Quarterly Securities Report

for the Nine-Month Period Ended December 31, 2016

English translation of certain items disclosed in the Quarterly Securities Report for the nine-month period ended December 31, 2016, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2017.

Mitsui & Co., Ltd.

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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 December 31, 2016 and 2015 and as of or for the year ended March 31, 2016

	In millions of Yen, except amounts per share and other				
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2015	Three-month period ended December 31, 2016	Three-month period ended December 31, 2015	As of or for the year ended March 31, 2016
Consolidated financial data					
Revenue	¥ 3,175,776	¥ 3,674,115	¥ 1,143,640	¥ 1,176,283	¥ 4,759,694
Gross profit	¥ 508,181	¥ 565,231	¥ 182,153	¥ 174,640	¥ 726,622
Profit (loss) for the period attributable to owners of the parent	¥ 230,333	¥ 134,438	¥ 108,356	¥ 3,797	¥ (83,410)
Comprehensive income for the period attributable to owners of the parent	¥ 365,421	¥ (137,102)	¥ 494,698	¥ (5,063)	¥ (607,490)
Total equity attributable to owners of the parent	¥ -	¥ -	¥ 3,642,947	¥ 3,846,462	¥ 3,379,725
Total assets	¥ -	¥ -	¥ 11,657,969	¥ 11,745,193	¥ 10,910,511
Basic earnings per share attributable to owners of the parent (Yen)	¥ 128.50	¥ 75.00	¥ 60.45	¥ 2.12	¥ (46.53)
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 128.43	¥ 74.98	¥ 60.41	¥ 2.12	¥ (46.54)
Equity attributable to owners of the parent ratio	-	-	31.25%	32.75%	30.98%
Cash flows from operating activities	¥ 221,047	¥ 401,861	¥ -	¥ -	¥ 586,991
Cash flows from investing activities	¥ (244,204)	¥ (275,821)	¥ -	¥ -	¥ (408,059)
Cash flows from financing activities	¥ 98,113	¥ (103,038)	¥ -	¥ -	¥ (50,548)
Cash and cash equivalents at end of period	¥ -	¥ -	¥ 1,585,518	¥ 1,408,750	¥ 1,490,775

(Notes) 1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS).

2. Revenue does not include consumption taxes.

2. Business Overview

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

There has been no significant change in our business for the nine-month period ended December 31, 2016.

Effective April 1, 2016, we transferred some businesses across reportable operating segments. For details, see Note 4, “SEGMENT INFORMATION.”

2. Operating and Financial Review and Prospects

1. Risk Factors

For the nine-month period ended December 31, 2016, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2016.

2. Material Contracts

For the three-month period ended December 31, 2016, 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 December 31, 2016, unless otherwise indicated.

(1) <u>Operating Environment</u>

In the nine-month period ended December 31, 2016, the global economy saw a temporary period of turmoil in the financial markets after the U.K. decided to leave the EU, but, thereafter, the international commodities market bottomed out and policy expectations rose with respect to the new U.S. president and, as a result, business confidence improved in the latter half of the period.

Going forward, notwithstanding the period of its economic expansion running into the long term, the U.S. is expected to continue such expansion for the immediate future because consumer spending is growing amid increased employment and rising wages, and domestic investment is expected to grow under the policies of the new administration. Europe faces uncertainty ahead concerning the U.K.'s negotiations for exiting the E.U. and elections in several major countries. The real European economy, meanwhile, appears to be continually weakening. In Japan, a gentle recovery is expected based on factors like a pickup in consumer spending due to improved employment and income environment, and Olympic investment getting into full swing. In China, a continuation of weakening growth is expected amid an environment of excess capacity and adjustments of debts. Russia and Brazil, on the other hand, are expected to realize economic recovery on the back of rising resource prices.

Overall, the global economy is expected to follow a gentle trend of recovery. However, careful watch on the effect of policy changes under the new U.S. administration on the economies in other countries is needed.

(2) <u>Results of Operations</u>

1) Analysis of Consolidated Income Statements

Revenue

Mitsui & Co., Ltd. ("Mitsui") and its subsidiaries (collectively "we") recorded total revenue of ¥3,175.8 billion for the nine-month period ended December 31, 2016 ("current period"), a decline of ¥498.3 billion from ¥3,674.1 billion for the corresponding nine-month period of the previous year ("previous period"). Revenue from sales of products for the current period was ¥2,788.8 billion, a decline of ¥464.8 billion from ¥3,253.6 billion for the previous period, and revenue from rendering of services for the current period was ¥297.1 billion, a decline of ¥2.9 billion from ¥300.0 billion for the previous period. Furthermore, other revenue for the current period was ¥89.9 billion, a decline of ¥30.6 billion from ¥120.5 billion for the previous period.

Gross Profit

Gross profit for the current period was ¥508.2 billion, a decline of ¥57.0 billion from ¥565.2 billion for the previous period. Mainly the Energy Segment and the Americas Segment reported declines in gross profit, while the Mineral & Metal Resources Segment recorded an increase.

Other Income (Expenses)

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the current period were ¥394.8 billion, a decline of ¥33.2 billion from ¥428.0 billion for the previous period.

Gain (Loss) on Securities and Other Investments—Net

Gain on securities and other investments for the current period was ¥51.6 billion, an increase of ¥20.4 billion from ¥31.2 billion for the previous period. For the current period, a gain on securities was recorded mainly in the Mineral & Metal Resources Segment and the Lifestyle Segment. For the previous period, a gain on valuation on securities was recorded mainly in the Innovation & Corporate Development Segment.

Impairment Reversal (Loss) of Fixed Assets—Net

Impairment loss of fixed assets for the current period was ¥0.3 billion, an improvement of ¥0.3 billion from ¥0.6 billion for the previous period. There were miscellaneous small items for the current period. For the previous period, a loss on fixed assets as a result of changes in estimation of asset retirement costs was recorded in the Energy Segment and an impairment loss was reported in the Lifestyle Segment. Meanwhile, a reversal of impairment was recorded in the Machinery & Infrastructure Segment.

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

Gain on disposal or sales of fixed assets for the current period was ¥5.1 billion, an improvement of ¥14.4 billion from ¥9.3 billion of loss for the previous period. There were miscellaneous small transactions for the current period. For the previous period, a loss on disposal of fixed assets was recorded in the Energy Segment and an expense related to the demolition of the head office building was recorded. Meanwhile, a gain on disposal of fixed assets was recorded in the Lifestyle Segment.

Other Income (Expense)—Net

Other income for the current period was ¥6.7 billion, an improvement of ¥27.0 billion from ¥20.3 billion of loss for the previous period. For the previous period, an impairment loss on goodwill was recorded in the Lifestyle Segment. Furthermore, exploration expenses declined mainly in the Energy Segment, and the Innovation & Corporate Development Segment recorded an improvement of foreign exchange gains (losses) in the commodity derivatives trading business, which corresponded to related gross profit in the same segment.

Finance Income (Costs)

Interest Income

Interest income for the current period was ¥24.3 billion, an increase of ¥1.1 billion from ¥23.2 billion for the previous period.

Dividend Income

Dividend income for the current period was ¥43.5 billion, a decline of ¥5.6 billion from ¥49.1 billion for the previous period. Mainly the Energy Segment reported a decline.

Interest Expense

Interest expense for the current period was ¥41.1 billion, an increase of ¥3.2 billion from ¥37.9 billion for the previous period.

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

Share of profit of investments accounted for using the equity method for the current period was ¥138.6 billion, an increase of ¥50.0 billion from ¥88.6 billion for the previous period. Mainly the Mineral & Metal Resources Segment and the Machinery & Infrastructure Segment recorded an increase. Meanwhile, the Energy Segment recorded a decline.

Income Taxes

Income taxes for the current period were ¥98.5 billion, a decline of ¥11.5 billion from ¥110.0 billion for the previous period. Profit before income taxes for the current period was ¥341.7 billion, an increase of ¥80.4 billion from ¥261.3 billion for the previous period. In response, applicable income taxes also increased. Meanwhile, subsidiaries, whose functional currency and currency used to calculate tax profit differ, recorded a decline in tax burden on deductible temporary difference arising from appreciation of currency used to calculate tax profit against functional currency, and tax effects on equity accounted investees were reversed.

The effective tax rate for the current period was 28.8%, a decline of 13.3% from 42.1% for the previous period. The major factor for the decline was the aforementioned effects on appreciation of currency used to calculate tax profit and reversal of tax effects, as well as the non-recognition of tax effects on losses for the previous period.

Profit for the Period

As a result of the above factors, profit for the period was ¥243.2 billion, an increase of ¥91.8 billion from ¥151.4 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 ¥230.3 billion, an increase of ¥95.9 billion from ¥134.4 billion for the previous period.

2) EBITDA

We use EBITDA as a measure of underlying earning power.

EBITDA is the total of “gross profit,” “selling, general and administrative expenses,” “dividend income” and “share of profit (loss) of investments accounted for using the equity method” from the consolidated statements 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) (*)		442.6	469.0	(26.4)
Gross profit	a	508.2	565.2	(57.0)
Selling, general and administrative expenses	b	(394.8)	(428.0)	+33.2
Dividend income	c	43.5	49.1	(5.6)
Profit (loss) of equity method investments	d	138.6	88.6	+50.0
Depreciation and amortization	e	147.1	194.0	(46.9)

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

3) Operating Results by Operating Segment

Part of the food business and food & retail management business included in the Lifestyle Segment was transferred to the Chemicals Segment, and part of the Americas Segment was transferred to the Lifestyle Segment, effective April 1, 2016. In accordance with the aforementioned changes, the operating segment information for the previous period has been restated to conform to the current period presentation.

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	6.7	8.9	(2.2)
Gross profit	22.0	25.1	(3.1)
Selling, general and administrative expenses	(21.1)	(21.9)	+0.8
Dividend income	2.5	2.0	+0.5
Profit (loss) of equity method investments	2.5	3.0	(0.5)
Depreciation and amortization	0.7	0.8	(0.1)
Profit for the period attributable to owners of the parent	2.7	3.9	(1.2)

EBITDA declined by ¥2.2 billion, mainly due to the following factors:

- Gross profit declined by ¥3.1 billion.
- Profit (loss) of equity method investments declined by ¥0.5 billion.

Profit for the period attributable to owners of the parent declined by ¥1.2 billion.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	113.2	61.0	+52.2
Gross profit	106.7	80.6	+26.1
Selling, general and administrative expenses	(23.9)	(27.4)	+3.5
Dividend income	1.1	1.0	+0.1
Profit (loss) of equity method investments	4.7	(29.0)	+33.7
Depreciation and amortization	24.7	35.9	(11.2)
Profit for the period attributable to owners of the parent	97.9	10.9	+87.0

EBITDA increased by ¥52.2 billion, mainly due to the following factors:

- Gross profit increased by ¥26.1 billion.
  - Mitsui Coal Holdings Pty. Ltd. reported an increase of ¥21.6 billion reflecting higher coal prices.
  - Iron ore mining operations in Australia reported an increase of ¥11.0 billion due to higher iron ore prices.
- Selling, general and administrative expenses declined by ¥3.5 billion.
- Profit (loss) of equity method investments increased by ¥33.7 billion.
  - Valepar S.A. reported an increase of ¥18.0 billion mainly due to reversal effect of foreign exchange valuation loss for the previous period and profit from foreign exchange valuation for the current period which was

partially offset by reversal effect of recognition of a deferred tax asset reflecting the tax system revision in Brazil for the previous period.

- ➢ SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine, reported an improvement of ¥14.5 billion mainly due to reversal effect of impairment loss in the previous period.
- ➢ Mitsui Raw Material Development Pty. Limited reported an increase of ¥3.7 billion mainly due to reversal effect of a one-time loss in the previous period.
- ➢ Allocation to other segments increased by ¥ 6.1 billion mainly due to the positive impact from higher coal prices on coal mining operations in Australia, jointly invested with the Asia Pacific Segment.

- Depreciation and amortization declined by ¥11.2 billion.
  - ➢ Mitsui Coal Holdings Pty. Ltd. reported a decline of ¥7.8 billion mainly due to a decline in deprecation from the impairment in the previous year.

Profit for the period attributable to owners of the parent increased by ¥87.0 billion. In addition to the above, the following factor also affected results:

- As a result of the deconsolidation of Sims Metal Management from an equity accounted investee, a profit of ¥26.9 billion on securities was recorded in the current period.
- For the current period, a decline of tax burden of ¥13.9 billion was recorded as a result of a tax effect on the decision to liquidate Mitsui Raw Material Development Pty. Limited, an investment company for oversea scrap businesses. This tax effect was reversed in the Adjustments and Eliminations Segment, resulting in no impact on our profits.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	66.4	51.7	14.7
Gross profit	81.5	96.0	(14.5)
Selling, general and administrative expenses	(84.7)	(95.6)	+10.9
Dividend income	2.0	3.0	(1.0)
Profit (loss) of equity method investments	55.2	34.3	+20.9
Depreciation and amortization	12.5	14.1	(1.6)
Profit for the period attributable to owners of the parent	50.3	31.0	+19.3

EBITDA increased by ¥14.7 billion, mainly due to the following factors:

- Gross profit declined by ¥14.5 billion.
  - ➢ The Infrastructure Projects Business Unit reported a decline of ¥3.4 billion.
  - ➢ The Integrated Transportation Systems Business Unit reported a decline of ¥11.1 billion.
    - ✧ Reclassification of a mining machinery sales and service subsidiary based in Mexico to an equity accounted investee resulted in a decline of ¥6.2 billion.
- Selling, general and administrative expenses declined by ¥10.9 billion.
- Profit (loss) of equity method investments increased by ¥20.9 billion.
  - ➢ The Infrastructure Projects Business Unit reported an increase of ¥17.6 billion.
    - ✧ IPP businesses posted a profit of ¥14.4 billion in total, an improvement of ¥20.9 billion from a loss of ¥6.5 billion for the previous period.

- For the previous period, a one-time negative impact was recorded due to lower electricity prices and obsolete power plants. Meanwhile, a loss in relation to closure of a power plant was recorded for the current period.
- For the current period, a decline of tax burden was recorded due to the Indonesian tax reform.
- Mark-to-market valuation losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, deteriorated by ¥1.8 billion to ¥3.1 billion from ¥1.3 billion for the previous period.

✧ The gas distribution business in Brazil recorded an increase of ¥4.1 billion mainly due to the increased interests.

✧ The LNG receiving terminal project in Mexico recorded a decline of ¥5.0 billion mainly due to a change in lease accounting treatment for the previous period.

➢ The Integrated Transportation Systems Business Unit reported an increase of ¥3.2 billion.

Profit for the period attributable to owners of the parent increased by ¥19.3 billion. In addition to the above, the following factor also affected results:

- For the previous period, an ¥11.8 billion reversal gain of impairment loss was recorded at Tokyo International Air Cargo Terminal Ltd.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	27.5	24.3	+3.2
Gross profit	59.6	61.0	(1.4)
Selling, general and administrative expenses	(45.9)	(52.6)	+6.7
Dividend income	1.3	1.2	+0.1
Profit (loss) of equity method investments	4.6	6.7	(2.1)
Depreciation and amortization	7.9	8.0	(0.1)
Profit for the period attributable to owners of the parent	9.9	8.6	+1.3

EBITDA increased by ¥3.2 billion, mainly due to the following factors:

- Gross profit declined by ¥1.4 billion.
  - ➢ The Basic Materials Business Unit reported a decline of ¥0.3 billion.
  - ➢ The Performance Materials Business Unit reported a decline of ¥0.9 billion.
  - ➢ The Nutrition & Agriculture Business Unit reported a decline of ¥0.1 billion.
- Selling, general and administrative expenses declined by ¥6.7 billion.
- Profit (loss) of equity method investments declined by ¥2.1 billion.

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

Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	121.5	207.8	(86.3)
Gross profit	44.6	90.5	(45.9)
Selling, general and administrative expenses	(34.9)	(38.1)	+3.2
Dividend income	27.3	31.6	(4.3)
Profit (loss) of equity method investments	9.8	16.5	(6.7)
Depreciation and amortization	74.7	107.2	(32.5)
Profit for the period attributable to owners of the parent	25.0	24.9	+0.1

EBITDA declined by ¥86.3 billion, mainly due to the following factors:

- Gross profit declined by ¥45.9 billion.
  - Mitsui Oil Exploration Co., Ltd. reported a decline of ¥24.6 billion from lower crude oil and gas prices and the negative impact of exchange rate fluctuations despite effects from cost reduction and increased volume.
  - Mitsui E&P Middle East B.V. reported a decline of ¥13.8 billion mainly due to the decreased working interests.
  - MEP Texas Holdings LLC reported a decline of ¥4.8 billion mainly from lower crude oil prices which was partially offset by a decline of depreciation due to the impairment in the previous year.
- Selling, general and administrative expenses declined by ¥3.2 billion.
- Dividend income declined by ¥4.3 billion.
  - Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Equatorial Guinea and Qatargas 3) were ¥25.6 billion in total, a decline of ¥4.1 billion from ¥29.7 billion for the previous period.
- Profit (loss) of equity method investments declined by ¥6.7 billion.
  - Japan Australia LNG (MIMI) Pty. Ltd. reported a decline due mainly to lower crude oil prices.
  - Mitsui Oil Exploration Co. reported an increase of ¥ 6.4 billion due to the reversal effect of an impairment in relation to its Gulf of Thailand business for the previous period.
- Depreciation and amortization declined by ¥32.5 billion.
  - In spite of increased capital expenditure at Mitsui Oil Exploration, oil and gas producing operations recorded a decline of ¥32.5 billion, including a decline at Mitsui E&P Middle East B.V., shale projects in the U.S. and Mitsui E&P Australia Pty Ltd.

Profit for the period attributable to owners of the parent increased by ¥0.1 billion. In addition to the above, the following factors also affected results:

- During the previous period, Mitsui E&P Middle East B.V. recorded a ¥21.5 billion loss on asset retirement.
- For the previous period, an impairment loss of ¥5.2 billion was recorded at Mitsui E&P UK Limited on fixed assets as a result of changes in the estimation of asset retirement costs at oil and gas fields in the North Sea.
- For the current period, exploration expenses of ¥6.1 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous period, exploration expenses of ¥9.9 billion in total were recorded, including those recorded by Mitsui E&P Australia Pty Limited.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	28.1	8.2	+19.9
Gross profit	101.4	88.0	+13.4
Selling, general and administrative expenses	(102.7)	(105.4)	+2.7
Dividend income	4.1	3.5	+0.6
Profit (loss) of equity method investments	14.9	12.6	+2.3
Depreciation and amortization	10.5	9.5	+1.0
Profit (loss) for the period attributable to owners of the parent	22.1	(9.9)	+32.0

EBITDA increased by ¥19.9 billion, mainly due to the following factors:

- Gross profit increased by ¥13.4 billion.
  - The Food Business Unit reported an increase of ¥4.5 billion.
  - The Food & Retail Management Business Unit reported an increase of ¥2.6 billion.
  - The Healthcare & Service Business Unit reported an increase of ¥0.2 billion.
  - The Consumer Business Unit reported an increase of ¥6.1 billion.
- Profit (loss) of equity method investments increased by ¥2.3 billion.
  - Mitsui Sugar Co., Ltd. reported an increase of ¥3.1 billion mainly due to a one-time positive impact.

Profit (loss) for the period attributable to owners of the parent improved by ¥32.0 billion. In addition to the above, the following factors also affected results:

- For the current period, a ¥14.6 billion gain on sale of shares was recorded due to the partial sale of shares in IHH Healthcare Berhad.
- For the previous period, a ¥6.3 billion and ¥4.1 billion impairment loss on goodwill and fixed assets, respectively, were recorded at Multigrain Trading AG.
- For the previous period, Bussan Real Estate Co., Ltd. (now called Mitsui & Co. Real Estate Ltd.) recorded a ¥13.1 billion gain on the sales of buildings in Japan.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	1.6	5.0	(3.4)
Gross profit	31.1	35.2	(4.1)
Selling, general and administrative expenses	(38.8)	(44.7)	+5.9
Dividend income	3.0	4.8	(1.8)
Profit (loss) of equity method investments	2.9	6.3	(3.4)
Depreciation and amortization	3.4	3.5	(0.1)
Profit for the period attributable to owners of the parent	9.5	21.2	(11.7)

EBITDA decreased by ¥3.4 billion, mainly due to the following factors:

- Gross profit decreased by ¥4.1 billion.
  - The IT & Communication Business Unit reported an increase of ¥0.5 billion.

- The Corporate Development Business Unit reported a decline of ¥4.6 billion.
  - There was a decline in gross profit corresponding to a ¥3.8 billion increase of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense

- Selling, general and administrative expenses declined by ¥5.9 billion.
- Profit (loss) of equity method investments declined by ¥3.4 billion.

Profit for the period attributable to owners of the parent declined by ¥11.7 billion. In addition to the above, the following factors also affected results:

- For the previous period, a ¥15.5 billion gain due to the valuation of fair value on shares in Hutchison China MediTech was recorded.
- For the previous period, a ¥6.2 billion reversal gain of impairment loss on investments for Relia, Inc. in total was recorded.
- For the current period and for the previous period, foreign exchange gains of ¥3.5 billion and losses of ¥0.3 billion, respectively, were posted in other expense in relation to the commodity derivatives trading business.

Americas Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	35.8	58.2	(22.4)
Gross profit	59.0	91.0	(32.0)
Selling, general and administrative expenses	(36.3)	(47.0)	+10.7
Dividend income	0.0	0.0	0.0
Profit (loss) of equity method investments	7.6	7.5	+0.1
Depreciation and amortization	5.5	6.7	(1.2)
Profit for the period attributable to owners of the parent	21.2	25.0	(3.8)

EBITDA declined by ¥22.4 billion, mainly due to the following factors:

- Gross profit declined by ¥32.0 billion.
  - Novus International, Inc. reported a decline of ¥25.2 billion mainly due to a decline of methionine prices and the negative impact of exchange rate fluctuations.
- Selling, general and administrative expenses declined by ¥10.7 billion.
- Profit (loss) of equity method investments increased by ¥0.1 billion.

Profit for the period attributable to owners of the parent declined by ¥3.8 billion.

Europe, the Middle East and Africa Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	3.1	4.1	(1.0)
Gross profit	15.0	15.8	(0.8)
Selling, general and administrative expenses	(14.7)	(15.0)	+0.3
Dividend income	0.2	0.1	+0.1
Profit (loss) of equity method investments	2.2	3.0	(0.8)
Depreciation and amortization	0.4	0.3	+0.1
Profit for the period attributable to owners of the parent	1.9	2.7	(0.8)

EBITDA declined by ¥1.0 billion, mainly due to the following factors:

- Gross profit declined by ¥0.8 billion.
- Profit (loss) of equity method investments declined by ¥0.8 billion.

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

Asia Pacific Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	39.0	32.4	+6.6
Gross profit	16.5	17.9	(1.4)
Selling, general and administrative expenses	(14.0)	(15.5)	+1.5
Dividend income	0.7	0.7	0.0
Profit (loss) of equity method investments	34.4	28.0	+6.4
Depreciation and amortization	1.3	1.2	+0.1
Profit for the period attributable to owners of the parent	24.1	16.4	+7.7

EBITDA increased by ¥6.6 billion, mainly due to the following factors:

- Gross profit declined by ¥1.4 billion.
- Profit (loss) of equity method investments increased by ¥6.4 billion.
  - Coal mining operations in Australia, jointly invested with the Mineral & Metal Resources Segment increased by ¥6.1 billion mainly due to the positive impact from higher coal prices.

Profit for the period attributable to owners of the parent increased by ¥7.7 billion.

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

1) Financial Condition

Total assets as of December 31, 2016 was ¥11,658.0 billion, an increase of ¥747.5 billion from ¥10,910.5 billion as of March 31, 2016.

Total current assets as of December 31, 2016 was ¥4,752.7 billion, an increase of ¥466.0 billion from ¥4,286.7 billion as of March 31, 2016. Other financial assets increased by ¥146.3 billion, mainly due to the increase in time deposit by ¥92.0 billion. Furthermore, trade and other receivables increased by ¥137.4 billion, mainly because December 31, 2016 fell under the financial institutions' holiday, as well as due to the seasonal increase in the Lifestyle Segment and increase in trading volume, and higher prices in the Mineral and Metal Resources Segment.

Total current liabilities as of December 31, 2016 was ¥2,670.3 billion, an increase of ¥107.5 billion from ¥2,562.8 billion as of March 31, 2016. Trade and other payables increased by ¥109.0 billion, corresponding to the increase in trade and other receivables.

As a result, working capital, or current assets less current liabilities, as of December 31, 2016, totaled ¥2,082.4 billion, an increase of ¥358.5 billion from ¥1,723.9 billion as of March 31, 2016.

Total non-current assets as of December 31, 2016 amounted to ¥6,905.3 billion, an increase of ¥281.5 billion from ¥6,623.8 billion as of March 31, 2016, mainly due to the following factors:

- Investments accounted for using the equity method as of December 31, 2016 was ¥2,641.5 billion, an increase of ¥126.2 billion from ¥2,515.3 billion as of March 31, 2016, mainly due to the following factors:
    - An increase of ¥51.1 billion that corresponded to cash outflow for an acquisition of a 25% stake in Gestamp 2020, SL., a special purpose company established to purchase shares of Gestamp Automoción S.A., which is engaged in designing and manufacturing automotive stamping components in Spain;
    - An increase of ¥41.3 billion resulting from foreign currency exchange fluctuations;
    - An increase due to an additional acquisition of a stake in IPP businesses in Indonesia;
    - A decline due to the deconsolidation of Sims Metal Management, which is engaged in scrap businesses; and
    - A decline of ¥114.4 billion due to dividends received from equity accounted investees, despite an increase of ¥138.6 billion corresponding to the profit of equity method investments for the current period.
- Other investments as of December 31, 2016 were ¥1,333.9 billion, an increase of ¥154.2 billion from ¥1,179.7 billion as of March 31, 2016, due to the increase of fair value on financial assets measured at FVTOCI by ¥116.8 billion mainly in investments in LNG projects due to the costs reduction, as well as the increase due to the deconsolidation of Sims Metal Management.
- Property, plant and equipment as of December 31, 2016 totaled ¥1,890.1 billion, a decline of ¥48.3 billion from ¥1,938.4 billion as of March 31, 2016, mainly due to the following factors:
    - A decline of ¥22.9 billion (including a foreign exchange translation loss of ¥8.8 billion) at iron ore mining operations.
    - A decline of ¥9.2 billion (including a foreign exchange translation profit of ¥5.4 billion) at U.S. shale gas and oil projects.
    - A decline of ¥2.0 billion (including a foreign exchange translation profit of ¥10.4 billion) at oil and gas operations other than U.S. shale gas and oil producing operations; and
- Investment property as of December 31, 2016 totaled ¥184.7 billion, an increase of ¥36.9 billion from ¥147.8 billion as of March 31, 2016, due to an increase of ¥35.5 billion for the integrated development project in 2, Ohtemachi 1-Chome District.

Total non-current liabilities as of December 31, 2016 amounted to ¥5,075.2 billion, an increase of ¥394.0 billion from ¥4,681.2 billion as of March 31, 2016. Long-term debt, less current portion increased by ¥359.9 billion, mainly due to procurement of ¥555.0 billion in subordinated syndicated loans, despite a decline due to repayment of debt.

Total equity attributable to owners of the parent as of December 31, 2016 was ¥3,642.9 billion, an increase of ¥263.2 billion from ¥3,379.7 billion as of March 31, 2016.

- Retained earnings increased by ¥139.6 billion.
- Other components of equity as of December 31, 2016 increased by ¥126.2 billion, mainly due to the following factors:
  - Financial assets measured at FVTOCI increased by ¥79.1 billion. Fair value in investments in LNG projects increased reflecting the costs deduction; and
  - Foreign currency translation adjustments increased by ¥54.5 billion mainly reflecting the depreciation of the Japanese yen against the U.S. dollar and the Brazilian real.

Net interest-bearing debt or interest-bearing debt less cash and cash equivalents and time deposits as of December 31, 2016 was ¥3,313.7 billion, an increase of ¥98.7 billion from ¥3,215.0 billion as of March 31, 2016. The net debt-to-equity ratio (DER) (*) as of December 31, 2016 was 0.91 times, 0.04 points lower compared to 0.95 times as of March 31, 2016.

(*) 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

2) Cash Flows

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	221.0	401.9	(180.9)
Cash flows from change in working capital	b	(127.9)	(19.6)	(108.3)
Core operating cash flow	a-b	348.9	421.5	(72.6)

Net cash provided by operating activities for the current period was ¥221.0 billion, a decline of ¥180.9 billion from ¥401.9 billion for the previous period.

Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥127.9 billion of net cash outflow mainly due to the effects of other-net and change in inventories, a deterioration of ¥108.3 billion from ¥19.6 billion of net cash outflow for the previous period.

Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current period amounted to ¥348.9 billion, a decline of ¥72.6 billion from ¥421.5 billion for the previous period.

- Depreciation and amortization for the current period was ¥147.1 billion, a decline of ¥46.9 billion from ¥194.0 billion for the previous period.
- Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥155.8 billion, a decline of ¥31.8 billion from ¥187.6 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	2.7	4.6	(1.9)
Mineral & Metal Resources	138.8	113.6	+25.2
Machinery & Infrastructure	53.8	54.9	(1.1)
Chemicals	17.0	16.4	+0.6
Energy	103.8	170.0	(66.2)
Lifestyle	11.5	(1.1)	+12.6
Innovation & Corporate Development	4.6	3.9	+0.7
Americas	24.2	37.7	(13.5)
Europe, the Middle East and Africa	0.7	1.4	(0.7)
Asia Pacific	8.3	6.6	+1.7
All Other and Adjustments and Eliminations	(16.5)	13.5	(30.0)
Consolidated Total	348.9	421.5	(72.6)

Cash Flows from Investing Activities

Net cash used in investing activities for the current period was ¥244.2 billion, a decline of ¥31.6 billion from ¥275.8 billion for the previous period. The net cash used in investing activities consisted of:

- Net cash outflows that corresponded to change in time deposit were ¥90.3 billion.
- Net cash outflows that corresponded to investments in and advances to equity accounted investees (net of sales of investment and collection of advances) were ¥54.6 billion, mainly due to the following factors:
  - An acquisition of a 25% stake in Gestamp 2020, SL., a special purpose company established to purchase shares of Gestamp Automoción S.A., which is engaged in designing and manufacturing automotive stamping components in Spain, for ¥51.1 billion;
  - An additional acquisition of a stake in IPP businesses in Indonesia;
  - A partial sale of MBK Healthcare Partners's shares in IHH Healthcare Berhad for ¥24.9 billion;
  - A sale of a stake in relation to chemicals business in Brazil for ¥24.0 billion; and
  - A sale of a stake in Galaxy NewSpring Pte. Ltd., which operates water infrastructure business in China, for ¥10.2 billion.
- Net cash inflows corresponded to other investments (net of sales and maturities of other investments) were ¥5.5 billion, mainly due to the following factors:
  - A sale of shares in Tonen General Sekiyu K.K. for ¥20.1billion;
  - A sale of shares in Recruit Holdings Co., Ltd. for ¥11.0 billion; and
  - An acquisition of oil and gas projects in the U.S. Gulf of Mexico
- Net cash outflows that corresponded to purchases of property, plant, equipment and investment property (net of sales of those assets) were ¥115.1 billion. Major expenditures included:
  - Oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥47.0 billion; and
  - Integrated development project in 2, Ohtemachi 1-Chome District for ¥23.1 billion.

  The major cash inflows included ¥10.2 billion from sales of leasing aircraft engines.

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 ¥23.2 billion.

Cash Flows from Financing Activities

For the current period, net cash provided by financing activities was ¥98.1 billion, an increase of ¥201.1 billion from ¥103.0 billion of net cash used for the previous period. The cash inflow from the borrowing of long-term debt was ¥280.5 billion, mainly due to the procurement of ¥555.0 billion in subordinated syndicated loans. Meanwhile, the cash outflow from payments of cash dividends was ¥102.2 billion and the cash outflow from short-term debt was ¥49.3 billion.

In addition to the changes discussed above, there was an increase in cash and cash equivalents of ¥19.8 billion due to foreign exchange translation. Cash and cash equivalents as of December 31, 2016 totaled ¥1,585.5 billion, an increase of ¥94.7 billion from ¥1,490.8 billion as of March 31, 2016.

(4) Management Issues

1) Forecasts for the Year Ending March 31, 2017

＜Assumption＞	3Q (Actual)	4Q (Forecast)	Mar-17 Revised Forecast	Mar-17 Previous Forecast
Exchange rate (JPY/USD)	107.57	110.00	108.17	102.86
Crude oil (JCC)	$45/bbl	$49/bbl	$46/bbl	$46/bbl
Consolidated oil price	$42/bbl	$48/bbl	$44/bbl	$44/bbl

(Billions of yen)

	Revised Forecast	Previous Forecast	Change	Description
Gross profit	690.0	650.0	40.0	Higher iron ore and coal prices
Selling, general and administrative expenses	-530.0	-540.0	10.0	Cost reduction
Gain on investments, fixed assets and other	80.0	50.0	30.0	Gain on deconsolidation of SIMS, gain on partial disposal of Marcellus, decline in exploration expenses
Interest expenses	-20.0	-30.0	10.0	
Dividend income	50.0	50.0	0.0	
Profit (loss) of equity method investments	180.0	170.0	10.0	Recovery of commodity prices
Profit before income taxes	450.0	350.0	100.0	
Income taxes	-130.0	-120.0	-10.0	
Non-controlling Interests	-20.0	-10.0	-10.0	
Profit for the year attributable to owners of the parent	300.0	220.0	80.0	
Depreciation and amortization	200.0	210.0	-10.0	
EBITDA	590.0	540.0	50.0	
Core operating cash flow	450.0	360.0	90.0	

We assume foreign exchange rates for the three-month period ending March 31, 2017 will be ¥110/US$, ¥80/AU$ and ¥32/BRL, while average foreign exchange rates for the nine-month period ended December 31, 2016 were ¥107.57/US$, ¥80.30/AU$ and ¥32.33/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2017 will be US$44/barrel, same as the previous assumption, based on the assumption that the crude oil price (JCC) will average US$49/barrel throughout the three-month period ending March 31, 2017.

The revised forecast for profit for the year attributable to owners of the parent by operating segment compared to the original forecast is as follows:

(Billions of Yen)	Year ending March 31, 2017 Revised Forecast	Year ending March 31, 2017 Previous Forecast	Change	Description
Iron & Steel Products	5.0	5.0	0.0	
Mineral & Metal Resources	135.0	75.0	+60.0	Higher iron ore and coal prices, gain on deconsolidation of SIMS
Machinery & Infrastructure	65.0	55.0	+10.0	Solid performance of IPP/FPSO businesses
Chemicals	15.0	15.0	0.0	
Energy	30.0	15.0	+15.0	Decline in costs, FX fluctuation
Lifestyle	20.0	25.0	(5.0)	Structural reform expenses in subsidiary
Innovation & Corporate Development	10.0	10.0	0.0	
Americas	25.0	20.0	+5.0	Decline in tax expenses
Europe, the Middle East and Africa	5.0	5.0	0.0	
Asia Pacific	35.0	30.0	+5.0	Higher coal and iron ore prices
All Other and Adjustments and Eliminations	(45.0)	(35.0)	(10.0)	Increase in tax expenses
Consolidated Total	300.0	220.0	+80.0	

3) Key commodity prices and other parameters for the year ending March 31, 2017

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2017. The effects of movements on each commodity price and foreign exchange rates on profit for the year attributable to owners of the parent are included in the table.

Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2017 (Announced in May 2016)			Previous Forecast (Announced in Nov 2016)	March 2017 1-3Q (Result)	March 2017 4Q (Assumption)	Revised Forecast (Announced in Feb 2017)
Commodity	Crude Oil/JCC	¥2.9 bn (US$1/bbl)	46	45	49	46
	Consolidated Oil Price(*1)		44	42	48	44
	U.S. Natural Gas(*2)	¥0.8 bn (US$0.1/mmBtu)	2.49	2.34(*3)	3.18(*4)	2.55
	Iron Ore	¥3.2 bn (US$1/ton)	(*5)	61(*6)	(*5)	(*5)
	Copper	¥1.0 bn (US$100/ton)	4,700	4,724(*7)	5,800	4,993
Forex (*8)	USD	¥1.4 bn (¥1/USD)	102.86	107.57	110	108.17
	AUD	¥0.8 bn (¥1/AUD)	78.05	80.30	80	80.22
	BRL	¥0.3 bn (¥1/BRL)	30.78	32.33	32	32.25

(*1) The oil price trend is reflected in profit for the year attributable to owners of the parent with a 0-6 month time lag. For the year ending March 31, 2017, we assume the annual average price applicable to our financial results as the Consolidated Oil Price based on the estimation: 4-6 month time lag, 31%; 1-3 month time lag, 35%; no time lag, 34%.

(*2) US shale gas are not all sold at Henry Hub (HH) linked prices. Therefore the sensitivity does not represent the direct impact of HH movement, but rather the impact from the movement of weighted average gas sales price.

(*3) Daily average of settlement price for prompt month Henry Hub Natural Gas Futures contracts reported by NYMEX during January 2016 - September 2016.
(*4) For natural gas sold in the US on HH linked prices, the assumed price used is US$3.18/mmBtu.
(*5) We refrain from disclosing the iron ore price assumptions.
(*6) Daily average of representative reference prices (Fine, Fe 62% CFR North China) during April 2016 to December 2016
(*7) Average of LME cash settlement price during January 2016 to September 2016
(*8) Impact of currency fluctuation on profit for the year attributable to owners of the parent of overseas subsidiaries and equity accounted investees (denomination in functional currency) against the Japanese yen. Impact of currency fluctuation between their functional currencies against revenue currencies and exchange rate hedging are not included.

4) Profit Distribution Policy

Our profit distribution policy has been resolved as follows at the board of directors through discussion in which external directors were also involved:

- In order to increase corporate value and maximize shareholder value, we seek to maintain an optimal balance between (a) meeting investment demand in our core and growth areas through re-investments of our retained earnings, and (b) directly providing returns to shareholders by paying out cash dividends.
- In addition to the above, in relation to share buyback toward improving capital efficiency, we judge that the decision by the board of directors in a prompt and flexible manner as needed concerning its timing and amount by taking into consideration of the business environment such as, future investment activity trends, free cash flow and interest-bearing debt levels, and return on equity, continues to contribute to enhancement of corporate value.

For the year ending March 31, 2017, we currently envisage an annual dividend of ¥50 per share (a ¥14 decrease from the year ended March 31, 2016, and including the interim dividend of ¥25 per share), the same amount as we announced in November 2016, taking into consideration of profit for the year attributable to owners of the parent and EBITDA as well as stability and continuity of the amount of dividend, on the assumption that core operating cash flow will be ¥450 billion, as mentioned in our forecast for the year ending March 31, 2017.

(5) Research & Development

Research and development (“R&D”) expenses were insignificant for the nine-month period ended December 31, 2016.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position

Mitsui & Co., Ltd. and subsidiaries
December 31, 2016 and March 31, 2016

	Millions of Yen	
	December 31, 2016	**March 31, 2016**
ASSETS		
Current Assets:		
Cash and cash equivalents	¥ 1,585,518	¥ 1,490,775
Trade and other receivables	1,745,292	1,607,885
Other financial assets (Note 12)	441,421	295,064
Inventories (Note 12)	601,662	533,697
Advance payments to suppliers	239,255	220,711
Other current assets	139,515	138,563
Total current assets	4,752,663	4,286,695
Non-current Assets:		
Investments accounted for using the equity method (Note 6)	2,641,541	2,515,340
Other investments (Note 12)	1,333,934	1,179,696
Trade and other receivables (Note 12)	377,077	382,176
Other financial assets (Note 12)	154,791	159,384
Property, plant and equipment (Note 5)	1,890,079	1,938,448
Investment property (Note 5)	184,710	147,756
Intangible assets (Notes 6)	161,711	157,450
Deferred tax assets	103,708	92,231
Other non-current assets	57,755	51,335
Total non-current assets	6,905,306	6,623,816
Total assets	¥11,657,969	¥10,910,511

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries
December 31, 2016 and March 31, 2016

	Millions of Yen	
	December 31, 2016	March 31, 2016
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 309,754	¥ 353,203
Current portion of long-term debt (Note 7)	487,971	519,161
Trade and other payables	1,216,201	1,107,238
Other financial liabilities (Notes 11 and 12)	354,044	298,329
Income tax payables	47,604	22,309
Advances from customers	199,401	207,419
Provisions	12,941	14,959
Other current liabilities	42,344	40,161
Total current liabilities	2,670,260	2,562,779
Non-current Liabilities:		
Long-term debt, less current portion (Notes 7 and 12)	4,198,134	3,838,156
Other financial liabilities (Notes 11 and 12)	114,207	109,520
Retirement benefit liabilities	78,588	78,176
Provisions	207,652	219,330
Deferred tax liabilities	448,930	409,695
Other non-current liabilities	27,702	26,319
Total non-current liabilities	5,075,213	4,681,196
Total liabilities	7,745,473	7,243,975
Equity:		
Common stock	341,482	341,482
Capital surplus	409,428	412,064
Retained earnings	2,453,787	2,314,185
Other components of equity (Note 8)	444,218	317,955
Treasury stock	(5,968)	(5,961)
Total equity attributable to owners of the parent	3,642,947	3,379,725
Non-controlling interests	269,549	286,811
Total equity	3,912,496	3,666,536
Total liabilities and equity	¥11,657,969	¥10,910,511

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2016 and 2015

	Millions of Yen	
	Nine-month Period Ended December 31, 2016	Nine-month Period Ended December 31, 2015
Revenue (Note 4):		
Sale of products	¥ 2,788,780	¥ 3,253,581
Rendering of services	297,144	300,026
Other revenue	89,852	120,508
Total revenue	3,175,776	3,674,115
Cost:		
Cost of products sold	(2,501,575)	(2,939,370)
Cost of services rendered	(125,745)	(121,539)
Cost of other revenue	(40,275)	(47,975)
Total cost	(2,667,595)	(3,108,884)
Gross Profit	508,181	565,231
Other Income (Expenses):		
Selling, general and administrative expenses	(394,790)	(428,040)
Gain (loss) on securities and other investments—net (Notes 6 and 12)	51,556	31,176
Impairment reversal (loss) of fixed assets—net (Note 6)	(300)	(565)
Gain (loss) on disposal or sales of fixed assets—net	5,116	(9,291)
Other income (expense)—net	6,657	(20,279)
Total other income (expenses)	(331,761)	(426,999)
Finance Income (Costs):		
Interest income	24,314	23,235
Dividend income	43,513	49,107
Interest expense	(41,115)	(37,854)
Total finance income (costs)	26,712	34,488
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 4)	138,574	88,621
Profit before Income Taxes	341,706	261,341
Income Taxes	(98,477)	(109,960)
Profit for the Period	¥ 243,229	¥ 151,381
Profit for the Period Attributable to:		
Owners of the parent	¥ 230,333	¥ 134,438
Non-controlling interests	12,896	16,943

	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 10):		
Basic	¥ 128.50	¥ 75.00
Diluted	¥ 128.43	¥ 74.98

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2016 and 2015

	Millions of Yen	
	Nine-month Period Ended December 31, 2016	**Nine-month Period Ended December 31, 2015**
Comprehensive Income:		
Profit for the period	¥ 243,229	¥ 151,381
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	135,435	(203,062)
Remeasurements of defined benefit pension plans	(1,896)	1,577
Share of other comprehensive income of investments accounted for using the equity method	(2,031)	(3,247)
Income tax relating to items not reclassified	(38,446)	48,252
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	9,488	(64,275)
Cash flow hedges	11,490	6,549
Share of other comprehensive income of investments accounted for using the equity method	7,778	(77,739)
Income tax relating to items that may be reclassified	18,014	12,314
Total other comprehensive income	139,832	(279,631)
Comprehensive Income for the Period	¥ 383,061	¥ (128,250)
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 365,421	¥ (137,102)
Non-controlling interests	17,640	8,852

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended December 31, 2016 and 2015

	Millions of Yen	
	Three-month Period Ended December 31, 2016	**Three-month Period Ended December 31, 2015**
Revenue (Note 4):		
Sale of products	¥ 1,016,233	¥ 1,033,130
Rendering of services	103,936	103,311
Other revenue	23,471	39,842
Total revenue	1,143,640	1,176,283
Cost:		
Cost of products sold	(905,773)	(943,273)
Cost of services rendered	(43,977)	(42,525)
Cost of other revenue	(11,737)	(15,845)
Total cost	(961,487)	(1,001,643)
Gross Profit	182,153	174,640
Other Income (Expenses):		
Selling, general and administrative expenses	(136,457)	(144,669)
Gain (loss) on securities and other investments—net (Notes 6 and 12)	33,140	15,106
Impairment reversal (loss) of fixed assets—net	0	(5,373)
Gain (loss) on disposal or sales of fixed assets—net	4,425	(20,808)
Other income (expense)—net	12,862	(1,094)
Total other income (expenses)	(86,030)	(156,838)
Finance Income (Costs):		
Interest income	9,578	7,290
Dividend income	25,292	23,130
Interest expense	(15,070)	(12,257)
Total finance income (costs)	19,800	18,163
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 4)	39,761	346
Profit before Income Taxes	155,684	36,311
Income Taxes	(41,441)	(30,685)
Profit for the Period	¥ 114,243	¥ 5,626
Profit for the Period Attributable to:		
Owners of the parent	¥ 108,356	¥ 3,797
Non-controlling interests	5,887	1,829

	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 10):		
Basic	¥ 60.45	¥ 2.12
Diluted	¥ 60.41	¥ 2.12

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended December 31, 2016 and 2015

	Millions of Yen	
	Three-month Period Ended December 31, 2016	**Three-month Period Ended December 31, 2015**
Comprehensive Income:		
Profit for the period	¥ 114,243	¥ 5,626
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	121,178	(85,828)
Remeasurements of defined benefit pension plans	2,754	98
Share of other comprehensive income of investments accounted for using the equity method	(1,241)	42
Income tax relating to items not reclassified	(37,553)	18,493
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	66,018	1,756
Cash flow hedges	13,712	2,731
Share of other comprehensive income of investments accounted for using the equity method	255,145	69,401
Income tax relating to items that may be reclassified	(13,417)	(14,420)
Total other comprehensive income	406,596	(7,727)
Comprehensive Income for the Period	¥ 520,839	¥ (2,101)
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 494,698	¥ (5,063)
Non-controlling interests	26,141	2,962

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Changes in Equity

Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2016 and 2015

Millions of Yen	Attributable to owners of the parent: Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 8)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2015	¥ 341,482	¥ 411,881	¥ 2,537,815	¥ 814,563	¥ (5,946)	¥ 4,099,795	¥ 297,579	¥ 4,397,374
Profit for the period			134,438			134,438	16,943	151,381
Other comprehensive income for the period				(271,540)		(271,540)	(8,091)	(279,631)
Comprehensive income for the period						(137,102)	8,852	(128,250)
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥64)			(114,722)			(114,722)		(114,722)
Dividends paid to non-controlling interest shareholders							(12,014)	(12,014)
Acquisition of treasury stock					(14)	(14)		(14)
Sales of treasury stock		0			0	0		0
Compensation costs related to stock options		181				181		181
Equity transactions with non-controlling interest shareholders		(1,818)		142		(1,676)	7,561	5,885
Transfer to retained earnings			13,137	(13,137)		-		-
Balance as at December 31, 2015	¥ 341,482	¥ 410,244	¥ 2,570,668	¥ 530,028	¥ (5,960)	¥ 3,846,462	¥ 301,978	¥ 4,148,440

Millions of Yen	Attributable to owners of the parent: Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 8)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2016	¥ 341,482	¥ 412,064	¥ 2,314,185	¥ 317,955	¥ (5,961)	¥ 3,379,725	¥ 286,811	¥ 3,666,536
Profit for the period			230,333			230,333	12,896	243,229
Other comprehensive income for the period				135,088		135,088	4,744	139,832
Comprehensive income for the period						365,421	17,640	383,061
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥57)			(102,187)			(102,187)		(102,187)
Dividends paid to non-controlling interest shareholders							(37,729)	(37,729)
Acquisition of treasury stock					(7)	(7)		(7)
Sales of treasury stock			(0)		0	0		0
Compensation costs related to stock options		164				164		164
Equity transactions with non-controlling interest shareholders		(2,800)		2,631		(169)	2,827	2,658
Transfer to retained earnings			11,456	(11,456)		-		-
Balance as at December 31, 2016	¥ 341,482	¥ 409,428	¥ 2,453,787	¥ 444,218	¥ (5,968)	¥ 3,642,947	¥ 269,549	¥ 3,912,496

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2016 and 2015

	Millions of Yen	
	Nine-month Period Ended December 31, 2016	**Nine-month Period Ended December 31, 2015**
Operating Activities:		
Profit for the period	¥ 243,229	¥ 151,381
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	147,100	194,040
Change in retirement benefit liabilities	(1,264)	(13)
Provision for doubtful receivables	5,153	10,511
(Gain) loss on securities and other investments—net	(51,556)	(31,176)
Impairment (reversal) loss of fixed assets—net	300	565
(Gain) loss on disposal or sales of fixed assets—net	(5,116)	9,291
Finance (income) costs—net	(21,966)	(27,508)
Income taxes	98,477	109,960
Share of (profit) loss of investments accounted for using the equity method	(138,574)	(88,621)
Changes in operating assets and liabilities:		
Change in trade and other receivables	(101,113)	171,769
Change in inventories	(63,861)	16,708
Change in trade and other payables	114,806	(66,709)
Other—net	(77,702)	(141,414)
Interest received	20,742	28,731
Interest paid	(49,352)	(37,800)
Dividends received	155,782	187,584
Income taxes paid	(54,038)	(85,438)
Cash flows from operating activities	221,047	401,861
Investing Activities:		
Change in time deposits	(90,262)	(833)
Investments in and advances to equity accounted investees	(130,706)	(153,513)
Proceeds from sales of investments in and collection of advances from equity accounted investees	76,104	56,103
Purchases of other investments	(59,906)	(36,003)
Proceeds from sales and maturities of other investments	65,441	62,901
Increase in long-term loan receivables	(4,891)	(2,772)
Collections of long-term loan receivables	15,078	13,569
Purchases of property, plant, equipment and investment property	(139,829)	(241,809)
Proceeds from sales of property, plant, equipment and investment property	24,767	26,536
Cash flows from investing activities	(244,204)	(275,821)
Financing Activities:		
Change in short-term debt	(49,294)	36,337
Proceeds from long-term debt	682,047	411,427
Repayments of long-term debt	(401,512)	(424,563)
Purchases and sales of treasury stock	(7)	(14)
Dividends paid	(102,187)	(114,737)
Transactions with non-controlling interests shareholders	(30,934)	(11,488)
Cash flows from financing activities	98,113	(103,038)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	19,787	(15,022)
Change in Cash and Cash Equivalents	94,743	7,980
Cash and Cash Equivalents at Beginning of Period	1,490,775	1,400,770
Cash and Cash Equivalents at End of Period	¥ 1,585,518	¥ 1,408,750

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 December 31 and comprises the financial statements of the Company and its subsidiaries (collectively, the "companies"), and the interests in associated companies and joint ventures (collectively, the "equity accounted investees").

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

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION

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

II. USE OF ESTIMATES AND JUDGMENTS

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

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

III. SIGNIFICANT ACCOUNTING POLICIES

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

Effective April 1, 2016, the companies applied the following new standards and interpretation for Condensed Consolidated Financial Statements. Potential impacts on Condensed Consolidated Financial Statements of application of these are immaterial.

IFRS	Title	Summaries
IFRS11	Joint Arrangements	Clarification of accounting for acquisitions of interests in joint operations
IAS 16	Property, Plant and Equipment	Clarification that revenues cannot be the basis of depreciation and amortization
IAS 38	Intangible Assets	

3. BUSINESS COMBINATIONS

For the nine-month period ended December 31, 2016

No material business combinations were completed during the nine-month period ended December 31, 2016.

The adjustment that the Company recognized for the nine-month period ended December 31, 2016

Interest in an offshore gas and condensate field in Australia

On November 6, 2015, Mitsui E&P Australia Pty Limited, a 100% owned subsidiary of the Company, entered into a definitive agreement with Santos Offshore Pty Limited, a 100% owned subsidiary of Santos Limited, to acquire Santos' 35% working interest in the Kipper gas and condensate field, 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 was closed on March 3, 2016. As a result of a post-closing purchase price adjustment, the acquisition cost was ¥46,723 million (A$530 million). The adjusting payment of ¥872 million (A$10 million) was paid on April 26, 2016.

The Company was in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed as at March 31, 2016. The process of determining its purchase price allocation was completed in the nine-month period ended December 31, 2016. The following table summarizes the acquisition-date fair values of such assets and liabilities recorded at December 31, 2016, and March 31, 2016. The measurement period adjustments did not have a significant impact on the Company's results of operations and financial position and, therefore, the Company has not retrospectively adjusted the financial statements.

	Millions of Yen	
	December 31, 2016	**March 31, 2016**
Property, plant and equipment	¥ 43,918	¥ 48,856
Intangible assets	4,938	-
Deferred tax assets	732	-
Total assets acquired	49,588	48,856
Current liabilities	(7)	(8)
Non-current liabilities	(2,125)	(2,125)
Total liabilities assumed	¥ (2,132)	¥ (2,133)

The fair value of assets acquired and liabilities assumed exceeded the acquisition cost by ¥733 million, and the Company has recognized this amount as a gain on a bargain purchase and recorded in other income (expense)-net in the Condensed Consolidated Statements of Income for the nine-month period ended December 31, 2016.

For the nine-month period ended December 31, 2015

No material business combinations were completed during the nine-month period ended December 31, 2015.

4. SEGMENT INFORMATION

Nine-month period ended December 31, 2016 :	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
Revenue	¥ 66,998	¥ 499,599	¥ 293,057	¥ 533,357	¥ 356,225	¥ 733,771	¥ 89,193
Gross Profit	¥ 22,031	¥ 106,656	¥ 81,452	¥ 59,558	¥ 44,550	¥ 101,390	¥ 31,128
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,497	¥ 4,681	¥ 55,157	¥ 4,558	¥ 9,818	¥ 14,865	¥ 2,919
Profit for the Period Attributable to Owners of the parent	¥ 2,719	¥ 97,946	¥ 50,348	¥ 9,916	¥ 25,004	¥ 22,137	¥ 9,503
EBITDA	¥ 6,683	¥ 113,185	¥ 66,446	¥ 27,476	¥ 121,477	¥ 28,094	¥ 1,626
Total Assets at December 31, 2016	¥ 511,534	¥ 1,699,854	¥ 2,085,727	¥ 832,847	¥ 1,987,033	¥ 1,658,366	¥ 569,796

Nine-month period ended December 31, 2016 :	Millions of Yen Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 471,950	¥ 74,240	¥ 85,668	¥ 3,204,058	¥ 6,098	¥ (34,380)	¥ 3,175,776
Gross Profit	¥ 59,028	¥ 15,007	¥ 16,515	¥ 537,315	¥ 5,246	¥ (34,380)	¥ 508,181
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 7,646	¥ 2,244	¥ 34,444	¥ 138,829	¥ 30	¥ (285)	¥ 138,574
Profit for the Period Attributable to Owners of the parent	¥ 21,207	¥ 1,942	¥ 24,072	¥ 264,794	¥ 2,782	¥ (37,243)	¥ 230,333
EBITDA	¥ 35,839	¥ 3,149	¥ 38,993	¥ 442,968	¥ 1,000	¥ (1,390)	¥ 442,578
Total Assets at December 31, 2016	¥ 610,742	¥ 151,670	¥ 429,576	¥ 10,537,145	¥ 5,523,128	¥ (4,402,304)	¥ 11,657,969

Nine-month period ended December 31, 2015 (As restated) :	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
Revenue	¥ 86,617	¥ 535,663	¥ 303,467	¥ 632,739	¥ 551,634	¥ 787,839	¥ 100,016
Gross Profit	¥ 25,109	¥ 80,615	¥ 95,958	¥ 60,982	¥ 90,520	¥ 87,998	¥ 35,245
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,956	¥ (29,035)	¥ 34,296	¥ 6,698	¥ 16,540	¥ 12,614	¥ 6,254
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 3,856	¥ 10,861	¥ 30,959	¥ 8,601	¥ 24,902	¥ (9,894)	¥ 21,241
EBITDA	¥ 8,878	¥ 61,044	¥ 51,703	¥ 24,322	¥ 207,843	¥ 8,153	¥ 5,037
Total Assets at March 31, 2016	¥ 392,174	¥ 1,591,364	¥ 2,009,812	¥ 756,997	¥ 1,973,464	¥ 1,499,281	¥ 510,529

Nine-month period ended December 31, 2015 (As restated) :	Millions of Yen Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 547,039	¥ 79,791	¥ 83,659	¥ 3,708,464	¥ 2,022	¥ (36,371)	¥ 3,674,115
Gross Profit	¥ 90,965	¥ 15,767	¥ 17,940	¥ 601,099	¥ 1,192	¥ (37,060)	¥ 565,231
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 7,515	¥ 2,967	¥ 28,047	¥ 88,852	¥ 45	¥ (276)	¥ 88,621
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 24,978	¥ 2,672	¥ 16,417	¥ 134,593	¥ 3,683	¥ (3,838)	¥ 134,438
EBITDA	¥ 58,157	¥ 4,134	¥ 32,367	¥ 461,638	¥ (1,880)	¥ 9,201	¥ 468,959
Total Assets at March 31, 2016	¥ 648,787	¥ 151,328	¥ 402,889	¥ 9,936,625	¥ 5,590,315	¥ (4,616,429)	¥ 10,910,511

Three-month period ended December 31, 2016 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 23,334	¥ 202,178	¥ 99,775	¥ 191,671	¥ 133,973	¥ 256,426	¥ 23,008
Gross Profit	¥ 7,586	¥ 48,163	¥ 29,969	¥ 21,318	¥ 13,494	¥ 37,994	¥ 4,142
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 760	¥ (4,746)	¥ 17,591	¥ 2,168	¥ 4,794	¥ 2,508	¥ (1,656)
Profit for the Period Attributable to Owners of the parent	¥ 758	¥ 46,629	¥ 16,119	¥ 2,734	¥ 24,108	¥ 1,579	¥ 2,614
EBITDA	¥ 3,360	¥ 44,996	¥ 22,756	¥ 11,410	¥ 52,443	¥ 10,719	¥ (8,515)

Three-month period ended December 31, 2016 :	Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 165,188	¥ 23,842	¥ 32,945	¥ 1,152,340	¥ 2,058	¥ (10,758)	¥ 1,143,640
Gross Profit	¥ 18,307	¥ 4,774	¥ 5,417	¥ 191,164	¥ 1,747	¥ (10,758)	¥ 182,153
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,698	¥ 381	¥ 15,318	¥ 39,816	¥ 10	¥ (65)	¥ 39,761
Profit for the Period Attributable to Owners of the parent	¥ 9,597	¥ 309	¥ 10,708	¥ 115,155	¥ 1,544	¥ (8,343)	¥ 108,356
EBITDA	¥ 10,080	¥ 370	¥ 16,468	¥ 164,087	¥ 1,908	¥ (6,455)	¥ 159,540

Three-month period ended December 31, 2015 (As restated) :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 28,470	¥ 161,747	¥ 103,679	¥ 188,317	¥ 176,486	¥ 276,225	¥ 33,989
Gross Profit	¥ 8,616	¥ 23,495	¥ 31,423	¥ 20,433	¥ 20,665	¥ 32,589	¥ 10,570
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 224	¥ (33,568)	¥ 14,554	¥ 2,409	¥ 1,521	¥ 2,011	¥ 888
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,308	¥ (20,436)	¥ 12,159	¥ 3,345	¥ (1,270)	¥ (5,528)	¥ 8,200
EBITDA	¥ 3,303	¥ (6,177)	¥ 20,095	¥ 9,722	¥ 67,405	¥ 3,155	¥ (2,151)

Three-month period ended December 31, 2015 (As restated) :	Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 172,450	¥ 24,939	¥ 20,854	¥ 1,187,156	¥ 699	¥ (11,572)	¥ 1,176,283
Gross Profit	¥ 28,140	¥ 4,854	¥ 5,946	¥ 186,731	¥ 356	¥ (12,447)	¥ 174,640
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 3,365	¥ 468	¥ 8,515	¥ 387	¥ 15	¥ (56)	¥ 346
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 8,041	¥ (205)	¥ 3,720	¥ 9,334	¥ 2,930	¥ (8,467)	¥ 3,797
EBITDA	¥ 18,329	¥ 247	¥ 9,759	¥ 123,687	¥ 1,362	¥ (3,491)	¥ 121,558

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 December 31, 2016 and March 31, 2016 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 the 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 for the Period Attributable to Owners of the parent of "Adjustments and Eliminations" for the nine-month period ended December 31, 2016 include ¥36,357 million (Loss) related to adjustments of the difference between Company's actual income taxes and reportable segments' income taxes based on management approach. For the nine-month and the three-month periods ended December 31, 2015, and the three-month period ended December 31, 2016, there was no individually material item in the Profit (Loss) for the Period Attributable to Owners of the parent of "Adjustments and Eliminations".

(4) EBITDA has been disclosed by reportable segments as the information of the operating segments periodically reviewed by the entity's chief operating decision maker. EBITDA is comprised of the companies' (a) Gross Profit, (b) Selling, general and administrative expenses, (c) Dividend income, (d) Share of Profit (Loss) of Investments Accounted for Using the Equity Method as presented in the Condensed Consolidated Statements of Income and (e) Depreciation and amortization as presented in the Condensed Consolidated Statements of Cash Flows.

(5) During the three-month period ended June 30, 2016, Food Science Division was transferred from the "Lifestyle" segment to the "Chemicals" Segment, in conjunction with the creation of the Nutrition & Agriculture Business Unit. In addition, the United Grain Corporation of Oregon, which was formerly operating under the "Americas" Segment, was transferred to the "Lifestyle" Segment with the aim to optimize global grain trading strategy. In accordance with these changes, the operating segment information for the nine-month and the three-month periods ended December 31, 2015 has been restated to conform to the current period presentation.

5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment

The amounts of acquisitions of property, plant and equipment for the nine-month periods ended December 31, 2016 and 2015 were ¥181,285 million and ¥264,979 million, respectively.
The amounts of disposals of property, plant and equipment for the nine-month periods ended December 31, 2016 and 2015 were ¥59,683 million and ¥67,387 million, respectively.
The amounts of transfers to and from investment property for the nine-month periods ended December 31, 2016 was ¥17,183 million, and the amounts for the nine-month periods ended December 31, 2015 was immaterial.
The amounts of commitments for the purchase of property, plant and equipment as of December 31, 2016 was ¥148,859 million, and the amounts as of March 31, 2016 was immaterial.

Investment property

The amounts of acquisitions for the nine-month periods ended December 31, 2016 was ¥25,702 million, and the amounts for the nine-month periods ended December 31, 2015 was immaterial.
The amounts of transfers to and from property, plant and equipment for the nine-month periods ended December 31, 2016 was ¥17,183 million, and the amounts for the nine-month periods ended December 31, 2015 was immaterial.

6. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amount of impairment losses for assets for the nine-month period ended December 31, 2016 and 2015 were not material.

The amount of reversal of impairment losses for assets for the nine-month period ended December 31, 2016 was not material.
For the nine-month period ended December 31, 2015, TOKYO INTERNATIONAL AIR CARGO TERMINAL LTD., a subsidiary in the Machinery & Infrastructure Segment, recognized the reversal of impairment loss of ¥11,808 million related to the intangible asset based on the service concession arrangement in “Impairment reversal (loss) of fixed assets - net” in the Condensed Consolidated Statements of Income based on the recoverable amount of ¥12,075 million. This reversal of impairment loss mainly related to the increase in the quantity of air cargo caused by the increase in inbound and outbound flights at Haneda Airport and the cost reduction. The recoverable amount above represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit.
The company recognized the reversal of impairment losses of ¥12,442 million of investments accounted for using the equity method due to recovery of market prices in “Gain (loss) on securities and other investments - net” in the Condensed Consolidated Statements of Income.

7. BONDS AND LOANS

Bonds

The total amount of repaid bonds for the nine-month period ended December 31, 2016 was ¥75,000 million.
The total amount of issued bonds for the nine-month period ended December 31, 2016 was none.

The total amount of repaid bonds for the nine-month period ended December 31, 2015 was ¥23,154 million.
The total amount of issued bonds for the nine-month period ended December 31, 2015 was none.

Loans

The loans executed for the nine-month period ended December 31, 2016 include subordinated syndicated loans of ¥350.0 billion and ¥205.0 billion. The maturity dates are June 15, 2076 and August 15, 2076, respectively. The prepayments will be enabled from June 15, 2023 and August 15, 2028, respectively.

8. EQUITY

Changes in other components of equity for the nine-month periods ended December 31, 2016 and 2015 were as follows:

	Millions of Yen	
	Nine-month period ended December 31, 2016	**Nine-month period ended December 31, 2015**
Financial Assets Measured at FVTOCI:		
Balance at beginning of period	¥ 80,427	¥ 318,810
Increase (decrease) during the period	93,987	(156,018)
Transfer to retained earnings	(14,910)	(12,045)
Balance at end of period	¥ 159,504	¥ 150,747
Remeasurements of Defined Benefit Pension Plans:		
Balance at beginning of period	¥ -	¥ -
Increase (decrease) during the period	(3,454)	1,092
Transfer to retained earnings	3,454	(1,092)
Balance at end of period	¥ -	¥ -
Foreign Currency Translation Adjustments:		
Balance at beginning of period	¥ 279,858	¥ 538,728
Increase (decrease) during the period	54,502	(116,929)
Balance at end of period	¥ 334,360	¥ 421,799
Cash Flow Hedges:		
Balance at beginning of period	¥ (42,330)	¥ (42,975)
Increase (decrease) during the period	(7,316)	457
Balance at end of period	¥ (49,646)	¥ (42,518)
Total:		
Balance at beginning of period	¥ 317,955	¥ 814,563
Increase (decrease) during the period	137,719	(271,398)
Transfer to retained earnings	(11,456)	(13,137)
Balance at end of period	¥ 444,218	¥ 530,028

9. DIVIDENDS

During the nine-month periods ended December 31, 2016 and 2015, the Company paid dividends of ¥57 per share (total dividend of ¥102,187 million) and ¥64 per share (total dividend of ¥114,737 million), respectively.

10. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the nine-month and three-month periods ended December 31, 2016 and 2015:

	Nine-month Period Ended December 31, 2016			Nine-month Period Ended December 31, 2015		
	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:	¥ 230,333	1,792,507	¥ 128.50	¥ 134,438	1,792,515	¥ 75.00
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies…	(31)	-		(9)	-	
Stock options …………………………………	-	720		-	406	
Diluted earnings per share attributable to owners of the parent:	¥ 230,302	1,793,227	¥ 128.43	¥ 134,429	1,792,921	¥ 74.98

	Three-month Period Ended December 31, 2016			Three-month Period Ended December 31, 2015		
	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:	¥ 108,356	1,792,506	¥ 60.45	¥ 3,797	1,792,512	¥ 2.12
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies…	(11)	-		(3)	-	
Stock options …………………………………	-	877		-	515	
Diluted earnings per share attributable to owners of the parent:	¥ 108,345	1,793,383	¥ 60.41	¥ 3,794	1,793,027	¥ 2.12

11. 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, amount outstanding and recourse provisions/collateral of the companies' guarantees as of December 31, 2016 and March 31, 2016. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.
The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, operating result, or cash flows of the companies is remote at December 31, 2016.

	Millions of Yen			
	Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
December 31, 2016				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties.....	¥ 95,106	¥ 59,948	¥ 3,363	¥ 56,585
Guarantees for the investments accounted for using the equity method	876,837	582,727	144,860	437,867
Performance guarantees				
Guarantees for third parties.....	57,945	42,520	5,421	37,099
Guarantees for the investments accounted for using the equity method	41,792	33,769	4,410	29,359
Total..................................	¥ 1,071,680	¥ 718,964	¥ 158,054	¥ 560,910

	Millions of Yen			
	Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
March 31, 2016				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties.....	¥ 128,737	¥ 61,840	¥ 7,168	¥ 54,672
Guarantees for the investments accounted for using the equity method	802,899	478,570	88,201	390,369
Performance guarantees				
Guarantees for third parties.....	57,119	43,936	1,391	42,545
Guarantees for the investments accounted for using the equity method	43,025	36,492	4,605	31,887
Total..................................	¥ 1,031,780	¥ 620,838	¥ 101,365	¥ 519,473

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 December 31, 2016 and March 31, 2016 will expire through 2022 and 2033, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of December 31, 2016 and March 31, 2016 will expire through 2025 and 2019, respectively.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of December 31, 2016 and March 31, 2016.

	Millions of Yen	
	December 31, 2016	**March 31, 2016**
Within 1 year	¥ 372,272	¥ 294,292
After 1 to 5 years	440,387	481,755
After 5 years	259,021	255,733
Total	¥ 1,071,680	¥ 1,031,780

II. LITIGATION

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

12. FAIR VALUE MEASUREMENT

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes the fair value hierarchy that may be used to measure fair value, which is provided as follows. The companies recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each reporting period when the transfers occur.

Level 1:

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

Level 2:

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

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

Level 3:

Unobservable inputs for the assets or liabilities.

(1)Valuation techniques

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

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 December 31, 2016 and March 31, 2016 were immaterial.

(2)Valuation process

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

(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 December 31, 2016 and March 31, 2016 were as follows. No assets or liabilities were transferred between level 1 and 2 for the nine-month period ended December 31, 2016 and for the year ended March 31, 2016.

	Millions of Yen				
December 31, 2016	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 16,986	–	¥ 91,659		
Financial assets measured at FVTOCI	605,651	–	615,263		
Total other investments	¥ 622,637	–	¥ 706,922	–	¥ 1,329,559
Derivative assets:					
Foreign exchange contracts.....................	–	¥ 89,412	–		
Interest rate contracts	–	71,394	–		
Commodity contracts	¥ 28,871	511,563	¥ 748		
Others..	–	–	3,493		
Total derivative assets	¥ 28,871	¥ 672,369	¥ 4,241	¥ (467,400)	¥ 238,081
Inventories…………………………………	–	¥ 120,406	–	–	¥ 120,406
Total assets	¥ 651,508	¥ 792,775	¥ 711,163	¥ (467,400)	¥ 1,688,046
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts.....................	–	¥ 82,676	–		
Interest rate contracts	–	8,534	–		
Commodity contracts	¥ 23,869	517,316	¥ 798		
Others..	–	–	14,187		
Total derivative liabilities	¥ 23,869	¥ 608,526	¥ 14,985	¥ (456,580)	¥ 190,800
Total liabilities...	¥ 23,869	¥ 608,526	¥ 14,985	¥ (456,580)	¥ 190,800

March 31, 2016	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	¥ 13,460	–	¥ 67,567		
Financial assets measured at FVTOCI	533,428	–	561,011		
Total other investments	¥ 546,888	–	¥ 628,578	–	¥ 1,175,466
Derivative assets:					
Foreign exchange contracts	–	¥ 88,518	–		
Interest rate contracts	–	71,879	–		
Commodity contracts	¥ 25,327	542,293	¥ 550		
Others	–	–	3,392		
Total derivative assets	¥ 25,327	¥ 702,690	¥ 3,942	¥ (488,212)	¥ 243,747
Inventories	–	¥ 100,348	–	–	¥ 100,348
Total assets	¥ 572,215	¥ 803,038	¥ 632,520	¥ (488,212)	¥ 1,519,561
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 70,096	–		
Interest rate contracts	–	12,101	–		
Commodity contracts	¥ 23,370	535,701	¥ 668		
Others	–	–	1,009		
Total derivative liabilities	¥ 23,370	¥ 617,898	¥ 1,677	¥ (508,576)	¥ 134,369
Total liabilities	¥ 23,370	¥ 617,898	¥ 1,677	¥ (508,576)	¥ 134,369

*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 nine-month period ended December 31, 2016 and 2015 were as follows:

	Millions of Yen	
	Nine-month period ended December 31, 2016	**Nine-month period ended December 31, 2015**
Balance at beginning of period	¥ 561,011	¥ 850,880
Other comprehensive income (Note1)	58,930	(220,087)
Purchases	11,695	16,397
Sales	(17,827)	(11,800)
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Others (Note2)	1,454	(10,175)
Balance at end of period	¥ 615,263	¥ 625,215

Note1: For "Other comprehensive income" for the nine-month period ended December 31, 2015, fair value in investments in LNG projects declined reflecting the drop in oil prices. For "Other comprehensive income" for the nine-month period ended December 31, 2016, fair value in investments in LNG projects increased reflecting the costs deduction.

Note2: "Others" includes the effect of changes in foreign exchange rates (Including in the foreign currency translation adjustments) and in scope of consolidation.

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

The reconciliation of financial assets measured at FVTPL for the nine-month period ended December 31, 2016 and 2015 were as follows:

	Millions of Yen	
	Nine-month period ended December 31, 2016	**Nine-month period ended December 31, 2015**
Balance at beginning of period	¥ 67,567	¥ 36,446
Gains (losses)	(95)	7,956
Purchases	21,326	12,609
Sales	(1,308)	(1,350)
Transfers into Level 3	–	–
Transfers out of Level 3	–	(10,221)
Others (Note1)	4,169	(1,566)
Balance at end of period	¥ 91,659	¥ 43,874
Net change in unrealized gains (losses) still held at end of period	¥ (95)	¥ (1,756)

Note1: "Others" includes the effect of changes in foreign exchange rates (including in the foreign currency translation adjustments) and out scope of consolidation.

Gains (losses) related to financial assets measured at FVTPL was included in "Gain (loss) on securities and other investments—net" in Condensed Consolidated Statements of Income.

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of December 31, 2016 and March 31, 2016 were as follows:

December 31, 2016	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6%~14.3%

March 31, 2016	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	6.7%~17.4%

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 December 31, 2016 and March 31, 2016 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			
	December 31, 2016		**March 31, 2016**	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and other financial assets (*).	¥ 531,868	¥ 532,209	¥ 541,560	¥ 542,582
Non-current liabilities				
Long-term debts, less current portion and other financial liabilities (*)	¥ 4,312,341	¥ 4,414,544	¥ 3,947,676	¥ 3,999,237

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

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

13. SUBSEQUENT EVENTS

At the meeting of the Board of Directors held on February 8, 2017, the Company resolved to repurchase its own shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3, Article 165 of the Companies Act of Japan. The Company completed the repurchase with the following details:

1. Purpose of share repurchase:
 To improve capital efficiency and to implement flexible capital management policy

2. Details of share repurchase

(1) Class of stock	: Common shares of the Company
(2) Total number of shares repurchased	: 28,000,000 shares (1.56% of the total number of shares outstanding excluding treasury shares)
(3) Total amount	: ¥47,460,000,000 (¥1,695 per share)
(4) Date of repurchase	: February 9, 2017
(5) Method of repurchase	: Through the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

14. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Keigo Matsubara, Representative Director, Executive Managing Officer and CFO, on February 13, 2017.