Quarterly Securities Report

for the nine-month period ended December 31, 2014

English translation of certain items disclosed in the Quarterly Securities Report for the nine-month period ended December 31, 2014, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 13, 2015.

Mitsui & Co., Ltd.

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

1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

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

	In millions of Yen, except amounts per share and other				
	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2013	Three-month period ended December 31, 2014	Three-month period ended December 31, 2013	As of or for the year ended March 31, 2014
Consolidated financial data					
Revenue	¥ 4,166,979	¥ 4,324,142	¥ 1,419,410	¥ 1,459,675	¥ 5,731,918
Gross profit	¥ 640,695	¥ 649,970	¥ 220,453	¥ 212,904	¥ 880,106
Profit for the period attributable to owners of the parent	¥ 254,415	¥ 316,892	¥ 31,755	¥ 113,302	¥ 350,093
Comprehensive income for the period attributable to owners of the parent	¥ 444,301	¥ 507,970	¥ 100,897	¥ 282,604	¥ 521,457
Total trading transactions	¥ 8,293,912	¥ 8,336,309	¥ 2,818,577	¥ 2,813,575	¥ 11,155,434
Total equity attributable to owners of the parent	¥ -	¥ -	¥ 4,136,602	¥ 3,854,968	¥ 3,815,767
Total assets	¥ -	¥ -	¥ 12,682,326	¥ 11,882,353	¥ 11,491,319
Basic earnings per share attributable to owners of the parent (Yen)	¥ 141.93	¥ 173.63	¥ 17.72	¥ 62.02	¥ 192.22
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 141.91	¥ 173.62	¥ 17.71	¥ 62.02	¥ 192.21
Equity attributable to owners of the parent ratio	-	-	32.62%	32.44%	33.21%
Cash flows from operating activities	¥ 469,040	¥ 365,929	¥ -	¥ -	¥ 449,243
Cash flows from investing activities	¥ (257,504)	¥ (541,741)	¥ -	¥ -	¥ (659,818)
Cash flows from financing activities	¥ (58,967)	¥ 87,517	¥ -	¥ -	¥ (13,237)
Cash and cash equivalents at end of period	¥ -	¥ -	¥ 1,438,971	¥ 1,355,066	¥ 1,226,317

(Notes)
1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS).
2. Total trading transactions are voluntary disclosures for users of the consolidated financial statements as a measure commonly used by Japanese trading companies. It is not to be constructed as equivalent to revenue under IFRS. Total trading transactions represent the gross transaction volume as the aggregate nominal value of the sales contracts in which the companies act as a principal and the commissions in which the Company and certain subsidiaries serve as an agent.
3. Revenue and total trading transactions do not include consumption taxes.

2. Business Overview

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

There has been no significant change in our business for the nine-month period ended December 31, 2014.

2. Operating and Financial Review and Prospects

1. Risk Factors

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

2. Material Contracts

For the three-month period ended December 31, 2014, we have not been a party to any sales contract, license of franchise contract, or business tie-up contract that on its own has a significant effect on our operating results, and there has not been any assignment of a transfer of business that on its own has a significant effect on our total assets. There are no contracts or other items which are significant in terms of our operations.

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

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

Forward-looking statements were made as of December 31, 2014, unless otherwise indicated.

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

The following is an overview of the operating environment for the nine-month period ended December 31, 2014, and afterwards.

In the global economy, despite being boosted by the ongoing steady economic expansion in the United States, growth rate level off overall as a result of the economic recovery progressing more slowly than expected in Japan and Europe and the increasingly prominent signs of stagnation in emerging countries.

In the United States economy, well-balanced growth was observed against the backdrop of steadily improving employment, a moderately recovering housing market, a wealth effect generated by higher stock and land prices, along with robust corporate earnings. In the Japanese economy, despite being trapped in negative growth for two consecutive quarters from April, owing to the ongoing impact of the consumption tax hike, the economy recovered from autumn, though moderately, thanks to a comparatively favorable employment environment, improvement in the export sector due to a weaker yen, expansion of quantitative easing by the Bank of Japan at the end of October, and other factors.

In the European economy, low growth continued due to a harsh employment environment amid the wide gap between supply and demand, a more cautious stance on lending by financial institutions, and a slowdown in exports to Russia in relation to the situation in Ukraine.

In the Chinese economy, a restraint of excess production capacity and a softer real estate market have led to a slowdown in the economic growth rate. Other emerging economies are experiencing delays in improving inflation, current account deficits, and other weak economic fundamentals, while resource exporting countries have suffered a considerable dampening of growth due to the fall in commodities markets.

The spot reference price for iron ore CFR North China (Fe 62%) continued to show a downward trend, entering the vicinity of the US$70-per-ton level from November onward. With OPEC showing no signs of curbing production despite a slowdown in the growth of global oil demand, the Dubai Crude spot price quickened its pace of decline from October onward, dropping sharply to below US$50-per-barrel.

Looking forward, the global economy is expected to continue moderate growth on the assumptions that resource importing countries will increase purchasing power due to the fall in commodities markets, developed countries will continue in a relaxed financial environment, and the economic recovery in the United States will spread to other countries. On the other hand, there are many risk factors such as outbreak of deflation in the euro-zone economies, capital outflowing from emerging countries triggered by monetary tightening in the United States and a sharp fall in resource prices, and the Chinese economy slowing more than expected. While paying adequate attention to these risk factors, we will continue to conduct our business operations with a long-term perspective.

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

1) Analysis of Consolidated Income Statements

Revenue

Mitsui & Co., Ltd. (“Mitsui”) and its subsidiaries (collectively “we”) recorded total revenue of ¥4,167.0 billion for the nine-month period ended December 31, 2014 (“current period”), a decline of ¥157.1 billion from ¥4,324.1 billion for the corresponding nine-month period of the previous year (“previous period”).

- Revenue from sales of products for the current period was ¥3,721.5 billion, a decline of ¥221.0 billion from

¥3,942.5 billion for the previous period, as a result of the following:

- The Energy Segment reported a decline of ¥351.2 billion. The sale of Mitsui Oil Co., Ltd. resulted in a decline of ¥227.9 billion and petroleum trading operations recorded a decline of ¥172.4 billion due to a decline in trading volume. Meanwhile, oil and gas producing operations recorded an increase of ¥36.0 billion reflecting higher production volume. MMGS Inc., a gas distribution subsidiary in the United States, also reported an increase of ¥20.3 billion due to an increase in sales volume.
- The Iron & Steel Products Segment reported a decline of ¥41.9 billion. Transactions of line pipe to LNG projects had been almost shipped by the end of the previous year and trading volume of other steel products also declined.
- The Americas Segment reported an increase of ¥118.5 billion due to an increase in trading volume of soybean.

● Revenue from rendering of services for the current period was ¥321.5 billion, an increase of ¥14.3 billion from ¥307.2 billion for the previous period.
● Other revenue for the current period was ¥123.9 billion, an increase of ¥49.5 billion from ¥74.4 billion for the previous period. Petroleum trading operations in the Energy Segment recorded an increase of ¥23.2 billion due to valuation of derivatives related to market fluctuations, and the commodity derivatives trading business at Mitsui recorded an increase in other revenue corresponding to a deterioration of ¥11.6 billion in the foreign exchange gains and losses posted in other expense.

Gross Profit

Gross profit for the current period was ¥640.7 billion, a decline of ¥9.3 billion from ¥650.0 billion for the previous period.

● The Mineral & Metal Resources Segment reported a decline of ¥36.2 billion. Iron ore mining operations in Australia reported a decline of ¥36.1 billion due to lower iron ore prices which was partially offset by the positive impact of exchange rate fluctuations, an increase in income from infrastructure usage, higher sales volume and cost reduction.
● The Iron & Steel Products Segment reported a decline of ¥10.5 billion. Transactions of line pipe to LNG projects had been almost shipped by the end of the previous year and trading volume of other steel products also declined.
● The Innovation & Corporate Development Segment reported an increase of ¥16.2 billion. The commodity derivatives trading business at Mitsui recorded an increase in gross profit corresponding to a deterioration of ¥11.6 billion in the foreign exchange gains and losses posted in other expense.
● The Machinery & Infrastructure Segment reported an increase of ¥12.3 billion, attributable to an increase in trading volume of newly built and second-hand ships as well as recognition of commission relevant to overseas plant projects.
● The Americas Segment reported an increase of ¥7.6 billion. Novus International, Inc. reported an increase of ¥4.6 billion reflecting higher sales prices of methionine.

Other Income (Expenses)

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the current period were ¥432.4 billion, an increase of ¥9.4 billion from ¥423.0 billion for the previous period. The table below provides a breakdown of selling, general and administrative expenses used for our internal review.

(Billions of Yen)	Personnel	Welfare	Travel	Entertainment	Communication
Current Period	220.0	10.9	26.3	6.3	36.0
Previous Period	217.3	10.5	25.3	6.3	37.6
Change	2.7	0.4	1.0	0.0	(1.6)

(Billions of Yen)	Rent	Depreciation	Tax	Provision for doubtful receivables	Others	Total
Current Period	17.1	11.1	7.7	11.9	85.1	432.4
Previous Period	14.7	11.0	6.8	6.0	87.5	423.0
Change	2.4	0.1	0.9	5.9	(2.4)	9.4

Gain on securities and other investments—net

Gain on securities and other investments for the current period was ¥22.2 billion, an increase of ¥4.0 billion from ¥18.2 billion for the previous period.

- For the current period, ¥9.1 billion and ¥6.5 billion gains on the sales of the stake in Silver Bell Mining, LLC and Shanghai Senmao International Real Estate Co., Ltd. were recorded, respectively.
- For the previous period, an ¥8.4 billion gain was recorded due to a reversal of impairment loss on shares in Penske Automotive Group, Inc., reflecting a rise in the share price. Furthermore, a ¥5.4 billion valuation gain on the investment in Nippon Steel Trading Co., Ltd. due to discontinuance of applying the equity method of accounting resulting from the merger with Sumikin Bussan Corporation was recorded. Meanwhile, an impairment loss of ¥2.6 billion was recorded on the investment in SCM Minera Lumina Copper Chile, a project company for the Caserones Copper Mine in Chile.

Impairment Loss of Fixed Assets

Impairment loss of fixed assets for the current period was ¥74.0 billion, a deterioration of ¥67.7 billion from ¥6.3 billion for the previous period.

- Reflecting the decline in oil prices, Mitsui E&P Texas LP recorded an impairment loss of ¥58.9 billion related to Eagle Ford shale gas and oil producing operations and Mitsui E&P UK Limited recorded an impairment loss of ¥13.8 billion related to oil and gas fields in the North Sea area for the current period.
- Mitsui Coal Holdings Pty. Ltd. recorded an impairment loss of ¥4.5 billion on an undeveloped coal deposit for the previous period.

Gain on Disposal or Sales of Fixed Assets—Net

Gain on disposal or sales of fixed assets for the current period was ¥0.1 billion, a decline of ¥8.8 billion from ¥8.9 billion for the previous period. There were miscellaneous small transactions for the current period. For the previous period, Mitsui E&P Middle East B.V. and Mitsui E&P Australia Pty Limited recorded a gain on sales of interests in oil fields in Egypt and New Zealand, respectively, totaling ¥6.3 billion.

Other Expense (Income)—Net

Other expense for the current period was ¥21.0 billion, a deterioration of ¥21.4 billion from income of ¥0.4 billion for the previous period.

- For the current period, exploration expenses totaled ¥17.9 billion, including those recorded at oil and gas producing businesses. The Lifestyle Segment recorded foreign exchange losses of ¥6.2 billion in the coffee trading business at Mitsui, which corresponded to related gross profit in the same segment. Mitsui E&P UK Limited recorded an impairment loss of ¥4.8 billion on goodwill related to oil and gas fields in the North Sea area, reflecting the decline in oil prices. Meanwhile, Mitsui Oil Exploration Co., Ltd. recorded a foreign exchange translation gain of ¥5.4 billion related to foreign currency deposits. The Innovation & Corporate Development Segment recorded foreign exchange gains of ¥4.4 billion in the commodity derivatives trading business at Mitsui, which corresponded to related gross profit in the same segment.
- For the previous period, the Innovation & Corporate Development Segment recorded foreign exchange gains of ¥16.0 billion in the commodity derivatives trading business at Mitsui, which corresponded to related gross profit in the same segment. Furthermore, Mitsui Oil Exploration Co., Ltd. recorded a foreign exchange translation gain of ¥6.4 billion related to foreign currency deposits. Meanwhile, exploration expenses totaled ¥15.7 billion, including those recorded at oil and gas producing businesses, and Mitsui Raw Materials Development Pty. Ltd. recorded a ¥3.3 billion foreign exchange loss related to borrowings denominated in U.S. dollars. The Lifestyle Segment recorded foreign exchange losses of ¥0.5 billion in the coffee trading business at Mitsui, which corresponded to related gross profit in the same segment.

Finance Income (Costs)

Interest Income

Interest income for the current period was ¥25.4 billion, a decline of ¥0.5 billion from ¥25.9 billion for the previous period.

Dividend Income

Dividend income for the current period was ¥96.7 billion, a decline of ¥4.7 billion from ¥101.4 billion for the previous period.

- Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥74.9 billion in total, a decline of ¥8.7 billion from ¥83.6 billion for the previous period. Dividends received from the Sakhalin II project declined, while those from the Abu Dhabi project increased.
- Dividends from preferred shares in JA Mitsui Leasing Ltd. increased by ¥4.0 billion.

Interest Expense

Interest expense for the current period was ¥38.5 billion, an increase of ¥2.3 billion from ¥36.2 billion for the previous period. The following table provides the month-end average of three-month Tibor for the Japanese yen and three-month Libor for the U.S. dollar for both periods.

	Current Period	Previous Period
Japanese yen	0.20%	0.23%
U.S. dollar	0.23%	0.26%

Share of Profit of Investments Accounted for Using the Equity Method

Share of profit of investments accounted for using the equity method for the current period was ¥149.9 billion, an increase of ¥19.6 billion from ¥130.3 billion for the previous period.

- Valepar S.A. reported an increase of ¥26.8 billion, reflecting the loss for the previous period 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, which was partially offset by lower iron ore prices.
- For the previous period, SCM Minera Lumina Copper Chile posted a ¥10.6 billion impairment loss on fixed assets. Meanwhile, Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted a ¥4.2 billion impairment loss on fixed assets and other assets.
- Inversiones Mineras Acrux SpA, a copper mining company in Chile, reported a decline of ¥17.0 billion due to additional recognition of a deferred tax liability reflecting the tax system revision in Chile.
- Robe River Mining Co. Pty. Ltd., an iron ore mining company in Australia, reported a decline of ¥8.1 billion due to lower iron ore prices, which was partially offset by a positive impact of foreign currency exchange fluctuations, an increase in income from infrastructure usage and an increase in sales volume.
- ENEOS GLOBE Corporation, a liquefied petroleum gas sales company in Japan, reported a decline of ¥4.0 billion due to inventory valuation losses reflecting a decline in LPG prices. JA Mitsui Leasing, Ltd. reported a decline of ¥3.5 billion.

Income Taxes

Income taxes for the current period were ¥106.8 billion, a decline of ¥28.0 billion from ¥134.8 billion for the previous period.

- Profit before income taxes for the current period was ¥369.2 billion, a decline of ¥100.3 billion from ¥469.5 billion for the previous period. In response, applicable income taxes also declined.
- For the current period, there is a ¥14.3 billion decline in tax burden in relation to income taxes recognized as other comprehensive income corresponding to sales of financial assets measured at FVTOCI, including the share of Recruit Holdings Co., Ltd.
- There is an increase in tax burden in Australian resource-related taxes due to a reversal of declined production at Mitsui E&P Australia Pty Limited associated with the refurbishment of its oil production facility for the previous year.

The effective tax rate for the current period was 28.9%, an increase of 0.2% from 28.7% for the previous period. The major factor for the increase was the increase in tax burden in Australian resource-related taxes of Mitsui E&P Australia Pty Limited. Meanwhile, the major factor for the decrease was the decline in tax burden in relation to sales of financial assets measured at FVTOCI.

Profit for the Period

As a result of the above factors, profit for the period was ¥262.4 billion, a decline of ¥72.3 billion from ¥334.7 billion for the previous period.

Profit for the Period Attributable to Owners of the Parent

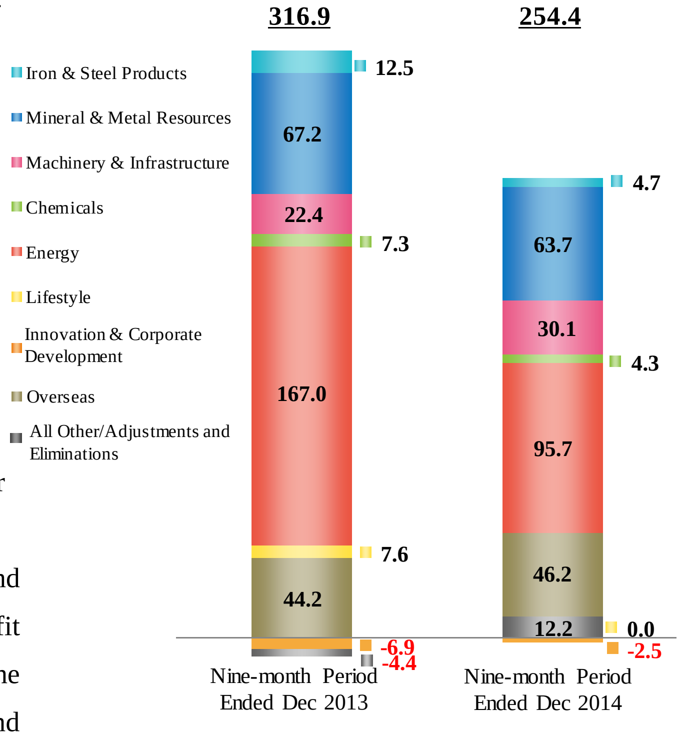
Profit for the period attributable to owners of the parent was ¥254.4 billion, a decline of ¥62.5 billion from ¥316.9 billion for the previous period.

2) EBITDA

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

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

Profit for the Period Attributable to Owners of the Parent by Operating Segment (Billions of Yen)



(Billions of Yen)		Current Period	Previous Period	Change
EBITDA (a+b+c+d+e) (*1)		665.4	618.0	+47.4
Gross profit	a	640.7	650.0	(9.3)
Selling, general and administrative expenses	b	(432.4)	(423.0)	(9.4)
Dividend income	c	96.7	101.4	(4.7)
Profit of equity method investments (*2)	d	149.9	130.3	+19.6
Depreciation and amortization	e	210.5	159.4	+51.1

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

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

3) Operating Results by Operating Segment

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	9.1	18.0	(8.9)
Gross profit	29.4	39.9	(10.5)
Selling, general and administrative expenses	(27.5)	(27.9)	+0.4
Dividend income	1.6	1.2	+0.4
Profit of equity method investments	4.6	3.7	+0.9
Depreciation and amortization	0.9	1.0	(0.1)
Profit for the period attributable to owners of the parent	4.7	12.5	(7.8)

EBITDA declined by ¥8.9 billion, mainly due to the following factors:

Gross profit declined by ¥10.5 billion. Transactions of line pipe to LNG projects had been mostly shipped out by the end of the previous year and trading volume of other steel products also declined.

Profit of equity method investments increased by ¥0.9 billion.

Profit for the period attributable to owners of the parent declined by ¥7.8 billion. In addition to the factors mentioned above, the following factors also affected results:

- For the previous period, a ¥5.4 billion valuation gain on the investment in Nippon Steel Trading Co., Ltd. due to discontinuance of applying the equity method of accounting resulting from the merger with Sumikin Bussan Corporation was recorded.
- Foreign exchange gains and losses corresponding to transactions of line pipe improved by ¥2.3 billion.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	152.7	167.8	(15.1)
Gross profit	114.2	150.4	(36.2)
Selling, general and administrative expenses	(31.0)	(31.6)	+0.6
Dividend income	1.5	1.2	+0.3
Profit of equity method investments	31.7	16.8	+14.9
Depreciation and amortization	36.3	31.1	+5.2
Profit for the period attributable to owners of the parent	63.7	67.2	(3.5)

EBITDA declined by ¥15.1 billion, mainly due to the following factors:

Gross profit declined by ¥36.2 billion reflecting the impact from lower iron ore prices on iron ore mining operations in Australia. As for iron ore pricing, the majority of contract prices applied to products sold during the current period were based on pricing that more closely reflects current spot reference prices, the same pricing as applied in the previous year, such as a daily average of spot reference prices for the current quarter of shipments and a daily average of spot reference prices for the shipment month. Mitsui Iron Ore Development Pty. Ltd. reported a decline of ¥32.4 billion in gross profit reflecting lower iron ore prices, which was partially offset by the positive impact of exchange rate fluctuations, income from infrastructure usage and higher sales volume. Mitsui-Itochu Iron Pty. Ltd. reported a decline of ¥3.7 billion in gross profit reflecting lower iron ore prices, which was offset by cost reduction, higher sales volume and positive impact of exchange rate fluctuations.

Profit of equity method investments increased by ¥14.9 billion.

- Valepar S.A. posted profit of ¥7.1 billion, an increase of ¥26.8 billion from a loss of ¥19.7 billion for the previous period. The main factor behind the increase was a reversal of loss due to Vale S.A.'s participation in the federal tax settlement (REFIS) relating to Brazilian corporate income tax and social contribution of its non-Brazilian subsidiaries and affiliates, which was recorded in the previous period. Meanwhile, the increase was partially offset by lower iron ore prices.

- SCM Minera Lumina Copper Chile, a project company for the Caserones Copper Mine, reported an improvement of ¥11.2 billion from a ¥10.9 billion loss for the previous period, due to a reversal effect of a ¥10.6 billion impairment loss on fixed assets posted in the previous period.
- Inversiones Mineras Acrux SpA, a copper mining company in Chile, recorded a decline of ¥17.0 billion to a loss of ¥13.6 billion from a profit of ¥3.4 billion for the previous period, due to additional recognition of a deferred tax liability reflecting the tax system revision in Chile.
- Profit from Robe River Mining Co. Pty. Ltd. was ¥26.5 billion, a decline of ¥8.1 billion from ¥34.6 billion due to lower iron ore prices which was partially offset by the positive impact of exchange rate fluctuations, income from infrastructure usage and higher sales volume.

Depreciation and amortization increased by ¥5.2 billion.

Profit for the period attributable to owners of the parent declined by ¥3.5 billion. In addition to the above, the following factors also affected results:

- A ¥4.5 billion gain on the sale of the stake in Silver Bell Mining, LLC was recorded for the current period.
- For the previous period, Mitsui Coal Holdings Pty. Ltd. recorded an impairment loss of ¥4.5 billion on an undeveloped coal deposit.
- For the previous period, Mitsui Raw Materials Development Pty. Ltd. recorded a ¥3.3 billion foreign exchange loss related to borrowings denominated in U.S. dollars.
- For the previous period, an impairment loss of ¥2.6 billion was recorded on the investment in SCM Minera Lumina Copper Chile.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	52.7	36.9	+15.8
Gross profit	95.4	83.1	+12.3
Selling, general and administrative expenses	(96.8)	(91.6)	(5.2)
Dividend income	3.0	2.3	+0.7
Profit of equity method investments	36.5	30.2	+6.3
Depreciation and amortization	14.6	12.9	+1.7
Profit for the period attributable to owners of the parent	30.1	22.4	+7.7

EBITDA increased by ¥15.8 billion, mainly due to the following factors:

Gross profit increased by ¥12.3 billion.

- The Infrastructure Projects Business Unit reported an increase of ¥5.0 billion. Mitsui recorded a ¥3.2 billion increase due to recognition of commission relevant to overseas plant projects.
- The Integrated Transportation Systems Business Unit reported an increase of ¥7.4 billion. The main factor behind the increase was an increase in trading volume of newly built and second-hand ships.

Selling, general and administrative expenses increased by ¥5.2 billion.

Profit of equity method investments increased by ¥6.3 billion.

- The Infrastructure Projects Business Unit reported an increase of ¥3.0 billion. Water treatment business in Mexico and gas distribution business in Brazil reported increases.
  Meanwhile, IPP businesses posted profit of ¥15.7 billion in total, a decline of ¥0.5 billion from ¥16.2 billion for the previous period.
  - In the current period, tax-related one-time losses of ¥1.7 billion were recognized.
  - Mark-to-market valuation gains and losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, declined by ¥0.2 billion to a gain of ¥0.7 billion from ¥0.9 billion for the previous period.
  - New businesses including power generation and retail business in Australia as well as Astoria I gas-fired IPP in the United States, in which Mitsui acquired stakes in the last year, contributed to the increase. Meanwhile, there were negative factors including the sale of a syngas-fired IPP in Italy in the current period and reversal effect of high operation rates for the previous period at a coal-fired IPP in China.
- The Integrated Transportation Systems Business Unit reported an increase of ¥3.3 billion. Automotive-related business in North America achieved a solid performance. Meanwhile, there was a new contribution from VLI S.A., an integrated freight transportation company in Brazil, in which Mitsui invested in the current period.

Profit for the period attributable to owners of the parent increased by ¥7.7 billion. In addition to the factors mentioned above, in the previous period, this segment recorded a ¥6.7 billion gain due to a reversal of impairment loss on shares in Penske Automotive Group, Inc., reflecting a rise in the share price.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	15.1	20.0	(4.9)
Gross profit	53.8	58.5	(4.7)
Selling, general and administrative expenses	(52.9)	(51.4)	(1.5)
Dividend income	1.0	1.5	(0.5)
Profit of equity method investments	5.1	5.6	(0.5)
Depreciation and amortization	8.0	5.9	+2.1
Profit for the period attributable to owners of the parent	4.3	7.3	(3.0)

EBITDA declined by ¥4.9 billion, mainly due to the following factors:

Gross profit declined by ¥4.7 billion.

- The Basic Chemicals Business Unit reported a decline of ¥1.4 billion. Mitsui & Co. Texas Chlor-Alkali, Inc., a producer of chlorine and caustic soda in the United States, reported a decline of ¥3.0 billion due to unfavorable market conditions.
- The Performance Chemicals Business Unit reported a decline of ¥3.3 billion. P.T. Kaltim Pasifik Amoniak, an ammonia producer in Indonesia, reported a decline of ¥7.3 billion due to a shutdown at the end of the previous year as a result of an asset transfer under the build-operate-transfer (BOT) contract. Meanwhile, sales of agricultural chemicals increased.

Profit of equity method investments declined by ¥0.5 billion.

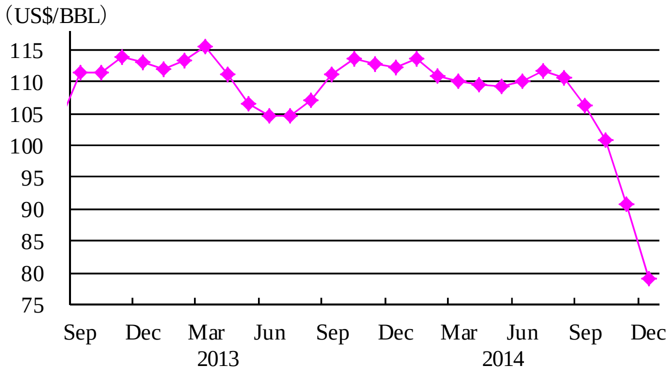
Profit for the period attributable to owners of the parent declined by ¥3.0 billion.

Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	353.9	319.2	+34.7
Gross profit	158.2	152.5	+5.7
Selling, general and administrative expenses	(44.1)	(44.5)	+0.4
Dividend income	78.6	86.2	(7.6)
Profit of equity method investments	42.4	44.8	(2.4)
Depreciation and amortization	118.8	80.2	+38.6
Profit for the period attributable to owners of the parent	95.7	167.0	(71.3)

EBITDA increased by ¥34.7 billion, mainly due to the following factors:

Crude Oil Price (JCC: Japan Crude Cocktail)



The weighted average crude oil prices applied to our operating results for the current period and the previous period were estimated to be US$109 and US$110 per barrel, respectively.

Gross profit increased by ¥5.7 billion, primarily due to the following factors:

- Mitsui E&P Australia Pty Limited reported an increase of ¥19.0 billion due to a reversal of declined production during the previous period associated with the refurbishment of its oil production facility.
- Mitsui E&P USA LLC reported an increase of ¥4.7 billion from lower costs and higher production.
- Mitsui E&P Texas LP reported an increase of ¥3.7 billion from increased production.
- A decline of ¥8.5 billion was recorded due to the sale of Mitsui Oil Co., Ltd. in the previous year.
- Mitsui E&P Middle East B.V. reported a decline of ¥6.7 billion due to an increase in production cost as well as the sales of interests in oil fields in Egypt in the previous year, despite a depreciation of the Japanese yen.
- A ¥4.8 billion decline was recorded from LNG transactions.

Dividend income decreased by ¥7.6 billion. Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥74.9 billion in total, a decrease of ¥8.7 billion from ¥83.6 billion for the previous period. Dividends received from the Sakhalin II project declined, while those from the Abu Dhabi project increased.

Profit of equity method investments declined by ¥2.4 billion. ENEOS GLOBE Corporation reported a decline of ¥4.0 billion from ¥1.2 billion for the previous period due to inventory valuation losses reflecting a drop in LPG prices.

Depreciation and amortization increased by ¥38.6 billion. Oil and gas producing operations recorded an increase of ¥40.6 billion, including an increase of ¥15.7 billion at Marcellus and Eagle Ford shale gas and oil operations in the United States.

Profit for the period attributable to owners of the parent decreased by ¥71.3 billion. In addition to the above, the following factors also affected results:

- For the current period, reflecting the decline in oil prices, Mitsui E&P Texas LP recorded an impairment loss of ¥58.9 billion on fixed assets related to Eagle Ford shale gas and oil producing operations as well as Mitsui E&P UK Limited recorded impairment losses related to oil and gas fields in the North Sea area for ¥13.8

billion on fixed assets and ¥4.8 billion on goodwill.

- For the current period, exploration expenses of ¥16.6 billion in total were recorded, including those recorded by Mitsui E&P Mozambique Area 1 Limited and Mitsui E&P Australia Pty Limited. For the previous period, exploration expenses of ¥14.4 billion in total were recorded, including those recorded by Mitsui E&P Australia Pty Limited.
- For the previous period, Mitsui E&P Middle East B.V. and Mitsui E&P Australia Pty Limited recorded a gain on sales of interests in oil fields in Egypt and New Zealand, respectively, totaling ¥6.3 billion.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	14.9	16.0	(1.1)
Gross profit	90.0	86.5	+3.5
Selling, general and administrative expenses	(105.2)	(96.3)	(8.9)
Dividend income	4.4	4.7	(0.3)
Profit of equity method investments	16.3	12.5	+3.8
Depreciation and amortization	9.5	8.6	+0.9
Profit for the period attributable to owners of the parent	0.0	7.6	(7.6)

EBITDA declined by ¥1.1 billion, mainly due to the following factors:

Gross profit increased by ¥3.5 billion.

- The Food Resources Business Unit reported a decline of ¥1.0 billion. Multigrain Trading AG recorded a decline of ¥5.9 billion due to underperforming origination and merchandising.
- The Food Products & Services Business Unit recorded an increase of ¥7.3 billion. There was an increase in gross profit corresponding to a ¥5.7 billion deterioration of foreign exchange losses related to the coffee trading business at Mitsui posted in other expense for the current period and for the previous period. In addition, food-related subsidiaries in Japan recorded an increase due to higher volume.
- The Consumer Service Business Unit reported a decline of ¥2.9 billion, mainly attributable to deconsolidation of ShopNet Co., Ltd., a TV shopping company in Taiwan, resulting from the sale of its shares in the current period.

Selling, general and administrative expenses increased by ¥8.9 billion. Multigrain Trading AG reported an increase of ¥3.3 billion due to an increase in provision for doubtful receivables. Food-related subsidiaries in Japan also recorded an increase.

Profit of equity method investments increased by ¥3.8 billion.

- The Food Resources Business Unit reported a decline of ¥0.2 billion.
- The Food Products & Services Business Unit reported a decline of ¥0.2 billion.
- The Consumer Service Business Unit reported an increase of ¥4.2 billion. Arch Pharmalabs Limited, a pharmaceutical contract manufacturer in India, posted a ¥4.2 billion impairment loss on fixed assets and other assets for the previous period.

Profit for the period attributable to owners of the parent declined by ¥7.6 billion. In addition to the above, the following factors also affected results:

- A ¥6.5 billion gain on the sales of the stake in Shanghai Senmao International Real Estate Co., Ltd. was recorded for the current period.
- For the current period and for the previous period, foreign exchange losses of ¥6.2 billion and ¥0.5 billion, respectively, were posted in other expense in relation to the coffee trading business at Mitsui.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	(6.5)	(22.8)	+16.3
Gross profit	25.9	9.7	+16.2
Selling, general and administrative expenses	(44.6)	(45.1)	+0.5
Dividend income	4.7	1.1	+3.6
Profit of equity method investments	3.7	7.6	(3.9)
Depreciation and amortization	3.8	3.9	(0.1)
Loss for the period attributable to owners of the parent	(2.5)	(6.9)	+4.4

EBITDA increased by ¥16.3 billion, mainly due to the following factors:

Gross profit increased by ¥16.2 billion.

- There was an increase in gross profit corresponding to an ¥11.6 billion deterioration of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense for the current period and for the previous period.
- Mitsui & Co. Commodity Risk Management Ltd. reported an increase of ¥5.1 billion due to the recovery of underperforming trading of derivatives for the previous period.

Dividend income increased by ¥3.6 billion. Dividends from preferred shares in JA Mitsui Leasing Ltd. increased by ¥4.0 billion.

Profit of equity method investments declined by ¥3.9 billion. JA Mitsui Leasing Ltd. recorded a decline of ¥3.5 billion.

Loss for the period attributable to owners of the parent improved by ¥4.4 billion. In addition to the factors mentioned above, for the current period and for the previous period, foreign exchange gains of ¥4.4 billion and ¥16.0 billion, respectively, were posted in other expense in relation to the commodity derivatives trading business at Mitsui.

Americas Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	29.5	22.2	+7.3
Gross profit	65.8	58.2	+7.6
Selling, general and administrative expenses	(48.5)	(47.1)	(1.4)
Dividend income	0.0	0.2	(0.2)
Profit of equity method investments	5.7	5.0	+0.7
Depreciation and amortization	6.5	5.9	+0.6
Profit for the period attributable to owners of the parent	20.6	13.8	+6.8

EBITDA increased by ¥7.3 billion, mainly due to the following factors:

Gross profit increased by ¥7.6 billion. Novus International, Inc. reported an increase of ¥4.6 billion due to higher methionine prices.

Profit of equity method investments increased by ¥0.7 billion.

Profit for the period attributable to owners of the parent increased by ¥6.8 billion. In addition to the factors mentioned above, this segment recorded a ¥4.5 billion gain on the sale of the stake in Silver Bell Mining, LLC for the current period.

Europe, the Middle East and Africa Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	(0.6)	0.0	(0.6)
Gross profit	14.2	13.8	+0.4
Selling, general and administrative expenses	(16.1)	(15.5)	(0.6)
Dividend income	0.1	0.1	0.0
Profit of equity method investments	0.9	1.1	(0.2)
Depreciation and amortization	0.3	0.5	(0.2)
Profit for the period attributable to owners of the parent	3.2	1.6	+1.6

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

Gross profit increased by ¥0.4 billion.

Profit of equity method investments decreased by ¥0.2 billion.

Profit for the period attributable to owners of the parent increased by ¥1.6 billion.

Asia Pacific Segment

(Billions of Yen)	Current Period	Previous Period	Change
EBITDA	(1.2)	0.2	(1.4)
Gross profit	9.2	9.4	(0.2)
Selling, general and administrative expenses	(15.3)	(14.2)	(1.1)
Dividend income	0.7	1.4	(0.7)
Profit of equity method investments	3.7	3.3	+0.4
Depreciation and amortization	0.5	0.4	+0.1
Profit for the period attributable to owners of the parent	22.4	28.8	(6.4)

EBITDA declined by ¥1.4 billion, mainly due to the following factors:

Gross profit declined by ¥0.2 billion.

Profit of equity method investments increased by ¥0.4 billion.

Profit for the period attributable to owners of the parent declined by ¥6.4 billion. In addition to the above, this segment recorded profit from the segment’s minority interest in iron ore mining and coal mining operations in Australia, which declined due to the fall in prices of iron ore and coal.

(3) **Financial Condition and Cash Flows**

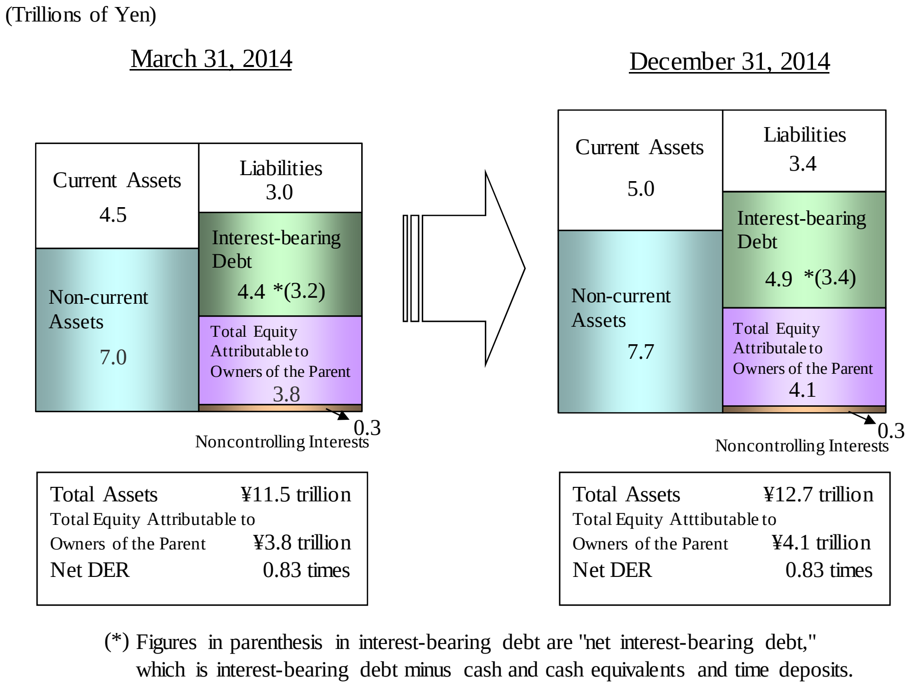
1) Financial Condition

Total assets as of December 31, 2014 were ¥12,682.3 billion, an increase of ¥1,191.0 billion from ¥11,491.3 billion as of March 31, 2014.

Total current assets as of December 31, 2014 were ¥5,030.5 billion, an increase of ¥565.1 billion from ¥4,465.4 billion as of March 31, 2014. Other financial assets increased by ¥153.6 billion, mainly due to price fluctuations of the commodity derivatives trading business in the Innovation & Corporate Development Segment and oil trading business in the Energy Segment. Moreover, inventories and trade and other receivables increased by ¥125.4 billion and ¥52.2 billion, respectively, due to the impact of depreciation of the Japanese yen and increases in trading volume.

Total current liabilities as of December 31, 2014 were ¥3,263.7 billion, an increase of ¥279.0 billion from ¥2,984.7 billion as of March 31, 2014. Corresponding to the increase in other financial assets as mentioned above, other financial liabilities increased by ¥207.9 billion. Trade and other payables increased by ¥67.9 billion, corresponding to the increases in inventories and trade and other receivables.

As a result, working capital, or current assets less current liabilities, as of December 31, 2014, totaled ¥1,766.8 billion, an increase of ¥286.1 billion from ¥1,480.7 billion as of March 31, 2014.



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

Total non-current assets as of December 31, 2014 totaled ¥7,651.8 billion, an increase of ¥625.9 billion from ¥7,025.9 billion as of March 31, 2014, mainly due to the following factors:

- Investments accounted for using the equity method as of December 31, 2014 was ¥2,853.7 billion, an increase of ¥404.9 billion from ¥2,448.8 billion as of March 31, 2014, mainly due to the following factors:
  - An increase of ¥220.7 billion resulting from foreign currency exchange fluctuations;
  - An increase of ¥70.1 billion due to an acquisition of a 20% stake in VLI S.A., which is engaged in integrated freight transportation in Brazil;

- An increase of ¥13.5 billion due to an investment in Cameron LNG Holdings, LLC, which is engaged in construction and operation of natural gas liquefaction facilities in the United States; and
- A decline of ¥145.2 billion due to dividends received from equity accounted investees, despite an increase of ¥149.9 billion corresponding to the profit of equity method for the current period.

- Other investments as of December 31, 2014 were ¥1,496.9 billion, a decline of ¥57.8 billion from ¥1,554.7 billion as of March 31, 2014, mainly due to the following factors:
  - A ¥111.4 billion net increase due to foreign currency exchange fluctuations; and
  - A ¥139.3 billion net decline due to valuation on financial assets measured at FVTOCI.
- Trade and other receivables as of December 31, 2014 totaled ¥481.1 billion, an increase of ¥10.2 billion from ¥470.9 billion as of March 31, 2014, mainly due to the following factors:
  - An increase of ¥27.5 billion due to a loan to the FPSO leasing business for oil and gas production in Brazil and Ghana; and
  - A decline of ¥11.7 billion due to the collection of long-term loan receivables at a private equity-sponsored loans business with GE Capital.
- Property, plant and equipment as of December 31, 2014 totaled ¥2,193.9 billion, an increase of ¥186.4 billion from ¥2,007.5 billion as of March 31, 2014, mainly due to the following factors:
  - An increase of ¥45.1 billion (including a foreign exchange translation gain of ¥48.7 billion and a decrease by ¥13.8 billion due to the recognition of an impairment loss related to oil and gas fields in the North Sea area) at oil and gas operations other than U.S. shale gas and oil producing operations;
  - An increase of ¥34.7 billion (including a foreign exchange translation gain of ¥12.0 billion) at iron ore mining operations in Australia;
  - An increase of ¥23.2 billion (including a foreign exchange translation gain of ¥3.6 billion) at the methanol manufacturing joint venture in the United States;
  - An increase of ¥18.2 billion (including a foreign exchange translation gain of ¥9.7 billion) at the tank operation in the United States;
  - An increase of ¥12.9 billion (including a foreign exchange translation gain of ¥0.4 billion) at the wind power generation business in Australia; and
  - An increase of ¥9.9 billion (including a foreign exchange translation gain of ¥45.2 billion and a decrease by ¥58.9 billion due to the recognition of impairment loss) at the Marcellus and Eagle Ford shale gas and oil producing operations in the United States.
- Intangible assets as of December 31, 2014 totaled ¥168.8 billion, an increase of ¥24.6 billion from ¥144.2 billion as of March 31, 2014. There was an increase of ¥13.2 billion due to the acquisition of an agrichemical fungicide business.

Total non-current liabilities as of December 31, 2014 totaled ¥4,976.8 billion, an increase of ¥570.4 billion from ¥4,406.4 billion as of March 31, 2014. Long-term debt, less current portion as of December 31, 2014 was ¥3,983.2 billion, an increase of ¥514.9 billion from ¥3,468.3 billion as of March 31, 2014, due to the impact of depreciation of the Japanese yen as well as an increase in long-term borrowings at the Marcellus and Eagle Ford shale gas and oil producing operations in the United States.

Total equity attributable to owners of the parent as of December 31, 2014 was ¥4,136.6 billion, an increase of ¥320.8 billion from ¥3,815.8 billion as of March 31, 2014. Major components included:

- Retained earnings increased by ¥128.3 billion. In addition to the ¥254.4 billion profit for the period attributable to owners of the parent, there were the following factors:
  - An increase of ¥42.4 billion was recorded due to a transfer from other components of equity. Major component was a transfer from financial assets measured at FVTOVCI for ¥43.8 billion, including a ¥23.7 billion increase due to a sale of shares in Recruit Holdings Co., Ltd.; and
  - Decline factors were a dividend payment for ¥118.3 billion and a cancellation of treasury stock for ¥50.2 billion.
- Other components of equity as of December 31, 2014 increased by ¥148.8 billion to ¥915.4 billion from ¥766.6 billion as of March 31, 2014, mainly due to the following factors:
  - Foreign currency translation adjustments increased by ¥263.4 billion, reflecting the appreciation of the U.S. dollar against the Japanese yen; and
  - Financial assets measured at FVTOCI declined by ¥96.9 billion. Fair value in investments in LNG projects declined reflecting the drop in oil prices, while fair value in listed securities increased due to higher share prices. In addition, there was a decline of ¥43.8 billion due to the transfer to retained earnings.
- Treasury stock declined by ¥50.2 billion, due to a cancellation.

Net interest-bearing debt, or interest-bearing debt less cash and cash equivalents and time deposits as of December 31, 2014 was ¥3,438.9 billion, an increase of ¥260.1 billion from ¥3,178.8 billion as of March 31, 2014. The net debt-to-equity ratio (DER) (*) as of December 31, 2014 was 0.83 times, the same level as March 31, 2014.

(*) We refer to "Net Debt-to-Equity Ratio" ("Net DER") in this "Liquidity and Capital Resources" and elsewhere in this report. Net DER is comprised of "net interest bearing debt" divided by total equity attributable to owners of the parent. We define "net interest bearing debt" as follows:
- calculate interest bearing debt by adding up short-term debt and long-term debt
- calculate net interest bearing debt by subtracting cash and cash equivalents and time deposits with maturities within one year after three months from interest bearing debt

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

	Billions of Yen			
	As of March 31, 2014		As of December 31, 2014	
Short-term debt	¥	436.9	¥	425.0
Long-term debt	¥	3,974.2	¥	4,457.4
Interest bearing debt	¥	4,411.1	¥	4,882.4
Less cash and cash equivalents and time deposits	¥	(1,232.3)	¥	(1,443.5)
Net interest-bearing debt	¥	3,178.8	¥	3,438.9
Total equity attributable to owners of the parent	¥	3,815.8	¥	4,136.6
Net DER (times)		0.83		0.83

2) Cash Flows

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	469.0	365.9	+103.1
Cash flows from change in working capital	b	(99.4)	(137.3)	+37.9
Core operating cash flow	a-b	568.5	503.2	+65.3

Net cash provided by operating activities for the current period was ¥469.0 billion, an increase of ¥103.1 billion from ¥365.9 billion for the previous period.

Net cash outflow from an increase in working capital, or changes in operating assets and liabilities for the current period, was ¥99.4 billion, a decline of ¥37.9 billion from ¥137.3 billion for the previous period.

Core operating cash flow, cash flows from operating activities without the net cash outflow from an increase in working capital, for the current period amounted to ¥568.5 billion, an increase of ¥65.3 billion from ¥503.2 billion for the previous period.

- Depreciation and amortization for the current period was ¥210.5 billion, an increase of ¥51.1 billion from ¥159.4 billion for the previous period.
- Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥242.6 billion, an increase of ¥27.3 billion from ¥215.3 billion for the previous period.

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

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	5.2	9.2	(4.0)
Mineral & Metal Resources	125.7	130.1	(4.4)
Machinery & Infrastructure	51.3	29.0	+22.3
Chemicals	12.8	17.7	(4.9)
Energy	285.0	261.1	+23.9
Lifestyle	2.6	11.2	(8.6)
Innovation & Corporate Development	0.8	(3.8)	+4.6
Americas	20.6	13.8	+6.8
Europe, the Middle East and Africa	1.8	0.2	+1.6
Asia Pacific	4.9	3.6	+1.3
All Other and Adjustments and Eliminations	57.8	31.3	+26.5
Consolidated Total	568.5	503.2	+65.3

Cash Flows from Investing Activities

Net cash used in investing activities for the current period was ¥257.5 billion, a decline of ¥284.2 billion from ¥541.7 billion for the previous period. The net cash used in investing activities consisted of:

- Net cash outflows that corresponded to investments in and advances to equity accounted investees (net of sales of investments and collection of advances) were ¥116.4 billion. The major cash outflows were an acquisition of a 20% stake in VLI S.A. for ¥70.1 billion as well as a loan to the FPSO leasing business for oil and gas production in Brazil and Ghana for ¥27.5 billion. The major cash inflows included the redemption of preferred shares in Valepar S.A. for ¥20.1 billion and the sale of the stake in Silver Bell Mining, LLC.

- Net cash inflows that corresponded to other investments (net of sales and maturities of other investments) were ¥62.1 billion. The major cash inflows were a sale of shares in Recruit Holdings Co., Ltd. and Burberry Group plc for ¥53.3 billion and ¥11.8 billion , respectively, and capital redemption from a private equity-sponsored loans business with GE Capital for ¥11.4 billion. The major cash outflows included the acquisition of agrichemical fungicide business for ¥13.2 billion.
- Net cash inflows that corresponded to long-term loan receivables (net of collection) were ¥51.8 billion. The major cash inflows included sales of aircraft and locomotive finance lease receivables for ¥17.9 billion at Mitsui & Co. (U.S.A.), Inc.
- Net cash outflows that corresponded to purchases of property, plant, equipment and investment property (net of sales of those assets) were ¥257.0 billion. Major expenditures included:
  - Oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥92.0 billion;
  - Iron ore mining projects in Australia for ¥47.8 billion;
  - Marcellus and Eagle Ford shale gas and oil projects in the United States for ¥37.9 billion;
  - A methanol manufacturing joint venture in the United States for ¥16.2 billion; and
  - A wind power generation business in Australia for ¥12.5 billion.

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

Free cash flow, or the sum of net cash provided by operating activities and net cash used in investing activities, for the current period was a net inflow of ¥211.5 billion.

Cash Flows from Financing Activities

For the current period, net cash used by financing activities was ¥59.0 billion, an increase of ¥146.5 billion from ¥87.5 billion of net cash provided for the previous period. The cash outflow from payments of cash dividends was ¥118.3 billion. The net cash outflow from the borrowing of short-term debt was ¥53.0 billion. Meanwhile, the net cash inflow from the borrowing of long-term debt was ¥126.1 billion.

In addition to the changes discussed above, there was an increase in cash and cash equivalents of ¥60.1 billion due to foreign exchange translation; as a result, cash and cash equivalents as of December 31, 2014 totaled ¥1,439.0 billion, an increase of ¥212.7 billion from ¥1,226.3 billion as of March 31, 2014.

(4) <u>Forecasts for the Year Ending March 31, 2015</u>

1) Revised forecasts for the year ending March 31, 2015

Revised forecasts for the year ending March 31, 2015 compared to the previous forecast announced in November 2015 is described as follows.

＜Assumption＞	3Q Actual	4Q Forecast	Mar-15 Revised Forecast	Mar-15 Previous Forecast
Exchange rate (JPY/USD)	107.75	115	110	106.81
Crude oil (JCC)	$103.08/bbl	$60/bbl	$92/bbl	$98/bbl
Consolidated oil price	$108.58/bbl	$86/bbl	$103/bbl	$103/bbl

(Billions of yen)

	Revised Forecast	Previous Forecast	Change	Description
Gross profit	840.0	820.0	20.0	Positive effect of forex fluctuations despite decline in iron ore prices
Selling, general and administrative expenses	(580.0)	(580.0)	0.0	
Gain on investments, fixed assets and other	(60.0)	10.0	(70.0)	Impairment losses on Eagle Ford Shale and North Sea oil and gas assets
Interest expenses	(20.0)	(20.0)	0.0	
Dividend income	110.0	120.0	(10.0)	Decline in dividend from LNG projects
Profit of equity method investments	170.0	210.0	(40.0)	Forex valuation losses on debt at Valepar Decline in iron ore prices
Profit before income taxes	460.0	560.0	(100.0)	
Income taxes	(120.0)	(160.0)	40.0	Due to decline in PBT Tax system revision in Japan
Non-controlling Interests	(20.0)	(20.0)	0.0	
Profit for the year attributable to owners of the parent	320.0	380.0	(60.0)	

EBITDA	820.0	850.0	(30.0)	Decline in profit of equity method investments

We assume foreign exchange rates for the three-month period ending March 31, 2015 will be ¥115/US$, ¥100/AU$ and ¥45/BRL, while average foreign exchange rates for the nine-month period ended December 31, 2015 were ¥107.75/US$, ¥96.54/AU$ and ¥45.71/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2015 will be US$103/barrel, the same level as the previous assumption, based on the assumption that the crude oil price (JCC) will average US$60/barrel throughout the three-month period ending March 31, 2015.

- Gross profit for the year ending March 31, 2015 is expected to be ¥840.0 billion, an increase of ¥20.0 billion from the previous forecast, reflecting the depreciation of the Japanese yen, despite the decline in iron ore prices.
- Decline of ¥70.0 billion is expected in gain on investments, fixed assets and other due to the impairment losses on assets related to Eagle Ford shale and oil and gas fields in the North Sea recognized in the nine-month period ended December 31, 2015. Another ¥10.0 billion decline is expected in dividend income mainly attributable to that from LNG projects.
- Profit of equity method investments is expected to be ¥170.0 billion, a decline of ¥40.0 billion from the previous forecast, reflecting the foreign exchange valuation losses on debt at Valepar as well as the decline in iron ore prices.
- Income taxes are forecasted to improve by ¥40.0 billion, due to the decline in profit before income taxes as well as the reversal of deferred tax liabilities in relation to the expected income tax rate reductions in Japan.

As a result, profit for the year attributable to owners of the parent is expected to be ¥320.0 billion, a decline of

¥60.0 billion from the previous forecast.

Projected EBITDA is ¥820.0 billion, a decline of ¥30.0 billion from the previous forecast, mainly attributable to the decline in profit of equity method investments.

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

(Billions of Yen)	Year ending March 31, 2015 Revised Forecast	Year ending March 31, 2015 Previous Forecast	Change
Iron & Steel Products	8.0	8.0	0.0
Mineral & Metal Resources	76.0	80.0	(4.0)
Machinery & Infrastructure	49.0	45.0	+4.0
Chemicals	3.0	6.0	(3.0)
Energy	118.0	180.0	(62.0)
Lifestyle	1.0	0.0	+1.0
Innovation & Corporate Development	9.0	(4.0)	+13.0
Americas	26.0	21.0	+5.0
Europe, the Middle East and Africa	3.0	3.0	0.0
Asia Pacific	28.0	29.0	(1.0)
All Other and Adjustments and Eliminations	(1.0)	12.0	(13.0)
Consolidated Total	320.0	380.0	(60.0)

- Revised forecast for the Iron & Steel Products Segment is ¥8.0 billion, the same level as the previous forecast, taking into consideration its progress, which is in line with the previous forecast.
- Revised forecast for the Mineral & Metal Resources Segment is ¥76.0 billion, a decline of ¥4.0 billion from the previous forecast. The primary reasons for the decline are decrease in iron ore prices and the foreign exchange valuation losses on debt at Valepar reflecting the depreciation of the Brazilian real against the U.S. dollar. Meanwhile, we count the positive impact attributable to the reversal of deferred tax liabilities in relation to the income tax rate reductions in Japan.
- Revised forecast for the Machinery & Infrastructure Segment is ¥49.0 billion, an increase of ¥4.0 billion from the previous forecast. We anticipate solid performance on the automotive-related business and the reversal of deferred tax liabilities in relation to the income tax rate reductions in Japan.
- Revised forecast for the Chemicals Segment is ¥3.0 billion, a decline of ¥3.0 billion from the previous forecast. We took into consideration unfavorable market conditions in the chlor-alkali producing business in the United States.
- Revised forecast for the Energy Segment is ¥118.0 billion, a decline of ¥62.0 billion from the previous forecast. The main causes of the decline are the impairment losses on assets related to Eagle Ford shale and oil and gas fields in the North Sea recognized in the nine-month period ended December 31, 2014; a decline in dividend income from LNG projects; and inventory valuation losses at ENEOS GLOBE Corporation

reflecting to the drop in LPG prices. Meanwhile, we count the positive impact attributable to the reversal of deferred tax liabilities in relation to the income tax rate reductions in Japan.

- Revised forecast for the Lifestyle Segment is ¥1.0 billion, an increase of ¥1.0 billion from the previous forecast, reflecting the reversal of deferred tax liabilities in relation to the income tax rate reductions in Japan.
- Revised forecast for the Innovation & Corporate Development Segment is ¥9.0 billion, an increase of ¥13.0 billion from the previous forecast. We predict a one-time profit from the sale of shares in TPV Technology Limited.
- Revised forecast for the Americas Segment is ¥26.0 billion, an increase of ¥5.0 billion from the previous forecast, attributable to the profit growth at Novus International, Inc. reflecting higher methionine prices. Revised forecast for the Europe, the Middle East and Africa Segment is ¥3.0 billion, the same level as the previous forecast. Revised forecast for the Asia Pacific Segment is ¥28.0 billion, a decline of ¥1.0 billion from the previous forecast, due to lower profit from the segment's minority interest in iron ore mining operations in Australia.
- Revised forecast for the All Other/Adjustments and Eliminations Segment is ¥1.0 billion of loss, a deterioration of ¥13.0 billion from the previous forecast, due to the increase in tax burden which is not allocated to specific operating segments.

2) Key commodity prices and other parameters for the year ending March 31, 2015

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2015. Effects of movements on each commodity price and foreign exchange rates on profit for the year attributable to owners of the parent announced in May 2014 are included in the table below for reference.

Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2015 (Announced in May 2014)			Previous Forecast (Announced in Nov 2014)	March 2015		Revised Forecast (Announced in Feb 2015)
				1-3Q (Result)	4Q (Assumption)	
Commodity	Crude Oil/JCC	¥1.8 bn (US$1/bbl)	98	103.08	60	92
	Consolidated Oil Price(*1)		103	108.58	86	103
	U.S. Natural Gas(*2)	¥0.3 bn (US$0.1/mmBtu)	4.38	4.42(*3)	4.25(*4)	4.38
	Iron Ore	¥2.5 bn (US$1/ton)	(*5)	88.63(*6)	(*5)	(*5)
	Copper	¥0.7 bn (US$100/ton)	6,957	6,939(*7)	6,500	6,829
Forex (*8)	USD	¥2.7 bn (¥1/USD)	106.81	107.75	115	109.57
	AUD	¥1.5 bn (¥1/AUD)	95.30	96.54	100	97.41
	BRL	¥0.5 bn (¥1/BRL)	45.38	45.71	45	45.53

(*1) The oil price trend is reflected in profit for the year attributable to owners of the parent with a 0-6 month time lag. For the year ending March 31, 2015, 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, 35%; 1-3 month time lag, 41%; no time lag, 24%.
(*2) US shale gas are not all sold at Henry Hub (HH) linked prices. Therefore the sensitivity does not represent the direct impact of HH movement, but rather the impact from the movement of weighted average gas sales price.
(*3) Daily average of settlement price for prompt month Henry Hub Natural Gas Futures contracts reported by NYMEX during January 2014 to September 2014
(*4) For natural gas sold in the US on HH linked prices, the assumed price used is US$4.25/mmBtu.
(*5) We refrain from disclosing the iron ore price assumptions.
(*6) Daily average of representative reference prices (Fine, Fe 62% CFR North China) during April 2014 to December 2014
(*7) Average of LME cash settlement price during January 2014 to September 2014
(*8) Impact of currency fluctuation on profit for the year attributable to owners of the parent of overseas subsidiaries and equity accounted investees (denomination in functional currency) against the Japanese yen; Impact of currency fluctuation between their functional currencies against revenue currencies and exchange rate hedging are not included.

3) Shareholder Return Policy

In order to increase corporate value and maximize shareholder value, we have sought to maintain an optimal balance between (a) meeting investment demand in our core and growth areas through re-investments of our retained earnings, and (b) directly providing returns to shareholders by paying out cash dividends based on a target consolidated dividend payout ratio.

For the period of the new Medium-term Management Plan announced in May 2014, we set our target dividend payout ratio at 30% of profit attributable to owners of the parent, and pursuant to that policy, for the year ending March 31, 2015, we have set out an annual dividend of ¥64 per share, an ¥5 increase from the year ended March 31, 2014, on the assumption that profit for the year attributable to owners of the parent will be ¥380 billion, as mentioned in our forecast profit attributable to owners of the parent for the year ending March 31, 2015.

Although we made a downward revision to our forecasts for the year ending March 31, 2015 to ¥320 billion as we announced above, we have decided to keep the annual dividend of ¥64 per share (including the interim dividend of ¥32 per share).

In relation to share buyback for the period of the New Medium-tern Management Plan, we will continue to take measures accordingly in a prompt and flexible manner as needed, taking into consideration the business environment, future investment activity trends, free cash flow and interest-bearing debt levels, and return on equity.

(5) Research & Development

Research and development (“R&D”) expenses were insignificant for the nine-month period ended December 31, 2014.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position

Mitsui & Co., Ltd. and subsidiaries
December 31, 2014 and March 31, 2014

	Millions of Yen	
	December31, 2014	March 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	¥ 1,438,971	¥ 1,226,317
Trade and other receivables	2,093,117	2,040,855
Other financial assets (Note 14)	424,911	271,288
Inventories (Note 14)	750,661	625,328
Advance payments to suppliers	175,557	183,576
Other current assets	147,267	118,049
Total current assets	5,030,484	4,465,413
Non-current Assets:		
Investments accounted for using the equity method (Note 7)	2,853,679	2,448,848
Other investments (Note 14)	1,496,934	1,554,673
Trade and other receivables	481,106	470,880
Other financial assets (Note 14)	154,107	116,298
Property, plant and equipment (Notes 2, 6 and 7)	2,193,939	2,007,452
Investment property	155,040	139,334
Intangible assets	168,757	144,153
Deferred tax assets (Note 2)	88,117	74,419
Other non-current assets	60,163	69,849
Total non-current assets	7,651,842	7,025,906
Total assets	¥12,682,326	¥11,491,319

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries
December 31, 2014 and March 31, 2014

	Millions of Yen	
	December 31, 2014	March 31, 2014
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 424,993	¥ 436,869
Current portion of long-term debt (Note 8)	474,142	505,946
Trade and other payables	1,541,740	1,473,834
Other financial liabilities (Notes 13 and 14)	508,910	301,047
Income tax payables	71,936	42,857
Advances from customers	177,301	165,124
Provisions	22,591	17,491
Other current liabilities	42,041	41,486
Total current liabilities	3,263,654	2,984,654
Non-current Liabilities:		
Long-term debt, less current portion (Note 8)	3,983,216	3,468,301
Other financial liabilities (Notes 13 and 14)	138,638	95,541
Retirement benefit liabilities	71,896	69,558
Provisions	210,602	174,855
Deferred tax liabilities	540,747	567,281
Other non-current liabilities	31,725	30,825
Total non-current liabilities	4,976,824	4,406,361
Total liabilities	8,240,478	7,391,015
Equity:		
Common stock	341,482	341,482
Capital surplus	411,551	418,004
Retained earnings	2,474,126	2,345,790
Other components of equity (Note 9)	915,383	766,631
Treasury stock	(5,940)	(56,140)
Total equity attributable to owners of the parent	4,136,602	3,815,767
Non-controlling interests	305,246	284,537
Total equity	4,441,848	4,100,304
Total liabilities and equity	¥12,682,326	¥11,491,319

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2014 and 2013

	Millions of Yen	
	Nine-month Period Ended December 31, 2014	Nine-month Period Ended December 31, 2013
Revenue (Note 5):		
Sale of products	¥ 3,721,524	¥ 3,942,540
Rendering of services	321,522	307,204
Other revenue	123,933	74,398
Total revenue	4,166,979	4,324,142
Cost:		
Cost of products sold	(3,343,524)	(3,507,734)
Cost of services rendered	(132,942)	(121,087)
Cost of other revenue	(49,818)	(45,351)
Total cost	(3,526,284)	(3,674,172)
Gross Profit	640,695	649,970
Other Income (Expenses):		
Selling, general and administrative expenses	(432,358)	(423,046)
Gain (loss) on securities and other investments—net (Notes 7 and 14)	22,197	18,185
Impairment loss of fixed assets (Note 7)	(73,987)	(6,301)
Gain (loss) on disposal or sales of fixed assets—net	138	8,896
Other income (expense)—net	(21,009)	425
Total other income (expenses)	(505,019)	(401,841)
Finance Income (Costs):		
Interest income	25,371	25,855
Dividend income	96,713	101,380
Interest expense	(38,456)	(36,190)
Total finance income (costs)	83,628	91,045
Share of Profit of Investments Accounted for Using the Equity Method (Note 5)	149,866	130,329
Profit before Income Taxes	369,170	469,503
Income Taxes (Note 2)	(106,789)	(134,827)
Profit for the Period	¥ 262,381	¥ 334,676
Profit for the Period Attributable to:		
Owners of the parent	¥ 254,415	¥ 316,892
Non-controlling interests	7,966	17,784

	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 11):		
Basic	¥ 141.93	¥ 173.63
Diluted	¥ 141.91	¥ 173.62

See Notes to Condensed Consolidated Financial Statements

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

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2014 and 2013

	Millions of Yen	
	Nine-month Period Ended December 31, 2014	Nine-month Period Ended December 31, 2013
Comprehensive Income:		
Profit for the period	¥ 262,381	¥ 334,676
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	(83,087)	82,460
Remeasurements of defined benefit pension plans	(3,200)	46
Share of other comprehensive income of investments accounted for using the equity method	2,602	(2)
Income tax relating to items not reclassified	29,321	(20,083)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	76,561	12,687
Cash flow hedges	(12,821)	364
Share of other comprehensive income of investments accounted for using the equity method	198,204	128,822
Income tax relating to items that may be reclassified	1,906	(1,373)
Total other comprehensive income	209,486	202,921
Comprehensive Income for the Period	¥ 471,867	¥ 537,597
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 444,301	¥ 507,970
Non-controlling interests	27,566	29,627

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended December 31, 2014 and 2013

	Millions of Yen	
	Three-month Period Ended December 31, 2014	Three-month Period Ended December 31, 2013
Revenue (Note 5):		
Sale of products	¥ 1,248,711	¥ 1,334,208
Rendering of services	113,707	105,223
Other revenue	56,992	20,244
Total revenue	1,419,410	1,459,675
Cost:		
Cost of products sold	(1,136,591)	(1,190,797)
Cost of services rendered	(44,070)	(40,848)
Cost of other revenue	(18,296)	(15,126)
Total cost	(1,198,957)	(1,246,771)
Gross Profit	220,453	212,904
Other Income (Expenses):		
Selling, general and administrative expenses	(150,997)	(142,876)
Gain (loss) on securities and other investments—net (Note 14)	12,892	5,726
Impairment loss of fixed assets (Note 7)	(73,175)	(5,463)
Gain (loss) on disposal or sales of fixed assets—net	(301)	7,186
Other income (expense)—net	(12,435)	11,013
Total other income (expenses)	(224,016)	(124,414)
Finance Income (Costs):		
Interest income	8,636	9,109
Dividend income	19,781	36,316
Interest expense	(13,822)	(12,013)
Total finance income (costs)	14,595	33,412
Share of Profit of Investments Accounted for Using the Equity Method (Note 5)	46,057	31,948
Profit before Income Taxes	57,089	153,850
Income Taxes (Note 2)	(27,582)	(33,435)
Profit for the Period	¥ 29,507	¥ 120,415
Profit for the Period Attributable to:		
Owners of the parent	¥ 31,755	¥ 113,202
Non-controlling interests	(2,248)	7,213

	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 11):		
Basic	¥ 17.72	¥ 62.02
Diluted	¥ 17.71	¥ 62.02

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended December 31, 2014 and 2013

	Millions of Yen	
	Three-month Period Ended December 31, 2014	Three-month Period Ended December 31, 2013
Comprehensive Income:		
Profit for the period	¥ 29,507	¥ 120,415
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	(151,197)	36,917
Remeasurements of defined benefit pension plans	(631)	245
Share of other comprehensive income of investments accounted for using the equity method	17	197
Income tax relating to items not reclassified	46,710	(12,627)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	57,177	45,011
Cash flow hedges	(9,287)	(3,038)
Share of other comprehensive income of investments accounted for using the equity method	143,567	122,652
Income tax relating to items that may be reclassified	(4,716)	(7,732)
Total other comprehensive income	81,640	181,625
Comprehensive Income for the Period	¥ 111,147	¥ 302,040
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 100,897	¥ 282,604
Non-controlling interests	10,250	19,436

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Changes in Equity

Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2014 and 2013

Millions of Yen	Attributable to owners of the parent: Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2013	¥ 341,482	¥ 428,552	¥ 2,060,298	¥ 614,783	¥ (5,974)	¥ 3,439,141	¥ 245,848	¥ 3,684,989
Profit for the period			316,892			316,892	17,784	334,676
Other comprehensive income for the period				191,078		191,078	11,843	202,921
Comprehensive income for the period						507,970	29,627	537,597
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥46)			(83,957)			(83,957)		(83,957)
Dividends paid to non-controlling interest shareholders							(12,167)	(12,167)
Acquisition of treasury stock					(20)	(20)		(20)
Sale of treasury stock			(0)		51	51		51
Equity transactions with non-controlling interest shareholders		(7,521)		(696)		(8,217)	23,308	15,091
Transfer to retained earnings			18,645	(18,645)		-		-
Balance as at December 31, 2013	¥ 341,482	¥ 421,031	¥ 2,311,878	¥ 786,520	¥ (5,943)	¥ 3,854,968	¥ 286,616	¥ 4,141,584

Millions of Yen	Attributable to owners of the parent: Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2014	¥ 341,482	¥ 418,004	¥ 2,345,790	¥ 766,631	¥ (56,140)	¥ 3,815,767	¥ 284,537	¥ 4,100,304
Profit for the period			254,415			254,415	7,966	262,381
Other comprehensive income for the period				189,886		189,886	19,600	209,486
Comprehensive income for the period						444,301	27,566	471,867
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥66)			(118,305)			(118,305)		(118,305)
Dividends paid to non-controlling interest shareholders							(8,582)	(8,582)
Acquisition of treasury stock					(19)	(19)		(19)
Sale of treasury stock			0		28	28		28
Cancellation of treasury stock			(50,191)		50,191	-		-
Compensation costs related to stock options		215				215		215
Equity transactions with non-controlling interest shareholders		(6,668)		1,283		(5,385)	1,725	(3,660)
Transfer to retained earnings			42,417	(42,417)		-		-
Balance as at December 31, 2014	¥ 341,482	¥ 411,551	¥ 2,474,126	¥ 915,383	¥ (5,940)	¥ 4,136,602	¥ 305,246	¥ 4,441,848

See Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Cash Flows

Mitsui & Co., Ltd. and subsidiaries
For the Nine-Month Periods Ended December 31, 2014 and 2013

	Millions of Yen	
	Nine-month Period Ended December 31, 2014	Nine-month Period Ended December 31, 2013
Operating Activities:		
Profit for the Period	¥ 262,381	¥ 334,676
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	210,482	159,370
Change in retirement benefit liabilities	(2,256)	7,012
Provision for doubtful receivables	11,861	6,037
(Gain)/loss on securities and other investments—net	(22,197)	(18,185)
Impairment loss of fixed assets	73,987	6,301
(Gain)/loss on disposal or sales of fixed assets—net	(138)	(8,896)
Finance (income)/costs—net	(77,692)	(85,955)
Income taxes	106,789	134,827
Share of profit of investments accounted for using equity method	(149,866)	(130,329)
Changes in operating assets and liabilities:		
Change in trade and other receivables	(94,373)	(120,843)
Change in inventories	(71,047)	(71,857)
Change in trade and other payables	110,184	71,787
Other—net	(44,174)	(16,374)
Interest received	30,260	21,678
Interest paid	(38,841)	(40,586)
Dividends received	242,648	215,309
Income taxes paid	(78,968)	(98,043)
Cash flows from operating activities	469,040	365,929
Investing Activities:		
Net change in time deposits	1,917	(4,627)
Investments in and advances to equity accounted investees	(188,428)	(204,677)
Proceeds from sales of investments in and collection of advances from equity accounted investees	72,009	59,526
Purchases of other investments	(58,395)	(109,696)
Proceeds from sales and maturities of other investments	120,533	86,561
Increase in long-term loan receivables	(1,088)	(34,685)
Collections of long-term loan receivables	52,900	27,604
Purchases of property, plant, equipment and investment property	(280,036)	(302,015)
Proceeds from sales of property, plant, equipment and investment property	23,084	38,589
Acquisitions of subsidiaries or other businesses	-	(98,321)
Cash flows from investing activities	(257,504)	(541,741)
Financing Activities:		
Net change in short-term debt	(52,979)	89,318
Proceeds from long-term debt	553,978	465,855
Repayments of long-term debt	(427,851)	(385,799)
Purchases and sales of treasury stock	(17)	(19)
Dividends paid	(118,323)	(83,970)
Transactions with non-controlling interests shareholders	(13,775)	2,132
Cash flows from financing activities	(58,967)	87,517
Effect of Exchange Rate Changes on Cash and Cash Equivalents	60,085	27,101
Cash and Cash Equivalents Included in Assets Held for Sale	-	(16,274)
Change in Cash and Cash Equivalents	212,654	(77,468)
Cash and Cash Equivalents at Beginning of Period	1,226,317	1,432,534
Cash and Cash Equivalents at End of Period	¥ 1,438,971	¥ 1,355,066

See Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

Mitsui & Co., Ltd. and subsidiaries

1. REPORTING ENTITY

Mitsui & Co., Ltd. (the “Company”) is a company incorporated in Japan. Condensed Consolidated Financial Statements of the Company have a quarterly closing date as of December 31 and comprises the financial statements of the Company and its subsidiaries (collectively, the “companies”), and the interests in associated companies and joint ventures (collectively, the “equity accounted investees”).

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

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION

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

II. USE OF ESTIMATES AND JUDGMENTS

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

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

- Note7 "IMPAIREMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS"

III. SIGNIFICANT ACCOUNTING POLICIES

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

Income taxes

The Australian Mineral Resource Rent Tax Act was regarded as an income tax subject to tax effect accounting in accordance with IAS 12 “Income Taxes”, and deferred tax assets were recognized for the difference between the book values of the operating assets for financial reporting purposes and their tax bases based on the market value approach except for the portion that was deemed not to be recoverable. Such difference subject to tax effect accounting has been reversed upon the abolition of the Mineral Resource Rent Tax Act.

Effective April 1, 2014, the companies applied the following new standards and interpretation for Condensed Consolidated Financial Statements. Potential impacts on Condensed Consolidated Financial Statements of application of these are immaterial.

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

3. BUSINESS COMBINATIONS

For the nine-month period ended December 31, 2014

No material business combinations were completed during the nine-month period ended December 31, 2014.

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

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

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

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

A net cash outflow in cash flows from investing activities of ¥98,321 million arising from the above business combination is included in acquisitions of subsidiaries or other businesses in Condensed Consolidated Statements of Cash Flows for the nine-month period ended December 31, 2013.

4. ASSETS HELD FOR SALE

Mitsui & Co. Steel Ltd. ("Mitsui Steel"), Metal One Corporation and Metal One Structural Steel & Resource Corporation reached an agreement to integrate its domestic construction steel and metal scrap business to Metal One Structural Steel & Resource Corporation for the purpose of responding to changes in the business environment. Therefore, as of September 30, 2014, a part of the assets and liabilities of Mitsui Steel are presented as single line items in the assets held for sale and liabilities directly associated with assets held for sale account, with amounts ¥111,373 million and ¥58,167 million, respectively. These accounts mostly consist of "Trade and other receivables" and "Trade and other payables". This integration was closed on November 1, 2014, and the integrated company became a 50% owned joint venture of Mitsui Steel. Therefore, as of December 31, 2014, these accounts are reclassified to the investments accounted for using the equity method. This transaction is included in the Iron & Steel Products Segment.

5. SEGMENT INFORMATION

Nine-month period ended December 31, 2014 :	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
Revenue	¥ 120,315	¥ 598,730	¥ 327,709	¥ 700,544	¥ 800,146	¥ 740,719	¥ 85,627
Gross Profit	¥ 29,434	¥ 114,222	¥ 95,449	¥ 53,829	¥ 158,234	¥ 89,963	¥ 25,862
Share of Profit of Investments Accounted for Using the Equity Method	¥ 4,633	¥ 31,732	¥ 36,460	¥ 5,104	¥ 42,356	¥ 16,253	¥ 3,657
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 4,665	¥ 63,661	¥ 30,053	¥ 4,264	¥ 95,693	¥ (24)	¥ (2,501)
EBITDA	¥ 9,062	¥ 152,730	¥ 52,651	¥ 15,147	¥ 353,939	¥ 14,865	¥ (6,485)
Total Assets at December 31, 2014	¥ 531,589	¥ 2,075,879	¥ 2,130,001	¥ 890,452	¥ 2,631,151	¥ 1,769,998	¥ 584,663

Nine-month period ended December 31, 2014 :	Millions of Yen Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 629,513	¥ 81,824	¥ 80,458	¥ 4,165,585	¥ 1,395	¥ (1)	¥ 4,166,979
Gross Profit	¥ 65,772	¥ 14,181	¥ 9,156	¥ 656,102	¥ 607	¥ (16,014)	¥ 640,695
Share of Profit of Investments Accounted for Using the Equity Method	¥ 5,681	¥ 898	¥ 3,735	¥ 150,509	¥ -	¥ (643)	¥ 149,866
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 20,567	¥ 3,209	¥ 22,415	¥ 242,002	¥ 6,127	¥ 6,286	¥ 254,415
EBITDA	¥ 29,503	¥ (553)	¥ (1,223)	¥ 619,636	¥ 1,975	¥ 43,787	¥ 665,398
Total Assets at December 31, 2014	¥ 606,264	¥ 107,611	¥ 395,085	¥ 11,722,693	¥ 5,215,436	¥ (4,255,803)	¥ 12,682,326

Nine-month period ended December 31, 2013 :	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
Revenue	¥ 171,708	¥ 591,921	¥ 286,030	¥ 697,663	¥ 1,131,150	¥ 710,325	¥ 65,775
Gross Profit	¥ 39,917	¥ 150,378	¥ 83,140	¥ 58,458	¥ 152,526	¥ 86,478	¥ 9,683
Share of Profit of Investments Accounted for Using the Equity Method	¥ 3,729	¥ 16,751	¥ 30,248	¥ 5,553	¥ 44,752	¥ 12,507	¥ 7,580
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 12,533	¥ 67,193	¥ 22,396	¥ 7,296	¥ 167,031	¥ 7,565	¥ (6,937)
EBITDA	¥ 18,003	¥ 167,789	¥ 36,912	¥ 19,981	¥ 319,233	¥ 15,985	¥ (22,826)
Total Assets at March 31, 2014	¥ 567,741	¥ 1,970,858	¥ 1,872,585	¥ 765,751	¥ 2,478,158	¥ 1,495,387	¥ 496,533

Nine-month period ended December 31, 2013 :	Millions of Yen Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 507,313	¥ 82,399	¥ 78,441	¥ 4,322,725	¥ 1,413	¥ 4	¥ 4,324,142
Gross Profit	¥ 58,241	¥ 13,818	¥ 9,380	¥ 662,019	¥ 611	¥ (12,660)	¥ 649,970
Share of Profit of Investments Accounted for Using the Equity Method	¥ 4,975	¥ 1,132	¥ 3,264	¥ 130,491	¥ 46	¥ (208)	¥ 130,329
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 13,819	¥ 1,629	¥ 28,836	¥ 321,361	¥ 7,812	¥ (12,281)	¥ 316,892
EBITDA	¥ 22,201	¥ (7)	¥ 211	¥ 577,482	¥ 3,491	¥ 37,030	¥ 618,003
Total Assets at March 31, 2014	¥ 568,772	¥ 105,907	¥ 345,074	¥ 10,666,766	¥ 5,037,172	¥ (4,212,619)	¥ 11,491,319

Three-month period ended December 31, 2014 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 29,576	¥ 208,575	¥ 123,628	¥ 230,301	¥ 257,257	¥ 278,192	¥ 31,202
Gross Profit	¥ 9,151	¥ 37,751	¥ 36,000	¥ 16,863	¥ 48,833	¥ 33,025	¥ 9,402
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 1,333	¥ 7,059	¥ 10,368	¥ 1,583	¥ 15,558	¥ 5,812	¥ 2,089
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,955	¥ 21,060	¥ 8,462	¥ 449	¥ (16,676)	¥ 3,856	¥ 1,698
EBITDA	¥ 3,258	¥ 40,841	¥ 19,949	¥ 3,393	¥ 107,096	¥ 8,579	¥ (1,124)

Three-month period ended December 31, 2014 :	Americas	Europe the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 201,795	¥ 30,208	¥ 28,187	¥ 1,418,921	¥ 488	¥ 1	¥ 1,419,410
Gross Profit	¥ 27,357	¥ 4,774	¥ 2,906	¥ 226,062	¥ 213	¥ (5,822)	¥ 220,453
Share of Profit (Loss)of Investments Accounted for Using the Equity Method	¥ 1,781	¥ (12)	¥ 730	¥ 46,301	-	¥ (244)	¥ 46,057
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 8,009	¥ (39)	¥ 7,200	¥ 35,974	¥ 1,667	¥ (5,886)	¥ 31,755
EBITDA	¥ 14,006	¥ (591)	¥ (1,475)	¥ 193,932	¥ 1,592	¥ 7,809	¥ 203,333

Three-month period ended December 31, 2013 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 54,224	¥ 208,467	¥ 100,317	¥ 245,237	¥ 371,988	¥ 235,327	¥ 20,532
Gross Profit	¥ 13,119	¥ 53,400	¥ 29,260	¥ 18,395	¥ 43,641	¥ 31,171	¥ 484
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 614	¥ (11,135)	¥ 11,916	¥ 2,386	¥ 16,334	¥ 6,196	¥ 1,615
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 5,862	¥ 16,701	¥ 7,976	¥ 1,114	¥ 68,086	¥ 5,718	¥ (2,510)
EBITDA	¥ 5,452	¥ 44,654	¥ 15,337	¥ 5,666	¥ 106,555	¥ 9,546	¥ (10,865)

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						
Revenue	¥ 165,791	¥ 30,375	¥ 26,936	¥ 1,459,194	¥ 480	¥ 1	¥ 1,459,675
Gross Profit	¥ 19,910	¥ 5,067	¥ 2,945	¥ 217,392	¥ 119	¥ (4,607)	¥ 212,904
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,120	¥ 670	¥ 1,208	¥ 31,924	¥ 36	¥ (12)	¥ 31,948
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 4,050	¥ 502	¥ 9,194	¥ 116,693	¥ 3,467	¥ (6,958)	¥ 113,202
EBITDA	¥ 8,035	¥ 333	¥ (458)	¥ 184,255	¥ 1,710	¥ 9,709	¥ 195,674

Notes:
(1) “All Other” principally consisted of the Corporate Staff Unit which provides financing services and operations services to external customers and/or to the companies and affiliated companies. Total assets of “All Other” at December 31, 2014 and March 31, 2014 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.
(2) Transfers between reportable segments are made at cost plus a markup.
(3) Profit (Loss) for the Period Attributable to Owners of the parent of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
(4) Since the three-month period ended June 30, 2014, EBITDA has been disclosed by reportable segments as the information of the operating segments periodically reviewed by the management. EBITDA is comprised of the companies' (a) gross profit, (b) selling, general and administrative expenses, (c) dividend income and (d) share of profit of investments accounted for using the equity method as presented in Condensed Consolidated Statements of Income and (e) depreciation and amortization as presented in Condensed Consolidated Statements of Cash Flows.

6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amounts of acquisitions of property, plant and equipment for the nine-month periods ended December 31, 2014 and 2013 are ¥301,434 million and ¥387,684 million, respectively.
The amounts of disposals of property, plant and equipment for the nine-month periods ended December 31, 2014 and 2013 are ¥29,821 million and ¥48,592 million, respectively.

7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

For the nine-month period ended December 31, 2014, Mitsui E&P Texas LP, a subsidiary in the Energy Segment engaged in the shale oil and gas development in Texas, recognized an impairment loss of ¥58,862 million in "impairment loss of fixed assets" by reducing the carrying amount of the production equipment and others to the recoverable amount of ¥75,172 million. In addition, Mitsui E&P UK Limited, a subsidiary in the Energy Segment engaged in the oil and gas development in the North Sea, U.K., recognized an impairment loss of ¥13,784 million in "impairment loss of fixed assets" by reducing the carrying amount of the mineral rights and production equipment to the recoverable amount of ¥16,642 million. These impairment losses mainly related to a decline in the crude oil prices.
The recoverable amount above represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit.

The amount of impairment losses for assets for the nine-month period ended December 31, 2013 was not material.

The amount of reversals of impairment losses for assets for the nine-month period ended December 31, 2014 was not material. For the nine-month period ended December 31, 2013, the companies reversed an impairment loss of ¥8,407 million of an investment accounted for using the equity method in the Machinery & Infrastructure Segment due to recovery of the market price.

8. ISSUES, REPURCHASES AND REPAYMENTS OF FINANCIAL INSTRUMENTS

The total amount of repaid bonds for the nine-month period ended December 31, 2014 was ¥25,628million.
The total amount of issued bonds for the nine-month period ended December 31, 2014 was ¥35,237 million.
The total amount of repaid bonds for the nine-month period ended December 31, 2013 was ¥59,516 million.
The total amount of issued bonds for the nine-month period ended December 31, 2013 was not material.

9. EQUITY

Changes in other components of equity for the nine-month periods ended December 31, 2014 and 2013 were as follows:

	Millions of Yen			
	Nine-month period ended December 31, 2014		Nine-month period ended December 31, 2013	
Financial Assets Measured at FVTOCI:				
Balance at beginning of period	¥	369,267	¥	335,847
Increase (decrease) during the period		(53,029)		61,186
Transfer to retained earnings		(43,797)		(18,935)
Balance at end of period	¥	272,441	¥	378,098
Remeasurements of Defined Benefit Pension Plans:				
Balance at beginning of period	¥	-	¥	-
Increase (decrease) during the period		(1,380)		(290)
Transfer to retained earnings		1,380		290
Balance at end of period	¥	-	¥	-
Foreign Currency Translation Adjustments:				
Balance at beginning of period	¥	413,931	¥	311,934
Increase (decrease) during the period		263,375		116,601
Balance at end of period	¥	677,306	¥	428,535
Cash Flow Hedges:				
Balance at beginning of period	¥	(16,567)	¥	(32,998)
Increase (decrease) during the period		(17,797)		12,885
Balance at end of period	¥	(34,364)	¥	(20,113)
Total:				
Balance at beginning of period	¥	766,631	¥	614,783
Increase (decrease) during the period		191,169		190,382
Transfer to retained earnings		(42,417)		(18,645)
Balance at end of period	¥	915,383	¥	786,520

10. DIVIDENDS

During the nine-month periods ended December 31, 2014 and 2013, the Company paid dividends of ¥66 per share (total dividend of ¥118,323 million) and ¥46 per share (total dividend of ¥83,970 million), respectively.

11. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the nine-month and three-month periods ended December 31, 2014 and 2013:

	Nine-month Period Ended December 31, 2014			Nine-month Period Ended December 31, 2013		
	Profit (numerator)	Shares (denominator)	Per share amount	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic earnings per share attributable to owners of the parent:	¥ 254,415	1,792,518	¥ 141.93	¥ 316,892	1,825,142	¥ 173.63
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies…	(7)	-		(10)	-	
Stock options …………………………………	-	257		-	-	
Diluted earnings per share attributable to owners of the parent:	¥ 254,408	1,792,775	¥ 141.91	¥ 316,882	1,825,142	¥ 173.62

	Three-month Period Ended December 31, 2014			Three-month Period Ended December 31, 2013		
	Profit (numerator)	Shares (denominator)	Per share amount	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic earnings per share attributable to owners of the parent:	¥ 31,755	1,792,514	¥ 17.72	¥ 113,202	1,825,160	¥ 62.02
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies…	(0)	-		(6)	-	
Stock options …………………………………	-	257		-	-	
Diluted earnings per share attributable to owners of the parent:	¥ 31,755	1,792,771	¥ 17.71	¥ 113,196	1,825,160	¥ 62.02

12. TRANSACTIONS WITH RELATED PARTIES

In relation to the Company's liquefaction business in the United States, a wholly owned subsidiary of the Company has secured four million tons per annum of LNG tolling capacity for 20 years following the inception of production of LNG scheduled for 2018, for which it will pay a tolling service fee, under a natural gas tolling liquefaction agreement with Cameron LNG LLC, a subsidiary of Cameron LNG Holdings LLC, an associate of the Company.

In addition, the Company is proceeding with the procurement of eight LNG ships intended to be used for the delivery of LNG mainly to its customers in Japan and has entered into time charter contracts for five LNG ships, including contracts for two ships with ship-owning companies in which the Company has investments accounted for as joint ventures, for a total maximum hire amount of approximately 400 billion yen and a maximum charter period of 25 years starting from 2017 or 2018.

On January 29, 2015, the Company entered into time charter contracts with third parties for additional ships for a maximum charter period of 25 years starting from 2018 or 2019. As a result, the total maximum hire amount for the 25 charter period of all ships is approximately 600 billion yen.

Corresponding to the costs from the above tolling and transportation contracts, the Company also entered into long term LNG sales contracts with customers mainly in Japan.

13. CONTINGENT LIABILITIES

I. GUARANTEES

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

The table below summarizes the maximum potential amount of future payments of the companies' guarantees as of December 31, 2014 and March 31, 2014. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications, and, in the aggregate, they greatly exceed anticipated losses. The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, result of operations, or cash flows of the companies is remote at December 31, 2014.

	Millions of Yen			
	December 31, 2014		March 31, 2014	
Type of guarantees:				
Guarantees for third parties	¥	263,878	¥	189,591
Guarantees for the investments accounted for using the equity method		729,207		379,792
Others		5,833		7,095
Total	¥	998,918	¥	576,478

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of December 31, 2014 and March 31, 2014, will expire through 2030 and 2023, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of December 31, 2014 and March 31, 2014, will expire through 2019 and 2022, respectively.

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

	Millions of Yen			
	December 31, 2014		March 31, 2014	
Within 1 year	¥	246,106	¥	116,863
After 1 to 5 years		497,317		252,316
After 5 years		255,495		207,299
Total	¥	998,918	¥	576,478

II. LITIGATION

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

In November, 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), participated 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 recognized the related losses in earnings. In this regard, the Company's proportionate share of the loss was recognized in the Company's condensed consolidated statements of income for the nine-month and three-month periods ended December 31, 2013.

14. FAIR VALUE MEASUREMENT

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

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

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

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

Level 3:
Unobservable inputs for the assets or liabilities.

(1)Valuation techniques

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

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

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

Inventories
- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of December31, 2014 and March 31, 2014 were immaterial.

(2)Valuation process

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

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and March 31, 2014 were as follows. No assets or liabilities were transferred between level 1 and 2 for the nine-month period ended December31, 2014 and for the year ended March 31, 2014.

	Millions of Yen				
December31, 2014	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 4,768	–	¥ 40,173		
Financial assets measured at FVTOCI	587,395	–	860,059		
Total other investments	¥ 592,163	–	¥ 900,232	–	¥ 1,492,395
Derivative assets:					
Foreign exchange contracts	–	¥ 134,630	–		
Interest rate contracts	–	45,734	–		
Commodity contracts	¥ 81,789	1,065,658	¥ 398		
Other contracts	–	–	3,508		
Total derivative assets	¥ 81,789	¥1,246,022	¥ 3,906	¥ (961,862)	¥ 369,855
Inventories	–	¥ 183,326	–	–	¥ 183,326
Total assets	¥ 673,952	¥1,429,348	¥ 904,138	¥ (961,862)	¥ 2,045,576
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	–	¥ 167,425	–		
Interest rate contracts	–	12,501	–		
Commodity contracts	¥ 55,002	1,085,546	¥ 359		
Other contracts	–	–	766		
Total derivative liabilities	¥ 55,002	¥1,265,472	¥ 1,125	¥ (1,009,472)	¥ 312,127
Total liabilities	¥ 55,002	¥1,265,472	¥ 1,125	¥ (1,009,472)	¥ 312,127

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

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

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

The reconciliation of financial assets measured at FVTOCI for the nine-month period ended December 31, 2014 and 2013 were as follows:

	Millions of Yen	
	Nine-month period ended December 31, 2014	**Nine-month period ended December 31, 2013**
Balance at beginning of period	¥ 990,593	¥ 894,092
Other comprehensive income	(195,652)	(21,203)
Purchases	11,841	92,230
Sales	(15,413)	(18,330)
Transfers into Level 3	–	–
Transfers out of Level 3	(41,280)	(11,402)
Others	109,970	75,419
Balance at end of period	¥ 860,059	¥ 1,010,806

Note1: For “Other comprehensive income” for the nine-month period ended December 31, 2014, fair value in investments in LNG projects declined reflecting the drop in oil prices.
Note2: “Others” includes the effect of changes in foreign exchange rates and in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in “Financial assets measured at FVTOCI” in Condensed Consolidated Statements of Comprehensive Income.
“Transfers out of Level 3” was due to the fact that the securities of investee began to be publicly traded for the nine-month period ended December 31, 2014 and 2013.

Quantitative information about level 3 fair value measurements

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

December 31, 2014	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.9%~16.0%

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

Information about sensitivity to changes in significant unobservable inputs

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

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

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

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

	Millions of Yen			
	December 31, 2014		March 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments and non-current receivables				
Trade and other miscellaneous receivables.........................	¥ 537,513	¥ 538,680	¥ 530,596	¥ 533,089
Non-current liabilities				
Long-term debts (non-current portion) and other miscellaneous liabilities......	¥ 4,057,168	¥ 4,161,074	¥ 4,035,867	¥ 4,116,887

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

15. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Masami Iijima, Representative Director, President and CEO, and Joji Okada, Representative Director, Executive Vice President and CFO, on February 13, 2015.