897,469
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 94,972	–		
Interest rate contracts	¥ 107	12,076	–		
Commodity contracts	42,714	412,534	¥ 602		
Total derivative liabilities	¥ 42,821	¥ 519,582	¥ 602	¥ (398,394)	¥ 164,611
Total liabilities	¥ 42,821	¥ 519,582	¥ 602	¥ (398,394)	¥ 164,611

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

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

The reconciliation of financial assets measured at FVTOCI for the three-month period ended June 30, 2014 and 2013 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013
Balance at beginning of period	¥ 990,593	¥ 894,092
Other comprehensive income	(7,886)	(25,604)
Purchases	4,803	8,645
Sales	(1,241)	(2,285)
Transfers into Level 3	–	–
Transfers out of Level 3	–	(11,402)
Others	(21,032)	34,504
Balance at end of period	¥ 965,237	¥ 897,950

June 30, 2014	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 3,842	–	¥ 40,101		
Financial assets measured at FVTOCI	545,134	–	965,237		
Total other investments	¥ 548,976	–	¥ 1,005,338	–	¥ 1,554,314
Derivative assets:					
Foreign exchange contracts	–	¥ 69,154	–		
Interest rate contracts	¥ 126	33,610	–		
Commodity contracts	21,082	355,852	¥ 100		
Other contracts	–	–	2,950		
Total derivative assets	¥ 21,208	¥ 458,616	¥ 3,050	¥ (330,948)	¥ 151,926
Inventories	–	¥ 201,218	–	–	¥ 201,218
Total assets	¥ 570,184	¥ 659,834	¥ 1,008,388	¥ (330,948)	¥ 1,907,458
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	¥ 5	¥ 64,793	–		
Interest rate contracts	89	11,508	–		
Commodity contracts	22,723	365,343	¥ 464		
Other contracts	–	–	682		
Total derivative liabilities	¥ 22,817	¥ 441,644	¥ 1,146	¥ (342,814)	¥ 122,793
Total liabilities	¥ 22,817	¥ 441,644	¥ 1,146	¥ (342,814)	¥ 122,793

March 31, 2014	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 3,203	–	¥ 39,687		
Financial assets measured at FVTOCI	516,968	–	990,593		
Total other investments	¥ 520,171	–	¥ 1,030,280	–	¥ 1,550,451
Derivative assets:					
Foreign exchange contracts	–	¥ 92,317	–		
Interest rate contracts	¥ 144	29,924	–		
Commodity contracts	23,068	393,204	¥ 122		
Other contracts	–	–	3,357		
Total derivative assets	¥ 23,212	¥ 515,445	¥ 3,479	¥ (371,035)	¥ 171,101
Inventories	–	¥ 175,917	–	–	¥ 175,917
Total assets	¥ 543,383	¥ 691,362	¥ 1,033,759	¥ (371,035)	¥ 1,897,469
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 94,972	–		
Interest rate contracts	¥ 107	12,076	–		
Commodity contracts	42,714	412,534	¥ 602		
Total derivative liabilities	¥ 42,821	¥ 519,582	¥ 602	¥ (398,394)	¥ 164,611
Total liabilities	¥ 42,821	¥ 519,582	¥ 602	¥ (398,394)	¥ 164,611

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

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

The reconciliation of financial assets measured at FVTOCI for the three-month period ended June 30, 2014 and 2013 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2014	**Three-month period ended June 30, 2013**
Balance at beginning of period	¥ 990,593	¥ 894,092
Other comprehensive income	(7,886)	(25,604)
Purchases	4,803	8,645
Sales	(1,241)	(2,285)
Transfers into Level 3	–	–
Transfers out of Level 3	–	(11,402)
Others	(21,032)	34,504
Balance at end of period	¥ 965,237	¥ 897,950

Note: "Others" includes the effect of changes in foreign exchange rates and in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in "Financial assets measured at FVTOCI" in Condensed Consolidated Statements of Comprehensive Income.
"Transfers out of Level 3" was due to the fact that the securities of investee began to be publicly traded for the three-month period ended June 30, 2013.

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of June 30, 2014 and March 31, 2014 were as follows:

June 30, 2014	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	6.6%~13.9%

March 31, 2014	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	6.6%~13.9%

Information about sensitivity to changes in significant unobservable inputs

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

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

The fair values of non-current receivables with floating rates, including long-term loans receivable, and long-term debt with floating rates approximately equal their respective carrying amounts. The fair values of non-current receivables with fixed rate and long-term debt with fixed rate are estimated by discount cash flow analysis, using interest rates currently available for similar types of loans, accounts receivable and borrowings with similar terms and remaining maturities.

The fair values of financial instruments as of June 30, 2014 and March 31, 2014 were as follows. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts are approximately the same as their fair values on a reasonable basis.

	Millions of Yen			
	June 30, 2014		March 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments and non-current receivables				
Trade and other miscellaneous receivables	¥ 498,344	¥ 498,945	¥ 530,596	¥ 533,089
Non-current liabilities				
Long-term debts (non-current portion) and other miscellaneous liabilities	¥ 3,618,427	¥ 3,699,264	¥ 4,035,867	¥ 4,116,887

Trade and other miscellaneous receivables include loans receivable. Long-term debts (non-current portion) and other miscellaneous liabilities include borrowings and bonds.

14. SUBSEQUENT EVENTS

The Company approved at the meeting of the Board of Directors held on July 4, 2014, to allot the stock option scheme as stock-based compensation with stock price conditions to the Company's Directors (excluding External Directors) and Executive Officers to purchase up to 257,400 shares of the Company's common stock in the period from July 28, 2017 to July 27, 2044 with payment due upon the exercise of offered subscription rights to shares being ¥1 per share.

15. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Masami Iijima, Representative Director, President and CEO, and Joji Okada, Representative Director, Executive Vice President and CFO, on August 13, 2014.