

Quarterly Securities Report
for the Three-Month Period Ended June 30, 2020

English translation of certain items disclosed in the Quarterly Securities Report for the three-month period ended June 30, 2020, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on August 11, 2020.

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 June 30, 2020 and 2019 and as of or for the year ended March 31, 2020

	In millions of Yen, except amounts per share and other		
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019	As of or for the year ended March 31, 2020
Consolidated financial data			
Revenue	¥ 1,521,768	1,633,120	6,885,033
Gross profit	¥ 189,707	209,231	839,423
Profit for the period attributable to owners of the parent	¥ 62,557	125,036	391,513
Comprehensive income for the period attributable to owners of the parent	¥ 160,312	30,648	(259,448)
Total equity attributable to owners of the parent	¥ 3,870,727	4,233,942	3,817,677
Total assets	¥ 11,486,047	12,209,440	11,806,292
Basic earnings per share attributable to owners of the parent (Yen)	¥ 36.92	71.94	226.13
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 36.90	71.88	225.98
Equity attributable to owners of the parent ratio	% 33.70	34.68	32.34
Cash flows from operating activities	¥ 164,040	127,879	526,376
Cash flows from investing activities	¥ (108,538)	(110,503)	(185,230)
Cash flows from financing activities	¥ (88,241)	22,111	(204,561)
Cash and cash equivalents at end of period	¥ 1,041,388	987,662	1,058,733

(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

In each business area including Iron & Steel Products, Mineral & Metal Resources, Energy, Machinery & Infrastructure, Chemicals, Lifestyle and Innovation & Corporate Development, the Company and its consolidated subsidiaries engage in a diversified range of services, including trading, manufacturing, transport, and financial services involving various commodities, making full use of the global office network, which is centering on the Company, a general trading company, with its ability to gather information. The Company and its consolidated subsidiaries furthermore engage in a wide range of initiatives that include development of natural resources and infrastructure projects, and business investment in relation to the environment, new technologies, next-generation power and healthcare.

There has been no significant change in our business for the three-month period ended June 30, 2020.

2. Operating and Financial Review and Prospects

1. Risk Factors

For the three-month period ended June 30, 2020, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2020.

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

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

Forward-looking statements were made as of June 30, 2020, unless otherwise indicated.

(1) Operating Environment

In the three-month period ended June 30, 2020, despite signs of improvement in China, the global economy experienced a rapid drop in internal and external demand and the growth rate decreased significantly due to the spread of infections of COVID-19 in major developed countries, such as the U.S., and emerging and developing countries excluding China. However, the global economy appears to have made it out of its worst period and be moving toward recovery as the economy has bottomed out with the resumption of economic activities.

In the U.S., consumer spending, which took a major hit due to the lockdown at the start of the period, showed signs of bottoming out due to the subsequent resumption of economic activities, economic measures, etc., and employment is gradually improving. On the other hand, there appears to be a second wave of infections and there are concerns over its impact. In Europe, although economic activities have resumed due to the easing of restrictions against going outside and the effects of economic measures are gradually appearing, the situation seems to be improving at a sluggish pace. In Japan, consumer spending has bottomed out due to the lifting of the state of emergency and economic measures and the economy is expected to improve in the future. However, the pace of improvement is likely to be gradual. In emerging countries, manufacturing activities in China continue to resume, and the economy is recovering with signs of a pickup in consumption and investments. On the other hand, there are concerns regarding the economic outlook of Russia and Brazil as they are suffering from a fall in the price of crude oil, and Brazil in particular is experiencing a serious outbreak of infections.

Considering that COVID-19 continues to spread depending on the country and region, careful attention should be given to the possibility that the global economy may deteriorate again.

(2) Results of Operations

1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Period	Previous Period	Change
Revenue		1,521.8	1,633.1	(111.3)
Gross profit		189.7	209.2	(19.5)
Selling, general and administrative expenses		(134.7)	(141.2)	+6.5
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments—Net	8.4	6.3	+2.1
	Impairment Reversal (Loss) of Fixed Assets—Net	(0.3)	(1.7)	+1.4
	Gain (Loss) on Disposal or Sales of Fixed Assets—Net	(0.1)	1.4	(1.5)
	Other Income (Expense)—Net	0.3	7.8	(7.5)
Finance Income (Costs)	Interest Income	6.2	11.2	(5.0)
	Dividend Income	13.9	24.8	(10.9)
	Interest Expense	(15.4)	(23.8)	+8.4
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		34.0	78.5	(44.5)
Income Taxes		(35.3)	(37.5)	+2.2
Profit for the Period		66.7	134.9	(68.2)
Profit for the Period Attributable to Owners of the Parent		62.6	125.0	(62.4)

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

Revenue

Revenue for the three-month period ended June 30, 2020 (“current period”) was ¥1,521.8 billion, a decline of ¥111.3 billion from the corresponding three-month period of the previous year (“previous period”).

Gross Profit

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

Selling, general and administrative expenses

The Mineral & Metal Resources Segment recorded an increase while overall, selling, general and administrative expenses decreased ¥6.5 billion from previous period.

Other Income (Expenses)

Gain (Loss) on Securities and Other Investments—Net

For the current period, a gain on sale of securities was recorded in the Machinery & Infrastructure Segment.

Other Income (Expense)—Net

For the current period, the Energy segment recorded derivative related profits and foreign exchange related profits. Also, the Chemicals Segment recorded insurance proceeds in the business in North America. For the previous period, the Innovation & Corporate Development Segment recorded a valuation profit on a derivative in relation to a put option of an investment.

Finance Income (Costs)*Dividend Income*

Mainly the Energy Segment recorded a decrease.

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

Mainly the Energy Segment, the Machinery & Infrastructure Segment, the Lifestyle Segment and the Iron and Steel Products Segment recorded a decline.

Income Taxes

Income taxes for the current period were ¥35.3 billion, a decline of ¥2.2 billion from ¥37.5 billion for the previous period. The effective tax rate for the current period was 34.6%, an increase of 12.8 points from 21.8% for the previous period. The major factors for the increase were an increase of a valuation allowance against a deferred tax asset and an increase in the tax burden due to resource-related high rate taxes in the Energy segment.

Profit for the Period Attributable to Owners of the Parent

Impacts caused by a decrease in demand and a fluctuation in commodity price due to the spread of COVID-19 were included. As a result, profit for the period attributable to owners of the parent was ¥62.6 billion, a decline of ¥62.4 billion from the previous period.

2) Operating Results by Operating Segment

The business of the infrastructure of next-generation electric power, which was a part of the Machinery & Infrastructure Segment was transferred to the Energy Segment, effective April 1, 2020. 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
Profit for the period attributable to owners of the parent	(1.3)	1.5	(2.8)
Gross profit	5.4	6.4	(1.0)
Profit (loss) of equity method investments	(1.9)	2.9	(4.8)
Dividend income	0.7	1.0	(0.3)
Selling, general and administrative expenses	(5.6)	(6.7)	+1.1
Others	0.1	(2.1)	+2.2

- Profit (loss) of equity method investments decreased mainly due to the following factor:
 - For the current period, associated companies, which process and sell automotive steel products, reported a decrease of profit mainly due to the lower operating time and slow sales caused by a decline in demand for steel product, and the impact of foreign exchange fluctuations.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	32.2	49.0	(16.8)
Gross profit	50.3	61.8	(11.5)
Profit (loss) of equity method investments	13.4	16.3	(2.9)
Dividend income	2.5	2.2	+0.3
Selling, general and administrative expenses	(10.4)	(8.1)	(2.3)
Others	(23.6)	(23.2)	(0.4)

- Gross profit declined mainly due to the following factor:
 - Coal mining operations in Australia reported a decline of ¥13.9 billion mainly due to lower coal sales prices.
- Selling, general and administrative expenses increased mainly due to the following factor:
 - For the current period, an impairment loss of ¥4.1 billion for doubtful debt was posted, reflecting the revisions to our various assumptions regarding the Moatize mine business in Mozambique.

Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	3.5	40.4	(36.9)
Gross profit	25.6	34.3	(8.7)
Profit (loss) of equity method investments	5.7	22.1	(16.4)
Dividend income	2.1	12.9	(10.8)
Selling, general and administrative expenses	(11.1)	(11.0)	(0.1)
Others	(18.8)	(17.9)	(0.9)

- Gross profit declined mainly due to the following factors:
 - Mitsui Oil Exploration Co., Ltd. reported a decrease of ¥16.0 billion mainly due to lower oil and gas prices and decrease in production.
 - Mitsui E&P USA LLC reported a decrease of ¥3.4 billion mainly due to lower gas prices.
 - Business division at the Headquarters reported an increase due to good performance in the LNG trading business.
- Profit (loss) of equity method investment declined mainly due to the following factors:
 - Mitsui E&P Mozambique Area 1 Limited reported a decrease of ¥11.9 billion due to the recognition of deferred tax assets, in accordance with the Final Investment Decision for the project for the previous period.
 - Japan Australia LNG (MIMI) Pty. Ltd. reported a decrease mainly due to lower oil and gas prices.
- Dividends from six LNG projects (Qatargas 1, Oman, Qatargas 3, Sakhalin II, Abu Dhabi and Equatorial Guinea) were ¥2.1 billion in total, a decrease of ¥10.3 billion from the previous period.
- In addition to the above, the following factor also affected results:
 - Mitsui Oil Exploration Co., Ltd. reported an increase of ¥5.1 billion due to derivative related profits at its overseas subsidiary and foreign exchange related profits.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	18.5	17.3	+1.2
Gross profit	26.7	30.1	(3.4)
Profit (loss) of equity method investments	17.3	25.8	(8.5)
Dividend income	1.6	1.7	(0.1)
Selling, general and administrative expenses	(29.2)	(31.7)	+2.5
Others	2.1	(8.6)	+10.7

- Profit (loss) of equity method investments declined mainly due to the following factor:
 - For the previous period, investments in gas distribution companies in Brazil recorded a profit reflecting the refund of service tax payments through arbitrations.
- In addition to the above, the following factor also affected results:
 - For the current period, a gain on sale of IPP business in North America was recorded.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	6.3	4.1	+2.2
Gross profit	29.9	31.8	(1.9)
Profit (loss) of equity method investments	0.9	3.5	(2.6)
Dividend income	1.1	1.4	(0.3)
Selling, general and administrative expenses	(23.4)	(25.8)	+2.4
Others	(2.2)	(6.8)	+4.6

- Others include the following factor:
 - For the current period, insurance proceeds were recorded in the business in North America.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	(5.6)	7.6	(13.2)
Gross profit	27.8	36.6	(8.8)
Profit (loss) of equity method investments	(3.8)	4.5	(8.3)
Dividend income	2.2	2.3	(0.1)
Selling, general and administrative expenses	(31.7)	(36.4)	+4.7
Others	(0.1)	0.6	(0.7)

- Gross profit declined mainly due to the following factor:
 - For the current period, subsidiaries, whose businesses are fashion, food and distribution, reported a decrease of profit due to the closure of stores and decrease in demand for commercial ingredients for the food service industry caused by the state of emergency and curfew.
- Profit (loss) of equity method investment declined mainly due to the following factor:
 - For the current period, associated companies, whose businesses are food, fashion and services, reported a decrease of profit due to curfew and self-restraint.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	10.5	2.1	+8.4
Gross profit	23.2	8.4	+14.8
Profit (loss) of equity method investments	2.3	3.5	(1.2)
Dividend income	3.1	2.5	+0.6
Selling, general and administrative expenses	(16.1)	(16.5)	+0.4
Others	(2.0)	4.2	(6.2)

- Gross profit increased mainly due to the following factors:
 - For the previous period, ¥4.6 billion loss was recorded due to the valuation of fair value on shares in Hutchison China MediTech Ltd., while for the current period ¥4.1 billion gain was recorded due to the valuation of fair value on shares.
 - For the current period, an increase of ¥4.3 billion was recorded mainly due to good results of energy trading in Mitsui Bussan Commodities Ltd.
- In addition to the above, the following factor also affected results:
 - For the previous period, a valuation profit on the derivative of ¥3.9 billion was recorded in relation to a put option of an investment.

(3) Financial Condition and Cash Flows

1) Financial Condition

(Billions of yen)	June 30, 2020	March 31, 2020	Change
Total Assets	11,486.0	11,806.3	(320.3)
Current Assets	3,768.1	4,124.4	(356.3)
Non-current Assets	7,717.9	7,681.9	+36.0
Current Liabilities	2,342.5	2,701.1	(358.6)
Non-current Liabilities	5,019.4	5,044.3	(24.9)
<i>Net Interest-bearing Debt</i>	3,534.9	3,486.7	+48.2
Total Equity Attributable to Owners of the Parent	3,870.7	3,817.7	+53.0
Net Debt-to-Equity Ratio (times)	0.91	0.91	0.00

(*) “Net Debt-to-Equity Ratio” (“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 excluding lease liability from 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

Assets

Current Assets:

- Cash and cash equivalents declined by ¥17.3 billion.
- Trade and other receivables declined by ¥162.4 billion, mainly due to lower market prices and decreases in trading volume in the Energy Segment and the Chemicals Segment.
- Other financial assets declined by ¥137.7 billion, mainly due to market volatility and decreases in trading volume of derivative trading in the Energy Segment and the Innovation & Corporate Development Segment.

Non-current Assets:

- Investments accounted for using the equity method declined by ¥54.6 billion, mainly due to the following factors:
 - An increase of ¥34.0 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥59.0 billion due to dividends received from equity accounted investees; and
 - A decline due to a fair value valuation of shares in Arctic LNG 2 Project in Russia through Japan Arctic LNG.
- Other investments increased by ¥92.4 billion, mainly due to the following factor:
 - Mainly as a result of higher share prices, fair value on financial assets measured at FVTOCI increased by ¥97.1 billion.
- Property, plant and equipment increased by ¥30.7 billion, mainly due to the following factors:
 - An increase of ¥40.5 billion (including foreign exchange translation profit of ¥32.3 billion) at iron ore mining operations in Australia; and
 - A decline of ¥14.7 billion (including foreign exchange translation loss of ¥1.7 billion) at the oil and gas projects other than the U.S. shale gas and oil projects

Liabilities

Current Liabilities:

- Current portion of long-term debt increased by ¥36.2 billion, mainly due to a reclassification to current maturities.
- Trade and other payables declined by ¥111.4 billion, corresponding to the decline in trade and other receivables.
- Other financial liabilities declined by ¥277.4 billion, mainly due to corresponding decline in other financial assets, payments on account payable-other at the integrated development project in the 2, Otemachi 1-Chome District and decreases in the precious metal lease business in the Innovation & Corporate Development Segment.

Non-current Liabilities:

- Long-term debt, less the current portion, declined by ¥27.6 billion.

Total Equity Attributable to Owners of the Parent

- Retained earnings decreased by ¥51.8 billion.
- Other components of equity increased by ¥97.0 billion, mainly due to the following factors:
 - Financial assets measured at FVTOCI increased by ¥70.0 billion; and
 - Foreign currency translation adjustments increased by ¥58.9 billion, mainly reflecting the appreciation of the Australian dollar against the Japanese Yen, despite the depreciation of the U.S. dollar and the Brazilian real.
- Treasury stock which is a subtraction item in shareholders' equity decreased by ¥7.7 billion, mainly due to the cancellation of the stock for ¥46.7 billion, despite share buy-back for ¥39.1 billion.

2) Cash Flows

(Billions of yen)	Current Period	Previous Period	Change
Cash flows from operating activities	164.0	127.9	+36.1
Cash flows from investing activities	(108.5)	(110.5)	+2.0
Free cash flow	55.5	17.4	+38.1
Cash flows from financing activities	(88.2)	22.1	(110.3)
Effect of exchange rate changes on cash and cash equivalents etc.	15.4	(7.9)	+23.3
Change in cash and cash equivalents	(17.3)	31.6	(48.9)

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	164.0	127.9	+36.1
Cash flows from change in working capital	b	37.4	(28.0)	+65.4
Repayments of lease liabilities	c	(15.8)	(13.5)	(2.3)
Core operating cash flow	a-b+c	110.8	142.4	(31.6)

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥37.4 billion of net cash inflow. Repayments of lease liabilities for the current period was ¥15.8 billion of cash outflow. Core operating cash flow, cash flows from operating activities without both net cash from an increase or a decrease in working capital and repayments of lease liabilities, for the current period amounted to ¥110.8 billion. From current period, in order to reflect a regular cash generation output from operating activities more appropriately, repayments of lease liabilities have been deducted. In conformity with this change, Core operating cash flow for the previous period has been restated.
 - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥49.3 billion, a decline of ¥26.4 billion from ¥75.7 billion for the previous period.
 - Depreciation and amortization for the current period was ¥63.0 billion, an increase of ¥2.5 billion from ¥60.5 billion for the previous period.

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

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	1.6	0.2	+1.4
Mineral & Metal Resources	41.9	57.7	(15.8)
Energy	36.4	58.7	(22.3)
Machinery & Infrastructure	12.9	18.2	(5.3)
Chemicals	15.7	6.5	+9.2
Lifestyle	3.6	7.4	(3.8)
Innovation & Corporate Development	12.7	(2.1)	+14.8
All Other and Adjustments and Eliminations	(14.0)	(4.2)	(9.8)
Consolidated Total	110.8	142.4	(31.6)

Cash Flows from Investing Activities

- Net cash outflows that corresponded to investments in equity accounted investees (net of sales of investments in equity accounted investees) were ¥2.2 billion, though there was a sale of IPP business in North America as a main cash inflow factor.
- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥78.8 billion, mainly due to the following factors:
 - An expenditure for the integrated development project in the 2, Otemachi 1-Chome District for ¥36.6 billion; and
 - An expenditure for iron ore mining operations in Australia for ¥11.1 billion.
- Net cash outflows that corresponded to purchases of investment property (net of sales of those assets) were ¥34.6 billion, mainly due to an expenditure for the integrated development project in the 2, Otemachi 1-Chome District for ¥30.6 billion.

Cash Flows from Financing Activities

- Net cash inflows from net change in short-term debt were ¥2.6 billion, net cash inflows from net change in long-term debt were ¥32.6 billion, and cash outflow from repayments of lease liabilities were ¥15.8 billion.
- The cash outflow from the purchases of treasury stock was ¥39.1 billion.
- The cash outflow from payments of cash dividends was ¥68.3 billion.

(4) Management Issues

For the three-month period ended June 30, 2020, there is no significant change in management issues. We maintain our profit forecast attributable to owners of the parent of ¥180.0 billion and core operating cash flow forecast of ¥400.0 billion for the year ending March 31, 2021, as announced together with the results of the year ended March 31, 2020. No updates have been made to these forecasts.

(5) Research & Development

There are no contracts for which disclosure is required.

3. Material Contracts

There are no contracts for which disclosure is required.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position
Mitsui & Co., Ltd. and subsidiaries
June 30, 2020 and March 31, 2020

	Millions of Yen	
	June 30, 2020	March 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	¥ 1,041,388	¥ 1,058,733
Trade and other receivables	1,460,096	1,622,501
Other financial assets (Note 13)	425,171	562,899
Inventories (Note 13)	533,957	553,861
Advance payments to suppliers	156,385	167,250
Other current assets	151,129	159,175
Total current assets	3,768,126	4,124,419
Non-current Assets:		
Investments accounted for using the equity method	2,826,363	2,880,958
Other investments (Note 13)	1,576,752	1,484,422
Trade and other receivables(Note 13)	411,076	422,423
Other financial assets (Note 13)	169,255	186,010
Property, plant and equipment (Note 6)	2,152,059	2,121,371
Investment property	259,849	251,838
Intangible assets	192,732	195,289
Deferred tax assets	51,538	58,908
Other non-current assets	78,297	80,654
Total non-current assets	7,717,921	7,681,873
Total assets	¥ 11,486,047	¥ 11,806,292

Condensed Consolidated Statements of Financial Position—(Continued)
Mitsui & Co., Ltd. and subsidiaries
June 30, 2020 and March 31, 2020

	Millions of Yen	
	June 30, 2020	March 31, 2020
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 303,173	¥ 297,458
Current portion of long-term debt (Note 8)	436,097	399,904
Trade and other payables	1,025,096	1,136,504
Other financial liabilities (Notes 12 and 13)	349,604	626,963
Income tax payables	48,760	46,206
Advances from customers	109,435	133,247
Provisions	26,420	25,844
Other current liabilities	43,909	34,984
Total current liabilities	2,342,494	2,701,110
Non-current Liabilities:		
Long-term debt, less current portion (Notes 8 and 13)	4,201,551	4,229,218
Other financial liabilities (Notes 12 and 13)	96,995	105,279
Retirement benefit liabilities	41,186	39,956
Provisions	230,189	228,173
Deferred tax liabilities	421,113	412,971
Other non-current liabilities	28,330	28,653
Total non-current liabilities	5,019,364	5,044,250
Total liabilities	7,361,858	7,745,360
Equity:		
Common stock	341,776	341,776
Capital surplus	402,742	402,652
Retained earnings	3,310,530	3,362,297
Other components of equity (Note 9)	(126,877)	(223,910)
Treasury stock	(57,444)	(65,138)
Total equity attributable to owners of the parent	3,870,727	3,817,677
Non-controlling interests	253,462	243,255
Total equity	4,124,189	4,060,932
Total liabilities and equity	¥ 11,486,047	¥ 11,806,292

Condensed Consolidated Statements of Income and Comprehensive Income—(Continued)

**Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2020 and 2019**

	Millions of Yen	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Comprehensive Income:		
Profit for the period	¥ 66,663	¥ 134,884
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	97,758	21,468
Remeasurements of defined benefit pension plans	(1,374)	(131)
Share of other comprehensive income of investments accounted for using the equity method	(16,031)	(503)
Income tax relating to items not reclassified	(9,247)	(4,393)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	72,176	(33,923)
Cash flow hedges	3,275	(7,103)
Share of other comprehensive income of investments accounted for using the equity method	(40,096)	(80,370)
Income tax relating to items that may be reclassified	(887)	1,550
Total other comprehensive income	105,574	(103,405)
Comprehensive Income for the Period	¥ 172,237	¥ 31,479
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 160,312	¥ 30,648
Non-controlling interests	11,925	831

Condensed Consolidated Statements of Changes in Equity
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2020 and 2019

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings (Note 10)	Other Components of Equity (Note 9)	Treasury Stock	Total	Non- controlling Interests	Total Equity
Balance as at April 1, 2019	¥ 341,482	¥ 387,335	¥ 3,078,655	¥ 463,270	¥ (7,576)	¥ 4,263,166	¥ 267,142	¥ 4,530,308
Cumulative effect of changes in accounting policies			(5,306)			(5,306)		(5,306)
Balance as at April 1, 2019 after changes in accounting policies	341,482	387,335	3,073,349	463,270	(7,576)	4,257,860	267,142	4,525,002
Profit for the period			125,036			125,036	9,848	134,884
Other comprehensive income for the period				(94,388)		(94,388)	(9,017)	(103,405)
Comprehensive income for the period			125,036	(94,388)		30,648	831	31,479
Transaction with owners:								
Dividends paid to owners of the parent			(69,524)			(69,524)		(69,524)
Dividends paid to non-controlling interest shareholders							(4,482)	(4,482)
Acquisition of treasury stock					(3)	(3)		(3)
Equity transactions with non-controlling interest shareholders		15,499		(538)		14,961	1,567	16,528
Transfer to retained earnings			844	(844)		-		-
Balance as at June 30, 2019	¥ 341,482	¥ 402,834	¥ 3,129,705	¥ 367,500	¥ (7,579)	¥ 4,233,942	¥ 265,058	¥ 4,499,000

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings (Note 10)	Other Components of Equity (Note 9)	Treasury Stock	Total	Non- controlling Interests	Total Equity
Balance as at April 1, 2020	¥ 341,776	¥ 402,652	¥ 3,362,297	¥ (223,910)	¥ (65,138)	¥ 3,817,677	¥ 243,255	¥ 4,060,932
Profit for the period			62,557			62,557	4,106	66,663
Other comprehensive income for the period				97,755		97,755	7,819	105,574
Comprehensive income for the period			62,557	97,755		160,312	11,925	172,237
Transaction with owners:								
Dividends paid to owners of the parent			(68,301)			(68,301)		(68,301)
Dividends paid to non-controlling interest shareholders							(1,129)	(1,129)
Acquisition of treasury stock					(39,067)	(39,067)		(39,067)
Sales of treasury stock		(16)	(23)		39	0		0
Cancellation of treasury stock			(46,722)		46,722	-		-
Equity transactions with non-controlling interest shareholders		106		0		106	(589)	(483)
Transfer to retained earnings			722	(722)		-		-
Balance as at June 30, 2020	¥ 341,776	¥ 402,742	¥ 3,310,530	¥ (126,877)	¥ (57,444)	¥ 3,870,727	¥ 253,462	¥ 4,124,189

Condensed Consolidated Statements of Cash Flows
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended June 30, 2020 and 2019

	Millions of Yen	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Operating Activities:		
Profit for the period	¥ 66,663	¥ 134,884
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	63,018	60,537
Change in retirement benefit liabilities	(398)	367
Loss allowance.....	7,953	3,625
(Gain) loss on securities and other investments—net	(8,427)	(6,310)
Impairment (reversal) loss of fixed assets—net	305	1,695
(Gain) loss on disposal or sales of fixed assets—net	97	(1,366)
Interest Income, dividend income and interest expense	(12,835)	(10,860)
Income taxes	35,327	37,519
Share of (profit) loss of investments accounted for using the equity method	(34,003)	(78,473)
Valuation (gain) loss related to contingent considerations and others	(3,656)	(2,809)
Changes in operating assets and liabilities:		
Change in trade and other receivables	225,662	50,966
Change in inventories	24,209	(49,495)
Change in trade and other payables	(123,169)	(76,767)
Other—net	(89,302)	47,279
Interest received	14,923	11,064
Interest paid	(17,451)	(25,385)
Dividends received	49,339	75,747
Income taxes paid	(38,212)	(45,610)
Income taxes refunded	3,997	1,271
Cash flows from operating activities	<u>164,040</u>	<u>127,879</u>
Investing Activities:		
Change in time deposits	(677)	(5,701)
Investments in equity accounted investees	(21,353)	(29,268)
Proceeds from sales of investments in equity accounted investees.....	19,142	5,915
Purchases of other investments	(7,053)	(12,117)
Proceeds from sales and maturities of other investments	6,905	5,835
Increases in loan receivables	(1,617)	(17,081)
Collections of loan receivables	9,583	6,635
Purchases of property, plant and equipment.....	(82,076)	(61,848)
Proceeds from sales of property, plant and equipment.....	3,245	1,022
Purchases of investment property	(34,637)	(3,895)
Cash flows from investing activities	<u>(108,538)</u>	<u>(110,503)</u>
Financing Activities:		
Change in short-term debt	2,601	131,543
Proceeds from long-term debt	195,133	198,085
Repayments of long-term debt	(162,561)	(229,711)
Repayments of lease liabilities (Notes 2 and 4)	(15,796)	(13,541)
Purchases and sales of treasury stock	(39,067)	(3)
Dividends paid	(68,301)	(69,524)
Transactions with non-controlling interests shareholders	(250)	5,262
Cash flows from financing activities	<u>(88,241)</u>	<u>22,111</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	15,394	(7,932)
Change in Cash and Cash Equivalents	(17,345)	31,555
Cash and Cash Equivalents at Beginning of Period	1,058,733	956,107
Cash and Cash Equivalents at End of Period	¥ 1,041,388	¥ 987,662

“Interest income, dividend income and interest expense”, “Interest received”, “Interest paid” and “Dividends received” of Condensed Consolidated Statements of Cash Flows include not only interest income, dividend income and interest expense that are included in “Finance Income (Costs)” of Condensed Consolidated Statements of Income, but also interest income, dividend income, interest expense that are included in Revenue and Cost respectively and cash flows related with them.

Notes to Condensed Consolidated Financial Statements
Mitsui & Co., Ltd. and subsidiaries

1. REPORTING ENTITY

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

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

The companies conduct sales, export, import, offshore trades and manufacture of products in the areas of “Iron & Steel Products,” “Mineral & Metal Resources,” “Energy,” “Machinery & Infrastructure,” “Chemicals,” “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. No significant changes have been made to the estimation of the impact relating to the spread of COVID-19 for the three-month period ended June 30, 2020.

III. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the Condensed Consolidated Financial Statements for the period ended June 30, 2020 are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

The companies applied the following new standards for Condensed Consolidated Financial Statements from April 1, 2020.

IFRS	Title	Summaries
IFRS 3	Business Combinations (amended in October 2018)	Amendment of definition of a business

Impacts from the application of IFRS 3 "Business Combinations" amended in October 2018 on the Condensed Consolidated Financial Statements are immaterial.

IV. CHANGES IN PRESENTATION

(Condensed Consolidated Statements of Cash Flows)

“Repayments of lease liabilities”, which was included in “Repayments of long-term debt” for the three-month period ended June 2019 is separately presented from the three-month period ended June 2020 in order to indicate the calculation of Core Operating Cash Flow whose formula has been altered from April 1, 2020. Condensed Consolidated Statements of Cash Flows for the three-month period ended June 2019 is reclassified to conform to this change in presentation.

As a result, the amount of ¥(243,252) million for the three-month period ended June 2019, which was presented in “Repayments of long-term debt” within “Cash Flows from Financing Activities” in the Condensed Consolidated Statements of Cash Flows for the three-month period ended June 2019 has been reclassified and presented as ¥(229,711) million for “Repayments of long-term debt” and as ¥(13,541) million for “Repayments of lease liabilities”.

3. BUSINESS COMBINATIONS

For the three-month period ended June 30, 2020

No material business combinations were completed during the three-month period ended June 30, 2020.

For the three-month period ended June 30, 2019

No material business combinations were completed during the three-month period ended June 30, 2019.

4. SEGMENT INFORMATION

Millions of Yen

Three-month period ended June 30, 2020:	Iron & Steel Products	Mineral & Metal Resources	Energy	Machinery & Infrastructure	Chemicals	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 57,530	¥ 281,624	¥ 174,350	¥ 242,473	¥ 273,958	¥ 442,305	¥ 47,771	¥ 1,520,011
Gross Profit.....	¥ 5,447	¥ 50,266	¥ 25,647	¥ 26,736	¥ 29,933	¥ 27,797	¥ 23,203	¥ 189,029
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ (1,874)	¥ 13,395	¥ 5,682	¥ 17,316	¥ 914	¥ (3,769)	¥ 2,321	¥ 33,985
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (1,263)	¥ 32,182	¥ 3,451	¥ 18,510	¥ 6,329	¥ (5,599)	¥ 10,536	¥ 64,146
Core Operating Cash Flow.....	¥ 1,589	¥ 41,860	¥ 36,426	¥ 12,926	¥ 15,673	¥ 3,589	¥ 12,732	¥ 124,795
Total Assets at June 30, 2020.....	¥ 525,889	¥ 2,033,460	¥ 2,331,259	¥ 2,218,646	¥ 1,193,164	¥ 1,903,788	¥ 1,130,794	¥ 11,337,000

Millions of Yen

Three-month period ended June 30, 2020:	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 1,756	¥ 1	¥ 1,521,768
Gross Profit.....	¥ 226	¥ 452	¥ 189,707
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 66	¥ (48)	¥ 34,003
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (6,570)	¥ 4,981	¥ 62,557
Core Operating Cash Flow.....	¥ (9,320)	¥ (4,631)	¥ 110,844
Total Assets at June 30, 2020.....	¥ 6,987,545	¥ (6,838,498)	¥ 11,486,047

Millions of Yen

Three-month period ended June 30, 2019 (As restated):	Iron & Steel Products	Mineral & Metal Resources	Energy	Machinery & Infrastructure	Chemicals	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 58,099	¥ 277,919	¥ 178,500	¥ 173,156	¥ 403,695	¥ 504,802	¥ 36,636	¥ 1,632,807
Gross Profit.....	¥ 6,413	¥ 61,792	¥ 34,280	¥ 30,109	¥ 31,834	¥ 36,602	¥ 8,400	¥ 209,430
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 2,927	¥ 16,279	¥ 22,146	¥ 25,820	¥ 3,497	¥ 4,487	¥ 3,461	¥ 78,617
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 1,531	¥ 48,990	¥ 40,393	¥ 17,315	¥ 4,086	¥ 7,572	¥ 2,108	¥ 121,995
Core Operating Cash Flow.....	¥ 171	¥ 57,679	¥ 58,719	¥ 18,243	¥ 6,501	¥ 7,401	¥ (2,105)	¥ 146,609
Total Assets at March 31, 2020.....	¥ 539,599	¥ 1,921,883	¥ 2,566,282	¥ 2,360,321	¥ 1,217,737	¥ 1,907,621	¥ 1,198,286	¥ 11,711,729

Millions of Yen

Three-month period ended June 30, 2019 (As restated):	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 315	¥ (2)	¥ 1,633,120
Gross Profit.....	¥ (199)	¥ -	¥ 209,231
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 25	¥ (169)	¥ 78,473
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (1,409)	¥ 4,450	¥ 125,036
Core Operating Cash Flow.....	¥ 1,955	¥ (6,209)	¥ 142,355
Total Assets at March 31, 2020.....	¥ 7,142,647	¥ (7,048,084)	¥ 11,806,292

- Notes:(1)“All Other” includes of the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies. Total Assets of “All Other” at June 30, 2020 and March 31, 2020 includes cash, cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.
- (2)Transfers between reportable segments are made at cost plus a markup.
- (3)Profit (Loss) for the Period Attributable to Owners of the parent of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
- (4)Formerly, Core Operating Cash Flow was calculated by eliminating the sum of the “Changes in Operating Assets and Liabilities” from “Cash Flows from Operating Activities” as presented in the Condensed Consolidated Statements of Cash Flows. From the three-month period ended June 30, 2020, it is calculated by additionally deducting the “Repayments of lease liabilities” as presented in the “Cash Flows from Financing Activities”. In accordance with this change, Core Operating Cash Flow for the three-month period ended June 30, 2019 has been restated.
- (5)In order to accelerate our multifaceted, flexible initiatives that combine various kinds of knowledge from different business domains, the business of next-generation electric power was transferred from the “Machinery & Infrastructure” segment to the “Energy” segment, in conjunction with the creation of the Energy Solutions Business Unit in “Energy” segment, from the three-month period ended June 30, 2020. In accordance with this change, the segment information for the three-month period ended June 30, 2019 has been restated to conform to the current period presentation.

5. REVENUE

Among "Revenue", the disaggregation of revenue recognized from contracts with customers by product segment is as follows. The following categories are same as in Note.4 "Segment Information". Please refer to Note.4 "Segment information" for the details of the restatement for the three-month period ended June 30, 2019. Revenue other than revenue recognized from contracts with customers includes revenue related to lease and financial instruments, etc.

Millions of Yen									
Three-month period ended June 30, 2020	Iron & Steel Products	Mineral & Metal Resources	Energy	Machinery & Infrastructure	Chemicals	Lifestyle	Innovation & Corporate Development	All Others	Total
Revenue recognized from contracts with customers	¥ 55,406	¥ 225,799	¥ 113,827	¥ 226,389	¥ 268,028	¥ 352,823	¥ 32,449	¥ 1,795	¥ 1,276,516

Millions of Yen									
Three-month period ended June 30, 2019:	Iron & Steel Products	Mineral & Metal Resources	Energy	Machinery & Infrastructure	Chemicals	Lifestyle	Innovation & Corporate Development	All Others	Total
Revenue recognized from contracts with customers	¥ 56,101	¥ 225,695	¥ 132,261	¥ 147,374	¥ 398,301	¥ 382,547	¥ 30,318	¥ 844	¥ 1,373,441

6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amount of acquisitions of property, plant and equipment for the three-month period ended June 30, 2020 was ¥55,957 million and the amount of disposals was not material.

The amount of acquisitions of property, plant and equipment for the three-month period ended June 30, 2019 was ¥68,983 million and the amount of disposals was not material.

7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amounts of impairment losses for assets for the three-month period ended June 30, 2020 and 2019 were not material.

The amounts of reversals of impairment losses for assets for the three-month period ended June 30, 2020 and 2019 were not material.

8. ISSUES AND REPAYMENTS OF BONDS

The total amount of repaid bonds for the three-month period ended June 30, 2020 was none.

The total amount of issued bonds for the three-month period ended June 30, 2020 was none.

The total amount of repaid bonds for the three-month period ended June 30, 2019 was none.

The total amount of issued bonds for the three-month period ended June 30, 2019 was none.

9. EQUITY

Changes in other components of equity for the three-month periods ended June 30, 2020 and 2019 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Financial Assets Measured at FVTOCI:		
Balance at beginning of period	¥ 7,479	¥ 356,498
Increase (decrease) during the period	72,354	17,439
Transfer to retained earnings	(2,345)	(1,053)
Balance at end of period	¥ 77,488	¥ 372,884
Remeasurements of Defined Benefit Pension Plans:		
Balance at beginning of period	¥ -	¥ -
Increase (decrease) during the period	(1,623)	(209)
Transfer to retained earnings	1,623	209
Balance at end of period	¥ -	¥ -
Foreign Currency Translation Adjustments:		
Balance at beginning of period	¥ (177,143)	¥ 124,506
Increase (decrease) during the period	58,987	(95,748)
Balance at end of period	¥ (118,156)	¥ 28,758
Cash Flow Hedges:		
Balance at beginning of period	¥ (54,246)	¥ (17,734)
Increase (decrease) during the period	(31,963)	(16,408)
Balance at end of period	¥ (86,209)	¥ (34,142)
Total:		
Balance at beginning of period	¥ (223,910)	¥ 463,270
Increase (decrease) during the period	97,755	(94,926)
Transfer to retained earnings	(722)	(844)
Balance at end of period	¥ (126,877)	¥ 367,500

10. DIVIDENDS

During the three-month periods ended June 30, 2020 and 2019, the Company paid dividends of ¥40 per share (total dividend of ¥68,301 million) and ¥40 per share (total dividend of ¥69,524 million), respectively.

11. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the three-month periods ended June 30, 2020 and 2019:

	Three-month Period Ended June 30, 2020			Three-month Period Ended June 30, 2019		
	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:	¥ 62,557	1,694,435	¥ 36.92	¥ 125,036	1,738,073	¥ 71.94
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.	(5)	—		(12)	-	
Stock options	—	907		-	1,183	
Diluted earnings per share attributable to owners of the parent:	¥ 62,552	1,695,342	¥ 36.90	¥ 125,024	1,739,256	¥ 71.88

12. CONTINGENT LIABILITIES

I. GUARANTEES

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

The table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of June 30, 2020 and March 31, 2020. The maximum potential amount of future payments represents the amount without consideration of possible recovery 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 through 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 of performing guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at June 30, 2020.

	Millions of Yen			
	Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
June 30, 2020				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties	¥ 93,955	¥ 55,730	¥ 1,946	¥ 53,784
Guarantees for investments accounted for using the equity method	1,089,114	785,482	110,302	675,180
Performance guarantees				
Guarantees for third parties	39,534	37,453	19,383	18,070
Guarantees for investments accounted for using the equity method	65,129	59,190	1,730	57,460
Total	<u>¥ 1,287,732</u>	<u>¥ 937,855</u>	<u>¥ 133,361</u>	<u>¥ 804,494</u>

Millions of Yen				
	Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
March 31, 2020				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties	¥ 95,085	¥ 56,037	¥ 2,018	¥ 54,019
Guarantees for investments accounted for using the equity method	1,101,608	779,288	93,005	686,283
Performance guarantees				
Guarantees for third parties	38,831	36,333	19,146	17,187
Guarantees for investments accounted for using the equity method	65,591	59,646	1,747	57,899
Total	<u>¥ 1,301,115</u>	<u>¥ 931,304</u>	<u>¥ 115,916</u>	<u>¥ 815,388</u>

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of June 30, 2020 and March 31, 2020 will expire through 2027.

Guarantees for investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of June 30, 2020 and March 31, 2020 will expire through 2031.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of June 30, 2020 and March 31, 2020.

Millions of Yen				
	June 30, 2020		March 31, 2020	
Within 1 year	¥	534,228	¥	523,950
After 1 to 5 years		212,455		223,538
After 5 years		541,049		553,627
Total	<u>¥</u>	<u>1,287,732</u>	<u>¥</u>	<u>1,301,115</u>

II. LITIGATION

Various claims and legal actions are pending against the companies in respect of contractual obligations and other matters arising from the conduct of the companies' businesses. 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.

(TAXATION ON CAPITAL GAIN IN INDIA)

Earlyguard Limited ("EG"), a UK subsidiary of Mitsui & Co., Ltd., received a tax payment notice dated January 21, 2020 which requested payment of 24 billion Indian Rupees (¥37 billion) from Indian tax authority.

The taxable income of this notice is the capital gain on sales of Finsider International Company Limited (a UK company that owned 51% of Sesa Goa, an Indian iron ore company) shares held by EG in April 2007. Although EG treated the capital gain properly according to the tax laws at that time, the tax payment notice has been issued. The company does not expect a significant impact on our consolidated financial position, operating results and cash flow at this stage.

13. FAIR VALUE MEASUREMENT

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 establishes the fair value hierarchy that may be used to measure fair value, which is provided as follows.

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

Level 1:

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

Level 2:

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

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

Level 3:

Unobservable inputs for the assets or liabilities.

(1) Valuation techniques

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

Trades and other receivables

- Trades and other receivables other than measured at amortized cost are measured at fair value.

- Trades and other receivables other than measured at amortized cost are measured at fair value principally using the discounted cash flow method and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the customer. They are classified as level 3, considering the degree to which the inputs are observable in the relevant markets.

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 in an active market and classified as level 1.
- Non-marketable other investments are measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. They are classified as level 3, considering the degree to which the inputs are observable in the relevant markets.

Derivative Instruments

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

Inventories

- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of June 30, 2020 and March 31, 2020 were not material.

(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 of the Company. All of the valuations, including those performed by the external experts, are reviewed and approved by the responsible personnel of the Company.

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and March 31, 2020 were as follows. No assets or liabilities were transferred between level 1 and 2 for the three-month period ended June 30, 2020 and for the three-month period ended June 30, 2019.

June 30, 2020	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Trades and other receivables:					
Loan measured at FVTPL	-	-	¥ 22,437		
Total trades and other receivables	-	-	¥ 22,437	-	¥ 22,437
Other investments:					
Financial assets measured at FVTPL ...	¥ 15,558	-	¥ 110,243		
Financial assets measured at FVTOCI ...	746,605	-	667,284		
Total other investments	¥ 762,163	-	¥ 777,527	-	¥ 1,539,690
Derivative assets:					
Foreign exchange contracts	-	¥ 48,173	-		
Interest rate contracts	-	69,316	-		
Commodity contracts	¥ 31,834	781,414	¥ 465		
Others	-	-	14,646		
Total derivative assets	¥ 31,834	¥ 898,903	¥ 15,111	¥ (652,573)	¥ 293,275
Inventories.....	-	¥ 94,837	-	-	¥ 94,837
Total assets	¥ 793,997	¥ 993,740	¥ 815,075	¥ (652,573)	¥ 1,950,239
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	-	¥ 24,713	-		
Interest rate contracts	-	17,622	-		
Commodity contracts	¥ 22,542	780,092	¥ 1,110		
Others	-	-	4,042		
Total derivative liabilities	¥ 22,542	¥ 822,427	¥ 5,152	¥ (663,004)	¥ 187,117
Total liabilities	¥ 22,542	¥ 822,427	¥ 5,152	¥ (663,004)	¥ 187,117

Millions of Yen

March 31, 2020	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Trades and other receivables:					
Loan measured at FVTPL	-	-	¥ 22,698		
Total trades and other receivables	-	-	¥ 22,698	-	¥ 22,698
Other investments:					
Financial assets measured at FVTPL ...	¥ 14,564	-	¥ 115,940		
Financial assets measured at FVTOCI ...	645,455	-	671,358		
Total other investments	¥ 660,019	-	¥ 787,298	-	¥ 1,447,317
Derivative assets:					
Foreign exchange contracts	-	¥ 72,829	-		
Interest rate contracts	-	68,559	-		
Commodity contracts	¥ 46,845	1,461,687	¥ 515		
Others	-	-	13,901		
Total derivative assets	¥ 46,845	¥ 1,603,075	¥ 14,416	¥ (1,162,685)	¥ 501,651
Inventories	-	¥ 105,482	-	-	¥ 105,482
Total assets	¥ 706,864	¥ 1,708,557	¥ 824,412	¥ (1,162,685)	¥ 2,077,148
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	-	¥ 37,517	-		
Interest rate contracts	-	18,910	-		
Commodity contracts	¥ 38,445	1,430,142	¥ 2,083		
Others	-	-	8,422		
Total derivative liabilities	¥ 38,445	¥ 1,486,569	¥ 10,505	¥ (1,176,048)	¥ 359,471
Total liabilities	¥ 38,445	¥ 1,486,569	¥ 10,505	¥ (1,176,048)	¥ 359,471

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

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

The balance at beginning of period of the loan measured at FVTPL was ¥22,698 million and the balance of period of it was ¥22,437 million for the three-month period ended June 30, 2020.

The balance at beginning of period of the loan measured at FVTPL was ¥22,415 million and the balance of period of it was ¥21,769 million for the three-month period ended June 30, 2019.

There was no material movement other than its exchange rate change during the three-month period ended June 30, 2020 and 2019.

The reconciliation of financial assets measured at FVTPL for the three-month period ended June 30, 2020 and 2019 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Balance at beginning of period	¥ 115,940	¥ 111,504
Gains (losses)	(4,531)	1,696
Purchases	5,020	5,226
Sales	(6,112)	(6,035)
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Others (Note)	(74)	(2,880)
Balance at end of period	¥ 110,243	¥ 109,511
Net change in unrealized gains (losses) still held at end of period	¥ (4,585)	¥ 1,547

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

Gains (losses) related to financial assets measured at FVTPL ("FVTPL gains (losses)") were included in "Revenue" and "Gain (loss) on securities and other investments-net".

The reconciliation of financial assets measured at FVTOCI for the three-month period ended June 30, 2020 and 2019 were as follows:

	Millions of Yen	
	Three-month period ended June 30, 2020	Three-month period ended June 30, 2019
Balance at beginning of period	¥ 671,358	¥ 762,857
Other comprehensive income.....	(10,761)	8,452
Purchases	2,374	4,050
Sales	(1,834)	(1,084)
Transfers into Level 3	-	-
Transfers out of Level 3 (Note1)	-	(2,175)
Others (Note2)	6,147	(2,316)
Balance at end of period	¥ 667,284	¥ 769,784

Note 1:“Transfers out of Level 3” is due to the transfer into Level 1 as the initial public offering of the shares.

Note 2:“Others” includes the effect of changes in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in “Financial assets measured at FVTOCI” and "Foreign currency translation adjustmnet" in Condensed Consolidated Statements of Comprehensive Income.

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of June 30, 2020 and March 31, 2020 were as follows:

June 30, 2020	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.3% ~ 17.5%

March 31, 2020	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.2% ~ 13.3%

In addition to the above, the price of crude oil is one of the significant unobservable inputs used in measuring the fair value of non-marketable equity securities related to LNG business. The Company forecasts that Brent Crude price will be in a range of US\$30/bbl to US\$80/bbl, considering the recent declined market price reflecting the impact of COVID-19 and the failure to reach agreement by OPEC Plus to cut oil production, and based on several third parties’ mid-long term forecasts.

Information about sensitivity to changes in significant unobservable inputs

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

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

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

The fair values of financial instruments as of June 30, 2020 and March 31, 2020 were as follows. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts reasonably approximate their fair values.

	Millions of Yen			
	June 30, 2020		March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Other investments measured at amortized cost	¥ 37,062	¥ 37,701	¥ 37,105	¥ 37,553
Non-current receivables				
Trade and other receivables and Other financial assets (*)	580,311	580,331	608,433	608,433
Non-current liabilities				
Long-term debts, less current portion and Other financial liabilities (*)	¥ 4,298,546	¥ 4,357,684	¥ 4,334,497	¥ 4,399,197

(*)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.

14. RECOVERABILITY OF DEFERRED TAX ASSETS IN MITSUI E&P MOZAMBIQUE AREA 1 LIMITED ACCOUNTED FOR USING THE EQUITY METHOD

In the three-month period ended June 30, 2019, the Company, together with its business partners, made a final investment decision on the Mozambique LNG project through Mitsui E&P Mozambique Area 1 Limited, its joint venture in the Energy Segment which owns an interest in the LNG project.

Due to this final investment decision, the joint venture recognized deferred tax assets mainly for the exploration expenses occurred in prior years, and gain of ¥13,158 million have been recognized in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method” in Condensed Consolidated Statements of Income for the three-month period ended June 30, 2019.

15. THE FIRE INCIDENT OF INTERCONTINENTAL TERMINALS COMPANY LLC

On March 17, 2019 (US time) a fire began at the Deer Park tank terminal of Intercontinental Terminals Company LLC (“ITC”), a wholly owned U.S. subsidiary of Mitsui & Co., Ltd. The Deer Park tank terminal is located in the outskirts of Houston, Texas. The fire partially damaged tanks owned by ITC. ITC has resumed its operation after discussions with related authorities. Harris County Fire Marshal's Office released its final report with respect to the fire incident on December 6, 2019 (US time) and the report classified the fire as accidental, while not specifying the cause of the fire. The cause of the fire is still under investigation by other relevant authorities.

The profit and loss related to this incident recognized in the three-month period ended June 30, 2020 and 2019, and the outstanding balance of related provision as of June 30, 2020 are immaterial.

There are multiple lawsuits that have been brought against ITC in relation to this incident. These lawsuits are at the early stages and the ultimate outcome of these lawsuits is not expected to have significant impact on our consolidated financial position, operating results and cash flow.

16. SUBSEQUENT EVENTS

The Issuance of New Shares under the Remuneration System of Share Performance-Linked Restricted Stock

At a meeting held on July 10, 2020, the Board of Directors of the Company resolved to issue new shares under the remuneration system of share performance-linked restricted stock, and the payment of new shares have been completed on August 7, 2020. The details are as follows.

- (1) Type and number of shares issued : Ordinary shares in Mitsui & Co., Ltd., 384,602 shares
- (2) Issue price : 1,585 yen per share
- (3) Total value of issue : 609,594,170 yen
- (4) Pay-in date : August 7, 2020
- (5) Categories and numbers of persons eligible for allocations, numbers of shares allocated :
 - Directors (excluding external director) 9 persons, 201,752 shares
 - Managing Officers 28 persons, 182,850 shares

Introduction of Share-Based Compensation Plan for Employees

At a meeting held on July 31, 2020, the Board of Directors of the Company resolved the introduction of a share-based compensation plan for employees (Stock grant trust for employees, the "Plan"). Objectives of the introduction of the Plan are that diverse employees continue to work for "Transformation and Growth" together with its management based on the Medium-term Management Plan 2023 announced in May 2020, and further strengthen our commitment to enhancing our corporate value over the medium-to-long term. Cash entrusted for the acquisition of the shares is ¥6,900 million. Trust period is planned from August 2020 to the end of August 2023.

17. 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 Takakazu Uchida, Representative Director, Executive Vice President and CFO, on August 11, 2020.