# Quarterly Securities Report

# for the nine-month period ended December 31, 2013

English translation of certain items disclosed in the Quarterly Securities Report for the nine-month period ended December 31, 2013, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2014.

MITSUI & CO., LTD.

CONTENTS



As used in this report, "Mitsui" is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), "we", "us", and "our" are used to indicate Mitsui & Co., Ltd. and subsidiaries, unless otherwise indicated.

## 1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

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

| | In millions of Yen, except amounts per share and other | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nine-month period ended December 31, 2013 | | Nine-month period ended December 31, 2012 | | Three-month period ended December 31, 2013 | | Three-month period ended December 31, 2012 | | As of or for the year ended March 31, 2013 | |
| **Consolidated income statement data:** | | | | | | | | | | |
| Revenues | ¥ | 4,332,948 | ¥ | 3,576,461 | ¥ | 1,460,643 | ¥ | 1,210,563 | ¥ | 4,911,609 |
| Income before income taxes and equity in earnings | ¥ | 316,575 | ¥ | 246,317 | ¥ | 114,167 | ¥ | 86,015 | ¥ | 314,098 |
| Net income attributable to Mitsui & Co., Ltd. | ¥ | 301,945 | ¥ | 253,909 | ¥ | 104,744 | ¥ | 85,572 | ¥ | 307,926 |
| Comprehensive income attributable to Mitsui & Co., Ltd. | ¥ | 469,671 | ¥ | 333,592 | ¥ | 259,763 | ¥ | 319,443 | ¥ | 631,260 |
| Total trading transactions | ¥ | 8,346,656 | ¥ | 7,462,613 | ¥ | 2,815,274 | ¥ | 2,469,934 | ¥ | 10,049,637 |
| **Consolidated balance sheet data:** | | | | | | | | | | |
| Total Mitsui & Co., Ltd. shareholders' equity | ¥ | - | ¥ | - | ¥ | 3,559,431 | ¥ | 2,882,831 | ¥ | 3,181,819 |
| Total equity | ¥ | - | ¥ | - | ¥ | 3,841,515 | ¥ | 3,121,964 | ¥ | 3,440,104 |
| Total assets | ¥ | - | ¥ | - | ¥ | 11,216,588 | ¥ | 9,825,384 | ¥ | 10,324,581 |
| Total Mitsui & Co., Ltd. shareholders' equity ratio | | - | | - | | 31.73% | | 29.34% | | 30.82% |
| **Amounts per share (Yen):** | | | | | | | | | | |
| Net income attributable to Mitsui & Co., Ltd.: | | | | | | | | | | |
| Basic | ¥ | 165.44 | ¥ | 139.13 | ¥ | 57.39 | ¥ | 46.89 | ¥ | 168.72 |
| Diluted | ¥ | 165.43 | ¥ | 139.13 | ¥ | 57.38 | ¥ | 46.89 | ¥ | 168.72 |
| **Consolidated cash flow statement data:** | | | | | | | | | | |
| Net cash provided by operating activities | ¥ | 411,702 | ¥ | 363,729 | ¥ | - | ¥ | - | ¥ | 461,430 |
| Net cash used in investing activities | ¥ | (566,272) | ¥ | (640,009) | ¥ | - | ¥ | - | ¥ | (753,297) |
| Net cash provided by financing activities | ¥ | 67,083 | ¥ | 180,060 | ¥ | - | ¥ | - | ¥ | 221,635 |
| Cash and cash equivalents | ¥ | - | ¥ | - | ¥ | 1,354,963 | ¥ | 1,361,496 | ¥ | 1,425,174 |

(Notes) 1. The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America.
2. Total trading transactions are calculated based on the Japanese accounting practices and disclosed for investors in Japan.
3. Revenues and total trading transactions do not include consumption taxes.

2. Business Overview

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

There has been no significant change in our business for the nine-month period ended December 31, 2013.

During the nine-month period ended December 31, 2013, we transferred some businesses across our reportable operating segments. For details, see Note 10, "SEGMENT INFORMATION."

## 2. Operating and Financial Review and Prospects

1. Risk Factors

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

2. Material Contracts

For the nine-month period ended December 31, 2013, we have not been a party to any sales contract, license of franchise contract, or business tie-up contract that on its own has a significant effect on our operating results, and there has not been any assignment of a transfer of business that on its own has a significant effect on our total assets. There are no contracts or other items which are significant in terms of our operations.

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

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

Forward-looking statements were made as of December 31, 2013, unless otherwise indicated.

(1) Operating Environment

During the nine-month period ended December 31, 2013, the global economy continued to recover moderately, while clear differences in economic conditions emerged between the key countries and also between advanced economies and emerging economies.

The U.S. economy maintained its solid growth underpinned by steady improvement in employment as well as the wealth effect generated by higher stock prices and housing markets, and healthy corporate earnings. In January 2014, the U.S. Federal Reserve Board (FRB) started to gradually scale back the third round of quantitative easing (QE3). The Japanese economy attained the significant growth rate among the major advanced economies during 2013. Growth was supported by improved corporate earnings affected by the weaker yen and higher stock prices, and enhanced consumer spending due to the wealth effect as well as increased demand prior to the impending consumption tax hike. Some concerns remain regarding the possible impact of the consumption tax hike in April 2014, but economic downturn is forecast to be temporary, reflecting the Japanese government's economic package, high expectations for the Bank of Japan's additional monetary easing, and the worldwide economic recovery. While the European economy has bottomed out, low rates of growth are expected to continue for the time being as a result of curtailed budgets and a harsh employment environment. The recession risks posed to the global economy have, however, receded substantially as a result of progress in the response to the financial crisis. The Chinese economy recovered during the period under review, supported by fiscal spending to infrastructure development, and a certain degree of growth is expected to continue. However, the government is currently engaged in structural reforms, including curbing excessive investment and lending, and as a result, the economy is unlikely to be boosted further in the near future. In other emerging economies, there are concerns that scaling back QE3 in the U.S. could cause an outflow of funds and currency depreciation. Some countries find themselves in the challenging situation of having to take austerity measures even as their economies lose steam. There are signs of structural change in the U.S. trade with reduced energy import volumes and return of manufacturers to the U.S. as a result of the "shale revolution." Emerging economies are negatively impacted by this change, which reduces the benefits from a strong U.S. economy.

As the global economy continued to recover moderately, the spot reference price for iron ore (Iron Ore (Fine) CFR North China (Fe 62%)) traded in a range of around US$120-140 per ton and the Dubai Crude spot price was stable at around US$100-110 per barrel during the nine-month period ended December 31, 2013.

Although there are causes for concern, such as the slowing growth in emerging economies and geopolitical risk, we believe that the global economy as a whole will continue to expand at a moderate pace, driven by the U.S. and other advanced economies.

## (2) Results of Operations

### 1) Analysis of Consolidated Income Statements

*Revenues*

Total revenues for the nine-month period ended December 31, 2013 were ¥4,332.9 billion, an increase of ¥756.4 billion from ¥3,576.5 billion for the corresponding nine-month period of the previous year.

Revenues from sales of products for the nine-month period ended December 31, 2013 were ¥3,952.6 billion, an increase of ¥742.9 billion from ¥3,209.7 billion for the corresponding nine-month period of the previous year, as a result of the following:

- The Energy Segment reported an increase of ¥195.3 billion. Petroleum trading operations recorded an increase of ¥101.4 billion due to an increase in trading volume, while oil and gas producing operations recorded an increase of ¥36.1 billion reflecting the depreciation of the Japanese yen.
- The Chemicals Segment reported an increase of ¥174.3 billion mainly attributable to a recovery in trading activities of petrochemical materials.
- The Mineral & Metal Resources Segment reported an increase of ¥127.3 billion. Iron ore mining operations in Australia reported an increase of ¥70.3 billion due to the depreciation of the Japanese yen and an increase in sales volume owing to increased capacity.
- The Americas Segment reported an increase of ¥101.2 billion, attributable to the depreciation of the Japanese yen; an increase in trading volume of grain; and contribution from Cinco Pipe And Supply, LLC (United States.)

Revenues from sales of services for the nine-month period ended December 31, 2013 were ¥307.2 billion, an increase of ¥26.6 billion from ¥280.6 billion for the corresponding nine-month period of the previous year.

Revenues from other sales for the nine-month period ended December 31, 2013 were ¥73.1 billion, a decline of ¥13.0 billion from ¥86.1 billion for the corresponding nine-month period of the previous year. The commodity derivatives trading business at Mitsui recorded a decline in revenues from other sales corresponding to an increase of ¥12.0 billion in the foreign exchange gains posted in other expenses-net.

*Gross Profit*

Gross profit for the nine-month period ended December 31, 2013 was ¥638.5 billion, an increase of ¥64.2 billion from ¥574.3 billion for the corresponding nine-month period of the previous year as a result of the following:

- The Mineral & Metal Resources Segment reported an increase of ¥25.8 billion. Iron ore mining operations in Australia reported an increase of ¥39.2 billion due to the depreciation of the Japanese yen and an increase in sales volume owing to increased capacity. Meanwhile, coal mining operations in Australia posted a decline of ¥15.5 billion reflecting the decline in coal prices.
- The Iron & Steel Products Segment reported an increase of ¥11.7 billion, attributable to solid sales of tubular products including line pipe and the positive impact of the depreciation of the Japanese yen.
- The Chemicals Segment reported an increase of ¥11.0 billion, due to the depreciation of the Japanese yen; recovery of trading activities of petrochemical materials; and strong sales of agricultural chemicals.
- The Machinery & Infrastructure Segment reported an increase of ¥10.9 billion. Automotive-related and mining and construction machinery-related businesses in South America as well as the locomotive leasing business in Europe achieved a solid performance.
- The Energy Segment reported an increase of ¥10.1 billion. Oil and gas producing operations recorded an increase reflecting the depreciation of the Japanese yen and a decline in production cost, while Mitsui E&P Australia Pty Limited (Australia) posted a decline due to overhauling of its oil production facility.
- The Innovation & Corporate Development Segment reported a decline of ¥17.4 billion. The commodity derivatives trading business at Mitsui recorded a decline in gross profit corresponding to an increase of ¥12.0 billion in the foreign exchange gains posted in other expenses-net.

*Selling General and Administrative Expenses*

Selling, general and administrative expenses for the nine-month period ended December 31, 2013 were ¥423.4 billion, an increase of ¥41.4 billion from ¥382.0 billion for the corresponding nine-month period of the previous year. The depreciation of the Japanese yen increased selling, general and administrative expenses of overseas subsidiaries.

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

| | Billions of Yen | | |
|---|---|---|---|
| | Nine-month Period Ended December 31, | | |
| | 2013 | 2012 | Change |
| Personnel | ¥ 224.5 | ¥ 203.9 | ¥ 20.6 |
| Welfare | 10.5 | 9.0 | 1.5 |
| Travel | 25.3 | 23.2 | 2.1 |
| Entertainment | 6.3 | 5.7 | 0.6 |
| Communication | 37.6 | 35.2 | 2.4 |
| Rent | 14.7 | 12.4 | 2.3 |
| Depreciation | 11.3 | 10.1 | 1.2 |
| Fees and Taxes | 6.8 | 6.0 | 0.8 |
| Others | 86.4 | 76.5 | 9.9 |
| Total | ¥ 423.4 | ¥ 382.0 | ¥ 41.4 |

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

| | Billions of Yen | | |
|---|---|---|---|
| | Nine-month Period Ended December 31, | | |
| | 2013 | 2012 | Change |
| Iron & Steel Products | ¥ 27.5 | ¥ 28.7 | ¥ (1.2) |
| Mineral & Metal Resources | 31.4 | 27.6 | 3.8 |
| Machinery & Infrastructure | 86.1 | 77.3 | 8.8 |
| Chemicals | 50.2 | 46.9 | 3.3 |
| Energy | 45.2 | 37.8 | 7.4 |
| Lifestyle | 95.8 | 88.6 | 7.2 |
| Innovation & Corporate Development | 45.4 | 44.2 | 1.2 |
| Americas | 47.5 | 36.8 | 10.7 |
| Europe, the Middle East and Africa | 15.7 | 14.1 | 1.6 |
| Asia Pacific | 14.1 | 11.8 | 2.3 |
| Total | 458.9 | 413.8 | 45.1 |
| All Other | 7.6 | 3.5 | 4.1 |
| Adjustments and Eliminations | (43.1) | (35.3) | (7.8) |
| Consolidated Total | ¥ 423.4 | ¥ 382.0 | ¥ 41.4 |

*Provision for Doubtful Receivables*

Provision for doubtful receivables for the nine-month period ended December 31, 2013 was ¥6.0 billion, a decline of ¥3.4 billion from ¥9.4 billion for the corresponding nine-month period of the previous year. The provisions for both periods represented aggregated reserves for individually small receivables.

*Interest Expense—Net*

Interest expense, net of interest income, for the nine-month period ended December 31, 2013 was ¥9.6 billion of expense, a deterioration of ¥11.0 billion from ¥1.4 billion of income for the corresponding nine-month period of the previous year. The deferred commitment fee related to the loan extended to the subsidiary of Corporación Nacional del Cobre de Chile ("Codelco") was recorded for the corresponding nine-month period of the previous year. The following table provides the month-end average of three-month Tibor for the Japanese yen and three-month Libor for the U.S. dollar for the nine-month periods ended December 31, 2013 and 2012.

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

| | Nine-month period ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Japanese yen | 0.23 | 0.33 |
| U.S. dollar | 0.26 | 0.39 |

*Dividend Income*

Dividend income for the nine-month period ended December 31, 2013 was ¥100.1 billion, an increase of ¥38.1 billion from ¥62.0 billion for the corresponding nine-month period of the previous year. Dividends from six LNG projects (Abu Dhabi, Oman, Qatargas 1 and 3, Equatorial Guinea, and Sakhalin II) were ¥83.6 billion in total, an increase of ¥35.5 billion from ¥48.1 billion for the corresponding nine-month period of the previous year, mainly due to an increase in dividends received from the Sakhalin II project.

*Gain on Sales of Securities—Net*

Gain on sales of securities for the nine-month period ended December 31, 2013 was ¥35.2 billion, a decline of ¥1.4 billion from ¥36.6 billion for the corresponding nine-month period of the previous year.

- For the nine-month period ended December 31, 2013, a gain on the sale of shares in QIWI plc for ¥10.5 billion; a gain on the sale of shares in Daicel Corporation for ¥3.3 billion; a gain on the exchange of shares in Mikuni Coca-Cola Bottling Co., Ltd. for ¥3.2 billion; and a gain on the sale of shares in an overseas lifestyle-related company for ¥3.2 billion were recorded, respectively.
- For the corresponding nine-month period of the previous year, an ¥8.0 billion gain on the sale of shares in Mikuni Coca-Cola Bottling Co., Ltd.; a ¥4.8 billion gain on the sale of shares in Nihon Unisys, Ltd.; a ¥4.4 billion gain on the sale of shares in LME Holdings Limited; a ¥4.2 billion gain on the sale of shares in INPEX CORPORATION; and a ¥3.1 billion gain on the sale of shares in MED3000 Group, Inc. were recorded, respectively. Furthermore, a ¥5.5 billion gain related to equity dilution in IHH Healthcare Berhad (Malaysia) was recorded.

*Loss on Write-Down of Securities*

Loss on write-downs of securities for the nine-month period ended December 31, 2013 was ¥16.8 billion, an improvement of ¥4.5 billion from ¥21.3 billion for the corresponding nine-month period of the previous year.

- For the nine-month period ended December 31, 2013, an impairment loss of ¥9.5 billion on preferred shares of Valepar S.A. was recorded reflecting an other-than-temporary decline related to a foreign exchange translation loss in the investment value of the current portion of preferred shares. Furthermore, an impairment loss of ¥3.3 billion on investment in an LNG project was recorded reflecting an other-than-temporary decline in the investment value.
- For the corresponding nine-month period of the previous year, impairment losses on listed shares of ¥4.9 billion in an iron & steel company and ¥3.0 billion in Mitsui Chemicals Inc. were recorded reflecting the decline in share prices. Meanwhile, an impairment loss of ¥4.5 billion on preferred shares of Valepar S.A. was recorded in the same manner as the nine-month period ended December 31, 2013.

*Gain on Disposal or Sales of Property and Equipment—Net*

Gain on disposal or sales of property and equipment for the nine-month period ended December 31, 2013 was ¥8.5 billion, an increase of ¥6.6 billion from ¥1.9 billion for the corresponding nine-month period of the previous year. Mitsui E&P Middle East B.V. (Netherlands) and Mitsui E&P Australia Pty Limited recorded a total of ¥6.3 billion gain on sales of interests in oil fields in Egypt and New Zealand, respectively. There were miscellaneous small transactions for the corresponding nine-month period of the previous year.

*Impairment Loss of Long-Lived Assets*

Impairment loss of long-lived assets for the nine-month period ended December 31, 2013 was ¥5.9 billion, an increase of ¥4.1 billion from ¥1.8 billion for the corresponding nine-month period of the previous year. Mitsui Coal Holdings Pty. Ltd. (Australia) recorded an impairment loss of ¥4.5 billion on an undeveloped coal deposit for the nine-month period ended December 31, 2013. There were miscellaneous small transactions for the corresponding nine-month period of the previous year.

*Other Expense (Income)—Net*

Other expense for the nine-month period ended December 31, 2013 was ¥4.1 billion, an improvement of ¥11.2 billion from ¥15.3 billion for the corresponding nine-month period of the previous year.

- For the nine-month period ended December 31, 2013, exploration expenses totaled ¥15.7 billion, including those recorded at oil and gas producing businesses. Meanwhile, the Innovation & Corporate Development Segment recorded a foreign exchange gain of ¥16.0 billion in the commodity derivatives trading business at Mitsui, which corresponded to related revenues and gross profit in the segment.
- For the corresponding nine-month period of the previous year, exploration expenses totaled ¥22.7 billion,

including those recorded at oil and gas producing businesses. Meanwhile, the Innovation & Corporate Development Segment recorded a foreign exchange gain of ¥4.0 billion in the commodity derivatives trading business at Mitsui, which corresponded to related revenues and gross profit in the segment.

*Income Taxes*

Income taxes for the nine-month period ended December 31, 2013 were ¥121.2 billion, an increase of ¥9.6 billion from ¥111.6 billion for the corresponding nine-month period of the previous year.

- "Income before income taxes and equity in earnings" for the nine-month period ended December 31, 2013 was ¥316.6 billion, an increase of ¥70.3 billion from ¥246.3 billion for the corresponding nine-month period of the previous year. In response, applicable income taxes also increased.
- Reversal of deferred tax liabilities related to dividends received from the undistributed retained earnings of associated companies was approximately ¥17.0 billion for the nine-month period ended December 31, 2013, a decline of approximately ¥8.0 billion from the corresponding nine-month period of the previous year (*).
- Reflecting the decline in equity in earnings, corresponding income tax effect declined.

The effective tax rate on "Income before income taxes and equity in earnings" for the nine-month period ended December 31, 2013 was 38.3%, a decline of 7.0% from 45.3% for the corresponding nine-month period of the previous year. The major factors for the decline were an increase in no-tax or low-tax income such as dividend income and a decrease in the ratio of income tax effect recorded for equity in earnings against "Income before income taxes and equity in earnings," while the factors for the increase include a decline in the ratio of the aforementioned reversal of deferred tax liabilities.

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

*Equity in Earnings of Associated Companies - Net*

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥121.3 billion, a decline of ¥14.3 billion from ¥135.6 billion for the corresponding nine-month period of the previous year as a result of the following:

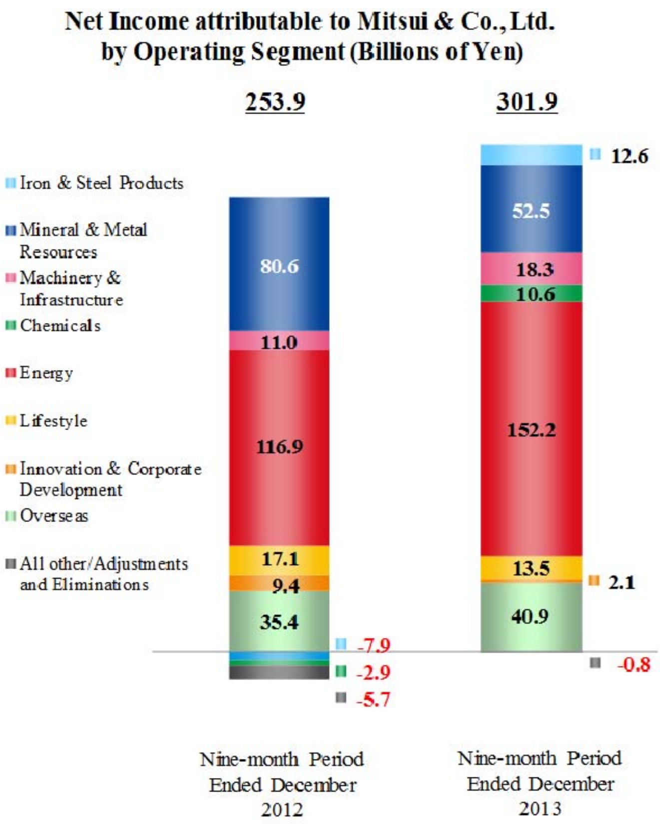
- Valepar S.A. reported a decline of ¥29.0 billion, reflecting the loss due to Vale S.A.'s participation in the federal tax settlement (REFIS) for payment of amounts relating to Brazilian corporate income tax and social contribution on the net income of its non-Brazilian subsidiaries and affiliates.
- Reflecting an other-than-temporary decline in the investment value, impairment losses of ¥14.1 billion was recorded on the investment in SCM Minera Lumina Copper Chile (Chile), a project company for the Caserones copper and molybdenum project.
- Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted an equity loss of ¥4.2 billion, reflecting impairment losses on long-lived and other assets.
- The scrap metal recycling business in which Mitsui Raw Materials Development Pty. Limited (Australia) invests, reported a decline of ¥3.3 billion, reflecting impairment losses on inventories and long-lived assets.
- Robe River Mining Co. Pty. Ltd. (Australia) reported an increase of ¥11.1 billion, reflecting the depreciation of the Japanese yen.
- IPP businesses reported an increase of ¥10.5 billion in equity earnings. Hezhou and Paiton 3, which commenced commercial operation; a gas-fired plant in Puerto Rico and the coal-fired plant in the United Kingdom, contributed to the increase. Furthermore, mark-to-market valuation gains and losses, such as those on power derivative contracts and fuel purchase contracts, improved by ¥3.3 billion.
- Japan Australia LNG (MIMI) Pty. Ltd. (Australia) reported an increase reflecting the depreciation of the Japanese yen.

*Net Income Attributable to Noncontrolling Interests*

Net income attributable to noncontrolling interests for the nine-month period ended December 31, 2013 was ¥14.7 billion, a decline of ¥1.7 billion from ¥16.4 billion for the corresponding nine-month period of the previous year.

*Net Income Attributable to Mitsui & Co., Ltd.*

As a result, net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥301.9 billion, an increase of ¥48.0 billion from ¥253.9 billion for the corresponding nine-month period of the previous year.




2) Operating Results by Operating Segment

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

***Iron & Steel Products Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥39.9 billion, an increase of ¥11.7 billion from ¥28.2 billion for the corresponding nine-month period of the previous year. Major factors included solid sales of tubular products including line pipe and the positive impact of the depreciation of the Japanese yen.

Operating income for the nine-month period ended December 31, 2013 was ¥12.0 billion, an increase of ¥12.4 billion from a loss of ¥0.4 billion for the corresponding nine-month period of the previous year.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥3.7 billion, an increase of ¥2.3 billion from ¥1.4 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥12.6 billion, an increase of ¥20.5 billion from a net loss of ¥7.9 billion for the corresponding nine-month period of the previous year. In addition to the above, an impairment loss of ¥4.3 billion on listed shares in an iron & steel company reflecting the decline in share price was recorded for the corresponding nine-month period of the previous year.

*Mineral & Metal Resources Segment*


Gross profit for the nine-month period ended December 31, 2013 was ¥147.7 billion, an increase of ¥25.8 billion from ¥121.9 billion for the corresponding nine-month period of the previous year. The main factor behind the increase was a positive impact from the depreciation of the Japanese yen on iron ore mining operations in Australia.

As for iron ore pricing, the majority of contract prices applied to products sold during the nine-month period ended December 31, 2013 were based on pricing that more closely reflects current spot reference prices, the same pricing as applied in the corresponding nine-month period of the previous year, such as a daily average of spot reference prices for the current quarter of shipment and a daily average of spot reference prices for the shipment month.

Mitsui Iron Ore Development Pty. Ltd. (Australia) and Mitsui-Itochu Iron Pty. Ltd. (Australia) reported increases of ¥27.3 billion and ¥11.9 billion in gross profit, respectively, reflecting the depreciation of the Japanese yen and an increase in iron ore sales volume owing to increased capacity. On the other hand, Mitsui Coal Holdings Pty. Ltd. reported a decline of ¥15.5 billion due to lower coal prices.

Operating income for the nine-month period ended December 31, 2013 was ¥116.2 billion, an increase of ¥22.1 billion from ¥94.1 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥10.1 billion, a decrease of ¥29.6 billion from ¥39.7 billion for the corresponding nine-month period of the previous year.

- Valepar S.A. posted losses of ¥22.8 billion, a decline of ¥29.0 billion from equity earnings of ¥6.2 billion for the corresponding nine-month period of the previous year, reflecting the loss due to Vale S.A.'s participation in the federal tax settlement (REFIS) for payment of amounts relating to Brazilian corporate income tax and social contribution on the net income of its non-Brazilian subsidiaries and affiliates.
- Reflecting an other-than-temporary decline in the investment value, a ¥14.1 billion impairment loss was recorded on the investment in SCM Minera Lumina Copper Chile, a project company for the Caserones copper and molybdenum project.
- The scrap metal recycling business in which Mitsui Raw Materials Development Pty. Limited invests, reported a decline of ¥3.3 billion, reflecting impairment losses on inventories and long-lived assets.
- Earnings at Robe River Mining Co. Pty. Ltd., an iron ore mining company in Australia, were ¥34.6 billion, an increase of ¥11.1 billion from ¥23.5 billion for the corresponding nine-month period of the previous year, reflecting the depreciation of the Japanese yen.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥52.5 billion, a decrease of ¥28.1 billion from ¥80.6 billion for the corresponding nine-month period of the previous year. In addition to the above, the following factors affected results:

- For the corresponding nine-month period of the previous year, the deferred commitment fee related to the loan extended to the subsidiary of Codelco was recorded on interest income.
- For the nine-month period ended December 31, 2013, Mitsui Coal Holdings Pty. Ltd. recorded an impairment loss of ¥4.5 billion on an undeveloped coal deposit.

*Machinery & Infrastructure Segment*

Gross profit for the nine-month period ended December 31, 2013 was ¥83.5 billion, an increase of ¥10.9 billion from ¥72.6 billion for the corresponding nine-month period of the previous year.

- The Infrastructure Projects Business Unit reported an increase of ¥0.8 billion.
- The Integrated Transportation Systems Business Unit reported an increase of ¥10.0 billion. Automotive-related and mining and construction machinery-related businesses in South America as well as the locomotive leasing business in Europe achieved a solid performance.

Operating loss for the nine-month period ended December 31, 2013 was ¥8.1 billion, an improvement of ¥5.0 billion from ¥13.1 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥27.2 billion, an increase of ¥6.4 billion from ¥20.8 billion for the corresponding nine-month period of the previous year.

- The Infrastructure Projects Business Unit reported an increase of ¥13.6 billion. IPP businesses reported equity in earnings of ¥14.7 billion in total, an increase of ¥10.3 billion from ¥4.4 billion for the corresponding nine-month period of the previous year. Coal-fired plants, Hezhou in China and Paiton 3 in Indonesia, which commenced commercial operation, were new contributors. Equity earnings from the gas-fired plant in Puerto Rico and the coal-fired plant in the United Kingdom also contributed to the increase. Furthermore, mark-to-market valuation gains and losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, improved by ¥3.3 billion to a loss of ¥2.1 billion from a loss of ¥5.4 billion for the corresponding nine-month period of the previous year.
- The Integrated Transportation Systems Business Unit reported a decline of ¥7.1 billion. The main factor behind the decline was an increase in the research and development costs incurred for the development of a new aircraft engine with General Electric Company.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥18.3 billion, an increase of ¥7.3 billion from ¥11.0 billion for the corresponding nine-month period of the previous year.

***Chemicals Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥58.5 billion, an increase of ¥11.0 billion from ¥47.5 billion for the corresponding nine-month period of the previous year.

- The Basic Chemicals Business Unit reported an increase of ¥6.7 billion due to a recovery in underperforming trading activities of petrochemical materials for the corresponding nine-month period of the previous year.
- The Performance Chemicals Business Unit reported an increase of ¥4.3 billion. The major factors included the positive effect of the depreciation of the Japanese yen and strong sales of agricultural chemicals at Mitsui AgriScience International SA/NV (Belgium.)

Operating income for the nine-month period ended December 31, 2013 was ¥7.3 billion, an increase of ¥6.4 billion from ¥0.9 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

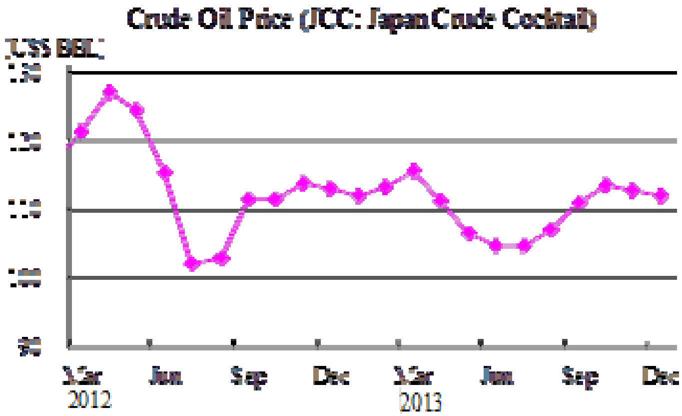
Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥5.7 billion, an increase of ¥0.5 billion from ¥5.2 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥10.6 billion, an increase of ¥13.5 billion from a net loss of ¥2.9 billion for the corresponding nine-month period of the previous year. In addition to the above-mentioned factors, the following factors also affected results:

- For the nine-month period ended December 31, 2013, this segment recorded a gain of ¥3.3 billion on the sale of shares in Daicel Corporation.
- For the corresponding nine-month period of the previous year, this segment recorded an impairment loss of ¥3.0 billion on listed shares in Mitsui Chemicals Inc. reflecting a decline in the share price.

*Energy Segment*

The weighted average crude oil prices applied to our operating results for the nine-month periods ended December 31, 2013 and 2012 were estimated to be US$110 and US$115 per barrel, respectively.




Gross profit for the nine-month period ended December 31, 2013 was ¥141.8 billion, an increase of ¥10.1 billion from ¥131.7 billion for the corresponding nine-month period of the previous year, primarily due to the following factors:

- Mitsui E&P Middle East B.V. reported an increase of ¥20.2 billion due to an increase in oil production volume, a decline in production cost, as well as the depreciation of the Japanese yen.
- Mitsui E&P USA LLC (United States) reported an increase of ¥5.3 billion due to a reduction in unit depreciation costs associated with an increase in proved reserves of shale gas as well as higher gas prices.
- Mitsui E&P Australia Pty Limited reported a decline of ¥22.8 billion due to a decline in production volume associated with overhauling of its oil production facility.

Operating income for the nine-month period ended December 31, 2013 was ¥97.8 billion, an increase of ¥3.8 billion from ¥94.0 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥44.5 billion, an increase of ¥4.8 billion from ¥39.7 billion for the corresponding nine-month period of the previous year. Japan Australia LNG (MIMI) Pty. Ltd. reported an increase reflecting the depreciation of the Japanese yen.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥152.2 billion, an increase of ¥35.3 billion from ¥116.9 billion for the corresponding nine-month period of the previous year. In addition to the above, the following factors also affected results:

- Dividends from six LNG projects (Abu Dhabi, Oman, Qatargas 1 and 3, Equatorial Guinea, and Sakhalin II) were ¥83.6 billion in total, an increase of ¥35.5 billion from ¥48.1 billion for the corresponding nine-month period of the previous year, due mainly to an increase in dividends received from the Sakhalin II project.
- For the nine-month period ended December 31, 2013, Mitsui E&P Middle East B.V. and Mitsui E&P Australia Pty Limited recorded a total of ¥6.3 billion gain on sales of interests in oil fields in Egypt and New Zealand, respectively.
- For the nine-month period ended December 31, 2013, a ¥3.3 billion impairment loss on investment in an LNG project was recorded reflecting an other-than-temporary decline in the investment value.
- Reversal of deferred tax liabilities on undistributed retained earnings of associated companies at the time of profit distribution declined by approximately ¥8.0 billion from the corresponding nine-month period of the previous year.
- For the nine-month period ended December 31, 2013, exploration expenses of ¥14.4 billion in total were recorded, including those recorded by Mitsui E&P Australia Pty Limited. For the corresponding nine-month period of the previous year, exploration expenses totaled ¥19.2 billion, including those recorded by Mitsui E&P Mozambique Area 1 Limited (United Kingdom).

*Lifestyle Segment*

Gross profit for the nine-month period ended December 31, 2013 was ¥86.5 billion, an increase of ¥0.9 billion from ¥85.6 billion for the corresponding nine-month period of the previous year.

- The Food Resources Business Unit reported a decline of ¥1.6 billion.
- The Food Products & Services Business Unit recorded a decline of ¥1.3 billion.

- The Consumer Service Business Unit reported an increase of ¥3.7 billion, mainly attributable to the new contribution from Paul Stuart, Inc. (United States), which was acquired during the three-month period ended December 31, 2012.

Operating loss for the nine-month period ended December 31, 2013 was ¥9.9 billion, a deterioration of ¥7.1 billion from ¥2.8 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥12.9 billion, an increase of ¥0.8 billion from ¥12.1 billion for the corresponding nine-month period of the previous year.

- The Food Resources Business Unit reported an increase of ¥4.4 billion. For the corresponding nine-month period of the previous year, this business unit recorded a ¥2.9 billion impairment loss on listed shares in Mitsui Sugar Co., Ltd. due to a decline in the share price.
- The Food Products & Services Business Unit recorded an increase of ¥0.2 billion.
- The Consumer Service Business Unit reported a decline of ¥3.9 billion. Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted an equity loss of ¥4.2 billion, reflecting impairment losses on long-lived and other assets.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥13.5 billion, a decline of ¥3.6 billion from ¥17.1 billion for the corresponding nine-month period of the previous year. In addition to the above-mentioned factors, the following factors also affected results:

- For the nine-month period ended December 31, 2013, this segment recorded a gain on sale of securities of ¥10.6 billion in total, including a ¥3.2 billion gain on the exchange of shares in Mikuni Coca-Cola Bottling Co., Ltd. for Coca-Cola East Japan Co., Ltd. and a ¥3.2 billion gain on sale of shares in an overseas lifestyle-related company.
- For the corresponding nine-month period of the previous year, this segment recorded a gain on sale of securities of ¥14.9 billion in total, including a ¥5.5 billion gain related to equity dilution in IHH Healthcare Berhad recorded for MBK Healthcare Partners Limited (United Kingdom) and an ¥8.0 billion gain on the partial sale of shares in Mikuni Coca-Cola Bottling Co., Ltd.

***Innovation & Corporate Development Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥9.5 billion, a decline of ¥17.4 billion from ¥26.9 billion for the corresponding nine-month period of the previous year. Gross profit corresponding to foreign exchange gains of ¥16.0 billion and ¥4.0 billion related to the commodity derivatives trading business at Mitsui posted in other expenses-net was included in gross profit for the nine-month period ended December 31, 2013 and for the corresponding nine-month period of the previous year, respectively; there was a decline in gross profit corresponding to the ¥12.0 billion increase of foreign exchange gains.

Operating loss for the nine-month period ended December 31, 2013 was ¥35.6 billion, a deterioration of ¥18.4 billion from ¥17.2 billion for the corresponding nine-month period of the previous year, reflecting a decrease in gross profit.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥8.1 billion, a decline of ¥2.1 billion from ¥10.2 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥2.1 billion, a decline of ¥7.3 billion from ¥9.4 billion for the corresponding nine-month period of the previous year. In addition to the above-mentioned factors, the following factors also affected results:

- For the nine-month period ended December 31, 2013 and for the corresponding nine-month period of the previous year, foreign exchange gains of ¥16.0 billion and ¥4.0 billion, respectively, were posted in other expense-net in relation to the commodity derivatives trading business at Mitsui.

- For the nine-month period ended December 31, 2013, this segment reported a gain of ¥10.5 billion on the partial sale of shares in QIWI plc. For the corresponding nine-month period of the previous year, this segment recorded a gain of ¥4.8 billion on the partial sale of shares in Nihon Unisys, Ltd. and a gain of ¥4.3 billion on the sale of shares in LME Holdings Limited.

***Americas Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥56.5 billion, an increase of ¥5.0 billion from ¥51.5 billion for the corresponding nine-month period of the previous year. The depreciation of the Japanese yen as well as Cinco Pipe And Supply, LLC, which was newly acquired during the three-month period ended December 31, 2012, contributed to the increase.

Operating income for the nine-month period ended December 31, 2013 was ¥8.9 billion, a decline of ¥3.7 billion from ¥12.6 billion for the corresponding nine-month period of the previous year. Despite the increase in gross profit, selling, general and administrative expenses increased reflecting the depreciation of the Japanese yen.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥5.2 billion, an increase of ¥2.7 billion from ¥2.5 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥9.4 billion, a decline of ¥4.0 billion from ¥13.4 billion for the corresponding nine-month period of the previous year. In addition to the above-mentioned factors, for the corresponding nine-month period of the previous year, this segment recorded a gain of ¥3.1 billion on the sale of shares in MED3000 Group, Inc.

***Europe, the Middle East & Africa Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥17.2 billion, an increase of ¥6.4 billion from ¥10.8 billion for the corresponding nine-month period of the previous year. MBK Real Estate Europe Limited (United Kingdom) reported an increase of ¥3.7 billion due to the sale of an office building.

Operating income for the nine-month period ended December 31, 2013 was ¥1.4 billion, an increase of ¥4.7 billion from a loss of ¥3.3 billion for the corresponding nine-month period of the previous year.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥1.1 billion, an increase of ¥0.7 billion from ¥0.4 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥5.2 billion, an increase of ¥6.0 billion from a net loss of ¥0.8 billion for the corresponding nine-month period of the previous year.

***Asia Pacific Segment***

Gross profit for the nine-month period ended December 31, 2013 was ¥9.4 billion, an increase of ¥2.0 billion from ¥7.4 billion for the corresponding nine-month period of the previous year.

Operating loss for the nine-month period ended December 31, 2013 was ¥4.8 billion, a deterioration of ¥0.6 billion from ¥4.2 billion for the corresponding nine-month period of the previous year.

Equity in earnings of associated companies for the nine-month period ended December 31, 2013 was ¥3.3 billion, a decline of ¥0.5 billion from ¥3.8 billion for the corresponding nine-month period of the previous year.

Net income attributable to Mitsui & Co., Ltd. for the nine-month period ended December 31, 2013 was ¥26.3 billion, an increase of ¥3.5 billion from ¥22.8 billion for the corresponding nine-month period of the previous year. In addition to the above, this segment recorded earnings from the segment’s minority interest in Mitsui Iron Ore Development Pty. Ltd., Mitsui-Itochu Iron Pty. Ltd., and Mitsui Coal Holdings Pty. Ltd.

(3) Financial Condition and Cash Flows

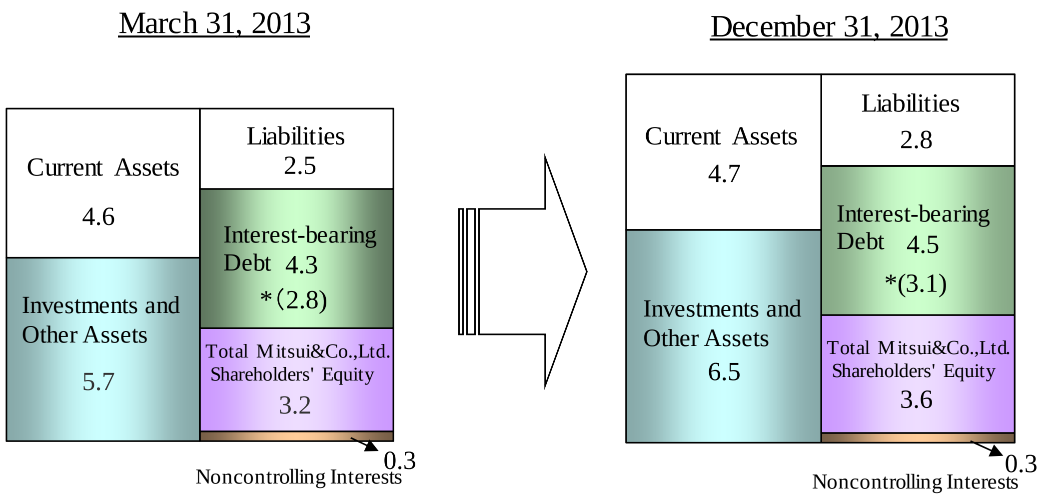
1) Assets, Liabilities and Shareholders' Equity

Total assets as of December 31, 2013 were ¥11,216.6 billion, an increase of ¥892.0 billion from ¥10,324.6 billion as of March 31, 2013.

Total current assets as of December 31, 2013 were ¥4,728.1 billion, an increase of ¥96.6 billion from ¥4,631.5 billion as of March 31, 2013. Trade receivables increased by ¥63.2 billion, reflecting an increase in volume in the Lifestyle and Iron & Steel Products segments. Meanwhile, cash and cash equivalents declined by ¥70.2 billion and inventories declined by ¥27.7 billion. Assets of ¥101.2 billion and liabilities of ¥77.2 billion of MITSUI OIL CO., LTD were transferred to the assets held for sale and liabilities held for sale accounts, respectively, due to an agreement with TonenGeneral Sekiyu K.K. to sell the entire shares in MITSUI OIL CO., LTD signed in the nine-month period ended December 31, 2013.

Total current liabilities as of December 31, 2013 were ¥3,380.2 billion, an increase of ¥334.9 billion from ¥3,045.3 billion as of March 31, 2013. In addition to the aforementioned increase in liabilities held for sale, current maturities of long-term debt increased by ¥119.1 billion due to reclassification to current maturities in Mitsui and trade payables increased by ¥80.1 billion. The Lifestyle Segment reported an increase in trade payables reflecting an increase in volume, while the precious metal lease business in the Innovation & Corporate Development Segment posted a decline.

As a result, working capital, or current assets less current liabilities, as of December 31, 2013 totaled ¥1,347.9 billion, a decline of ¥238.3 billion from ¥1,586.2 billion as of March 31, 2013.
(Trillions of Yen)




| | |
|---|---|
| Total Assets | ¥10.3 trillion |
| Total Mitsui&Co.,Ltd Shareholders' Equity | ¥3.2 trillion |
| Net DER | 0.89 times |

| | |
|---|---|
| Total Assets | ¥11.2 trillion |
| Total Mitsui&Co.,Ltd Shareholders' Equity | ¥3.6 trillion |
| Net DER | 0.88 times |

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

The sum of "total investments and non-current receivables," "net property and equipment," "intangible assets, less accumulated amortization," "deferred tax assets-non-current," and "other assets" as of December 31, 2013 totaled ¥6,488.5 billion, an increase of ¥795.4 billion from ¥5,693.1 billion as of March 31, 2013, mainly due to the following factors:

Within this category, the total of investments and non-current receivables as of December 31, 2013 was ¥4,480.9 billion, an increase of ¥522.1 billion from ¥3,958.8 billion as of March 31, 2013.

- Investments in and advances to associated companies as of December 31, 2013 was ¥2,629.2 billion, an increase of ¥303.9 billion from ¥2,325.3 billion as of March 31, 2013. Major factors were as follows:

- An increase of ¥39.3 billion due to an investment in the North and South American operations of an automotive components supplier, Gestamp Automoción, S.L.;
- An increase due to an acquisition of a 28% stake in International Power (Australia) Holdings Pty Ltd, which is engaged in power generation and power and gas retail business in Australia;
- An increase of ¥32.4 billion due to an investment in the Caserones copper and molybdenum project in Chile;
- An increase of ¥12.7 billion due to an acquisition of a 49% stake in Czech water business companies, Aqualia Czech, S.L. and Aqualia Infraestructuras Inženýring, s.r.o.;
- An increase due to an acquisition of a 20% stake in Medini Iskandar Malaysia Sdn. Bhd., which is engaged in the urban development of a smart city in Malaysia;
- An increase due to an acquisition of a 20.6% stake in Astoria I power generation business in the United States; and
- Factors that do not involve cash flow included an increase of ¥126.2 billion resulting from a foreign exchange translation adjustment on foreign investments due to the depreciation of the Japanese yen despite net declines in equity earnings of ¥7.1 billion (net of ¥128.4 billion in dividends received from associated companies).

• Other investments as of December 31, 2013 were ¥996.3 billion, an increase of ¥180.0 billion from ¥816.3 billion as of March 31, 2013. Major factors included a ¥61.3 billion increase by an acquisition of a 7% share in BHP Iron Ore (Jimblebar) Pty. Ltd., which is developing the Jimblebar iron ore mine in Australia, as well as a ¥85.6 billion net increase in unrealized holding gains on available-for-sale securities.

• Net property and equipment as of December 31, 2013 totaled ¥1,839.3 billion, an increase of ¥269.0 billion from ¥1,570.3 billion as of March 31, 2013, mainly due to the following factors:

- An increase of ¥93.3 billion due to an acquisition of a 25% interest in the Tempa Rossa onshore oil field in the Gorgoglione concession in Italy;
- An increase of ¥52.6 billion (including a foreign exchange translation gain of ¥32.4 billion) at the Marcellus and Eagle Ford shale gas and oil producing operations in the United States;
- An increase of ¥73.1 billion (including a foreign exchange translation gain of ¥25.1 billion and a ¥35.5 billion increase due to capitalization of dismantling and removing costs corresponding to asset retirement obligation recorded at Mitsui Oil Exploration Co., Ltd.) at oil & gas producing operations other than U.S. shale gas and oil and the acquisition of the Tempa Rossa onshore oil field;
- An increase of ¥32.8 billion (including a foreign exchange translation loss of ¥16.3 billion) at iron ore mining operations in Australia; and
- A decline of ¥14.3 billion (including a foreign exchange translation loss of ¥9.0 billion) at coal mining operations in Australia.

Long-term debt less current maturities as of December 31, 2013 was ¥3,300.9 billion, an increase of ¥115.9 billion from ¥3,185.0 billion as of March 31, 2013, mainly due to an increase in long-term borrowings at financial subsidiaries despite a decline in long-term debt due to a reclassification to current maturities at Mitsui. Furthermore, Mitsui Oil Exploration Co., Ltd. recognized the asset retirement obligation of ¥35.5 billion on other long-term liabilities.

Total Mitsui & Co., Ltd. shareholders' equity as of December 31, 2013 was ¥3,559.4 billion, an increase of ¥377.6 billion from ¥3,181.8 billion as of March 31, 2013. The major component of the increase was an increase in retained earnings of ¥217.9 billion and foreign currency translation adjustments of ¥97.8 billion reflecting the appreciation of the U.S. dollar against the Japanese yen. Meanwhile, there was an increase of ¥58.2 billion in unrealized holding gains on available-for-sale securities due to higher stock prices.

As a result, the equity-to-asset ratio as of December 31, 2013 was 31.7%, 0.9% higher compared to 30.8% as of March 31, 2013. Net interest-bearing debt, or interest-bearing debt less cash and cash equivalents and time deposits as of December 31, 2013 was ¥3,124.6 billion, an increase of ¥285.2 billion from ¥2,839.4 billion as of March 31, 2013. The net debt-to-equity ratio (DER) as of December 31, 2013 was 0.88 times, 0.01 points lower compared to 0.89 times as of March 31, 2013.

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

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

| | Billions of Yen | | | |
|---|---|---|---|---|
| | As of March 31, 2013 | | As of December 31, 2013 | |
| Short-term debt | ¥ | 663.1 | ¥ | 649.0 |
| **Long-term debt** | ¥ | 3,606.2 | ¥ | 3,841.2 |
| Interest bearing debt | ¥ | 4,269.3 | ¥ | 4,490.2 |
| **Less cash and cash equivalents and time deposits** | ¥ | (1,429.9) | ¥ | (1,365.6) |
| | | | | |
| **Net interest-bearing debt** | ¥ | 2,839.4 | ¥ | 3,124.6 |
| Total Mitsui & Co., Ltd. Shareholders' equity | ¥ | 3,181.8 | ¥ | 3,559.4 |
| Net DER (times) | | 0.89 | | 0.88 |

2) Cash Flows

*Cash Flows from Operating Activities*

Net cash provided by operating activities for the nine-month period ended December 31, 2013 was ¥411.7 billion, an increase of ¥48.0 billion from ¥363.7 billion for the corresponding nine-month period of the previous year. Major components of net cash provided by operating activities were our operating income of ¥209.1 billion, dividend income of ¥213.5 billion, including dividends received from associated companies, and a net cash outflow of ¥64.0 billion from an increase in working capital, or changes in operating assets and liabilities.

Compared with the corresponding nine-month period of the previous year, dividend income increased by ¥61.6 billion and operating income increased by ¥26.2 billion, while net cash flow from changes in working capital deteriorated by ¥76.6 billion.

*Cash Flows from Investing Activities*

Net cash used in investing activities for the nine-month period ended December 31, 2013 was ¥566.3 billion, a decline of ¥73.7 billion from ¥640.0 billion for the corresponding nine-month period of the previous year. Net cash used in investing activities consisted of the following:

- Net outflows of cash that corresponded to investments in and advances to associated companies (net of sales of investments in and collection of advances to associated companies) were ¥146.8 billion. The major cash outflows were:
  - An acquisition of a 30% stake in Gestamp Automoción, S.L.'s North and South American operations for ¥39.3 billion;
  - An acquisition of a 28% stake in International Power (Australia) Holdings Pty Ltd;
  - An investment in the Caserones copper and molybdenum project in Chile for ¥32.4 billion;
  - An acquisition of a 49% stake in Aqualia Czech, S.L. and Aqualia Infraestructuras Inženýring, s.r.o. for ¥12.7 billion;

- An acquisition of a 20% stake in Medini Iskandar Malaysia Sdn. Bhd.; and
- An acquisition of a 20.6% stake in Astoria I power generation business in the United States.

The major cash inflows included collection of a loan for ¥24.5 billion from FPSO leasing business for oil and gas production in Brazil.

- Net outflows of cash that corresponded to other investments and business (net of sales and redemption of other investments and business) were ¥120.8 billion. Major cash expenditures included an acquisition of a 25% interest in an onshore oil field in Italy for ¥98.3 billion and an acquisition of a 7% share in BHP Iron Ore (Jimblebar) Pty. Ltd. for ¥61.3 billion. The major cash inflows included sales of interests in oil fields in Egypt and New Zealand for ¥19.1 billion in total as well as the sale of shares in QIWI plc for ¥14.7 billion.

- Net outflows of cash that corresponded to long-term loan receivables (net of collection) were ¥22.6 billion. The major cash outflows were attributable to an increase in loan receivables at PT. Bussan Auto Finance, a motorcycle retail finance subsidiary in Indonesia, for ¥11.6 billion and the loan to BHP Iron Ore (Jimblebar) Pty. Ltd.

- Net outflows of cash relating to purchases of property leased to others and property and equipment (net of sales of those assets) were ¥271.5 billion. Major expenditures included:

  - Oil and gas producing operations other than U.S. shale gas and oil for a total of ¥80.9 billion;
  - Iron ore mining operations in Australia for ¥69.3 billion;
  - Marcellus and Eagle Ford shale gas and oil producing operations in the United States for ¥65.9 billion;
  - Rolling stock for leasing for ¥13.8 billion; and
  - Coal mining operations in Australia for ¥12.8 billion.

  The major cash inflows included sales of rolling stock for leasing for ¥18.3 billion.

Free cash flow, or the sum of net cash provided by operating activities and net cash used in investing activities, for the nine-month period ended December 31, 2013 was a net outflow of ¥154.6 billion.

*Cash Flows from Financing Activities*

For the nine-month period ended December 31, 2013, net cash provided by financing activities was ¥67.1 billion, a decline of ¥113.0 billion from ¥180.1 billion for the corresponding nine-month period of the previous year. The net cash inflow from the borrowing of long-term debt and short-term debt were ¥84.3 billion and ¥64.7 billion, respectively, while the cash outflow for payments of cash dividends was ¥84.0 billion.

In addition to the changes discussed above, there was an increase in cash and cash equivalents of ¥27.1 billion due to foreign exchange translation and a decline of ¥9.8 billion due to the reclassification to assets held for sale; as a result, cash and cash equivalents as of December 31, 2013 totaled ¥1,355.0 billion, a decline of ¥70.2 billion from ¥1,425.2 billion as of March 31, 2013.

(4) Management Issues

1) Forecasts for the Year Ending March 31, 2014

We are maintaining our forecasted net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2014 at ¥370 billion, the amount announced as the revised forecast on November 5, 2013.

The Energy Segment is performing better than the revised forecast reflecting the increase in dividends form LNG projects and the Machinery & Infrastructure Segment also showed higher progress due to solid performance of IPP and automotive-related businesses. Furthermore, gains from asset divestiture are expected to increase in some segments. Meanwhile, the Mineral & Metal Resources Segment was affected by tax-related loss at Vale. Taking all of those factors into account, we have decided to maintain our full year forecast at ¥370 billion.

2) Key commodity prices and other parameters for the year ending March 31, 2014

The table below shows assumptions for key commodity prices and other parameters for the projected net income attributable to Mitsui & Co., Ltd. for the year ending March 31, 2014. The effects of price movements for each commodity on annual net income attributable to Mitsui & Co., Ltd. are included in the table.

| Impact on Net Income attributable to Mitsui & Co., Ltd. for the Year Ending March 31, 2014 (Announced in May 2013) | | | March 2014 (Revised Forecast) (Announced in February 2014) | March 2014 | | March 2014 (Previous Forecast) (Announced in November 2013) |
|---|---|---|---|---|---|---|
| | | | | 1-3Q (Result) | 4Q (Assumption) | |
| Commodity | Crude Oil/JCC | ¥1.9 bn (US$1/bbl) | 109 | 109 | 107 | 105 |
| | Consolidated Oil Price(*1) | | 110 | 110 | 110 | 108 |
| | Iron Ore | ¥2.2 bn (US$1/ton) | (*2) | 129.1(*3) | (*2) | (*2) |
| | Copper | ¥0.6 bn (US$100/ton) | 7,325 | 7,384(*4) | 7,150 | 7,413 |
| Forex (*5) | USD | ¥1.9 bn (¥1/USD) | 99.85 | 99.80 | 100 | 96.83 |
| | AUD | ¥1.9 bn (¥1/AUD) | 92.30 | 93.06 | 90 | 91.47 |
| | BRL | ¥0.4 bn (¥1/BRL) | 43.66 | 44.87 | 40 | 42.47 |

(*1) The oil price trend is reflected in net income with a 0-6 month time lag. We assume the annual average price applicable to our financial results as the Consolidated Oil Price based on the estimation: 4-6 month time lag, 34%; 1-3 month time lag, 47%; no time lag, 19%.
(*2) We refrain from disclosing the iron ore price assumptions.
(*3) Daily average of representative reference prices (Fine, Fe 62% CFR North China) during April 2013 to December 2013
(*4) Average of LME cash settlement price during January 2013 to September 2013
(*5) Impact of currency fluctuation on net income of overseas subsidiaries and associated companies (denomination in functional currency) against the Japanese yen
Impact of currency fluctuation between their functional currencies against revenue currencies and exchange rate hedging are not included.

(5) Research & Development

Research and development ("R&D") expenses were insignificant for the nine-month period ended December 31, 2013.

## 3. Consolidated Financial Statements

### Consolidated Balance Sheets

**Mitsui & Co., Ltd. and subsidiaries**
**December 31, 2013 and March 31, 2013**

| | Millions of Yen | |
|---|---|---|
| | **December 31, 2013** | **March 31, 2013** |
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents (Notes 1 and 4) | ¥ 1,354,963 | ¥ 1,425,174 |
| Time deposits | 10,613 | 4,740 |
| Marketable securities (Notes 1, 4 and 15) | 394 | 367 |
| Trade receivables (Notes 5 and 6): | | |
| Notes and loans, less unearned interest | 311,005 | 291,052 |
| Accounts | 1,711,663 | 1,608,915 |
| Associated companies | 76,621 | 138,588 |
| Allowance for doubtful receivables (Note 1) | (13,944) | (16,463) |
| Inventories (Notes 1, 6 and 13) | 718,872 | 746,584 |
| Advance payments to suppliers | 106,593 | 135,120 |
| Deferred tax assets—current (Note 1) | 14,894 | 15,644 |
| Derivative assets (Notes 1, 13 and 15) | 89,747 | 61,081 |
| Assets held for sale (Note 3) | 101,237 | - |
| Other current assets | 245,474 | 220,729 |
| Total current assets | 4,728,132 | 4,631,531 |
| **Investments and Non-current Receivables** (Notes 1, 3 and 6): | | |
| Investments in and advances to associated companies (Notes 4, 5, 10 and 15) | 2,629,174 | 2,325,255 |
| Other investments (Notes 4 and 15) | 996,279 | 816,343 |
| Non-current receivables, less unearned interest (Notes 5, 13 and 15) | 558,715 | 523,904 |
| Allowance for doubtful receivables (Note 5) | (39,748) | (37,362) |
| Property leased to others—at cost, less accumulated depreciation | 336,437 | 330,627 |
| Total investments and non-current receivables | 4,480,857 | 3,958,767 |
| **Property and Equipment—at Cost** (Notes 1, 3, 6 and 15): | | |
| Land, land improvements and timberlands | 230,965 | 218,801 |
| Buildings, including leasehold improvements | 479,043 | 442,255 |
| Equipment and fixtures | 1,934,189 | 1,668,246 |
| Mineral rights | 276,689 | 203,142 |
| Vessels | 42,209 | 42,478 |
| Projects in progress | 259,080 | 235,084 |
| Total | 3,222,175 | 2,810,006 |
| Accumulated depreciation | (1,382,922) | (1,239,736) |
| Net property and equipment | 1,839,253 | 1,570,270 |
| **Intangible Assets, less Accumulated Amortization** (Notes 1 and 15) | 119,466 | 118,448 |
| **Deferred Tax Assets—Non-current** (Note 1) | 33,231 | 31,538 |
| **Other Assets** | 15,649 | 14,027 |
| **Total** | ¥11,216,588 | ¥10,324,581 |

See notes to consolidated financial statements

## Consolidated Balance Sheets—(Continued)

**Mitsui & Co., Ltd. and subsidiaries**
**December 31, 2013 and March 31, 2013**

| | Millions of Yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities:** | | |
| Short-term debt (Note 6) | ¥ 649,047 | ¥ 663,129 |
| Current maturities of long-term debt (Notes 6 and 13) | 540,261 | 421,211 |
| Trade payables: | | |
| Notes and acceptances | 51,074 | 46,057 |
| Accounts | 1,507,394 | 1,438,287 |
| Associated companies | 77,197 | 71,272 |
| Accrued expenses: | | |
| Income taxes (Note 1) | 68,137 | 54,091 |
| Interest | 15,701 | 16,985 |
| Other | 77,822 | 80,971 |
| Advances from customers | 101,811 | 98,470 |
| Derivative liabilities (Notes 1, 13 and 15) | 126,370 | 83,940 |
| Liabilities held for sale (Note 3) | 77,201 | - |
| Other current liabilities (Notes 1 and 11) | 88,176 | 70,917 |
| Total current liabilities | 3,380,191 | 3,045,330 |
| **Long-term Debt, less Current Maturities** (Notes 6 and 13) | 3,300,913 | 3,184,957 |
| **Accrued Pension Costs and Liability for Severance Indemnities** (Note 1) | 67,124 | 68,312 |
| **Deferred Tax Liabilities—Non-current** (Note 1) | 293,730 | 266,544 |
| **Other Long-term Liabilities** (Notes 1, 11, 13 and 15) | 333,115 | 319,334 |
| **Contingent Liabilities** (Notes 6 and 11) | | |
| **Equity** (Note 8): | | |
| Mitsui & Co., Ltd. Shareholders' equity: | | |
| Common stock—no par value | | |
| Authorized, 2,500,000,000 shares; | | |
| Issued, 1,829,153,527 shares at December 31, 2013 and 1,829,153,527 shares at March 31, 2013 | 341,482 | 341,482 |
| Capital surplus | 421,675 | 429,828 |
| Retained earnings: | | |
| Appropriated for legal reserve | 71,824 | 69,653 |
| Unappropriated | 2,620,825 | 2,405,008 |
| Accumulated other comprehensive income (loss) (Note 1): | | |
| Unrealized holding gains on available-for-sale securities (Note 4) | 193,957 | 135,832 |
| Foreign currency translation adjustments (Note 13) | 2,926 | (94,912) |
| Defined benefit pension plans | (68,698) | (74,124) |
| Net unrealized losses on derivatives (Note 13) | (18,617) | (24,974) |
| Total accumulated other comprehensive income (loss) | 109,568 | (58,178) |
| Treasury stock, at cost: 3,998,210 shares at December 31, 2013 and 4,027,206 shares at March 31, 2013 | (5,943) | (5,974) |
| Total Mitsui & Co., Ltd. shareholders' equity | 3,559,431 | 3,181,819 |
| Noncontrolling interests (Note 1) | 282,084 | 258,285 |
| Total equity | 3,841,515 | 3,440,104 |
| **Total** | ¥11,216,588 | ¥10,324,581 |

See notes to consolidated financial statements

## Statements of Consolidated Income and Comprehensive Income

### Mitsui & Co., Ltd. and subsidiaries
### For the Nine-Month Periods Ended December 31, 2013 and 2012

### Statements of Consolidated Income

| | Millions of Yen | |
|---|---|---|
| | Nine-Month Period Ended December 31, 2013 | Nine-Month Period Ended December 31, 2012 |
| **Revenues** (Notes 1, 8, 10, 13 and 15): | | |
| Sales of products | ¥ 3,952,603 | ¥ 3,209,733 |
| Sales of services | 307,204 | 280,619 |
| Other sales | 73,141 | 86,109 |
| Total revenues | 4,332,948 | 3,576,461 |
| Total Trading Transactions (Note 1): Nine-month period ended December 31, 2013, ¥8,346,656 million; Nine-month period ended December 31, 2012, ¥7,462,613 million | | |
| **Cost of Revenues** (Notes 1, 8, 10, 13 and 15): | | |
| Cost of products sold | 3,528,494 | 2,842,246 |
| Cost of services sold | 121,223 | 116,552 |
| Cost of other sales | 44,719 | 43,408 |
| Total cost of revenues | 3,694,436 | 3,002,206 |
| **Gross Profit** | 638,512 | 574,255 |
| **Other Expenses (Income)**: | | |
| Selling, general and administrative (Notes 1, 7, 8 and 10) | 423,354 | 382,009 |
| Provision for doubtful receivables (Notes 1, 5 and 10) | 6,037 | 9,372 |
| Interest income (Notes 1, 5 and 13) | (23,020) | (33,244) |
| Interest expense (Notes 1, 8 and 13) | 32,620 | 31,819 |
| Dividend income | (100,143) | (61,993) |
| Gain on sales of securities—net (Notes 4 and 8) | (35,191) | (36,578) |
| Loss on write-down of securities (Notes 1, 4, 8 and 15) | 16,773 | 21,263 |
| Gain on disposal or sales of property and equipment—net | (8,468) | (1,903) |
| Impairment loss of long-lived assets (Notes 1 and 15) | 5,877 | 1,845 |
| Other expenses—net (Notes 1, 8, 13 and 15) | 4,098 | 15,348 |
| Total other expenses (income) | 321,937 | 327,938 |
| **Income before Income Taxes and Equity in Earnings** | 316,575 | 246,317 |
| **Income Taxes** (Note 1) | 121,207 | 111,590 |
| **Income before Equity in Earnings** | 195,368 | 134,727 |
| **Equity in Earnings of Associated Companies—Net** (Notes 1, 8, 10 and 15) | 121,292 | 135,616 |
| **Net Income before Attribution of Noncontrolling Interests** | 316,660 | 270,343 |
| **Net Income Attributable to Noncontrolling Interests** | (14,715) | (16,434) |
| **Net Income Attributable to Mitsui & Co., Ltd.** | ¥ 301,945 | ¥ 253,909 |
| | Yen | |
| **Net Income Attributable to Mitsui & Co., Ltd. per Share** (Notes 1 and 9): | | |
| Basic | 165.44 | 139.13 |
| Diluted | 165.43 | 139.13 |

See notes to consolidated financial statements

## Statements of Consolidated Comprehensive Income

| | Millions of Yen | |
|---|---|---|
| | **Nine-Month Period Ended December 31, 2013** | **Nine-Month Period Ended December 31, 2012** |
| **Comprehensive Income (Loss)** (Note 1): | | |
| **Net Income before Attribution of Noncontrolling Interests** | ¥ 316,660 | ¥ 270,343 |
| **Other Comprehensive Income (Loss) (after income tax effect)** (Notes 1 and 8): | | |
| Unrealized holding gains (losses) on available-for-sale securities (Note 4) | 59,049 | (8,718) |
| Foreign currency translation adjustments (Note 13) | 109,587 | 91,246 |
| Defined benefit pension plans | 5,445 | 4,454 |
| Net unrealized gains (losses) on derivatives (Note 13) | 6,192 | (3,877) |
| Total Other Comprehensive Income (after income tax effect) | 180,273 | 83,105 |
| **Comprehensive Income before Attribution of Noncontrolling Interests** | 496,933 | 353,448 |
| **Comprehensive Income Attributable to Noncontrolling Interests** (Note 8) | (27,262) | (19,856) |
| **Comprehensive Income Attributable to Mitsui & Co., Ltd.** | ¥ 469,671 | ¥ 333,592 |

See notes to consolidated financial statements

## For the Three-Month Periods Ended December 31, 2013 and 2012

### Statements of Consolidated Income

| | Millions of Yen | |
|---|---|---|
| | Three-Month Period Ended December 31, 2013 | Three-Month Period Ended December 31, 2012 |
| **Revenues** (Notes 1, 8, 10, 13 and 15): | | |
| Sales of products | ¥ 1,335,452 | ¥ 1,092,032 |
| Sales of services | 105,223 | 95,185 |
| Other sales | 19,968 | 23,346 |
| Total revenues | 1,460,643 | 1,210,563 |
| Total Trading Transactions (Note 1): Three-month period ended December 31, 2013, ¥2,815,274 million; Three-month period ended December 31, 2012, ¥2,469,934 million | | |
| **Cost of Revenues** (Notes 1, 8, 10, 13 and 15): | | |
| Cost of products sold | 1,196,124 | 975,698 |
| Cost of services sold | 40,892 | 39,702 |
| Cost of other sales | 15,091 | 13,882 |
| Total cost of revenues | 1,252,107 | 1,029,282 |
| **Gross Profit** | 208,536 | 181,281 |
| **Other Expenses (Income)**: | | |
| Selling, general and administrative (Notes 1, 7, 8 and 10) | 144,789 | 130,529 |
| Provision for doubtful receivables (Notes 1, 5 and 10) | 593 | 2,153 |
| Interest income (Notes 1, 5 and 13) | (8,169) | (18,289) |
| Interest expense (Notes 1, 8 and 13) | 10,556 | 10,601 |
| Dividend income | (35,620) | (15,607) |
| Gain on sales of securities—net (Notes 4 and 8) | (18,204) | (20,914) |
| Loss on write-down of securities (Notes 1, 4, 8 and 15) | 6,173 | 2,902 |
| Gain on disposal or sales of property and equipment—net | (6,630) | (387) |
| Impairment loss of long-lived assets (Notes 1 and 15) | 5,463 | 1,621 |
| Other (income) expenses—net (Notes 1, 8, 13 and 15) | (4,582) | 2,657 |
| Total other expenses (income) | 94,369 | 95,266 |
| **Income before Income Taxes and Equity in Earnings** | 114,167 | 86,015 |
| **Income Taxes** (Note 1) | 31,919 | 33,965 |
| **Income before Equity in Earnings** | 82,248 | 52,050 |
| **Equity in Earnings of Associated Companies—Net** (Notes 1, 8, 10 and 15) | 27,991 | 38,278 |
| **Net Income before Attribution of Noncontrolling Interests** | 110,239 | 90,328 |
| **Net Income Attributable to Noncontrolling Interests** | (5,495) | (4,756) |
| **Net Income Attributable to Mitsui & Co., Ltd.** | ¥ 104,744 | ¥ 85,572 |
| | Yen | |
| **Net Income Attributable to Mitsui & Co., Ltd. per Share** (Notes 1 and 9): | | |
| Basic | 57.39 | 46.89 |
| Diluted | 57.38 | 46.89 |

See notes to consolidated financial statements

## Statements of Consolidated Comprehensive Income

| | Millions of Yen | |
|---|---|---|
| | **Three-Month Period Ended December 31, 2013** | **Three-Month Period Ended December 31, 2012** |
| **Comprehensive Income (Loss)** (Note 1): | | |
| **Net Income before Attribution of Noncontrolling Interests** | ¥ 110,239 | ¥ 90,328 |
| **Other Comprehensive Income (after income tax effect)** (Notes 1 and 8)**:** | | |
| Unrealized holding gains on available-for-sale securities (Note 4) | 23,480 | 32,361 |
| Foreign currency translation adjustments (Note 13) | 138,472 | 211,456 |
| Defined benefit pension plans | 2,302 | 2,774 |
| Net unrealized gains on derivatives (Note 13) | 3,884 | 8 |
| Total Other Comprehensive Income (after income tax effect) | 168,138 | 246,599 |
| **Comprehensive Income before Attribution of Noncontrolling Interests** | 278,377 | 336,927 |
| **Comprehensive Income Attributable to Noncontrolling Interests** (Note 8) | (18,614) | (17,484) |
| **Comprehensive Income Attributable to Mitsui & Co., Ltd.** | ¥ 259,763 | ¥ 319,443 |

See notes to consolidated financial statements

## Statements of Consolidated Cash Flows

**Mitsui & Co., Ltd. and subsidiaries**
**For the Nine-Month Periods Ended December 31, 2013 and 2012**

| | Millions of Yen | |
|---|---|---|
| | Nine -Month Period Ended December 31, 2013 | Nine -Month Period Ended December 31, 2012 |
| **Operating Activities**: | | |
| Net income before attribution of noncontrolling interests | ¥ 316,660 | ¥ 270,343 |
| Adjustments to reconcile net income before attribution of noncontrolling interests to net cash provided by operating activities: | | |
| Depreciation and amortization | 165,124 | 141,189 |
| Pension and severance costs, less payments | 6,088 | 7,730 |
| Provision for doubtful receivables | 6,037 | 9,372 |
| Gain on sales of securities—net | (35,191) | (36,578) |
| Loss on write-down of securities | 16,773 | 21,263 |
| Gain on disposal or sales of property and equipment—net | (8,468) | (1,903) |
| Impairment loss of long-lived assets | 5,877 | 1,845 |
| Deferred income taxes | 10,808 | (16,457) |
| Equity in earnings of associated companies, less dividends received | (7,974) | (45,665) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in trade receivables | (95,132) | 122,223 |
| Decrease (increase) in inventories | 58,228 | (65,705) |
| Increase (decrease) in trade payables | 66,648 | (10,030) |
| Increase (decrease) in accrued expenses | 11,445 | (38,650) |
| Decrease in advance payments to suppliers | 32,987 | 13,120 |
| Decrease in advances from customers | (1,018) | (6,067) |
| Changes in derivative assets and liabilities—net | (44,402) | (7,848) |
| Decrease in short-term debt—other secured financing | (114,499) | - |
| Other—net | 21,711 | 5,547 |
| Net cash provided by operating activities | 411,702 | 363,729 |
| **Investing Activities**: | | |
| Net increase in time deposits | (4,627) | (713) |
| Investments in and advances to associated companies | (206,305) | (261,760) |
| Sales of investments in and collection of advances to associated companies | 59,533 | 51,572 |
| Acquisitions of other investments and businesses —net of cash acquired (Note 2) | (207,321) | (63,749) |
| Proceeds from sales and maturities of other investments | 63,079 | 76,479 |
| Increase in long-term loan receivables | (105,715) | (213,258) |
| Collection of long-term loan receivables | 83,069 | 74,095 |
| Additions to property leased to others and property and equipment | (314,742) | (311,958) |
| Proceeds from sales of property leased to others and property and equipment | 43,275 | 9,283 |
| Proceeds from sales of businesses, net of cash divested | 23,482 | - |
| Net cash used in investing activities | (566,272) | (640,009) |
| **Financing Activities**: | | |
| Net increase in short-term debt | 64,679 | 120,678 |
| Proceeds from long-term debt | 457,971 | 643,603 |
| Repayments of long-term debt | (373,710) | (495,125) |
| Transactions with noncontrolling interests shareholders | 2,132 | 2,179 |
| Purchases of treasury stock—net | (19) | (5) |
| Payments of cash dividends | (83,970) | (91,270) |
| Net cash provided by financing activities | 67,083 | 180,060 |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | 27,101 | 26,604 |
| **Cash and Cash Equivalents Included in Assets Held for Sale** (Note 3) | (9,825) | - |
| **Net Decrease in Cash and Cash Equivalents** | (70,211) | (69,616) |
| **Cash and Cash Equivalents at Beginning of Period** | 1,425,174 | 1,431,112 |
| **Cash and Cash Equivalents at End of Period** | ¥ 1,354,963 | ¥ 1,361,496 |

See notes to consolidated financial statements

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

### I. BASIS OF FINANCIAL STATEMENTS

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

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

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

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

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Consolidation***

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

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

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

Certain subsidiaries with a third-quarter-end on or after September 30, but prior to the parent company's third-quarter-end of December 31, are included on the basis of the subsidiaries' respective third-quarter-ends.

***Foreign currency translation***

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

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

***Cash equivalents***

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

***Allowance for credit losses***

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

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

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

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

***Inventories***

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

***Derivative instruments and hedging activities***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Debt and marketable equity securities***

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

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

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

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

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

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

***Non-marketable equity securities***

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

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

***Investments in associated companies***

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

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

Certain associated companies with a third-quarter-end on or after September 30, but prior to the Company's third-quarter-end of December 31, are accounted for under the equity method on the basis of the associated companies' respective third-quarter-ends. On November 27, 2013, Vale S.A., the Brazilian consolidated subsidiary of Valepar S.A. (an associated company in which the Company owns 18.24% of the voting shares, ending its fiscal year in December), announced its participation in the federal tax settlement (REFIS) in Brazil in relation to the taxation of earnings of its non-Brazilian subsidiaries and affiliates from 2003 to 2012 and the estimated impact on net income in 2013. Considering the materiality of this event, the Company's proportionate share of the estimated loss was recognized in the Company's consolidated statements of income for the three-month and nine-month periods ended December 31, 2013, as an adjustment item occurring in the period between the third-quarter-end of Valepar S.A. and that of the Company.

***Leasing***

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

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

***Property and equipment***

Property and equipment are stated at cost.

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

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

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

***Impairment of long-lived assets***

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

***Business combinations***

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

***Goodwill and other intangible assets***

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

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

***Oil and gas producing activities***

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

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

***Mining operations***

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

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

***Asset retirement obligations***

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

***Pension and severance indemnities plans***

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

***Guarantees***

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

***Revenue recognition***

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

*Sales of products*

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

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

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

*Sales of services*

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

*Other sales*

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

***Research and development expenses***

Research and development costs are charged to expenses when incurred.

***Advertising expenses***

Advertising costs are charged to expenses when incurred.

***Income taxes***

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

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

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

***Net income per share***

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

***Subsequent events***

The Company has evaluated subsequent events through February 13, 2014.

## III. RECLASSIFICATION

Certain reclassifications and format changes have also been made to amounts for the nine-month period ended December 31, 2012 and for the three-month period ended December 31, 2012 to conform to the current period presentation.

## IV. DISCONTINUED OPERATIONS

The companies have the policy of presenting the results of discontinued operations (including operations of a subsidiary that either has been disposed of or is classified as held for sale) as a separate line in the Statements of Consolidated Income under income or loss from discontinued operations—net (after income tax effect). The figures of discontinued operations for the nine-month periods ended December 31, 2013 and 2012, were not reclassified due to their immateriality to the companies' financial position and results of operations.

## V. NEW ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

## 2. *BUSINESS COMBINATIONS*

**For the nine-month period ended December 31, 2013**

**Total E&P Energia Italia S.r.l**

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

The Company is in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed. The following table summarizes the acquisition-date fair values of such assets and liabilities provisionally recorded at December 31, September 30, and June 30, 2013:

| | Millions of Yen | | |
|---|---|---|---|
| | December 31, 2013 | September 30, 2013 | June 30,2013 |
| Current assets | ¥ 5,801 | ¥ 5,801 | ¥ 5,059 |
| Property and equipment | 92,929 | 92,929 | 93,262 |
| Total assets acquired | 98,730 | 98,730 | 98,321 |
| Current liabilities | (409) | (409) | - |
| Total liabilities assumed | (409) | (409) | - |
| Net assets acquired | ¥ 98,321 | ¥ 98,321 | ¥ 98,321 |

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

A net decrease in cash and cash equivalents of ¥98,321 million arising from this business combination is included in acquisitions of other investments and businesses—net of cash acquired in the Statements of Consolidated Cash Flows for the nine-month period ended December 31, 2013.

**For the nine-month period ended December 31, 2012**

**Interest of Oil and Gas Concessions in the UK North Sea**

On June 22, 2012, Mitsui E&P UK Limited, an 89.34% owned subsidiary of the Company, entered into a definitive agreement with Arco British Limited, a 100% owned subsidiary of BP p.l.c., to acquire the British oil major's working interest in the Alba oil field (percentage interest: 13.30%) and the Britannia gas and condensate field (8.97%) in the UK North Sea area for the purpose of establishing a well-balanced business portfolio and to contribute to the stable supply of energy resources in the region. This acquisition for ¥21,293 million (U.K. £162 million) was closed on December 7, 2012 (the acquisition date). As a result of a post-closing purchase price adjustment, the acquisition cost was changed to ¥22,409 million (U.K. £169 million). The adjusting payment of ¥1,116 million (U.K. £7 million) was paid on April 24, 2013.

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

| | Millions of Yen |
|---|---|
| Current assets | ¥ 4,050 |
| Property and equipment | 29,211 |
| Intangible assets | 1,835 |
| Investments and other assets | 10,748 |
| Total assets acquired | 45,844 |
| Current liabilities | (752) |
| Long-term liabilities | (22,683) |
| Total liabilities assumed | (23,435) |

Accounts receivable recorded at fair value of ¥3,082 million is included in current assets in the table above.

Mitsui E&P UK Limited has a fiscal year-end on December 31 and the accounting for this acquisition was to be processed in the three-month period ended March 31, 2013.

### *3. HELD-FOR-SALE CLASSIFICATION*

On December 18, 2013, the Company reached an agreement with TonenGeneral Sekiyu K. K. to sell its entire shares in MITSUI OIL CO., LTD. ("Mitsui Oil", a 89.93% subsidiary of the Company) for the purpose of changing its portfolio allocation in the field of Energy business. This transaction was completed on February 4, 2014. Therefore, as of December 31, 2013, the assets and liabilities of Mitsui Oil were disclosed as single line items in the assets held for sale and liabilities held for sale accounts. The assets and liabilities were included in the Energy Segment.
The following table summarizes assets and liabilities held for sale as of December 31, 2013:

| | Millions of Yen |
|---|---|
| | **December 31, 2013** |
| Assets: | |
| Current assets | ¥ 55,405 |
| Investments and non-current receivables | 32,125 |
| Property and equipment | 12,334 |
| Other assets | 1,373 |
| Total assets held for sale | ¥ 101,237 |
| Liabilities: | |
| Current liabilities | ¥ 68,366 |
| Long-term liabilities | 8,835 |
| Total liabilities held for sale | ¥ 77,201 |

The figures of assets and liabilities held for sale as of March 31, 2013 were not reclassified due to their immateriality to the companies' financial position and result of operations.

## 4. MARKETABLE SECURITIES AND OTHER INVESTMENTS

### Debt and marketable equity securities

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

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | | Unrealized holding gains (losses) | | |
| | Cost | Fair value | Gains | Losses | Net |
| December 31, 2013: | | | | | |
| Available-for-sale: | | | | | |
| Marketable equity securities (Japan) | ¥ 216,411 | ¥ 481,273 | ¥ 264,893 | ¥ (31) | ¥ 264,862 |
| Marketable equity securities (Non-Japan) | 19,002 | 61,660 | 42,821 | (163) | 42,658 |
| Preferred stock that must be redeemed | 36,726 | 33,613 | 2,094 | (5,207) | (3,113) |
| Government bonds | 15 | 15 | 0 | — | 0 |
| Convertible bonds | 7,791 | 6,833 | 59 | (1,017) | (958) |
| March 31, 2013: | | | | | |
| Available-for-sale: | | | | | |
| Marketable equity securities (Japan) | ¥ 207,774 | ¥ 403,264 | ¥ 195,583 | ¥ (93) | ¥ 195,490 |
| Marketable equity securities (Non-Japan) | 19,653 | 48,399 | 28,968 | (222) | 28,746 |
| Preferred stock that must be redeemed | 52,923 | 47,168 | 1,933 | (7,688) | (5,755) |
| Government bonds | 15 | 15 | 0 | — | 0 |
| Other securities | 285 | 285 | 0 | — | 0 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | | Unrealized holding gains (losses) | | |
| | Amortized cost | Fair value | Gains | Losses | Net |
| December 31, 2013: | | | | | |
| Held-to-maturity debt securities | ¥ 4,083 | ¥ 4,083 | ¥ 0 | — | ¥ 0 |
| March 31, 2013: | | | | | |
| Held-to-maturity debt securities | ¥ 3,593 | ¥ 3,593 | ¥ 0 | — | ¥ 0 |

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

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | |
| | Fair value | Unrealized holding losses | Fair value | Unrealized holding losses |
| December 31, 2013: | | | | |
| Available-for-sale: | | | | |
| Marketable equity securities | ¥ 1,445 | ¥ (194) | — | — |
| Preferred stock that must be redeemed | — | — | ¥ 11,888 | ¥ (5,207) |
| Convertible bonds | 6,318 | (1,017) | — | — |
| Total | ¥ 7,763 | ¥ (1,211) | ¥ 11,888 | ¥ (5,207) |
| March 31, 2013: | | | | |
| Available-for-sale: | | | | |
| Marketable equity securities | ¥ 3,404 | ¥ (315) | — | — |
| Debt securities, consisting of preferred stock that must be redeemed | — | — | ¥ 38,300 | ¥ (7,688) |
| Total | ¥ 3,404 | ¥ (315) | ¥ 38,300 | ¥ (7,688) |

The companies' investments in available-for-sale securities in an unrealized holding loss position consisted primarily of marketable equity securities, preferred stock that must be redeemed and convertible bonds at December 31, 2013. The unrealized losses on marketable equity securities and convertible bonds were due principally to a temporary decline in the stock market and the effect of the interest rate, respectively. The companies evaluated the near-term prospects of the issuers of the investments in relation to the severity and duration of impairment. Based on that evaluation and the companies' ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the companies did not consider these investments to be other-than-temporarily impaired at December 31, 2013.

The unrealized losses on preferred stock that must be redeemed were due to a devaluation of foreign currencies against the yen in the foreign exchange market. Losses on write-down of the current portion of the preferred stock were recognized to reflect the devaluation of foreign currencies considered to be other-than-temporary. For the non-current portion, the companies evaluated the prospects of the foreign exchange market for the period of maturity of the stock. Based on that evaluation, the companies did not consider this portion to be other-than-temporarily impaired at December 31, 2013.

For the nine-month periods ended December 31, 2013 and 2012 losses of ¥10,364 million and ¥17,019 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

For the three-month periods ended December 31, 2013 and 2012 losses of ¥4,852 million and ¥2,014 million, respectively, were recognized on write-downs of available-for-sale securities to reflect the decline in market value considered to be other-than-temporary.

The portions of net trading gains and losses for the nine-month and three-month periods that relate to trading securities still held at December 31, 2013 and 2012 didn't exist.

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the nine-month periods ended December 31, 2013 and 2012 were as follows:

| | Millions of Yen | |
|---|---|---|
| | 2013 | 2012 |
| Proceeds from sales | ¥ 39,719 | ¥ 16,206 |
| Gross realized gains | ¥ 25,905 | ¥ 7,508 |
| Gross realized losses | (2) | (1) |
| Net realized gains | ¥ 25,903 | ¥ 7,507 |

The proceeds from sales of available-for-sale securities and the gross realized gains and losses on those sales for the three-month periods ended December 31, 2013 and 2012 were as follows:

| | Millions of Yen | |
|---|---|---|
| | 2013 | 2012 |
| Proceeds from sales | ¥ 20,438 | ¥ 7,928 |
| Gross realized gains | ¥ 14,924 | ¥ 5,380 |
| Gross realized losses | — | — |
| Net realized gains | ¥ 14,924 | ¥ 5,380 |

On July 1, 2013, in connection with the foundation of Coca-Cola East Japan Co., Ltd., the Company exchanged shares of Mikuni Coca-Cola Bottling Co., Ltd. for those of Coca-Cola East Japan Co., Ltd. In accordance with ASC 325-20-30, "Nonmonetary Exchange of Cost-Method Investments," a non-cash gain of ¥3,172 million was recorded for the nine-month periods ended December 31, 2013, and is included in gain on sales of securities—net in the Statements of Consolidated Income.

Debt securities classified as available-for-sale and held-to-maturity at December 31, 2013 mature as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Available-for-sale | | Held-to-maturity | |
| | Amortized cost | Aggregate fair value | Amortized cost | Aggregate fair value |
| Contractual maturities: | | | | |
| Within 1 year | ¥ 19,646 | ¥ 21,740 | ¥ 15 | ¥ 15 |
| After 1 year through 5 years | 24,626 | 18,402 | 126 | 126 |
| After 5 years through 10 years | 260 | 319 | — | — |
| After 10 years | — | — | 3,942 | 3,942 |
| Total | ¥ 44,532 | ¥ 40,461 | ¥ 4,083 | ¥ 4,083 |

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

***Investments other than debt and marketable equity securities***

Investments other than investments in debt and marketable equity securities consisted primarily of non-marketable equity securities and non-current time deposits and amounted to ¥ 442,440 million and ¥360,822 million at December 31, 2013 and March 31, 2013, respectively.

Investments in non-marketable equity securities are carried at cost; however, if the fair value of an investment has declined and such decline is judged to be other-than-temporary, the investment is written down to its estimated fair value.

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥6,409 million and ¥4,244 million for the nine-month periods ended December 31, 2013 and 2012, respectively.

Losses on write-downs of these investment securities recognized to reflect the declines in fair value considered to be other-than-temporary were ¥1,321 million and ¥888 million for the three-month periods ended December 31, 2013 and 2012, respectively.

The aggregate carrying amount of the companies' non-marketable equity securities accounted for under the cost method totaled ¥387,446 million and ¥315,599 million at December 31, 2013 and March 31, 2013, respectively.

### 5. *FINANCING RECEIVABLES AND RELATED ALLOWANCES*

***Portfolio segment***

The financing receivables below are mainly loans and long-term receivables for the purpose of providing financing other than short term receivables. The amounts of recorded investment in financing receivables defined in ASC 310 and the analysis of the change in the related allowances as of December 31, 2013 and 2012, were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | Corporate Businesses | Retail Finance Business | Total |
| **Nine-month period ended December 31, 2013:** | | | |
| Related Allowances | | | |
| Balance at March 31, 2013 | ¥ 39,845 | ¥ 6,218 | ¥ 46,063 |
| Credits charged off | (3,507) | (4,836) | (8,343) |
| Provision for doubtful receivables | 1,464 | 5,227 | 6,691 |
| Others | 2,209 | (306) | 1,903 |
| Balance at December 31, 2013 | ¥ 40,011 | ¥ 6,303 | ¥ 46,314 |
| Allowances Collectively Evaluated | 1,288 | 1,520 | 2,808 |
| Allowances Individually Evaluated | 38,723 | 4,783 | 43,506 |
| Financing Receivables | | | |
| Balance at December 31, 2013 | ¥ 571,838 | ¥ 134,950 | ¥ 706,788 |
| Financing Receivables with Allowances Collectively Evaluated | 509,993 | 127,191 | 637,184 |
| Financing Receivables with Allowances Individually Evaluated | 61,845 | 7,759 | 69,604 |

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

| | Millions of Yen | | |
|---|---|---|---|
| | Corporate Businesses | Retail Finance Business | Total |
| **Nine-month period ended December 31, 2012:** | | | |
| Related Allowances | | | |
| Balance at March 31, 2012 | ¥ 33,951 | ¥ 9,625 | ¥ 43,576 |
| Credits charged off | (2,964) | (9,402) | (12,366) |
| Provision for doubtful receivables | 3,307 | 9,020 | 12,327 |
| Others | 4,099 | 61 | 4,160 |
| Balance at December 31, 2012 | ¥ 38,393 | ¥ 9,304 | ¥ 47,697 |
| Allowances Collectively Evaluated | 1,266 | 2,203 | 3,469 |
| Allowances Individually Evaluated | 37,127 | 7,101 | 44,228 |
| Financing Receivables | | | |
| Balance at December 31, 2012 | ¥ 519,898 | ¥ 126,092 | ¥ 645,990 |
| Financing Receivables with Allowances Collectively Evaluated | 456,889 | 114,593 | 571,482 |
| Financing Receivables with Allowances Individually Evaluated | 63,009 | 11,499 | 74,508 |

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

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Corporate Businesses | | Retail Finance Business | | Total | |
| **Three-month period ended December 31, 2013:** | | | | | | |
| Related Allowances | | | | | | |
| Balance at September 30, 2013 | ¥ | 38,044 | ¥ | 6,111 | ¥ | 44,155 |
| Credits charged off | | (430) | | (1,623) | | (2,053) |
| Provision for doubtful receivables | | 79 | | 1,662 | | 1,741 |
| Others | | 2,318 | | 153 | | 2,471 |
| Balance at December 31, 2013 | ¥ | 40,011 | ¥ | 6,303 | ¥ | 46,314 |

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

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | Corporate Businesses | | Retail Finance Business | | Total | |
| **Three-month period ended December 31, 2012:** | | | | | | |
| Related Allowances | | | | | | |
| Balance at September 30, 2012 | ¥ | 32,592 | ¥ | 8,706 | ¥ | 41,298 |
| Credits charged off | | (574) | | (3,541) | | (4,115) |
| Provision for doubtful receivables | | 1,211 | | 3,279 | | 4,490 |
| Others | | 5,164 | | 860 | | 6,024 |
| Balance at December 31, 2012 | ¥ | 38,393 | ¥ | 9,304 | ¥ | 47,697 |

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

***Credit quality indicators***

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

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

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

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

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

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

**Balance at December 31, 2013:**
**Corporate Businesses**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Metals | | Machinery & Infrastructure | | Chemicals | | Energy | |
| Performing | ¥ | 143,802 | ¥ | 264,685 | ¥ | 1,639 | ¥ | 29,215 |
| Nonperforming | | 5,574 | | 14,310 | | 7,348 | | 4,419 |
| Total | ¥ | 149,376 | ¥ | 278,995 | ¥ | 8,987 | ¥ | 33,634 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Lifestyle | | Innovation & Corporate Development | | Others | | Total | |
| Performing | ¥ | 9,831 | ¥ | 12,772 | ¥ | 65,586 | ¥ | 527,530 |
| Nonperforming | | 2,306 | | 3,892 | | 6,459 | | 44,308 |
| Total | ¥ | 12,137 | ¥ | 16,664 | ¥ | 72,045 | ¥ | 571,838 |

**Balance at March 31, 2013:**
**Corporate Businesses**

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

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Lifestyle | | Innovation & Corporate Development | | Others | | Total | |
| Performing | ¥ | 9,421 | ¥ | 11,274 | ¥ | 62,297 | | 501,605 |
| Nonperforming | | 2,449 | | 5,890 | | 8,847 | | 43,920 |
| Total | ¥ | 11,870 | ¥ | 17,164 | ¥ | 71,144 | | 545,525 |

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

### *Financing receivables by dates past due*

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

**Balance at December 31, 2013:**
**Corporate Businesses**

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Metals | Machinery & Infrastructure | Chemicals | Energy |
| Less than 90 days (including not past due) .. | ¥ 143,976 | ¥ 263,004 | ¥ 3,595 | ¥ 29,215 |
| 90 days or more ............. | 5,400 | 15,991 | 5,392 | 4,419 |
| Total.............................. | ¥ 149,376 | ¥ 278,995 | ¥ 8,987 | ¥ 33,634 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Lifestyle | Innovation & Corporate Development | Others | Total |
| Less than 90 days (including not past due) .. | ¥ 10,400 | ¥ 13,398 | ¥ 67,406 | ¥ 530,994 |
| 90 days or more ............. | 1,737 | 3,266 | 4,639 | 40,844 |
| Total........................... | ¥ 12,137 | ¥ 16,664 | ¥ 72,045 | ¥ 571,838 |

**Retail Finance Business**

| | Millions of Yen |
|---|---|
| Less than 30 days (including not past due).......... | ¥ 123,981 |
| 30-89 days past due ................ | 4,259 |
| 90-179 days past due ............. | 2,457 |
| 180-359 days past due ............ | 2,571 |
| 360 days or more past due ...... | 1,682 |
| Total........................................ | ¥ 134,950 |

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

**Balance at March 31, 2013:**
**Corporate Businesses**

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Lifestyle | Innovation & Corporate Development | Others | Total |
| Less than 90 days (including not past due) .. | ¥ 10,092 | ¥ 14,153 | ¥ 66,864 | ¥ 507,596 |
| 90 days or more .............. | 1,778 | 3,011 | 4,280 | 37,929 |
| Total........................... | ¥ 11,870 | ¥ 17,164 | ¥ 71,144 | ¥ 545,525 |

**Retail Finance Business**

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

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

### *Impaired financing receivables*

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

**Balance at December 31, 2013:**
**Corporate Businesses**

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Metals | | Machinery & Infrastructure | | Chemicals | | Energy | |
| | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance |
| With allowance for credit losses | ¥ 23,042 | ¥ 5,552 | ¥15,125 | ¥ 13,660 | ¥ 5,714 | ¥ 5,433 | ¥ 4,419 | ¥ 3,908 |
| Without allowance for credit losses | — | — | 392 | — | 1 | — | — | — |
| Total | ¥ 23,042 | ¥ 5,552 | ¥15,517 | ¥ 13,660 | ¥ 5,715 | ¥ 5,433 | ¥ 4,419 | ¥ 3,908 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Lifestyle | | Innovation & Corporate Development | | Others | | Total | |
| | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance | Receivable | Allowance |
| With allowance for credit losses | ¥ 5,562 | ¥ 4,420 | ¥ 3,887 | ¥ 3,292 | ¥ 4,096 | ¥ 2,458 | ¥ 61,845 | ¥ 38,723 |
| Without allowance for credit losses | 36 | — | 15 | — | 2,276 | — | 2,720 | — |
| Total | ¥ 5,598 | ¥ 4,420 | ¥ 3,902 | ¥ 3,292 | ¥ 6,372 | ¥ 2,458 | ¥ 64,565 | ¥ 38,723 |

**Retail Finance Business**

| | Millions of Yen | |
|---|---|---|
| | Receivable | Allowance |
| With allowance for credit losses | ¥ 7,759 | ¥ 4,783 |
| Without allowance for credit losses | — | — |
| Total | ¥ 7,759 | ¥ 4,783 |

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

**Balance at March 31, 2013:**
**Corporate Businesses**

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

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

**Retail Finance Business**

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

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

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

**Nine-month period ended December 31, 2013:**

| Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Corporate Businesses | | | | | | | | Retail Finance Business |
| Metals | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development | Others | Total | |
| ¥ 21,518 | ¥ 14,789 | ¥ 5,317 | ¥ 5,734 | ¥ 4,375 | ¥ 4,902 | ¥ 9,326 | ¥ 65,961 | ¥ 7,675 |

**Nine-month period ended December 31, 2012:**

| Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Corporate Businesses | | | | | | | | Retail Finance Business |
| Metals | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development | Others | Total | |
| ¥ 14,579 | ¥ 12,976 | ¥ 4,958 | ¥ 5,803 | ¥ 2,988 | ¥ 5,192 | ¥ 11,872 | ¥ 58,366 | ¥ 11,328 |

Note: Interest income for the nine-month period ended December 31, 2013 and 2012, recognized on impaired financing receivables was considered minor.

**Three-month period ended December 31, 2013:**

| Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Corporate Businesses | | | | | | | | Retail Finance Business |
| Metals | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development | Others | Total | |
| ¥ 21,551 | ¥ 14,712 | ¥ 5,418 | ¥ 5,662 | ¥ 5,066 | ¥ 3,927 | ¥ 7,688 | ¥ 64,024 | ¥ 7,474 |

**Three-month period ended December 31, 2012:**

| Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Corporate Businesses | | | | | | | | Retail Finance Business |
| Metals | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development | Others | Total | |
| ¥ 13,415 | ¥ 13,732 | ¥ 4,772 | ¥ 7,616 | ¥ 2,916 | ¥ 5,530 | ¥ 10,831 | ¥ 58,812 | ¥ 11,305 |

Note: Interest income for the three-month period ended December 31, 2013 and 2012, recognized on impaired financing receivables was considered minor.

### *Financing receivables on nonaccrual status*

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

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

**Balance at December 31, 2013:**

| Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Corporate Businesses | | | | | | | | Retail Finance Business |
| Metals | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development | Others | Total | |
| ¥ 23,042 | ¥ 30,590 | ¥ 5,715 | ¥ 4,419 | ¥ 5,598 | ¥ 3,902 | ¥ 6,372 | ¥ 79,638 | ¥ 7,759 |

**Balance at March 31, 2013:**

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

### *Troubled Debt Restructurings*

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

The following table provides information on loans and financing receivables modified as TDRs within the retail finance business due to an extension of the due date during the nine-month and three-month periods ended December 31, 2013 and 2012.

| Millions of Yen | | | |
|---|---|---|---|
| Nine-month period ended December 31, 2013 | | Nine-month period ended December 31, 2012 | |
| Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| ¥ 6,507 | ¥ 5,832 | ¥ 10,687 | ¥ 9,670 |

| Millions of Yen | | | |
|---|---|---|---|
| Three-month period ended December 31, 2013 | | Three-month period ended December 31, 2012 | |
| Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| ¥ 1,646 | ¥ 1,855 | ¥ 3,373 | ¥ 3,216 |

The increases in the provision of allowance for doubtful accounts as a result of the classification of TDRs for the nine-month and three-month periods ended December 31, 2013 were considered minor. The increases in the provision of allowance for doubtful accounts as a result of the classification of TDRs for the nine-month and three-month periods ended December 31, 2012 were ¥1,189 million and ¥169 million. As for the corporate businesses, the financial effects of the modifications in relation to TDRs were considered minor.

The amount of financing receivables modified as TDRs after April 1, 2012 and subsequently defaulted during the nine-month period ended December 31, 2013 for the retail finance business was ¥4,082 million. The amount of financing receivables modified as TDRs after October 1, 2012 and subsequently defaulted during the three-month period ended December 31, 2013 for the retail finance business was ¥1,188 million. The amount of financing receivables modified as TDRs after April 1, 2011 and subsequently defaulted during the nine-month period ended December 31, 2012 for the retail finance business was ¥4,515 million. The amount of financing receivables modified as TDRs after October 1, 2011 and subsequently defaulted during the three-month period ended December 31, 2012 for the retail finance business was ¥2,640 million. As for the corporate businesses, the financial effects of the modifications in relation to TDRs were considered minor.

## 6. *PLEDGED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL*

### *Pledged assets*

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

| | Millions of Yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| Trade receivables (current and non-current) | ¥ 88,000 | ¥ 86,830 |
| Inventories | 31,045 | 141,885 |
| Investments | 229,329 | 192,808 |
| Property leased to others (net book value) | 17,375 | 15,748 |
| Property and equipment (net book value) | 28,326 | 36,756 |
| Other | 7,417 | 6,538 |
| Total | ¥ 401,492 | ¥ 480,565 |

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

| | Millions of Yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| Short-term debt | ¥ 41,820 | ¥ 147,104 |
| Long-term debt | 99,466 | 112,994 |
| Financial guarantees and other | 260,206 | 220,467 |
| Total | ¥ 401,492 | ¥ 480,565 |

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

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

### *Financial assets accepted as collateral*

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

| | Millions of Yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| Bank deposits | ¥ 942 | ¥ 918 |
| Trade receivables—accounts | 1,689 | 1,777 |
| Stocks and bonds | 6,332 | 5,457 |

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

## *7. PENSION COSTS AND SEVERANCE INDEMNITIES*

Net periodic pension costs of the companies' defined benefit pension plans for the nine-month and three-month periods ended December 31, 2013 and 2012 included the following components:

| | Millions of Yen | |
|---|---|---|
| | **Nine-month period ended December 31, 2013** | **Nine-month period ended December 31, 2012** |
| Service cost – benefits earned during the period | ¥ 8,390 | ¥ 6,864 |
| Interest cost on projected benefit obligation | 3,286 | 4,313 |
| Expected return on plan assets | (4,309) | (5,755) |
| Amortization of prior service cost | 256 | 50 |
| Amortization of net actuarial loss | 8,032 | 8,204 |
| Settlement loss | – | 8 |
| Net periodic pension costs | ¥ 15,655 | ¥ 13,684 |

| | Millions of Yen | |
|---|---|---|
| | **Three-month period ended December 31, 2013** | **Three-month period ended December 31, 2012** |
| Service cost – benefits earned during the period | ¥ 2,844 | ¥ 2,199 |
| Interest cost on projected benefit obligation | 1,108 | 1,450 |
| Expected return on plan assets | (1,461) | (1,944) |
| Amortization of prior service cost | 85 | 18 |
| Amortization of net actuarial loss | 2,680 | 2,749 |
| Net periodic pension costs | ¥ 5,256 | ¥ 4,472 |

## 8. *EQUITY*

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

During the nine-month periods ended December 31, 2013 and 2012, changes in Mitsui & Co., Ltd. shareholders' equity and noncontrolling interests were as follows:

| | **Millions of Yen** | | |
|---|---|---|---|
| | **Nine-month period ended December 31, 2013** | | |
| | **Mitsui & Co., Ltd. shareholders' equity** | **Noncontrolling interests** | **Total equity** |
| Balance at beginning of period | ¥ 3,181,819 | ¥ 258,285 | ¥ 3,440,104 |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders | (83,957) | — | (83,957) |
| Dividends paid to noncontrolling interest shareholders | — | (12,106) | (12,106) |
| Comprehensive income (loss): | | | |
| Net income | 301,945 | 14,715 | 316,660 |
| Other comprehensive income (loss) (after income tax effect): | | | |
| Unrealized holding gains on available-for-sale securities | 58,125 | 924 | 59,049 |
| Foreign currency translation adjustments | 97,887 | 11,700 | 109,587 |
| Defined benefit pension plans | 5,426 | 19 | 5,445 |
| Net unrealized gains (losses) on derivatives | 6,288 | (96) | 6,192 |
| Total | 469,671 | 27,262 | 496,933 |
| Sales and purchases of treasury stock | 31 | — | 31 |
| Equity transactions with noncontrolling interest shareholders and other | (8,133) | 8,643 | 510 |
| Balance at end of period | ¥ 3,559,431 | ¥ 282,084 | ¥ 3,841,515 |

| | **Millions of Yen** | | |
|---|---|---|---|
| | **Nine-month period ended December 31, 2012** | | |
| | **Mitsui & Co., Ltd. shareholders' equity** | **Noncontrolling interests** | **Total equity** |
| Balance at beginning of period | ¥ 2,641,318 | ¥ 219,492 | ¥ 2,860,810 |
| Cash dividends paid to Mitsui & Co., Ltd. shareholders | (91,248) | — | (91,248) |
| Dividends paid to noncontrolling interest shareholders | — | (10,219) | (10,219) |
| Comprehensive income (loss): | | | |
| Net income | 253,909 | 16,434 | 270,343 |
| Other comprehensive income (loss) (after income tax effect): | | | |
| Unrealized holding losses on available-for-sale securities | (4,781) | (3,937) | (8,718) |
| Foreign currency translation adjustments | 83,741 | 7,505 | 91,246 |
| Defined benefit pension plans | 4,470 | (16) | 4,454 |
| Net unrealized losses on derivatives | (3,747) | (130) | (3,877) |
| Total | 333,592 | 19,856 | 353,448 |
| Sales and purchases of treasury stock | (5) | — | (5) |
| Equity transactions with noncontrolling interest shareholders and other | (826) | 10,004 | 9,178 |
| Balance at end of period | ¥ 2,882,831 | ¥ 239,133 | ¥ 3,121,964 |

*Equity transactions with noncontrolling interest shareholders*

During the nine-month periods ended December 31, 2013 and 2012, changes in noncontrolling interests due to equity transactions with noncontrolling interest shareholders were as follows:

| | Millions of Yen | |
|---|---|---|
| | Nine-month period ended | |
| | December 31, 2013 | December 31, 2012 |
| Increase in noncontrolling interests due to transfers of Mitsui & Co., Ltd.'s ownership interests in its subsidiaries to noncontrolling interests, and contributions from noncontrolling interest shareholders ........................ | ¥ 17,045 | ¥ 12,679 |
| Increase (decrease) in noncontrolling interests due to transfers of ownership interests in its subsidiaries from noncontrolling interests ............ | 4,710 | (1,537) |

*Increase in noncontrolling interests related to newly consolidated entities*

During the nine-month periods ended December 31, 2013 and 2012, no material noncontrolling interests were recorded in "Equity transactions with noncontrolling interest shareholders and other" attributable to the noncontrolling interests related to newly consolidated subsidiaries.

*Gains and losses recorded due to the deconsolidation of subsidiaries*

During the nine-month periods ended December 31, 2013 and 2012, gains and losses recorded due to the deconsolidation of subsidiaries were immaterial.

*Other comprehensive income (loss)*

Changes in each component of other comprehensive income (loss) for the nine-month and three-month periods ended December 31, 2013 were as follows:

| | | Millions of Yen |
|---|---|---|
| | | Nine-month period ended December 31, 2013 |
| **Unrealized Holding Gains on Available-for-Sale Securities:** | | |
| Pre-tax amount of unrealized holding gains on available-for-sale securities | ¥ | 103,954 |
| Deferred income taxes | | (34,946) |
| Adjustments for nine-month period (after income tax effect) | | 69,008 |
| Pre-tax amount of reclassification adjustments | | (16,750) |
| Deferred income taxes | | 5,867 |
| Adjustments for nine-month period (after income tax effect) | | (10,883) |
| **Foreign Currency Translation Adjustments:** | | |
| Pre-tax amount of translation adjustments | ¥ | 84,070 |
| Deferred income taxes | | 11,863 |
| Adjustments for nine-month period (after income tax effect) | | 95,933 |
| Pre-tax amount of reclassification adjustments | | 1,888 |
| Deferred income taxes | | 66 |
| Adjustments for nine-month period (after income tax effect) | | 1,954 |
| **Defined Benefit Pension Plans:** | | |
| Pre-tax amount of defined benefit pension plans | ¥ | (938) |
| Deferred income taxes | | 1,059 |
| Adjustments for nine-month period (after income tax effect) | | 121 |
| Pre-tax amount of reclassification adjustments | | 8,288 |
| Deferred income taxes | | (2,983) |
| Adjustments for nine-month period (after income tax effect) | | 5,305 |
| **Net Unrealized Gains on Derivatives:** | | |
| Pre-tax amount of net unrealized gains on derivatives | ¥ | 11,142 |
| Deferred income taxes | | (3,308) |
| Adjustments for nine-month period (after income tax effect) | | 7,834 |
| Pre-tax amount of reclassification adjustments | | 1,512 |
| Deferred income taxes | | (3,058) |
| Adjustments for nine-month period (after income tax effect) | | (1,546) |
| **Other Comprehensive Income Attributable to Mitsui & Co., Ltd. —Total:** | | |
| Pre-tax amount | ¥ | 193,166 |
| Deferred income taxes | | (25,440) |
| Adjustments for nine-month period (after income tax effect) | | 167,726 |
| **Other Comprehensive Income Attributable to Noncontrolling Interests:** | | |
| Pre-tax amount | ¥ | 12,751 |
| Deferred income taxes | | (204) |
| Adjustments for nine-month period (after income tax effect) | | 12,547 |
| **Other Comprehensive Income:** | | |
| Pre-tax amount | ¥ | 205,917 |
| Deferred income taxes | | (25,644) |
| Adjustments for nine-month period (after income tax effect) | | 180,273 |

| | Millions of Yen |
|---|---|
| | Three-month period ended December 31, 2013 |
| **Unrealized Holding Gains on Available-for-Sale Securities:** | |
| Pre-tax amount of unrealized holding gains on available-for-sale securities | ¥ 41,601 |
| Deferred income taxes | (13,191) |
| Adjustments for three-month period (after income tax effect) | 28,410 |
| Pre-tax amount of reclassification adjustments | (11,283) |
| Deferred income taxes | 4,060 |
| Adjustments for three-month period (after income tax effect) | (7,223) |
| **Foreign Currency Translation Adjustments:** | |
| Pre-tax amount of translation adjustments | ¥ 127,477 |
| Deferred income taxes | 392 |
| Adjustments for three-month period (after income tax effect) | 127,869 |
| Pre-tax amount of reclassification adjustments | (341) |
| Deferred income taxes | 105 |
| Adjustments for three-month period (after income tax effect) | (236) |
| **Defined Benefit Pension Plans:** | |
| Pre-tax amount of defined benefit pension plans | ¥ 609 |
| Deferred income taxes | (79) |
| Adjustments for three-month period (after income tax effect) | 530 |
| Pre-tax amount of reclassification adjustments | 2,765 |
| Deferred income taxes | (995) |
| Adjustments for three-month period (after income tax effect) | 1,770 |
| **Net Unrealized Gains on Derivatives:** | |
| Pre-tax amount of net unrealized gains on derivatives | ¥ 7,724 |
| Deferred income taxes | 139 |
| Adjustments for three-month period (after income tax effect) | 7,863 |
| Pre-tax amount of reclassification adjustments | (2,118) |
| Deferred income taxes | (1,846) |
| Adjustments for three-month period (after income tax effect) | (3,964) |
| **Other Comprehensive Income Attributable to Mitsui & Co., Ltd. —Total:** | |
| Pre-tax amount | ¥ 166,434 |
| Deferred income taxes | (11,415) |
| Adjustments for three-month period (after income tax effect) | 155,019 |
| **Other Comprehensive Income Attributable to Noncontrolling Interests:** | |
| Pre-tax amount | ¥ 13,332 |
| Deferred income taxes | (213) |
| Adjustments for three-month period (after income tax effect) | 13,119 |
| **Other Comprehensive Income:** | |
| Pre-tax amount | ¥ 179,766 |
| Deferred income taxes | (11,628) |
| Adjustments for three-month period (after income tax effect) | 168,138 |

The amounts of other comprehensive income (loss) reclassified into earnings for the nine-month and three month periods ended December 31, 2013 were as follows:

| **Nine-month period ended December 31, 2013** | **Millions of Yen** | |
|---|---|---|
| **Components of Accumulated other comprehensive income (loss)** | **Amounts of reclassification adjustments** | **Affected line items in the Statements of Consolidated Income** |
| **Unrealized Holding Gains (Losses) on Available-for-Sale Securities:** | | |
| Sales of securities | ¥ (27,114) | Gain on sales of securities—net |
| Write-down of securities | 10,364 | Loss on write-down of securities |
| | (16,750) | Pre-tax amount |
| | 5,867 | Deferred income taxes |
| | (10,883) | Adjustments for nine-month period (after income tax effect) |
| **Foreign Currency Translation Adjustments:** | | |
| Sales of affiliated companies | ¥ 829 | Gain on sales of securities—net |
| Liquidation of affiliated companies | 1,059 | Other expenses—net |
| | 1,888 | Pre-tax amount |
| | 66 | Deferred income taxes |
| | 1,954 | Adjustments for nine-month period (after income tax effect) |
| **Defined Benefit Pension Plans:** | | |
| Prior service cost | ¥ 256 | Selling, general and administrative |
| Net actuarial loss | 8,032 | Selling, general and administrative |
| | 8,288 | Pre-tax amount |
| | (2,983) | Deferred income taxes |
| | 5,305 | Adjustments for nine-month period (after income tax effect) |
| **Net Unrealized Gains (Losses) on Derivatives:** | | |
| Foreign exchange contracts | ¥ 10,990 | Sales of products , Cost of products sold, Other expenses—net, Equity in Earnings of Associated Companies—Net |
| Interest rate contracts | (9,445) | Interest expense, Equity in Earnings of Associated Companies—Net |
| Commodity contracts | (33) | Equity in Earnings of Associated Companies—Net |
| | 1,512 | Pre-tax amount |
| | (3,058) | Deferred income taxes |
| | (1,546) | Adjustments for nine-month period (after income tax effect) |
| **Total reclassification adjustments** | ¥ (5,170) | Adjustments for nine-month period (after income tax effect) |

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

| Three-month period ended December 31, 2013 | Millions of Yen | |
|---|---|---|
| Components of Accumulated other comprehensive income (loss) | Amounts of reclassification adjustments | Affected line items in the Statements of Consolidated Income |
| **Unrealized Holding Gains (Losses) on Available-for-Sale Securities:** | | |
| Sales of securities | ¥ (16,135) | Gain on sales of securities—net |
| Write-down of securities | 4,852 | Loss on write-down of securities |
| | (11,283) | Pre-tax amount |
| | 4,060 | Deferred income taxes |
| | (7,223) | Adjustments for three-month period (after income tax effect) |
| **Foreign Currency Translation Adjustments:** | | |
| Sales of affiliated companies | ¥ (292) | Gain on sales of securities—net |
| Liquidation of affiliated companies | (49) | Other expenses—net |
| | (341) | Pre-tax amount |
| | 105 | Deferred income taxes |
| | (236) | Adjustments for three-month period (after income tax effect) |
| **Defined Benefit Pension Plans:** | | |
| Prior service cost | ¥ 85 | Selling, general and administrative |
| Net actuarial loss | 2,680 | Selling, general and administrative |
| | 2,765 | Pre-tax amount |
| | (995) | Deferred income taxes |
| | 1,770 | Adjustments for three-month period (after income tax effect) |
| **Net Unrealized Gains (Losses) on Derivatives:** | | |
| Foreign exchange contracts | ¥ 6,123 | Sales of products , Cost of products sold, Other expenses—net, Equity in Earnings of Associated Companies—Net |
| Interest rate contracts | (8,112) | Interest expense, Equity in Earnings of Associated Companies—Net |
| Commodity contracts | (129) | Equity in Earnings of Associated Companies—Net |
| | (2,118) | Pre-tax amount |
| | (1,846) | Deferred income taxes |
| | (3,964) | Adjustments for three-month period (after income tax effect) |
| **Total reclassification adjustments** | ¥ (9,653) | Adjustments for three-month period (after income tax effect) |

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

## 9. *NET INCOME ATTRIBUTABLE TO MITSUI & CO., LTD. PER SHARE*

The following is a reconciliation of basic net income attributable to Mitsui & Co., Ltd. per share to diluted net income attributable to Mitsui & Co., Ltd. per share for the nine-month and three-month periods ended December 31, 2013 and 2012:

| | Nine-Month Period Ended December 31, 2013 | | | Nine-Month Period Ended December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Net income (numerator) | Shares (denominator) | Per share amount | Net income (numerator) | Shares (denominator) | Per share amount |
| | Millions of Yen | In Thousands | Yen | Millions of Yen | In Thousands | Yen |
| **Basic Net Income Attributable to Mitsui & Co., Ltd. per Share:** | | | | | | |
| Net income available to common shareholders | ¥301,945 | 1,825,142 | ¥165.44 | ¥253,909 | 1,824,947 | ¥139.13 |
| **Effect of Dilutive Securities:** | | | | | | |
| Adjustment of effect of dilutive securities of associated companies | (8) | – | | – | – | |
| **Diluted Net Income Attributable to Mitsui & Co., Ltd. per Share:** | | | | | | |
| Net income available to common shareholders after effect of dilutive securities | ¥301,937 | 1,825,142 | ¥165.43 | ¥253,909 | 1,824,947 | ¥139.13 |

| | Three-Month Period Ended December 31, 2013 | | | Three-Month Period Ended December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Net income (numerator) | Shares (denominator) | Per share amount | Net income (numerator) | Shares (denominator) | Per share amount |
| | Millions of Yen | In Thousands | Yen | Millions of Yen | In Thousands | Yen |
| **Basic Net Income Attributable to Mitsui & Co., Ltd. per Share:** | | | | | | |
| Net income available to common shareholders | ¥104,744 | 1,825,160 | ¥57.39 | ¥85,572 | 1,824,945 | ¥46.89 |
| **Effect of Dilutive Securities:** | | | | | | |
| Adjustment of effect of dilutive securities of associated companies | (8) | – | | – | – | |
| **Diluted Net Income Attributable to Mitsui & Co., Ltd. per Share:** | | | | | | |
| Net income available to common shareholders after effect of dilutive securities | ¥104,736 | 1,825,160 | ¥57.38 | ¥85,572 | 1,824,945 | ¥46.89 |

## 10. SEGMENT INFORMATION

| Nine-month period ended December 31, 2013 : | Iron & Steel Products | Mineral & Metal Resources | Machinery & nfrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 171,708 | ¥ 591,484 | ¥ 286,030 | ¥ 697,663 | ¥1,132,580 | ¥ 709,656 | ¥ 65,744 |
| Gross Profit | ¥ 39,917 | ¥ 147,749 | ¥ 83,541 | ¥ 58,458 | ¥ 141,824 | ¥ 86,474 | ¥ 9,516 |
| Operating Income (Loss) | ¥ 12,011 | ¥ 116,234 | ¥ (8,105) | ¥ 7,336 | ¥ 97,777 | ¥ (9,890) | ¥ (35,564) |
| Equity in Earnings of Associated Companies—Net | ¥ 3,728 | ¥ 10,068 | ¥ 27,156 | ¥ 5,678 | ¥ 44,490 | ¥ 12,902 | ¥ 8,085 |
| Net Income Attributable to Mitsui & Co., Ltd | ¥ 12,627 | ¥ 52,503 | ¥ 18,258 | ¥ 10,557 | ¥ 152,183 | ¥ 13,462 | ¥ 2,107 |
| Total Assets at December 31, 2013 | ¥ 601,620 | ¥1,967,510 | ¥1,784,988 | ¥ 774,011 | ¥2,126,340 | ¥1,512,158 | ¥ 547,205 |
| Investments in and advances to associated companies at December 31, 2013 | ¥ 71,912 | ¥ 864,789 | ¥ 627,597 | ¥ 92,433 | ¥ 337,991 | ¥ 275,775 | ¥ 110,238 |
| Depreciation and amortization | ¥ 1,028 | ¥ 32,077 | ¥ 13,216 | ¥ 5,853 | ¥ 85,280 | ¥ 7,611 | ¥ 4,012 |
| Additions to property leased to others and property and equipment | ¥ 960 | ¥ 82,150 | ¥ 32,225 | ¥ 6,098 | ¥ 148,106 | ¥ 12,249 | ¥ 4,774 |

| Nine-month period ended December 31, 2013 : | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 507,313 | ¥ 90,912 | ¥ 78,441 | ¥4,331,531 | ¥ 1,413 | ¥ 4 | ¥4,332,948 |
| Gross Profit | ¥ 56,466 | ¥ 17,170 | ¥ 9,380 | ¥ 650,495 | ¥ 611 | ¥ (12,594) | ¥ 638,512 |
| Operating Income (Loss) | ¥ 8,850 | ¥ 1,402 | ¥ (4,763) | ¥ 185,288 | ¥ (7,062) | ¥ 30,895 | ¥ 209,121 |
| Equity in Earnings of Associated Companies—Net | ¥ 5,176 | ¥ 1,111 | ¥ 3,261 | ¥ 121,655 | ¥ 46 | ¥ (409) | ¥ 121,292 |
| Net Income Attributable to Mitsui & Co., Ltd | ¥ 9,357 | ¥ 5,189 | ¥ 26,257 | ¥ 302,500 | ¥ 8,913 | ¥ (9,468) | ¥ 301,945 |
| Total Assets at December 31, 2013 | ¥ 561,102 | ¥ 121,258 | ¥ 334,996 | ¥10,331,188 | ¥5,121,797 | ¥(4,236,397) | ¥11,216,588 |
| Investments in and advances to associated companies at December 31, 2013 | ¥ 60,116 | ¥ 21,277 | ¥ 191,790 | ¥2,653,918 | ¥ 651 | ¥ (25,395) | ¥2,629,174 |
| Depreciation and amortization | ¥ 6,136 | ¥ 508 | ¥ 369 | ¥ 156,090 | ¥ 9,034 | — | ¥ 165,124 |
| Additions to property leased to others and property and equipment | ¥ 13,553 | ¥ 480 | ¥ 5,286 | ¥ 305,881 | ¥ 9,110 | ¥ (249) | ¥ 314,742 |

| Nine-month period ended December 31, 2012 (As restated) : | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 153,514 | ¥ 463,768 | ¥ 257,653 | ¥ 521,771 | ¥ 940,603 | ¥ 614,513 | ¥ 93,271 |
| Gross Profit | ¥ 28,179 | ¥ 121,931 | ¥ 72,615 | ¥ 47,488 | ¥ 131,657 | ¥ 85,632 | ¥ 26,910 |
| Operating Income (Loss) | ¥ (402) | ¥ 94,089 | ¥ (13,085) | ¥ 862 | ¥ 93,993 | ¥ (2,824) | ¥ (17,227) |
| Equity in Earnings of Associated Companies—Net | ¥ 1,435 | ¥ 39,651 | ¥ 20,774 | ¥ 5,153 | ¥ 39,749 | ¥ 12,148 | ¥ 10,176 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥ (7,853) | ¥ 80,618 | ¥ 10,998 | ¥ (2,946) | ¥ 116,926 | ¥ 17,124 | ¥ 9,351 |
| Total Assets at December 31, 2012 | ¥ 526,258 | ¥1,611,601 | ¥1,432,202 | ¥ 693,476 | ¥1,544,258 | ¥1,357,204 | ¥ 746,095 |
| Investments in and advances to associated companies at December 31, 2012 | ¥ 27,699 | ¥ 746,278 | ¥ 443,696 | ¥ 76,908 | ¥ 267,598 | ¥ 234,434 | ¥ 105,331 |
| Depreciation and amortization | ¥ 1,419 | ¥ 22,389 | ¥ 10,396 | ¥ 5,998 | ¥ 73,556 | ¥ 8,433 | ¥ 4,112 |
| Additions to property leased to others and property and equipment | ¥ 2,442 | ¥ 46,239 | ¥ 30,629 | ¥ 4,267 | ¥ 193,461 | ¥ 10,253 | ¥ 3,405 |

| Nine-month period ended December 31, 2012 (As restated) : | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 405,154 | ¥ 69,526 | ¥ 55,232 | ¥3,575,005 | ¥ 1,458 | ¥ (2) | ¥3,576,461 |
| Gross Profit | ¥ 51,470 | ¥ 10,780 | ¥ 7,400 | ¥ 584,062 | ¥ 707 | ¥ (10,514) | ¥ 574,255 |
| Operating Income (Loss) | ¥ 12,615 | ¥ (3,279) | ¥ (4,221) | ¥ 160,521 | ¥ (2,788) | ¥ 25,141 | ¥ 182,874 |
| Equity in Earnings of Associated Companies—Net | ¥ 2,462 | ¥ 406 | ¥ 3,799 | ¥ 135,753 | — | ¥ (137) | ¥ 135,616 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥ 13,397 | ¥ (802) | ¥ 22,814 | ¥ 259,627 | ¥ 2,151 | ¥ (7,869) | ¥ 253,909 |
| Total Assets at December 31, 2012 | ¥ 480,206 | ¥ 107,788 | ¥ 275,765 | ¥8,774,853 | ¥4,712,460 | ¥(3,661,929) | ¥9,825,384 |
| Investments in and advances to associated companies at December 31, 2012 | ¥ 43,560 | ¥ 11,837 | ¥ 161,289 | ¥2,118,630 | ¥ 480 | ¥ 27,932 | ¥2,147,042 |
| Depreciation and amortization | ¥ 4,374 | ¥ 491 | ¥ 298 | ¥ 131,466 | ¥ 9,343 | ¥ 380 | ¥ 141,189 |
| Additions to property leased to others and property and equipment | ¥ 13,184 | ¥ 611 | ¥ 189 | ¥ 304,680 | ¥ 7,176 | ¥ 102 | ¥ 311,958 |

| Three-month period ended December 31, 2013 : | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 54,224 | ¥ 207,928 | ¥ 100,317 | ¥ 245,237 | ¥ 373,659 | ¥ 235,103 | ¥ 20,592 |
| Gross Profit | ¥ 13,119 | ¥ 52,139 | ¥ 29,218 | ¥ 18,395 | ¥ 41,314 | ¥ 30,371 | ¥ 500 |
| Operating Income (Loss) | ¥ 4,015 | ¥ 42,117 | ¥ (1,268) | ¥ 822 | ¥ 26,674 | ¥ (1,951) | ¥ (13,999) |
| Equity in Earnings of Associated Companies—Net | ¥ 614 | ¥ (14,398) | ¥ 11,732 | ¥ 2,444 | ¥ 15,455 | ¥ 6,341 | ¥ 1,757 |
| Net Income Attributable to Mitsui & Co., Ltd | ¥ 5,946 | ¥ 7,733 | ¥ 9,281 | ¥ 1,011 | ¥ 58,302 | ¥ 5,501 | ¥ 5,798 |
| Total Assets at December 31, 2013 | ¥ 601,620 | ¥1,967,510 | ¥1,784,988 | ¥ 774,011 | ¥2,126,340 | ¥1,512,158 | ¥ 547,205 |
| Investments in and advances to associated companies at December 31, 2013 | ¥ 71,912 | ¥ 864,789 | ¥ 627,597 | ¥ 92,433 | ¥ 337,991 | ¥ 275,775 | ¥ 110,238 |
| Depreciation and amortization | ¥ 351 | ¥ 12,268 | ¥ 4,453 | ¥ 1,795 | ¥ 31,036 | ¥ 2,944 | ¥ 1,386 |
| Additions to property leased to others and property and equipment | ¥ 90 | ¥ 24,600 | ¥ 7,624 | ¥ 1,912 | ¥ 52,870 | ¥ 3,646 | ¥ 1,386 |

| Three-month period ended December 31, 2013 : | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 165,791 | ¥ 30,375 | ¥ 26,936 | ¥1,460,162 | ¥ 480 | ¥ 1 | ¥1,460,643 |
| Gross Profit | ¥ 19,910 | ¥ 5,067 | ¥ 2,945 | ¥ 212,978 | ¥ 119 | ¥ (4,561) | ¥ 208,536 |
| Operating Income (Loss) | ¥ 3,542 | ¥ (582) | ¥ (2,256) | ¥ 57,114 | ¥ (1,585) | ¥ 7,625 | ¥ 63,154 |
| Equity in Earnings of Associated Companies—Net | ¥ 2,118 | ¥ 695 | ¥ 1,208 | ¥ 27,966 | ¥ 36 | ¥ (11) | ¥ 27,991 |
| Net Income Attributable to Mitsui & Co., Ltd | ¥ 4,116 | ¥ 621 | ¥ 7,815 | ¥ 106,124 | ¥ 3,529 | ¥ (4,909) | ¥ 104,744 |
| Total Assets at December 31, 2013 | ¥ 561,102 | ¥ 121,258 | ¥ 334,996 | ¥10,331,188 | ¥5,121,797 | ¥(4,236,397) | ¥11,216,588 |
| Investments in and advances to associated companies at December 31, 2013 | ¥ 60,116 | ¥ 21,277 | ¥ 191,790 | ¥2,653,918 | ¥ 651 | ¥ (25,395) | ¥2,629,174 |
| Depreciation and amortization | ¥ 2,112 | ¥ 163 | ¥ 147 | ¥ 56,655 | ¥ 2,991 | — | ¥ 59,646 |
| Additions to property leased to others and property and equipment | ¥ 5,302 | ¥ 240 | ¥ 2,388 | ¥ 100,058 | ¥ 6,797 | ¥ (2) | ¥ 106,853 |

| Three-month period ended December 31, 2012 (As restated) : | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals | Energy | Lifestyle | Innovation & Corporate Development |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 49,868 | ¥ 155,616 | ¥ 87,071 | ¥ 183,462 | ¥ 310,984 | ¥ 218,040 | ¥ 24,535 |
| Gross Profit | ¥ 9,731 | ¥ 38,289 | ¥ 24,964 | ¥ 13,617 | ¥ 42,630 | ¥ 29,367 | ¥ 2,943 |
| Operating Income (Loss) | ¥ 289 | ¥ 29,260 | ¥ (3,514) | ¥ (2,194) | ¥ 29,947 | ¥ (220) | ¥ (11,560) |
| Equity in Earnings of Associated Companies—Net | ¥ 341 | ¥ 3,256 | ¥ 6,750 | ¥ 1,145 | ¥ 18,096 | ¥ 4,438 | ¥ 3,075 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥ (6,513) | ¥ 26,987 | ¥ 3,465 | ¥ (1,993) | ¥ 41,462 | ¥ 11,512 | ¥ 2,716 |
| Total Assets at December 31, 2012 | ¥ 526,258 | ¥ 1,611,601 | ¥ 1,432,202 | ¥ 693,476 | ¥ 1,544,258 | ¥ 1,357,204 | ¥ 746,095 |
| Investments in and advances to associated companies at December 31, 2012 | ¥ 27,699 | ¥ 746,278 | ¥ 443,696 | ¥ 76,908 | ¥ 267,598 | ¥ 234,434 | ¥ 105,331 |
| Depreciation and amortization | ¥ 547 | ¥ 7,977 | ¥ 3,996 | ¥ 2,239 | ¥ 28,604 | ¥ 2,939 | ¥ 1,510 |
| Additions to property leased to others and property and equipment | ¥ 621 | ¥ 15,723 | ¥ 11,247 | ¥ 1,310 | ¥ 60,938 | ¥ 4,487 | ¥ 943 |

| Three-month period ended December 31, 2012 (As restated) : | Americas | Europe, the Middle East and Africa | Asia Pacific | Total | All Other | Adjustments and Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | Millions of Yen | | | | | | |
| Revenues | ¥ 133,213 | ¥ 21,300 | ¥ 25,977 | ¥ 1,210,066 | ¥ 499 | ¥ (2) | ¥ 1,210,563 |
| Gross Profit | ¥ 17,598 | ¥ 3,515 | ¥ 2,196 | ¥ 184,850 | ¥ 245 | ¥ (3,814) | ¥ 181,281 |
| Operating Income (Loss) | ¥ 4,546 | ¥ (1,349) | ¥ (1,867) | ¥ 43,338 | ¥ (566) | ¥ 5,827 | ¥ 48,599 |
| Equity in Earnings of Associated Companies—Net | ¥ 442 | ¥ 215 | ¥ 728 | ¥ 38,486 | — | ¥ (208) | ¥ 38,278 |
| Net Income (Loss) Attributable to Mitsui & Co., Ltd | ¥ 4,591 | ¥ (301) | ¥ 6,009 | ¥ 87,935 | ¥ 1,287 | ¥ (3,650) | ¥ 85,572 |
| Total Assets at December 31, 2012 | ¥ 480,206 | ¥ 107,788 | ¥ 275,765 | ¥ 8,774,853 | ¥ 4,712,460 | ¥ (3,661,929) | ¥ 9,825,384 |
| Investments in and advances to associated companies at December 31, 2012 | ¥ 43,560 | ¥ 11,837 | ¥ 161,289 | ¥ 2,118,630 | ¥ 480 | ¥ 27,932 | ¥ 2,147,042 |
| Depreciation and amortization | ¥ 1,626 | ¥ 180 | ¥ 103 | ¥ 49,721 | ¥ 3,088 | ¥ 177 | ¥ 52,986 |
| Additions to property leased to others and property and equipment | ¥ 5,325 | ¥ 292 | ¥ 78 | ¥ 100,964 | ¥ 2,129 | ¥ 2 | ¥ 103,095 |

Notes: (1) "All Other" principally consisted of the Corporate Staff Unit which provides financing services and operations services to external customers and/or to the companies and associated companies. Total assets of "All Other" at December 31, 2013 and 2012 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.
During the six-month and the three-month periods ended September 30, 2013, a part of the Corporate Staff Unit which was formerly included in "Adjustments and Eliminations" was reclassified to "All Other".
This change has been made to the operating segment information for the nine-month and the three-month periods ended December 31, 2012, to conform to the current period presentation.

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

(3) Net Income (Loss) Attributable to Mitsui & Co., Ltd. of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable operating segments, and eliminations of intersegment transactions.
Net Income (Loss) Attributable to Mitsui & Co., Ltd. of "Adjustments and Eliminations" for the nine-month periods ended December 31, 2013 and 2012 include ¥13,622 million (loss) and ¥ 11,408 million (loss) related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and other miscellaneous amounts.
Net Income (Loss) Attributable to Mitsui & Co., Ltd. of "Adjustments and Eliminations" for the three-month periods ended December 31, 2013 and 2012 include ¥4,466 million (loss) and ¥3,168 million (loss) related to tax items including adjustments of difference between actual tax rate and intercompany tax rate, and other miscellaneous amounts.

(4) During the three-month period ended June 30, 2013, logistics infrastructure businesses including development and management of ports and airport terminal, advanced materials related businesses such as liquid crystal and electronic devices, and media related businesses such as TV shopping and broadcasting, all included in “Innovation & Corporate Development” segment, were transferred to “Machinery & Infrastructure” segment, “Chemicals” segment, and “Lifestyle” segment, respectively.
In accordance with these changes, the operating segment information for the nine-month and the three-month periods ended December 31, 2012, has been restated to conform to the current period presentation.

(5) During the three-month period ended June 30, 2013, the steel scrap related businesses of Mitsui Bussan Metals Co., Ltd. in “Mineral & Metal Resources” segment were transferred to Mitsui & Co. Steel Ltd. in “Iron & Steel Products” segment.
In accordance with this change, the operating segment information for the nine-month and the three-month periods ended December 31, 2012, has been restated to conform to the current period presentation.

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

(7) During the nine-month period ended December 31, 2013, the coal related businesses, except for trading of thermal coal for power utilities, included in “Energy” segment, were transferred to “Mineral & Metal Resources” segment.
In accordance with this change, the operating segment information for the nine-month and the three-month periods ended December 31, 2012, has been restated to conform to the current period presentation.

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

*11. CONTINGENT LIABILITIES*

## I. GUARANTEES

The table below summarizes the companies' guarantees as defined in ASC 460, "Guarantees," at December 31, 2013 and March 31, 2013. The maximum potential amount of future payments represents the amounts without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, results of operations, or cash flows of the companies is remote at December 31, 2013.

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Amount outstanding | Recourse provisions/ collateral | Maximum potential amount of future payments | Carrying amount of liabilities | Expire no later than |
| **December 31, 2013:** | | | | | |
| Type of guarantees: | | | | | |
| Credit guarantees: | | | | | |
| Guarantees for third parties | ¥ 94,644 | ¥ 21,476 | ¥ 181,585 | ¥ 420 | 2045 |
| Guarantees for associated companies | 209,396 | 23,478 | 282,977 | 3,574 | 2046 |
| Guarantees to financial institutions for employees' housing loans | 2,375 | — | 2,375 | — | 2036 |
| Total | ¥ 306,415 | ¥ 44,954 | ¥ 466,937 | ¥ 3,994 | |
| Market value guarantees: | | | | | |
| Obligation to repurchase bills of exchange | ¥ 130,900 | ¥ 126,163 | ¥ 130,900 | — | 2014 |
| Residual value guarantees of leased assets | 4,946 | — | 4,946 | — | 2019 |
| Total | ¥ 135,846 | ¥ 126,163 | ¥ 135,846 | — | |
| Derivative instruments | ¥ 714 | — | ¥ 714 | ¥ 50 | |

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

***Credit guarantees***

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

Categories of credit guarantees are as follows:

*Guarantees for third parties*

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding at December 31, 2013 and March 31, 2013, will expire through 2022 and 2023, respectively.

*Guarantees for associated companies*

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

*Guarantees to financial institutions for employees' housing loans*

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

***Market value guarantees***

*Obligation to repurchase bills of exchange*

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

*Residual value guarantees of leased assets*

As lessees in operating lease contracts, a subsidiary has issued residual value guarantees on the leased locomotives. On the date of expiration of the major part of the operating lease contracts, in case of sales of those leased locomotives to the third party, the subsidiary will be responsible for making up any shortfall between the actual sales price and the guaranteed price for sales of those leased locomotives to the third party. Most of these guarantees outstanding at December 31, 2013 and March 31, 2013, will expire through 2019 and 2016, respectively.

***Derivative instruments***

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

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

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

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

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

***Indemnification contracts***

*Indemnification for cargo delivery*

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

*Indemnification for Sakhalin Energy Investment Company Ltd.*

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

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

***Product warranties***

The companies provide warranties, in relation to their sales of products, including residential houses, for the performance of such products during specified warranty periods, and they are responsible for repair or payments of compensation against the claims by the customers regarding defects in performance or function. Estimated warranty costs are accrued at the time the products are sold based on the historical claim experiences. Main items of these warranties are the maintenance costs based on the defect liabilities for houses sold by Mitsui Bussan House-Techno, Inc. Most of these guarantees outstanding at December 31, 2013 and December 31, 2012, will expire through 2024 and 2023, respectively.

A tabular reconciliation of changes in the estimated liabilities for product warranties for the nine-month periods ended December 31, 2013 and 2012 is as follows:

| | Millions of Yen | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| Balance at beginning of the period | ¥ 4,208 | ¥ 4,482 |
| Payments made in cash or in kind | (721) | (443) |
| Accrual for warranties issued during the period | 409 | 209 |
| Changes in accrual related to pre-existing warranties | 56 | 40 |
| Balance at end of the period | ¥ 3,952 | ¥ 4,288 |

## II. LITIGATION

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

## *12. VARIABLE INTEREST ENTITIES*

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

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

### *Consolidated Variable Interest Entities*

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

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

The total assets of the Vessel chartering VIEs as of December 31 and March 31, 2013 are ¥7,802 million and ¥10,472 million, respectively; and the total assets of the Investment and Loan VIEs as of December 31 and March 31, 2013 are ¥158,299 million and ¥34,715 million, respectively.

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

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

### *Non-consolidated Variable Interest Entities*

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

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

The total assets of the VIEs and the companies' maximum exposure to loss as of December 31, 2013 are ¥1,659,919 million and ¥ 81,132 million, respectively. The total assets of the VIEs and the companies' maximum exposure to loss as of March 31, 2013 were ¥1,650,961 million and ¥103,170 million, respectively. The total assets of the VIEs reflect the most current information available to the companies.

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

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

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

## 13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

| | Billions of Yen | |
|---|---|---|
| | December 31, 2013 | March 31, 2013 |
| Foreign exchange contracts | ¥ 3,173 | ¥ 3,222 |
| Interest rate contracts | 1,632 | 1,496 |
| Commodity contracts | 22,375 | 19,616 |
| Other contracts | 10 | 9 |
| Total derivative notional amounts | ¥ 27,190 | ¥ 24,343 |

### *Foreign currency exchange rate risk hedging activities*

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

### *Interest rate risk hedging activities*

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

### *Commodity price risk hedging activities*

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

### *Risk management policy*

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

*Fair value hedges*

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

The net gain or loss recognized in earnings representing the amount of the hedges' ineffectiveness and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness were immaterial for the nine-month and three-month periods ended December 31, 2013 and 2012.

The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge was immaterial for the nine-month and three-month periods ended December 31, 2013 and 2012.

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

The following table presents the gain/(loss) on hedged items and derivative instruments designated and qualifying as a fair value hedge included within the Statement of Consolidated Income for the nine-month and three-month periods ended December 31, 2013 and 2012:

**Nine-Month Period Ended December 31, 2013** — **Millions of Yen**

| Income statement location | Hedged items | Gain (loss) on hedged items | Hedging instruments | Gain (loss) on hedging instruments |
|---|---|---|---|---|
| Interest expense | Long-term debt | ¥ 931 | Interest rate contracts | ¥ (946) |
| Other expenses—net | Long-term debt | 2,031 | Foreign exchange contracts | (2,004) |
| Total | | ¥ 2,962 | | ¥ (2,950) |

**Nine-Month Period Ended December 31, 2012** — **Millions of Yen**

| Income statement location | Hedged items | Gain (loss) on hedged items | Hedging instruments | Gain (loss) on hedging instruments |
|---|---|---|---|---|
| Interest expense | Long-term debt | ¥ (7,848) | Interest rate contracts | ¥ 7,840 |
| Other expenses—net | Long-term debt | 1,374 | Foreign exchange contracts | (1,693) |
| Cost of products sold | Inventories | (62) | Commodity contracts | 309 |
| Total | | ¥ (6,536) | | ¥ 6,456 |

| Three-Month Period Ended December 31, 2013 | Millions of Yen | | | |
|---|---|---|---|---|
| **Income statement location** | **Hedged items** | **Gain (loss) on hedged items** | **Hedging instruments** | **Gain (loss) on hedging instruments** |
| Interest expense | Long-term debt | ¥ (22) | Interest rate contracts | ¥ 7 |
| Other expenses—net | Long-term debt | 1,248 | Foreign exchange contracts | (1,236) |
| Total | | ¥ 1,226 | | ¥ (1,229) |

| Three-Month Period Ended December 31, 2012 | Millions of Yen | | | |
|---|---|---|---|---|
| **Income statement location** | **Hedged items** | **Gain (loss) on hedged items** | **Hedging instruments** | **Gain (loss) on hedging instruments** |
| Interest expense | Long-term debt | ¥ 300 | Interest rate contracts | ¥ (299) |
| Other expenses—net | Long-term debt | 1,751 | Foreign exchange contracts | (2,263) |
| Cost of products sold | Inventories | 483 | Commodity contracts | 29 |
| Total | | ¥ 2,534 | | ¥ (2,533) |

### *Cash flow hedges*

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

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

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

The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are reported in earnings immediately. If the hedged forecasted transaction will not occur by the end of the originally specified time period, gain or loss on the hedging instrument reported in AOCI is reclassified into earnings. These amounts were immaterial for the nine-month and three-month periods ended December 31, 2013 and 2012.

The estimated net amounts of the existing gains or losses in AOCI at December 31, 2013 and March 31, 2013 that were expected to be reclassified into earnings within the next 12 months were net loss of ¥2,079 million and net gain of ¥717 million, respectively.

As of December 31, 2013 and March 31, 2013, the maximum length of time over which the companies are hedging their exposure to the variability in expected future cash flows for forecasted transactions (excluding those forecasted transactions related to the payment of variable interest on existing financial instruments) was 34 and 14 months. Foreign exchange forward contracts are used as hedging instruments for the forecasted transactions.

### *Hedges of the net investment in a foreign operation*

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

### *Derivative instruments for trading purposes and risk management policy*

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

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

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

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2013 | March 31, 2013 | | December 31, 2013 | March 31, 2013 |
| **Derivative instruments** | **Balance sheet location** | **Fair value** | **Fair value** | **Balance sheet location** | **Fair value** | **Fair value** |
| Foreign exchange contracts | Derivative assets | ¥ 7,990 | ¥ 7,859 | Derivative liabilities | ¥ 37,581 | ¥ 31,395 |
| | Non-current receivables, less unearned interest | 6,587 | 6,532 | Other Long-Term Liabilities | 21,816 | 17,925 |
| Interest rate contracts. | Derivative assets | 713 | 702 | Derivative liabilities | 64 | 89 |
| | Non-current receivables, less unearned interest | 26,664 | 28,459 | Other Long-Term Liabilities | 7,849 | 10,873 |
| Commodity contracts | Derivative assets | 185 | 52 | Derivative liabilities | 44 | 58 |
| | Non-current receivables, less unearned interest | 83 | - | | | |
| Total | | ¥ 42,222 | ¥ 43,604 | | ¥ 67,354 | ¥ 60,340 |

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

| | | Millions of Yen | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2013 | March 31, 2013 | | December 31, 2013 | March 31, 2013 |
| **Derivative instruments** | **Balance sheet location** | **Fair value** | **Fair value** | **Balance sheet location** | **Fair value** | **Fair value** |
| Foreign exchange contracts | Derivative assets | ¥ 82,452 | ¥ 51,371 | Derivative liabilities | ¥ 81,887 | ¥ 52,886 |
| | Non-current receivables, less unearned interest | 28,573 | 37,574 | Other Long-Term Liabilities | 12,402 | 27,416 |
| Interest rate contracts. | Derivative assets | 443 | 475 | Derivative liabilities | 863 | 484 |
| | Non-current receivables, less unearned interest | 4,596 | 4,397 | Other Long-Term Liabilities | 5,000 | 7,568 |
| Commodity contracts | Derivative assets | 230,647 | 310,523 | Derivative liabilities | 245,506 | 299,316 |
| | Non-current receivables, less unearned interest | 124,694 | 129,129 | Other Long-Term Liabilities | 137,234 | 125,382 |
| Other contracts | Non-current receivables, less unearned interest | 3,467 | 3,508 | | | |
| Total | | ¥ 474,872 | ¥ 536,977 | | ¥ 482,892 | ¥ 513,052 |

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

| Hedging instruments | Balance sheet location | Millions of Yen<br>December 31, 2013<br>Carrying amount | Millions of Yen<br>March 31, 2013<br>Carrying amount |
|---|---|---|---|
| Foreign-currency-denominated debt | Current maturities of long-term debt | ¥ 101,896 | ¥ 36,371 |
| | Long-term Debt, less Current Maturities | 509,258 | 444,132 |
| Foreign-currency-denominated bonds | Long-term Debt, less Current Maturities | 8,683 | 7,567 |
| Total | | ¥ 619,837 | ¥ 488,070 |

The following tables present the amounts affecting the Statements of Consolidated Income and other comprehensive income for the nine-month and three-month periods ended December 31, 2013 and 2012:

*Derivative instruments in ASC 815 fair value hedging relationships*

**Nine-Month Period Ended December 31, 2013**

| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Millions of Yen<br>Amount of gain (loss) recognized in income on derivative instruments |
|---|---|---|
| Foreign exchange contracts | Other expenses—net | ¥ (2,004) |
| Interest rate contracts | Interest expense | (946) |
| Total | | ¥ (2,950) |

**Nine-Month Period Ended December 31, 2012**

| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Millions of Yen<br>Amount of gain (loss) recognized in income on derivative instruments |
|---|---|---|
| Foreign exchange contracts | Other expenses—net | ¥ (1,693) |
| Interest rate contracts | Interest expense | 7,840 |
| Commodity contracts | Cost of products sold | 309 |
| Total | | ¥ 6,456 |

**Three-Month Period Ended December 31, 2013**

| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Millions of Yen<br>Amount of gain (loss) recognized in income on derivative instruments |
|---|---|---|
| Foreign exchange contracts | Other expenses—net | ¥ (1,236) |
| Interest rate contracts | Interest expense | 7 |
| Total | | ¥ (1,229) |

**Three-Month Period Ended December 31, 2012**

| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Millions of Yen<br>Amount of gain (loss) recognized in income on derivative instruments |
|---|---|---|
| Foreign exchange contracts | Other expenses—net | ¥ (2,263) |
| Interest rate contracts | Interest expense | (299) |
| Commodity contracts | Cost of products sold | 29 |
| Total | | ¥ (2,533) |

*Derivative instruments in ASC 815 cash flow relationships*

| Nine-Month Period Ended December 31, 2013 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ (18,667) | Sales of products | ¥ (5,081) | | |
| | | Cost of products sold | (2,350) | | |
| | | Other expenses—net | (6,043) | | |
| Interest rate contracts......... | 9,288 | Interest expense | 1,649 | | |
| Commodity contracts......... | 185 | | | Sales of products | ¥ (32) |
| Total.................................. | ¥ (9,194) | | ¥ (11,825) | | ¥ (32) |

| Nine-Month Period Ended December 31, 2012 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ 4,783 | Sales of products | ¥ 2,116 | | |
| | | Other sales | 213 | | |
| | | Cost of products sold | 614 | | |
| | | Other expenses—net | (986) | | |
| Interest rate contracts......... | (3,235) | Interest expense | 1,142 | | |
| Commodity contracts......... | 370 | Sales of products | 450 | Sales of products | ¥ (286) |
| Total.................................. | ¥ 1,918 | | ¥ 3,549 | | ¥ (286) |

| Three-Month Period Ended December 31, 2013 | Millions of Yen | | | Ineffective portion and amount excluded from effective testing | |
|---|---|---|---|---|---|
| | Effective portion | | | | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ (7,161) | Sales of products | ¥ (2,122) | | |
| | | Cost of products sold | (821) | | |
| | | Other expenses—net | (5,225) | | |
| Interest rate contracts......... | 1,127 | Interest expense | 537 | | |
| Commodity contracts......... | (35) | | | Sales of products | ¥ 97 |
| Total.................................. | ¥ (6,069) | | ¥ (7,631) | | ¥ 97 |

| Three-Month Period Ended December 31, 2012 | Millions of Yen | | | Ineffective portion and amount excluded from effective testing | |
|---|---|---|---|---|---|
| | Effective portion | | | | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ 2,676 | Sales of products | ¥ 865 | | |
| | | Other sales | 0 | | |
| | | Cost of products sold | 213 | | |
| | | Other expenses—net | 362 | | |
| Interest rate contracts......... | (815) | Interest expense | 375 | | |
| Commodity contracts......... | (70) | Sales of products | 413 | Sales of products | ¥ (907) |
| Total.................................. | ¥ 1,791 | | ¥ 2,228 | | ¥ (907) |

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

| Nine-Month Period Ended December 31, 2013 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ (47,772) | | | Interest income | ¥ (2,004) |
| | | | | Other expenses —net | (653) |
| Foreign-currency -denominated debt ........ | (60,441) | | | Other expenses —net | (1,597) |
| Total ........................ | ¥(108,213) | | — | | ¥ (4,254) |

| Nine-Month Period Ended December 31, 2012 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| Derivative instruments | Amount of gain (loss) recognized in OCI on derivative instruments | Location of gain (loss) reclassified from AOCI into income | Amount of gain (loss) reclassified from AOCI into income | Location of gain (loss) recognized in income on derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | ¥ (27,953) | | | Interest income | ¥ (1,021) |
| | | | | Other expenses —net | (1,977) |
| Foreign-currency -denominated debt ........ | (21,984) | | | Other expenses —net | (528) |
| Total ........................ | ¥ (49,937) | | — | | ¥ (3,526) |

| Three-Month Period Ended December 31, 2013 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| **Derivative instruments** | **Amount of gain (loss) recognized in OCI on derivative instruments** | **Location of gain (loss) reclassified from AOCI into income** | **Amount of gain (loss) reclassified from AOCI into income** | **Location of gain (loss) recognized in income on derivative instruments** | **Amount of gain (loss) recognized in income on derivative instruments** |
| Foreign exchange contracts | ¥ (35,447) | | | Interest income | ¥ (748) |
| | | | | Other expenses —net | 308 |
| Foreign-currency -denominated debt | (42,648) | | | Other expenses —net | (809) |
| Total | ¥ (78,095) | | — | | ¥ (1,249) |

| Three-Month Period Ended December 31, 2012 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Effective portion | | | Ineffective portion and amount excluded from effective testing | |
| **Derivative instruments** | **Amount of gain (loss) recognized in OCI on derivative instruments** | **Location of gain (loss) reclassified from AOCI into income** | **Amount of gain (loss) reclassified from AOCI into income** | **Location of gain (loss) recognized in income on derivative instruments** | **Amount of gain (loss) recognized in income on derivative instruments** |
| Foreign exchange contracts | ¥ (36,262) | | | Interest income | ¥ (579) |
| | | | | Other expenses —net | (454) |
| Foreign-currency -denominated debt | (40,070) | | | Other expenses —net | (609) |
| Total | ¥ (76,332) | | — | | ¥ (1,642) |

*Derivative instruments not designated as hedging instruments under ASC 815*

| **Nine-Month Period Ended December 31, 2013** | **Millions of Yen** | |
|---|---|---|
| **Derivative instruments** | **Location of gain (loss) recognized in income of derivative instruments** | **Amount of gain (loss) recognized in income on derivative instruments** |
| Foreign exchange contracts | Sales of products | ¥ 1,226 |
| | Other sales | 485 |
| | Cost of products sold | 2,855 |
| | Interest income | (695) |
| | Other expenses—net | 6,116 |
| Interest rate contracts | Interest expense | 1,494 |
| | Other expenses—net | 294 |
| Commodity contracts | Sales of products | 7,409 |
| | Other sales | (17,772) |
| | Cost of products sold | 1,478 |
| | Other expenses—net | (894) |
| Total | | ¥ 1,996 |

| **Nine-Month Period Ended December 31, 2012** | **Millions of Yen** | |
|---|---|---|
| **Derivative instruments** | **Location of gain (loss) recognized in income of derivative instruments** | **Amount of gain (loss) recognized in income on derivative instruments** |
| Foreign exchange contracts | Sales of products | ¥ (653) |
| | Other sales | 388 |
| | Cost of products sold | 1,600 |
| | Interest income | (355) |
| | Other expenses—net | (15,839) |
| Interest rate contracts | Other sales | 47 |
| | Interest income | 0 |
| | Interest expense | 1,115 |
| | Other expenses—net | 129 |
| Commodity contracts | Sales of products | 6,064 |
| | Other sales | 4,507 |
| | Cost of products sold | (2) |
| | Other expenses—net | 802 |
| Other contracts | Other expenses—net | 1,000 |
| Total | | ¥ (1,197) |

| Three-Month Period Ended December 31, 2013 | Millions of Yen | |
|---|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Sales of products | ¥ 1,483 |
| | Other sales | 260 |
| | Cost of products sold | 2,481 |
| | Interest income | (257) |
| | Other expenses—net | (1,908) |
| Interest rate contracts | Interest expense | 256 |
| | Other expenses—net | 59 |
| Commodity contracts | Sales of products | (233) |
| | Other sales | (17,787) |
| | Cost of products sold | (609) |
| | Other expenses—net | (518) |
| Total | | ¥ (16,773) |

| Three-Month Period Ended December 31, 2012 | Millions of Yen | |
|---|---|---|
| Derivative instruments | Location of gain (loss) recognized in income of derivative instruments | Amount of gain (loss) recognized in income on derivative instruments |
| Foreign exchange contracts | Sales of products | ¥ 467 |
| | Other sales | 753 |
| | Cost of products sold | 2,706 |
| | Interest income | (111) |
| | Other expenses—net | (19,860) |
| Interest rate contracts | Other sales | (120) |
| | Interest income | 131 |
| | Interest expense | 837 |
| | Other expenses—net | 67 |
| Commodity contracts | Sales of products | 14,474 |
| | Other sales | (5,316) |
| | Cost of products sold | (1,411) |
| | Other expenses—net | 152 |
| Other contracts | Other expenses—net | 56 |
| Total | | ¥ (7,175) |

### *Credit-risk-related contingent features*

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

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on December 31, 2013 and March 31, 2013, was ¥9,220 million and ¥2,956 million, respectively (¥8,203 million and ¥1,335 million on the net basis of liability position after offsetting derivative assets against derivative liabilities in accordance with ASC 210-20 "Balance Sheet: Offsetting"). Collateral of ¥5,453 million and ¥449 million in the normal course of business associated with these contracts were posted at December 31, 2013 and March 31, 2013, respectively. If the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2013 and March 31, 2013, the aggregate fair value of additional assets that would be required to be posted as collateral and/or the aggregate fair value of assets needed to settle the instruments would be ¥2,750 million and ¥886 million, respectively.

### *Offsetting derivative asset and derivative liabilities*

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

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

| As of December 31, 2013 | Millions of Yen | |
|---|---|---|
| **Derivative instruments** | **Derivative assets** | **Derivative liabilities** |
| (1) Gross amounts of recognized derivative assets and derivative liabilities | ¥ 517,094 | ¥ 550,246 |
| (2) Gross amounts offset in the Consolidated Balance Sheets | 368,796 | 387,862 |
| (3) Net amounts of derivative assets and derivative liabilities presented in the Consolidated Balance Sheets | 148,298 | 162,384 |

Derivative assets and Non-current receivables, less unearned interest, with amount ¥89,747 million and ¥58,551 million, respectively, and derivative liabilities and Other Long-Term Liabilities with amount ¥126,370 million and ¥36,014 million, respectively, are included in (3) of the table above.

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

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

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

As of December 31, 2013 and March 31, 2013, the amount of receivables in respect of cash collateral paid that was netted against derivatives was ¥28,235 million and ¥2,931 million, respectively. The amount of payables associated with cash collateral received that was netted against derivative assets was ¥9,169 million and ¥14,888 million, respectively. Cash collateral receivables and payables of ¥34,424 million and ¥29,414 million, respectively, as of December 31, 2013 and March 31, 2013, and ¥5,685 million and ¥2,569 million, respectively, as of December 31, 2013 and March 31, 2013, were not offset.

## *14. FINANCIAL INSTRUMENTS*

**Fair Value of Financial Instruments**

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

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

***Current financial assets other than marketable securities and current financial liabilities***

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

***Marketable securities and other investments***

See Note 4, “MARKETABLE SECURITIES AND OTHER INVESTMENTS” and Note 15, “FAIR VALUE MEASUREMENT.”

***Non-current receivables and advances to associated companies***

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

***Long-term debt***

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

***Financial guarantees and financing commitments***

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

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

***Derivative financial instruments***

See Note 15, “FAIR VALUE MEASUREMENT.”

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | December 31, 2013 | | March 31, 2013 | |
| | Carrying amount | Fair value* | Carrying amount | Fair value* |
| Financial Assets (other than derivative financial instruments): | | | | |
| Current financial assets other than marketable securities | ¥3,757,554 | ¥3,757,554 | ¥3,634,300 | ¥3,634,300 |
| Non-current receivables and advances to associated companies (less allowance for doubtful receivables) | 466,110 | 467,708 | 407,771 | 409,678 |
| Financial Liabilities (other than derivative financial instruments): | | | | |
| Current financial liabilities | 2,573,505 | 2,573,505 | 2,413,370 | 2,413,370 |
| Long-term debt (including current maturities) | 4,018,255 | 4,096,388 | 3,765,082 | 3,857,866 |

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

1. The fair values of cash and cash equivalents included in current financial assets other than marketable securities which are classified as level 1 as of December 31, 2013 and March 31, 2013 were ¥989,982 million and ¥1,208,441 million, respectively.
2. The fair values of loans and other receivables included in non-current receivables and advances to associated companies (less allowance for doubtful receivables) which are classified as level 3 as of December 31, 2013 and March 31, 2013 were ¥195,863 million and ¥178,562 million, respectively. These are estimated using a discounted cash flow model by incorporating such key significant unobservable inputs as credit spreads, probability of default, and loss severity of each loan or receivable.

**Concentration of Credit Risk**

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

## 15. *FAIR VALUE MEASUREMENT*

ASC 820 “Fair Value Measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes the fair value hierarchy that may be used to measure fair value which is provided as follows:

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

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

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

*Level 3:*
Unobservable inputs for the asset or liability.

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

### I. Valuation techniques

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

*Securities*

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

*Derivative Instruments*

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

*Nonfinancial Assets*

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

*Long-term Loans*

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

**II. Valuation process**

- The valuation process involved in level 3 measurements for each applicable asset and liability is governed by the model validation policy and related procedures pre-approved by management of the Corporate Staff Division. Based on the policy and procedures, either personnel from the accounting division or the investment directors determine the valuation model to be utilized to measure each asset and liability at fair value. We engage independent external experts of valuation to assist in the valuation process for certain assets over a specific amount, and their results of valuations are reviewed by the responsible personnel. All valuations, including those performed by the external experts, are reviewed and approved by the Corporate Staff Division management before being recorded in the general ledgers. The companies analyze, on a quarterly basis, changes in the recurring fair valuation measurements of non-marketable equity securities based on such information as prices from the most recent transactions.

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

Assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and March 31, 2013, were as follows:

| December 31, 2013 | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | Fair value measurements using | | | Netting adjustments* | Total fair value |
| | Level 1 | Level 2 | Level 3 | | |
| **Assets:** | | | | | |
| Equity securities and debt securities: | | | | | |
| Marketable equity securities (Japan) | ¥ 481,273 | — | — | | |
| Marketable equity securities (Non-Japan) | 62,897 | — | ¥ 9,461 | | |
| Preferred stock that must be redeemed | — | ¥ 33,613 | — | | |
| Government bonds | — | 15 | — | | |
| Convertible bonds | — | 6,833 | — | | |
| Total equity securities and debt securities | ¥ 544,170 | ¥ 40,461 | ¥ 9,461 | | ¥ 594,092 |
| Derivative assets: | | | | | |
| Foreign exchange contracts | — | ¥ 125,602 | — | | |
| Interest rate contracts | ¥ 122 | 32,294 | — | | |
| Commodity contracts | 31,339 | 324,004 | ¥ 266 | | |
| Other contracts | — | — | 3,467 | | |
| Total derivative assets (current and non-current) | ¥ 31,461 | ¥ 481,900 | ¥ 3,733 | ¥ (368,796) | ¥ 148,298 |
| Total assets | ¥ 575,631 | ¥ 522,361 | ¥ 13,194 | ¥ (368,796) | ¥ 742,390 |
| **Liabilities:** | | | | | |
| Derivative liabilities: | | | | | |
| Foreign exchange contracts | — | ¥ 153,686 | — | | |
| Interest rate contracts | ¥ 114 | 13,662 | — | | |
| Commodity contracts | 30,669 | 351,943 | ¥ 172 | | |
| Total derivative liabilities (current and non-current) | ¥ 30,783 | ¥ 519,291 | ¥ 172 | ¥ (387,862) | ¥ 162,384 |
| Total liabilities | ¥ 30,783 | ¥ 519,291 | ¥ 172 | ¥ (387,862) | ¥ 162,384 |

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

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

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine-month period ended December 31, 2013 was as follows:

| December 31, 2013 | Millions of Yen<br>Fair value measurements using significant unobservable inputs (Level 3) | |
|---|---|---|
| | **Equity securities and debt securities Marketable equity securities (Non-Japan)** | **Derivative assets (liabilities)—net Commodity contracts and other contracts** |
| Opening balance | ¥ 11,007 | ¥ 3,484 |
| Total gains or losses for the period: | 542 | 346 |
| Included in earnings | 542 | 346 |
| Included in other comprehensive income (loss) | — | — |
| Purchases, sales, issues, and settlements: | (1,358) | (442) |
| Purchases | 1,654 | — |
| Sales | (3,012) | — |
| Issues | — | — |
| Settlements | — | (442) |
| Transfers into Level 3: | — | (235) |
| Transfers out of Level 3: | (1,937) | 17 |
| Translation adjustments | 1,207 | 391 |
| Closing balance | ¥ 9,461 | ¥ 3,561 |
| Change in unrealized gains for the period included in earnings for assets held at the reporting date | ¥ 542 | ¥ 153 |

“Transfers out of Level 3”of Marketable equity securities (Non-Japan) was due to the fact that the equity securities owned by a certain subsidiary began to be publicly traded for the nine-month period ended December 31, 2013.

Gains and losses are included in cost of products sold, other sales and other expenses-net in the Statement of Consolidated Income for the nine-month period ended December 31, 2013.

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine-month period ended December 31, 2012 was as follows:

| | Millions of Yen | |
|---|---|---|
| **December 31, 2012** | **Fair value measurements using significant unobservable inputs (Level 3)** | |
| | **Equity securities and debt securities Marketable equity securities (Non-Japan)** | **Derivative assets (liabilities)—net Commodity contracts and other contracts** |
| Opening balance | ¥ 14,569 | ¥ 64 |
| Total gains or losses for the period: | (1,252) | 2,775 |
| Included in earnings | (1,252) | 2,775 |
| Included in other comprehensive income (loss) | — | — |
| Purchases, sales, issues, and settlements: | (933) | (455) |
| Purchases | 3,083 | — |
| Sales | (4,016) | — |
| Issues | — | — |
| Settlements | — | (455) |
| Transfers into Level 3: | — | (2) |
| Transfers out of Level 3: | (964) | 1 |
| Translation adjustments | 554 | 246 |
| Closing balance | ¥ 11,974 | ¥ 2,629 |
| Change in unrealized (losses) or gains for the period included in earnings for assets held at the reporting date | ¥ (1,252) | ¥ 2,694 |

Gains and losses are included in cost of products sold, other sales and other income (expense)-net in the Statement of Consolidated Income for the nine-month period ended December 31, 2012.

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended December 31, 2013 was as follows:

| | Millions of Yen | |
|---|---|---|
| **December 31, 2013** | **Fair value measurements using significant unobservable inputs (Level 3)** | |
| | **Equity securities and debt securities Marketable equity securities (Non-Japan)** | **Derivative assets (liabilities)—net Commodity contracts and other contracts** |
| Opening balance | ¥ 10,790 | ¥ 3,149 |
| Total gains or losses for the period: | (111) | 491 |
| Included in earnings | (111) | 491 |
| Included in other comprehensive income (loss) | — | — |
| Purchases, sales, issues, and settlements: | (1,992) | (41) |
| Purchases | 400 | — |
| Sales | (2,392) | — |
| Issues | — | — |
| Settlements | — | (41) |
| Transfers into Level 3: | — | (308) |
| Transfers out of Level 3: | — | 18 |
| Translation adjustments | 774 | 252 |
| Closing balance | ¥ 9,461 | ¥ 3,561 |
| Change in unrealized (losses) or gains for the period included in earnings for assets held at the reporting date | ¥ (111) | ¥ 159 |

Gains and losses are included in cost of products sold, other sales and other expenses-net in the Statement of Consolidated Income for the three-month period ended December 31, 2013.

A reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three-month period ended December 31, 2012 was as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| **December 31, 2012** | **Fair value measurements using significant unobservable inputs (Level 3)** | | | |
| | **Equity securities and debt securities Marketable equity securities (Non-Japan)** | | **Derivative assets (liabilities)—net Commodity contracts and other contracts** | |
| Opening balance | ¥ | 10,756 | ¥ | 1,947 |
| Total gains or losses for the period: | | (28) | | 194 |
| Included in earnings | | (28) | | 194 |
| Included in other comprehensive income (loss) | | — | | — |
| Purchases, sales, issues, and settlements: | | 924 | | 242 |
| Purchases | | 1,229 | | — |
| Sales | | (305) | | — |
| Issues | | — | | — |
| Settlements | | — | | 242 |
| Transfers into Level 3: | | — | | (65) |
| Transfers out of Level 3: | | (964) | | 52 |
| Translation adjustments | | 1,286 | | 259 |
| Closing balance | ¥ | 11,974 | ¥ | 2,629 |
| Change in unrealized (losses) or gains for the period included in earnings for assets held at the reporting date | ¥ | (28) | ¥ | 445 |

Gains and losses are included in cost of products sold, other sales and other income (expense)-net in the Statement of Consolidated Income for the three-month period ended December 31, 2012.

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| December 31, 2013 | Fair Value | Valuation Technique | Principal Unobservable Input | Range |
| Recurring fair value measurements: | | | | |
| Non-marketable equity securities | ¥ 1,977 | Income approach | Revenue growth rate | 0%-43% |
| | | | Discount rate | 15%-40% |
| | 4,228 | Market approach | Discount for lack of marketability | 0%-30% |
| | | | Volatility rate | 50%-105% |
| Derivative assets (other contracts) | 3,467 | Market approach | Probability of success | 0%-100% |
| | | | Discount rate | 0%-10% |

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

***Information about sensitivity to changes in significant unobservable inputs***

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

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

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

Financial assets measured at fair value on a nonrecurring basis for the nine-month and three-month period ended December 31, 2013 and 2012 were as follows:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Nine-month period ended December 31, 2013 |
| | Fair value | Level 1 | Level 2 | Level 3 | Total losses |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 9 | — | ¥ 2 | ¥ 7 | ¥ (32) |
| Non-Japan | 11,729 | — | — | 11,729 | (6,377) |
| Total non-marketable equity securities | ¥ 11,738 | — | ¥ 2 | ¥ 11,736 | ¥ (6,409) |
| Investments in associated companies | | | | | |
| Non-Japan | ¥ 40,294 | — | — | ¥ 40,294 | ¥ (15,649) |
| Total investments in associated companies | ¥ 40,294 | — | — | ¥ 40,294 | ¥ (15,649) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Nine-month period ended December 31, 2012 |
| | Fair value | Level 1 | Level 2 | Level 3 | Total losses |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 3,009 | — | ¥ 12 | ¥ 2,997 | ¥ (1,172) |
| Non-Japan | 2,471 | — | — | 2,471 | (3,072) |
| Total non-marketable equity securities | ¥ 5,480 | — | ¥ 12 | ¥ 5,468 | ¥ (4,244) |
| Investments in associated companies | | | | | |
| Japan | ¥ 14,643 | ¥ 14,643 | — | — | ¥ (3,880) |
| Non-Japan | 563 | — | — | ¥ 563 | (329) |
| Total investments in associated companies | ¥ 15,206 | ¥ 14,643 | — | ¥ 563 | ¥ (4,209) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Three-month period ended December 31, 2013 |
| | Fair value | Level 1 | Level 2 | Level 3 | Total losses |
| Non-marketable equity securities | | | | | |
| Japan | — | — | — | — | ¥ (14) |
| Non-Japan | ¥ 537 | — | — | ¥ 537 | (1,307) |
| Total non-marketable equity securities | ¥ 537 | — | — | ¥ 537 | ¥ (1,321) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Three-month period ended December 31, 2012 |
| | Fair value | Level 1 | Level 2 | Level 3 | Total losses |
| Non-marketable equity securities | | | | | |
| Japan | ¥ 18 | — | ¥ 6 | ¥ 12 | ¥ (46) |
| Non-Japan | 408 | — | — | 408 | (842) |
| Total non-marketable equity securities | ¥ 426 | — | ¥ 6 | ¥ 420 | ¥ (888) |
| Investments in associated companies | | | | | |
| Japan | ¥ 1,364 | ¥ 1,364 | — | — | ¥ (353) |
| Non-Japan | 563 | — | — | ¥ 563 | (329) |
| Total investments in associated companies | ¥ 1,927 | ¥ 1,364 | — | ¥ 563 | ¥ (682) |

Long-lived assets are reviewed for impairment using undiscounted future cash flows whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted future cash flows is less than the carrying amount of the assets, the assets are determined to be impaired and written down to the amount of fair value. Long-lived assets are primarily valued by unobservable inputs based on an operating plan reflecting the most recent condition of the long-lived assets or prices for similar assets.

Nonfinancial assets measured at fair value on a nonrecurring basis for the nine-month and three-month periods ended December 31, 2013 are as follows:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Nine-Month Period Ended December 31, 2013 |
| | Fair value | Level 1 | Level 2 | Level 3 | Impairment losses |
| Long-lived assets | ¥ 10,170 | — | — | ¥ 10,170 | ¥ (5,877) |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | | Fair value measurements using | | | Three-Month Period Ended December 31, 2013 |
| | Fair value | Level 1 | Level 2 | Level 3 | Impairment losses |
| Long-lived assets | ¥ 10,024 | — | — | ¥ 10,024 | ¥ (5,463) |

Nonfinancial assets measured at fair value on a nonrecurring basis for the nine-month and three-month periods ended December 31, 2012 are immaterial.

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a non-recurring basis for the nine-month period ended December 31, 2013 and 2012 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| Nine-month Period Ended December 31, 2013 | Fair Value | Valuation Technique | Principal Unobservable Input | Range |
| Non-recurring fair value measurements: Non-marketable equity securities | ¥ 50,252 | Income approach | Discount rate | 7.32%-15.6% |

| | Millions of Yen | | | |
|---|---|---|---|---|
| Nine-month Period Ended December 31, 2012 | Fair Value | Valuation Technique | Principal Unobservable Input | Range |
| Non-recurring fair value measurements: Non-marketable equity securities | ¥ 2,974 | Market approach | Price-to-embedded value multiple | 0.29-0.36 |
| | | | Discount for lack of marketability | 0%-15% |
| | 1,267 | Income approach | Revenue growth rate | 32%-127% |

Level 3 assets measured at fair value on a nonrecurring basis for the three-month period ended December 31, 2013 and December 31, 2012 are immaterial.

### *16. SUBSEQUENT EVENTS*

At the meeting of the Board of Directors held on February 5, 2014, the Company resolved to set up a share buyback program with the following details:

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

2. Details of share buyback program

| | | |
|---|---|---|
| a | Class of stock | : Common shares of the Company |
| b | Total number of shares | : Up to 40 million |
| c | Total amount | : Up to ¥50,000 million |
| d | Period | : From February 6, 2014 to March 24, 2014 |
| e | Acquisition method | : Auction market on Tokyo Stock Exchange |