



# **N**ewsletter to **S**hareholders

2013 Winter



**MITSUI & CO., LTD.**

Securities Identification Code: 8031

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<b>Name:</b>	MITSUI & CO., LTD.
<b>Establishment:</b>	July 25, 1947
<b>Common stock:</b>	¥341,481,648,946 (As of September 30, 2013)
<b>Number of employees:</b>	Consolidated 45,148 Mitsui 6,167
<b>Number of offices:</b>	Domestic 12 Overseas 135
<b>Number of affiliates for consolidation:</b>	Subsidiaries 268 Associated Companies 142
<b>Website:</b>	<a href="http://www.mitsui.com/jp/en">http://www.mitsui.com/jp/en</a>

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Date of Issue: November 29, 2013

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### **A Cautionary Note on Forward-Looking Statements:**

This material contains statements (including figures) regarding Mitsui & Co., Ltd. ("Mitsui")'s corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the views of Mitsui's management but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements. These include, but are not limited to, (i) change in economic conditions that may lead to unforeseen developments in markets for products handled by Mitsui, (ii) fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions, (iii) adverse political developments that may create unavoidable delays or postponement of transactions and projects, (iv) changes in laws, regulations, or policies in any of the countries where Mitsui conducts its operations that may affect Mitsui's ability to fulfill its commitments, and (v) significant changes in the competitive environment. In the course of its operations, Mitsui adopts measures to control these and other types of risks, but this does not constitute a guarantee that such measures will be effective.



# Message to Our Shareholders

## First Half of the Year Ending March 31, 2014

**Masami Iijima**  
President and Chief Executive Officer

Along with thanking our shareholders for their continued support, I would like to take this opportunity to report on the Company's financial results for the first half of the year ending March 31, 2014.



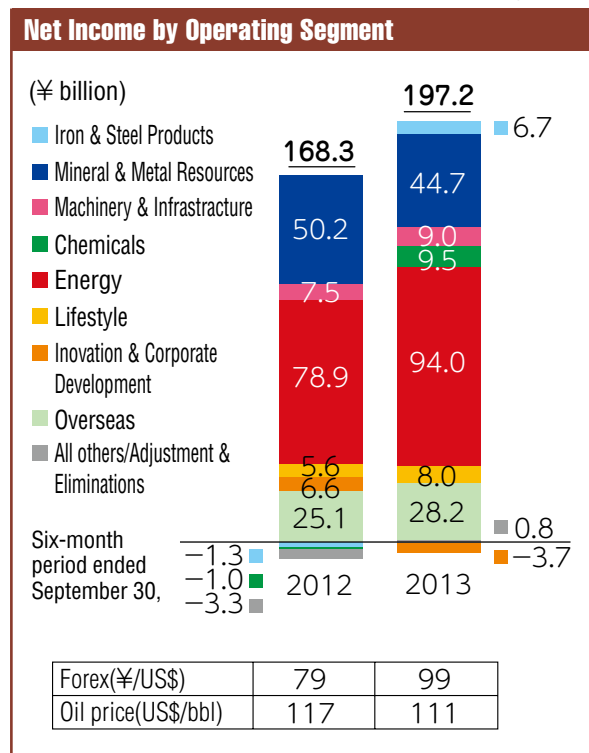
### Consolidated financial results for the first half of the year ending March 31, 2014

#### Net income\*1 of ¥197.2 billion, a solid achievement relative to our initial forecast

Despite continued concerns of weakness, the global economy showed a gradual trend of recovery during the first half of the year ending March 31, 2014, led by growth in Japan, the United States, and China. The Japanese economy continues to recover, with a high level of consumer spending and strong growth in public investment as part of the government's economic stimulus policies. The U.S. economy is driving growth in the global economy with continued steady improvement in employment figures and a trend of gradual recovery in consumer spending, capital investment, and housing investment, despite the concerns related to the tapering of the third round of quantitative easing (QE3) and the government debt ceiling issue. Some concern is also being expressed about a slowdown in the Chinese economy; however, with the government's additional infrastructure investments, the GDP growth rate rose to 7.8% for the July–September quarter, and market uncertainty is abating and commodity prices are stable. On the other hand, we expect a full-fledged economic recovery in Europe is likely to require more time. Although some sense of uncertainty regarding the outlook for the global economy as a whole cannot be completely put aside, we expect gradual growth to continue

going forward.

In such an operating environment, net income for the first half of the year ending March 31, 2014 was ¥197.2 billion, an increase of ¥28.9 billion from ¥168.3 billion for the previous



Please refer to page 10-11 for more information.

\*1. In this report, "net income" refers to consolidated net income attributable to Mitsui & Co., Ltd.

year. This marked the roughly 53% achievement of our initial forecast for full-year net income of ¥370.0 billion. Prices for coal, crude oil, and iron ore were lower than in the corresponding period of the previous year, and we recorded an impairment loss on copper mine development investment. However, we were still able to record profit growth, mainly from the effect of the depreciation of the Japanese yen, increased production volume from the expansion of iron ore and crude oil and gas projects, increased dividend income from LNG projects, recovery in trading activities of Chemicals and Iron & Steel Products, and solid automobile sales, especially in South America and Asia.

## Maintaining a strong financial position

Looking at our balance sheet, total assets increased to ¥10.4 trillion on new and additional investments, and total shareholder

equity increased to ¥3.4 trillion on an increase in retained earnings and higher stock prices. The net debt-to-equity ratio (net DER)<sup>\*2</sup>—an indicator of financial soundness that shows the balance between borrowings and total shareholders' equity—stood at 0.91 times, confirming that the Company continues to maintain a strong financial position.

Net cash provided by operating activities was ¥276.6 billion, representing a ¥49.5 billion year-on-year increase and demonstrating the strong cash-generating capability of our operations. Although cash outflow grew ¥42.4 billion year on year in line with higher working capital, increases of ¥11.7 billion in operating income and of ¥64.7 billion in dividend income from investments were the main factors behind the rise in net cash inflow. Free cash flow<sup>\*3</sup> was a net outflow of ¥172.8 billion, representing investments primarily in the Metals, Energy, and Machinery & Infrastructure business areas.

## Progress under the investment and loan plan

### Continuing to proactively make quality investments to strengthen our future earnings base

The strengthening of our earnings base is one of the key initiatives under the Medium-term Management Plan, and, to achieve this, we are investing in new quality projects and improving our existing assets. Investments and loans made during the first half totaled ¥550.0 billion, versus a full-year plan of ¥1 trillion. In the Energy business area, we invested ¥205.0 billion for projects, including a newly acquired onshore oil field interest in Italy and the expansion of our existing shale oil and gas projects in the United States. Our ¥195.0 billion of outflows in the Metals business area included a participation in the Jimblebar iron ore mine and the expansion of our existing iron ore mines in Australia as well as an investment in the automotive components manufacturing operations in the Americas. In the Machinery & Infrastructure business area, outflows of ¥95.0 billion included water businesses, smart city development, and rolling stock for leasing.

Investments and Loans ( ¥billion)		
Business Area	Mar/2014 Plan	Mar/2014 1H Result
Metals	280	195
Machinery & Infrastructure	280	95
Chemicals	40	15
Energy	320	205
Lifestyle	50	30
Innovation & Corporate Development	30	10
Gross cash outflow	1,000	550
Divestiture	-170	-110
Net cash outflow	830	440

Please refer to page 10-11 for more information.

\*2. Net DER = net interest-bearing debt ÷ total shareholders' equity

Net interest-bearing debt = interest-bearing debt - (cash and cash equivalents + time deposits)

\*3. Free cash flow = net cash provided by operating activities + net cash used in investing activities

We also strategically recycled assets as part of our efforts to enhance the quality of our business portfolio. In addition to collections of loans and divestitures of real estate, we proactively sold equity holdings to generate returns from past investments, and we recovered cash in the amount of ¥110.0 billion. Accordingly, investments and loans less divestitures resulted in a net cash outflow of ¥440.0 billion.

We will further strengthen our earnings base during the second half of the current fiscal year. In the Metals and Energy business areas, we will continue to expand our highly competi-

tive existing interests. In the Machinery & Infrastructure business area, we will invest in power generation businesses in Brazil, Australia, and the United States as well as in integrated logistics business in Brazil, and FPSO (floating oil and gas production, storage, and offloading systems) leasing business for offshore oil fields in Brazil. As we continue to commercialize a diverse range of investment opportunities, we will be very selective allocating our capital and will strategically recycle assets to build a strong business portfolio for future growth and the transformation of our business model.

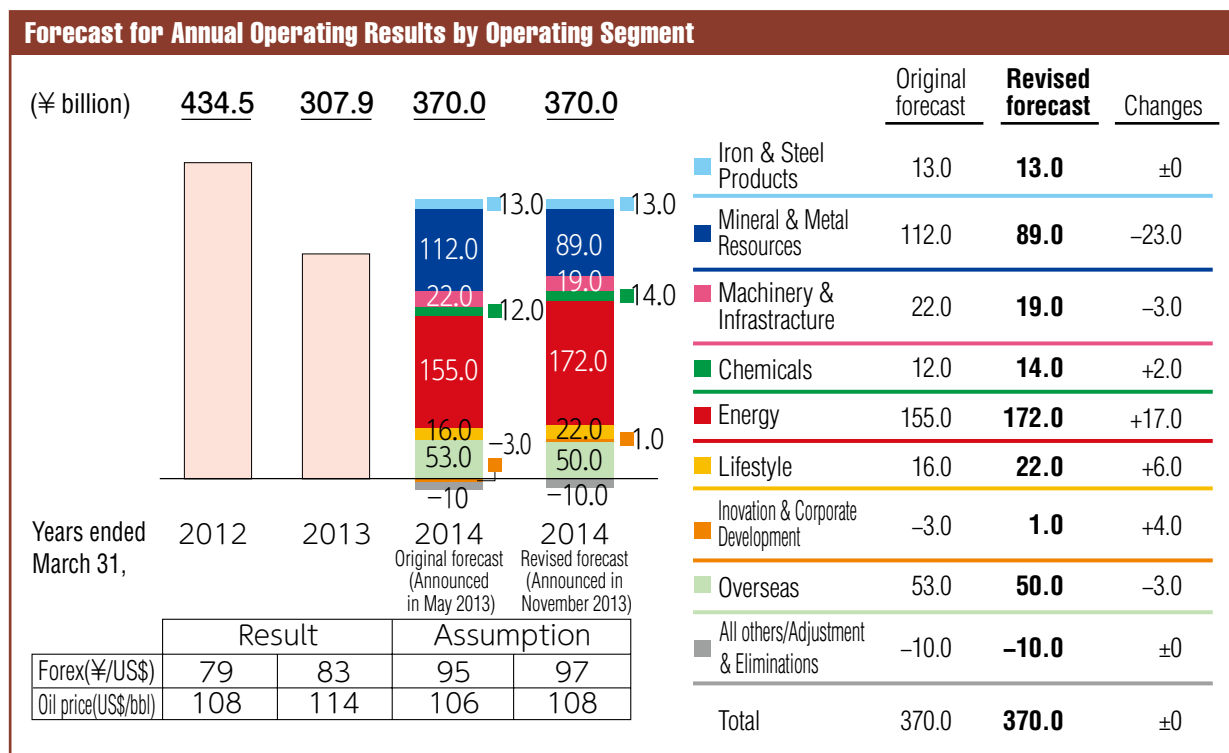
## Forecast for the year ending March 31, 2014

### Leaving initial forecast for net income of ¥370.0 billion unchanged

We are leaving our forecast for full-year net income of ¥370.0 billion unchanged from the initial forecast; however, we have adjusted the breakdown by segment.

We have increased our forecast for the Energy Segment by

¥17.0 billion from the initial forecast to reflect lower costs, the depreciation of the Japanese yen, and higher crude oil prices. For the Lifestyle and the Innovation & Corporate Development segments, we have raised our forecasts by ¥6.0 billion and ¥4.0 billion, respectively, to account for increased gains from strategic asset recycling. On the other hand, with the first half's



impairment loss on copper mine development investment and drop in coal prices, we have lowered our projection for the Mineral & Metal Resources Segment by ¥23.0 billion.

We will continue to closely monitor trends in commodity

prices and foreign exchange rates, and we will maintain a cautious and steady management to achieve net income of ¥370.0 billion.

## Dividend

### Forecasting an annual dividend of ¥51 per share (an ¥8 increase) for the year ending March 31, 2014 Interim dividend of ¥25 per share (a ¥3 increase)

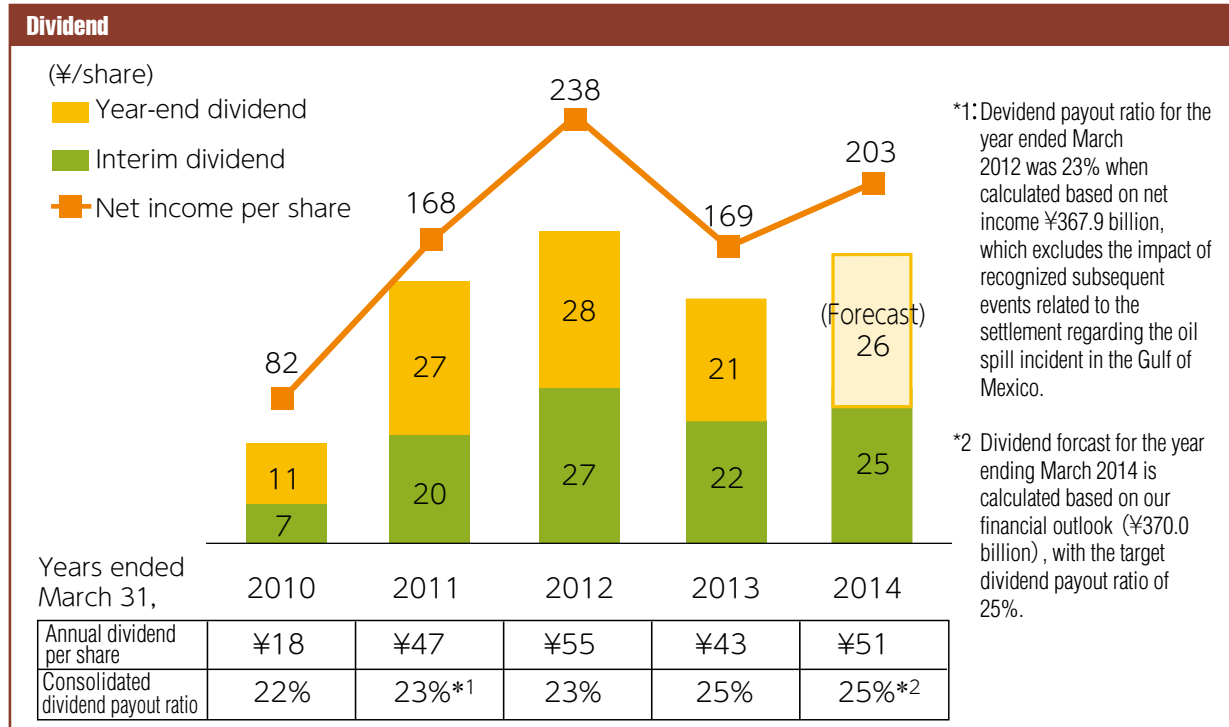
In order to increase corporate value and maximize shareholder value, we have sought to maintain an optimal balance between re-investment our retained earnings in areas that are our core strengths and growth, and directly providing returns to shareholders by paying out cash dividends based on a target dividend payout ratio of consolidated net income.

Under the current Medium-term Management Plan, while we principally aim for a steady increase in dividends through improvement in corporate performance, we will also consider more flexible compensation to the shareholders, provided that sufficient retained earnings for future business development is secured, and

we have set a minimum target dividend payout ratio of 25%.

Based on this dividend policy and our forecast for full-year consolidated net income of ¥370.0 billion, we currently envisage an annual dividend of ¥51 per share, an ¥8 increase from the year ended March 31, 2013. We have decided to pay roughly half that amount as an interim dividend of ¥25 per share, a ¥3 year-on-year increase.

We will continue to review the shareholder return policy, taking into consideration the operating environment, future trends in investment demand, free cash flow levels, interest-bearing debt, and return on equity.



## Creating new value by connecting people, businesses, and nations

Mitsui's mission is to connect people with people, companies with companies, and nations with nations and to create new businesses, enhance the value of businesses, and return the value created to society. Since our establishment, we have endeavored to understand the needs and gain the trust of customers, partners, and nations in a variety of areas and enhanced the competitiveness and value of our businesses by connecting people, nations, businesses, and ideas. Connecting people, businesses, and nations is the source of Mitsui's comprehensive strength and can be seen as our strength. For example, we deploy our comprehensive strength to address society's needs by connecting our various business activities, including shale gas and oil development and production in the United States, LNG exports from the United States to Japan and the rest of Asia; the production of chemical products using natural gas, including shale gas, as a raw material; the transportation of gas via pipelines; gas-fired thermal power generation; and the manufacture and sale of steel pipes for pipelines

and oil well excavation.

Moreover, as a company that was "born in Japan and raised around the world," Mitsui considers it important to enhance the competitiveness of domestic industries and revitalize Japan by connecting people, businesses, and nations. In addition to restoring industrial capacity to the regions recovering from the Great East Japan Earthquake and Tsunami, we will strive to contribute to Japan's economic development by connecting people and companies, and Japan and the world, through such activities as supporting the overseas expansion of Japanese companies with advanced technologies and accumulating knowledge and experience through overseas businesses in agriculture and healthcare in anticipation of the future deregulation of those fields.



I would like to ask for our shareholders' continued support and guidance as we pursue these challenges.



### Reconstruction support through our core businesses Completion of the Okumatsushima *Kizuna* Solar Park in Higashimatsushima City, Miyagi Prefecture

Mitsui has constructed a mega-solar power generation facility in Higashimatsushima City, Miyagi Prefecture, which suffered extensive damage from the Great East Japan Earthquake and Tsunami. The facility commenced operations in August 2013. We promoted the Okumatsushima *Kizuna* Solar Park project in cooperation with Higashimatsushima City as a way to support reconstruction efforts in the affected region through our corporate activities.

The facility has 14,616 solar panels erected on 47,000 square meters of coastal land area that experienced extensive damage, and it is able to generate about 2.10 million kilowatts—enough to supply electricity to roughly 600 households—annually. Matsushima is one of Japan's three most scenic areas, and, taking its scenery into consideration, trees have been planted in the area surrounding the site and spread local oyster shells on the ground.

In addition to this mega-solar power generation facility, Mitsui is supporting reconstruction through support for the building of marine product processing complex in Kesenuma City, Miyagi Prefecture and the construction of the Sendai Aquarium (provisional name).



# Financial Highlights

Overview of Result for the First Half of the Year Ending March 2014  
(from April 1, 2013 to September 30, 2013)

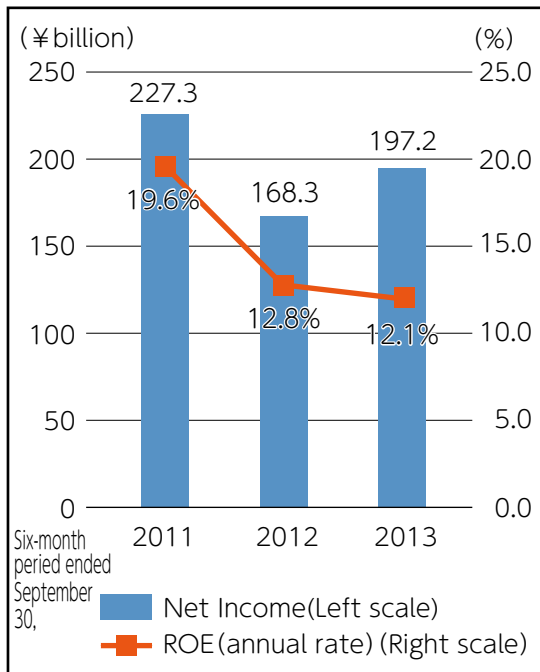
## Results of Operations

Net income increased by ¥28.9 billion

Net Income            ¥197.2 billion (+17% Y-on-Y)

ROE (annual rate)            12.1% (-0.7% Y-on-Y)

Net income for the first half of the year ending March 31, 2014 was ¥197.2 billion, an increase of ¥28.9 billion from the previous year. Commodity prices have declined from the same period of the previous year. On the other hand, major factors behind the increase in net income were increase in production volumes, the depreciation of the Japanese yen, increased dividends from LNG projects, and recovery in trading activities of Chemicals and Iron & Steel Products. Return on equity (ROE) was 12.1% on an annual basis.



## Financial Condition

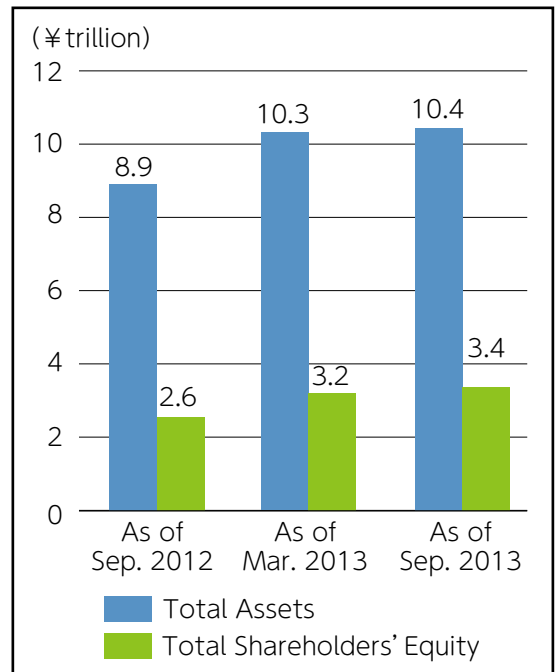
Total assets increased by ¥0.1 trillion

Total Assets            ¥10.4 trillion (+1% Y-on-Y)

Total Shareholders' Equity    ¥3.4 trillion (+5% Y-on-Y)

Total assets were ¥10.4 trillion as of September 30, 2013. Increase due to new and additional investments as well as acquisition of fixed assets was partly offset by decline in cash and trade receivables.

Total shareholders' equity was ¥3.4 trillion, an increase of ¥0.2 trillion due to an increase in retained earnings despite a decline in foreign currency translation adjustments.



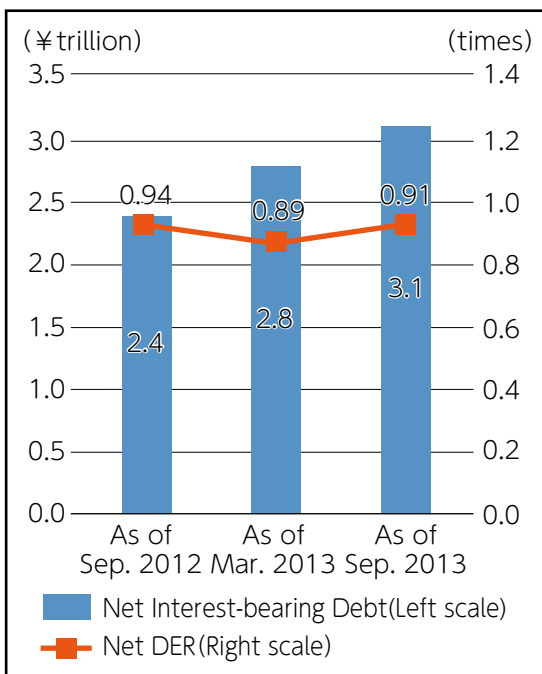


## Continue to maintain strong financial position

Net Interest-bearing Debt      ¥3.1 trillion (+7% Y-on-Y)

Net DER                              0.91 times (+0.02 points Y-on-Y)

Net interest-bearing debt as of September 30, 2013 was ¥3.1 trillion, an increase of ¥0.3 trillion from March 2013 due to increases in investment activities. Net debt-to-equity ratio (Net DER) rose by 0.02 points to 0.91 times from the level as of March 31, 2013.

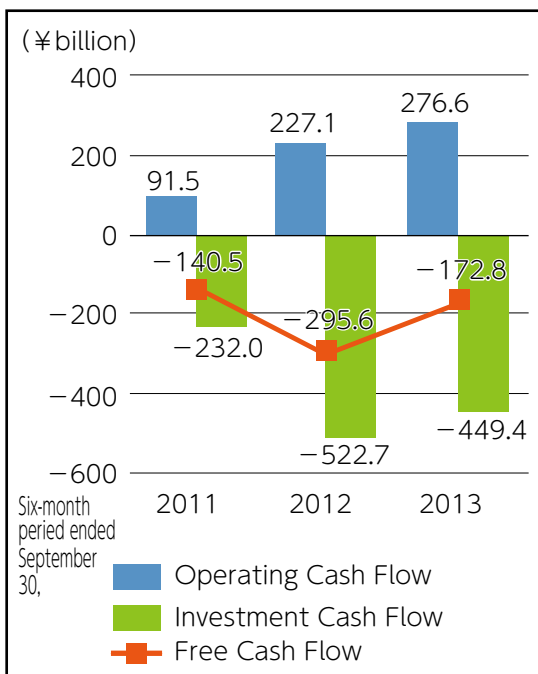


## Cash Flows

Free cash flow was a net outflow of ¥172.8 billion.

Operating Cash Flow                              ¥276.6 billion  
 Investment Cash Flow                              – ¥449.4 billion  
 Free Cash Flow                                        – ¥172.8 billion

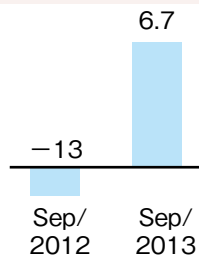
Net cash provided by operating activities was ¥276.6 billion, an increase of ¥49.5 billion from the previous year, reflecting our operating income and dividend income. Net cash used in investing activities was ¥449.4 billion mainly attributable to expenditures for new quality assets.



# Segment Overview

Overview of Result for the First Half of the Year Ending March 2014  
(from April 1, 2013 to September 30, 2013)

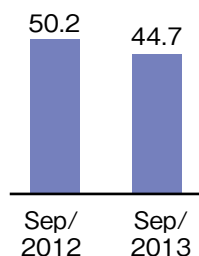
## Net Income by Operating Segment



### Iron & Steel Products Segment

(Summary of Increase/Decrease)

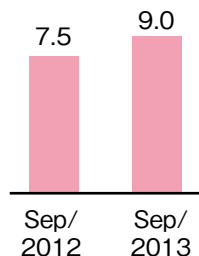
- ↑ Foreign exchange gains on foreign trade transactions
- ↑ Recovery of trading
- ↑ Impairment of iron & steel company shares (FY2013)



### Mineral & Metal Resources Segment

(Summary of Increase/Decrease)

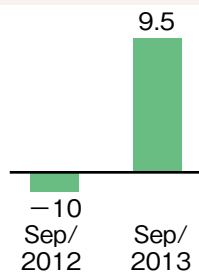
- ↓ Impairment loss on Caserones copper development in Chile
- ↑ Iron ore: Increases due to depreciation of Japanese yen and increase in sales volume



### Machinery & Infrastructure Segment

(Summary of Increase/Decrease)

- ↑ IPP: Mark-to-market on derivatives increased
- ↑ Solid performance at automotive, mining and construction machinery businesses in South America
- ↓ R&D cost for aircraft engine development with GE



### Chemicals Segment

(Summary of Increase/Decrease)

- ↑ Gain on sale of shares in Daicel
- ↑ Recovery of petrochemical materials trading
- ↑ Impairment of shares in Mitsuishi Chemicals (FY2013)

## Investments and Loans by Business Area

### Metals Business Area

#### ● Gross cash outflow    ¥195 billion

- Acquisition of Jimblebar iron ore mine in Australia
- Australian iron ore expansion
- Automotive components in Americas
- Caserones copper development in Chile

#### ● Divestiture

- Redemption of preferred shares of Valepar
- Collection of loan for Codelco in Chile

\*Metals Business Area includes Iron & Steel Products and Mineral & Metal Resources segments.

### Machinery & Infrastructure Business Area

#### ● Gross cash outflow    ¥95 billion

- Water business in Czech
- Urban development of smart city
- Rolling stock lease

#### ● Divestiture

- Refinancing of FPSO project

### Chemicals Business Area

#### ● Gross cash outflow    ¥15 billion

- Expansion of U.S. chemical tank terminal
- Divestiture
- Sales of shares in Daicel

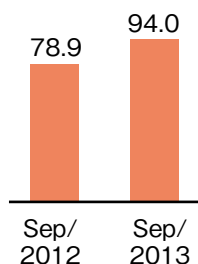
(¥ billion)

### Net Income by Operating Segment

### Investments and Loans by Business Area

#### Energy Segment

#### Energy Business Area

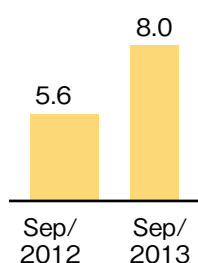


- (Summary of Increase/Decrease)
- ↑ Dividend / equity earnings from LNG projects increased
  - ↑ Oil & gas: Increases due to depreciation of Japanese yen and increase in sales volume
  - ↓ Coal and oil prices declined

- Gross cash outflow**    **¥205 billion**
- Onshore oil field in Italy
  - U.S. shale gas/oil development
  - Expansion of oil & gas and coal
- Divestiture**
- Sakhalin II capital redemption
  - Sales of U.S. ethanol business

#### Lifestyle Segment

#### Lifestyle Business Area



- (Summary of Increase/Decrease)
- ↑ Gain on sale of securities including Mikuni Coca-Cola Bottling
  - ↓ Impairment loss on equity investment

- Gross cash outflow**    **¥30 billion**
- Manufacture of intravenous products in India
  - Salmon farming in Chile
- Divestiture**
- Sales of European real estate

#### Innovation & Corporate Development Business Area

#### Innovation & Corporate Development Business Area

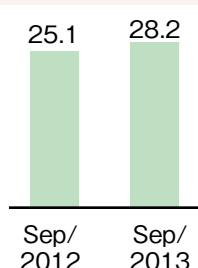


- (Summary of Increase/Decrease)
- ↓ Underperforming derivatives trading
  - ↓ Gain on sale of shares in Nihon Unisys (FY2013)

- Gross cash outflow**    **¥10 billion**
- Logistics facility in Japan
- Divestiture**
- Sales of shares in QIWI
  - Sales of shares in J-S Cube

#### Overseas\*

Investments and loans of three overseas segments are included in those of six business areas.



- (Summary of Increase/Decrease)
- ↑ EMEA: Gain on sale of office building
  - ↑ Asia Pacific: Earnings of resources and energy subsidiaries increased

\*Overseas includes the Americas, Europe, the Middle East and Africa, and Asia Pacific segments



# Contributing to a stable supply of safe, reliable food resources

Mitsui has more than 400 affiliated companies in Japan and around the world, and its daily business involves coordination with and among these affiliates. In this issue, we introduce Agricola Xingu S.A. and Multigrain S.A., which are engaged in grain production, origination, and sales operations mainly for soybeans in Brazil.

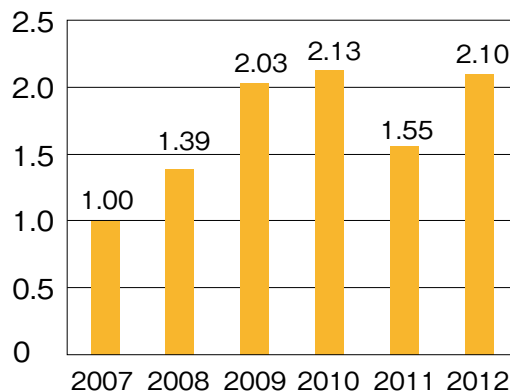
One of Xingu's soybean farms

## About Agricola Xingu S.A. and Multigrain S.A.

Agricola Xingu S.A. ("Xingu") and Multigrain S.A. ("Multigrain") are both consolidated subsidiaries. Xingu is engaged in agricultural production while Multigrain carries out grain origination and sales, mainly of soybeans in Brazil. Mitsui took an equity position in the Multigrain Group in 2007, subsequently increased its stake in stages, and made the company a wholly owned subsidiary in May 2011.

Agricultural producer Xingu owns farms covering approximately 120,000 hectares (roughly equivalent to half of the land area of Tokyo Metropolis) and produces soybeans, cotton, and corn. The operator of grain distribution, Multigrain collects soybeans produced by Xingu on its farms and by other producers in Brazil, with exports and domestic sales of soybeans totaling two million tons annually. The two companies combined have roughly 1,600 employees, with 8 staff dispatched from Mitsui's Head Office and 4 trainees. These are the core companies of Mitsui's grain business, and both are engaged in providing the stable supply of safe, reliable grain.

(million tons) Sales of Soybeans



## Addressing growing global demand for grain

According to United Nations' prospects, the global population is expected to grow from 7.2 billion in 2013 to 9.6 billion in 2050. Likewise, the consumption of the "four main grains"<sup>\*1</sup>—corn, rice, wheat, and soybeans—is forecast to grow from 2.28 billion tons

in 2011 to 2.65 billion tons in 2020. This growth in consumption makes the securing of food resources and the establishment of a stable supply structure critical issues for people around the world. Demand for grain will expand not only as food for a growing global population and in line with economic development but also for feed as increasingly diversified diets lead to the greater consumption of meat and dairy products. Demand for grain as a biofuel resource

\*1. Source: United States Department of Agriculture



will also continue to grow as movements to achieve a low-carbon society increase demand for biofuels. It is therefore important to secure stable sources of supply in regions with export capacity to address this growing global demand for grain. And this is why Mitsui is focusing on Brazil.

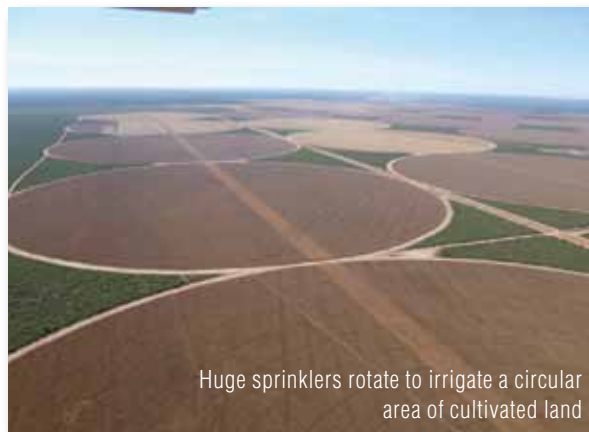
## **Brazil—one of the world's leading grain producing countries**

Looking at soybeans as an example, the United States and Brazil are the world's largest producers<sup>2</sup>, each with production of approximately 82 million tons annually. Brazil is the top exporter<sup>2</sup>, with approximately 41 million tons shipped annually, followed by the United States, with approximately 36 million tons annually. According to Food and Agricultural Organization of the United Nations (FAO) statistics<sup>3</sup>, Brazil has 264.5 million hectares of arable land, of which roughly 61 million hectares, or 23.1%, is being farmed. With considerable land available for agriculture, grain production volumes can be expected to grow going forward. We therefore consider Brazil to be one of the few countries that is able to address this expected global growth in demand for grain. As part of our strategy of establishing a stable supply structure for food resources based in the world's major grain production areas, we designated Brazil as a core country and became involved in grain production and origination and sales businesses in the country.

## **Contributing to the supply of safe, reliable food resources through our agricultural production**

One of the unique features of the grain operations of Mitsui is that it participates in agricultural production. In addition to securing stable sources of supply to address growing demand for food resources, we also consider it important to contribute to the supply of safe, reliable food resources through agricultural production, and for this reason we have been building an agricultural production business in Brazil since 2007.

Xingu owns farms in three states in Brazil. The farms cover approximately 120,000 hectares of land, of which roughly 70,000 hectares is cultivated, and produce soybeans, cotton, and corn. The land is gradually being cultivated, and, with this increase in area combined with soil improvements, Xingu is working to en-



Huge sprinklers rotate to irrigate a circular area of cultivated land

hance the fertility of the land and increase yields per hectare to raise production volume. Five to six years are required from the time the land is cultivated until the land's fertility is enhanced and yields increase, and this process requires sustained effort. We are also studying and moving forward with the installation of irrigation systems to reduce weather-related risks and the introduction of agricultural production management systems that use information technology to make large-scale agricultural businesses more efficient.

In addition, with Xingu operating its own agricultural production business, we have built an integrated management structure that spans agricultural production at Xingu to exports at Multigrain. This structure makes it possible to follow products from the manufacturing stage to final consumption (traceability), contributing to the maintenance of food safety.

Our agricultural production business represents a new business challenge. By continuing to develop this business in Brazil, which has the potential to increase its food resource production capacity, we will provide safe, reliable food resources to markets in Japan, the rest of Asia, and other regions.



Cotton (left) and corn (right)

<sup>2</sup>2. Source : United States Department of Agriculture, Estimates of as of September 2013

<sup>3</sup>3. Source : Value for 2009 "FAO Statistical Yearbook 2013–World food and agriculture"

## Non-GM soybeans for the Japanese market

Soybeans are a central ingredient in Japanese cuisine, with uses including miso, soy sauce, tofu, and natto(fermented soybeans). Japan has a self-sufficiency rate<sup>4</sup> for soybeans of 7% (22% for processed food-use soybeans, excluding soybeans used as an ingredient for salad oil and other oils); however, the country is highly dependent on imports of this food ingredient. Genetically modified (GM) soybeans have been cultivated since the mid-1990s, and in 2012 GM soybeans were planted on approximately 80% of land area used for soybean production globally. Non-GM soybean cultivation requires more effort and greater cost, and, as this production has been decreasing, Japan's demand for non-GM food-use soybeans has been growing.

Xingu addresses demand from Japan and other markets by producing non-GM soybeans. Mitsui is Japan's largest importer of non-GM soybeans, and roughly one-third of the non-GM food-

use soybeans it imports into Japan is produced on Xingu's farms. Also, at the request of Japanese food manufacturers, we are working to improve non-GM soybeans in line with customer needs. We will continue to connect Japan and Brazil going forward, delivering non-GM soybeans produced in Brazil to the Japanese market.



Harvesting soybeans

### Message from the CEO

**Hiroshi Uematsu,**  
CEO, Multigrain Group



Brazil is a major food resource country, with the world's largest untapped potential. And this is where Xingu and Multigrain operate their agricultural production and grain origination and sales businesses.

With vast landholdings, Xingu produces its own soybeans, cotton, and corn, and provides these safe, reliable agricultural products to customers. The agricultural production business is a strategic area for Mitsui. Agricultural management and the improvement of expertise and experience in raising production efficiency are the key to our operations, and in the future I hope to make use of these in development of agriculture in Japan and other countries.

The grain origination and sales business has built an

integrated structure for collecting grain from across Brazil and transporting it to and storing it at export ports, thereby providing for stable exports to grain importing countries around the world. Grain production volumes in Brazil's inland region have been growing dramatically, and the expansion of port facilities and rail transportation networks for conveying this grain to port does not catch up with the increase in volume of shipment. By providing efficient transportation, Multigrain not only contributes to stable supplies, but it is also able to export at more favorable conditions for the farmers in northeastern Brazil, which will lead to an increase in grain production.

By making maximum use of Mitsui's comprehensive strengths and global network, Multigrain will operate its business with a medium-to-long-term view to address global demand for grain. In addition, our 1,600 Brazilian employees are confident and proud that our business development is leading to the growth of Brazil's grain production and agricultural industry.

<sup>4</sup>. Source : Ministry of Agriculture, Forestry and Fisheries (the year ended March 31, 2012)

# NEWS FLASH

## Metals Business Area

### Acquisition of interest in Australia's Jimblebar iron ore mine

Along with ITOCHU Corporation, Mitsui has acquired shares of the company developing the Jimblebar iron ore mine from leading mining company BHP Billiton (Australia and the United Kingdom). Mitsui acquired its 7% equity interest for approximately US\$0.7 billion (roughly ¥66.5 billion).

Located in the state of Western Australia, Jimblebar is a large-scale mine that produces high-grade iron ore and contains abundant reserves. Development is currently under way for annual production capacity of 35 million tons, and the possibility of further expansion to 55 million tons is being considered.

Mitsui, BHP Billiton, and ITOCHU have a long term relationship in three iron ore joint ventures in Western Australia. Iron ore extracted from the Jimblebar mine will be shipped using railway and port facilities owned by these joint ventures. This acquisition will expand the supply capacity of Mitsui's iron ore business, addressing the expected growth in global demand for iron ore in the medium-to-long term.



Iron ore processing equipment and stock yard at Jimblebar iron ore mine, currently under development (source: BHP Billiton)

## Machinery & Infrastructure Business Area

### Construction of mega-solar power plant in Abiracho, Hokkaido

Mitsui and SB Energy, Inc., operator of the Softbank Group's renewable energy business, have agreed to jointly construct and operate a mega-solar power plant in Abiracho, Yufutsu-gun, Hokkaido.

The plant will be built on a 1.66 million square meter parcel of unused land for an industrial park, with construction having commenced in October 2013 and the start-up of operations targeted for winter 2015.

Maximum output is expected to be approximately 111,000 kilowatts, which would make this Japan's largest single solar power station. The volume of power generated is expected to be equivalent to the annual consumption needs of approximately 30,000 households.

Mitsui intends to build power plants using solar power and other renewable energy sources, targeting the achievement of a low-carbon society through its electric power businesses both in Japan and overseas.



Conceptual image of completed mega-solar power plant

## Chemicals Business Area

### Participation in methanol production business with Celanese Corporation

Mitsui and Celanese Corporation, a global technology and specialty materials company, have concluded an agreement for methanol production using natural gases, including shale gas, as raw materials. In light of the shale revolution in the United States, Mitsui has been focusing on the advantages of shale gas, which is expected to be price competitive with stable supplies.

The 50-50 joint venture will build one of the world's largest methanol plants—with an annual production capacity of 1.3 million tons—in the U.S. state of Texas, with operations expected to commence in 2015. Mitsui's share of the product will be sold mostly within the United States.

Methanol is used as a basic raw material in a wide range of industries, including the manufacture of adhesives, synthetic resins, energy related products, and petrochemical products. Sustained demand growth is predicted. By linking this initiative to its existing involvement in the U.S. shale gas business, Mitsui creates a gas value chain spanning all stages from natural gas to chemical products to contribute growth across a wide spectrum of industries.



Celanese methanol derivative (ethanol) plant

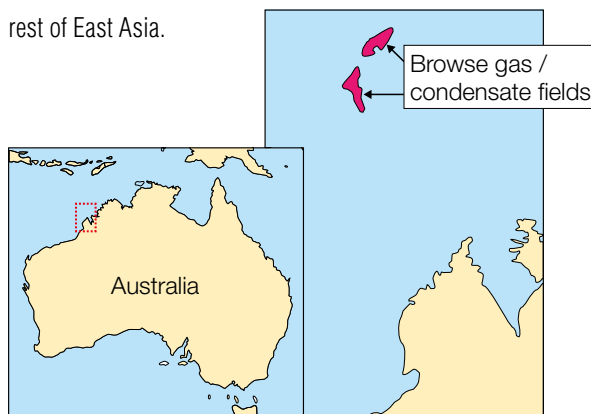
## Energy Business Area

### Progress at Browse LNG Project in Australia

Mitsui is participating in the Browse liquefied natural gas (LNG) project in Australia through Japan Australia LNG (MIMI) Pty. Ltd., a 50-50 joint venture with Mitsubishi Corporation. The project's partner companies have decided to consider a new development method called "floating LNG," which uses large-scale floating equipment for offshore production, processing and liquefaction, and the shipment of natural gas.

The joint venture initially considered the construction of an onshore liquefaction facility targeting final investment decision by the end of June 2013, however, pressure from rising costs led to a deterioration in commercial viability of the project and hence a decision to reconsider the development concept. The use of "floating LNG" will not only eliminate the construction expenses required to lay pipelines from the offshore gas fields to onshore facilities, but it is also expected to reduce outlays for sharply rising labor costs.

We aim to commercialize this project at an early date to contribute to a continued stable supply of energy to Japan and the rest of East Asia.





## Lifestyle Business Area

### Establishment of joint venture for large-scale agricultural production with major Brazilian agricultural producer

Mitsui has established an agricultural production joint venture with SLC AGRÍCOLA S.A. (“SLC”), Brazil’s largest agricultural producer, for the production of soybeans, cotton, and corn.

Mitsui launched its agricultural production business in Brazil in 2007, and its subsidiary AGRÍCOLA XINGU S.A. produces soybeans and other products on its own farms. The new joint venture began production, primarily of soybeans, in October 2013 on a portion of the land owned by AGRÍCOLA XINGU.

SLC is Brazil’s largest agricultural landowner, with a total of approximately 320,000 hectares (roughly equivalent to 1.5 times Tokyo’s land area), and has accumulated a great deal of experience in large-scale farming operations and sophisticated production management expertise. Working with SLC, we will strengthen our agricultural production business in Brazil, which has the capacity to increase its food resource production, and work to further expand the business to address global demand for grain by contributing to the stable supply of safe, reliable grains to Japan, the rest of Asia, and other markets.



Farm owned by AGRÍCOLA XINGU (section of which is used by the joint venture)

## Innovation & Corporate Development Business Area

### Settlement service business in Russia

QIWI Limited, a major operator of settlement service in Russia in which Mitsui took an equity stake in December 2010, listed its shares on the U.S. NASDAQ market in May 2013.

QIWI operates payment terminals that are widely used in Russia and other countries to pay mobile phone charges and various utility bills as well as an electronic payment business. The payment terminal service is provided through roughly 160,000 terminals across Russia that are used by approximately 60 million consumers every month. The electronic payment business caters to more than 14 million users of its settlement service, which is based on electronic currency.

In November 2012, QIWI announced a partnership with Visa Inc., of the United States, a provider of global settlement services mainly with credit cards, and the company continues to show solid growth.



QIWI payment terminal



## **Harnessing Mitsui's comprehensive strengths to expand the value chain in natural gas business**

Mitsui has stakes in oil and gas fields worldwide. In our shale gas business in the United States, we are leveraging our competitive upstream position and utilizing our comprehensive strengths to develop a liquefaction business and chemicals business, thereby expanding our value chain.

Marcellus Shale Gas Drilling

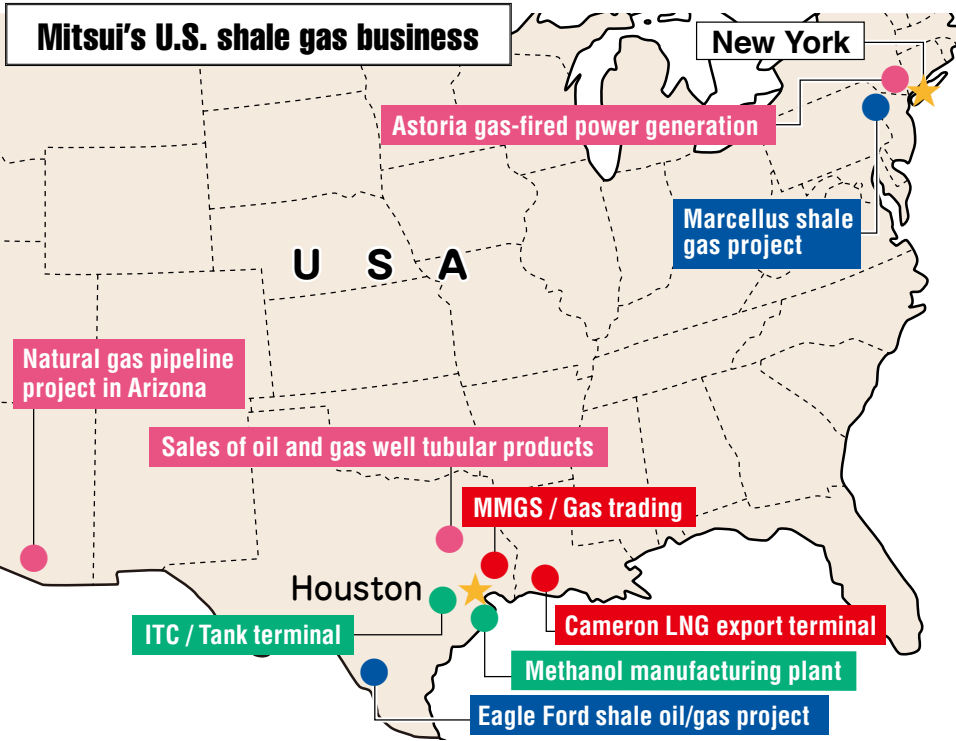
### **◆ U.S. upstream shale gas business**

The shale revolution in the United States has recently been receiving a great deal of media attention, but Mitsui's equity participation in the U.S. upstream shale gas business dates to 2010. At the time, in the course of our efforts to diversify energy supply sources and provide a stable supply of energy based on a global scale, we were one

of the first companies to focus on shale gas in the United States, for which full-fledged commercialization was just beginning.— We acquired an approximately 15.5% interest in the highly competitive shale gas project being developed by Anadarko Petroleum Corporation in Pennsylvania's Marcellus shale area. With several thousand wells to be drilled over 20-to-30 years, this is a long-term project with production expected to last for roughly 60 years.



Rig ©Anadarko Petroleum Corporation



In 2011, we acquired a 12.5% interest in another Anadarko project, a shale oil and gas development and production business in the Eagle Ford shale area

in Texas. The plan for this project is to drill several thousand wells over 10 years, with production expected to last roughly 30 years.

Shale gas is extracted by pumping large amounts of water into the shale stratum several thousand meters below ground, creating cracks and recovering the gas that escapes from the cracks in the stratum, in a process known as “hydraulic fracturing.” Each well at the Marcellus project

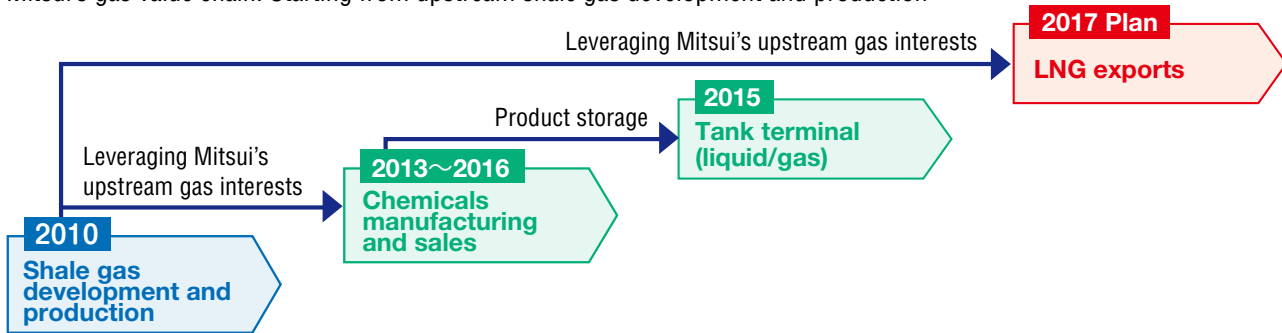


©Anadarko Petroleum Corporation

Utilizing water repeatedly, removing any impurities at treatment facilities



Mitsui's gas value chain: Starting from upstream shale gas development and production



◆ **LNG exports that contribute to the diversification of Japan's energy procurement sources**

In recent years, as gas supplies within the United States have become abundant due to the shale revolution, companies have begun considering changing over existing or planned LNG import terminals to export terminals, and the potential of LNG exports are fast approaching reality. Mitsui judged that the Cameron terminal operated by Sempra Energy in Louisiana was a promising site. We began jointly studying LNG exports with Sempra Energy in 2012, and in May 2013

Mitsui agreed with Sempra Energy to take a 16.6% equity interest in the project.

The terminal is expected to have 12 million tons of annual LNG export capacity. Utilizing one-third of this capacity which is equivalent to four million tons annually, Mitsui will supply natural the gas as raw material, liquefy the gas, receive the produced LNG and sell this LNG mainly in Japan and the rest of Asia. The procurement of raw material gas will be handled by Mitsui's wholly owned subsidiary MMGS Inc., which already sells gas produced at the Company's upstream shale interests and has a track record in selling natural gas in the United States.

Assuming the U.S. government approves natural gas exports from the projects to countries with which it has not concluded a free trade agreement, we aim to make a final investment decision in 2014 and to commence LNG production during the second half of 2017. By exporting LNG from the United States, Mitsui will expand the value chain of its shale gas business and contribute to the diversification of Japan's energy procurement sources.



Conceptual image of Cameron LNG export terminal



## ◆ Using Mitsui's comprehensive strengths to develop chemicals business

The Houston area, Texas, hosts the highest concentration of petroleum and petrochemical companies, and is expected to see even further development. Through our wholly owned subsidiary Intercontinental Terminals Company LLC ("ITC"), we own and operate a 1.8 million cubic meter tank terminal nearby Houston. This facility has been offering shipping and storage services for petroleum and petrochemical products to chemical companies and other customers for 40 years. With the shale revolution, demand for these services has grown in recent years, and we are investing in excess of ¥14 billion to expand the tank



ITC/tank terminal

terminal, targeting the first half of 2015 for the commencement of operations.

We are also promoting a methanol production business nearby Houston, using natural gases, including shale gas, as raw materials (see News Flash on page 16). Methanol is an important basic material in a wide range of industries, including automobiles, medicine, and energy, and demand is growing on a global scale. We are building one of the world's largest methanol manufacturing plants, with an annual production capacity of 1.3 million tons, through a 50-50 investment with our partner Celanese Corporation. We plan to make full use of Celanese's existing infrastructure, which will allow us to curb construction costs and at the same time start up the operations as early as in 2015.

These businesses are building a value chain from upstream shale gas development to chemicals business. Also, to further strengthen the earnings base of our chemicals business, we are studying the use of competitive natural gases of the United States as raw materials for joint businesses with Japanese chemical manufacturers that possess superior manufacturing technologies.

## ◆ Further expanding our shale gas value chain

In addition to the activities outlined above, we are rapidly expanding businesses rooted in the abundant shale gas resources in the U.S., including such areas as gas transportation via pipelines, gas-fired thermal power generation, and the supply of steel pipes for pipelines and oil well excavation. To proactively act on business opportunities, Mitsui established the Shale Gas Division in October 2013 as an internal, cross-organizational unit to plan and promote shale gas related businesses.

By deploying its comprehensive strengths, Mitsui is contributing to the creation of a rich and sustainable society through the stable supply of clean energies and chemical products that are key materials for a variety of industries.



## 16th recipients of the Mitsui-Bussan Scholarship Program for Indonesia visit Japan

CSR

Social and Environmental Activities



Based on its philosophy of “Focus on Human Resources,” Mitsui considers it important to promote the development of human resources that will contribute to society. One such activity is the Mitsui-Bussan Scholarship Program for Indonesia, which Mitsui established as a public trust foundation in 1992 with the aims of strengthening the ties between Japan and Indonesia and nurturing human resources to contribute to Indonesia’s development. High-school graduates who have excelled academically and as individuals are selected in Indonesia and receive support to live and study in Japan for a period of five-and-a-half years, which includes time for preparing for their university entrance exams. The selection process in Indonesia is a cooperative industry-academic-government activity, with the cooperation of Indonesia’s Ministry of Education and Culture and universities and primary sponsorship from the Association of Indonesian Alumni from Japan (PERSADA), which was established as an association of Indonesians who have studied in Japan to promote



Farewell party for the 16th scholarship recipients (two front-row students)

ties with Japan. The two students representing the 16th scholarship recipients, selected from 2,500 applicants, arrived in September 2013 to begin their lives as students in Japan. Twenty-one students have graduated from this program to date, and there are currently 12 students studying in Japan. Going forward, Mitsui will continue to provide funding and other support for the nurturing of international human resources.



## “Minamiaizu Midori no Tohoku Genki Camp” for children held in a Mitsui’s forest

The “Minamiaizu Midori no Tohoku Genki Camp” for children was held in July 2013 in the Tashiro Forest, one of Mitsui’s forests in Fukushima Prefecture, with the aim of providing emotional support to children who were affected by the Great East Japan Earthquake and Tsunami. Fifty children attended, along with Mitsui employee volunteers and employees of Mitsui Bussan Forest Co., Ltd., which manages Mitsui’s forests. The program aimed to promote self-reliance in children and teach the children about the joy of challenge and the satisfaction of accomplishment. The children challenged mountain-climbing of Mt. Tashiro (1,926 meters), tree climbing, setting up tents, and cooking with a Dutch oven.

The camp was first held in 2011 under the supervision of Professor Masayuki Kobayashi, a specialist in educational clinical psychology at Tokyo Gakugei Uni-



Putting up a tent

versity, as an activity to support reconstruction with the assistance of clinical psychologists and naturalists. Mitsui supports these efforts, and this year marked the third time the camp was held in its Tashiro Forest. We will continue to use Mitsui’s forests to support the region hit by disaster.