Annual Securities Report
for the fiscal year ended March 31, 2017

MITSUI & CO., LTD.

Certain References and Information

This report is prepared for overseas investors and compiled based on contents of the Annual Securities Report ("Yukashoken Hokokusho") of Mitsui & Co., Ltd. filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on June 21, 2017.

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. "Share" means one share of Mitsui's common stock, "ADS" means an American Depositary Share representing 20 shares, and "ADR" means an American Depositary Receipt evidencing one or more ADSs. Also, "dollar" or "$" means the lawful currency of the United States of America, and "yen" or "¥" means the lawful currency of Japan.

All financial statements and information contained in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board except where otherwise noted.

A Cautionary Note on Forward-Looking Statements

This report includes forward-looking statements based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate," "forecast," "plan" or similar words. The forward-looking statements in this report are subject to various risks, uncertainties and assumptions. These statements discuss future expectations, identify strategies, contain projections of results of operations or of our financial position, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual operating results to differ materially from those contained or implied in any forward-looking statement. Our expectations expressed in these forward-looking statements may not turn out to be correct, and our actual results could materially differ from and be worse than our expectations.

Important risks and factors that could cause our actual results to differ materially from our expectations are discussed in "2. Operating and Financial Review and Prospects, 4. Risk Factors" or elsewhere in this report and include, without limitation:

- changes in economic conditions that may lead to unforeseen developments in markets for products handled by us;
- fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions;
- adverse political developments in the various jurisdictions where we operate, which among things, may create delays or postponements of transactions and projects;
- changes in laws, regulations or policies in any of the countries where we conduct our operations; and
- significant changes in the competitive environment.

We do not assume, and specifically disclaim, any obligation to update any forward-looking statements which speak only as of the date made.

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1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

		IFRS				
Fiscal year		98th	97th	96th	95th	94th
Year ended		March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Consolidated financial data						
Revenue	(Millions of Yen)	4,363,969	4,759,694	5,404,930	5,731,918	4,912,118
Gross profit	(Millions of Yen)	719,295	726,622	845,840	880,106	814,139
Profit (loss) for the year attributable to owners of the parent	(Millions of Yen)	306,136	(83,410)	306,490	350,093	296,623
Comprehensive income for the year attributable to owners of the parent	(Millions of Yen)	503,025	(607,490)	406,583	521,457	664,345
Total equity attributable to owners of the parent	(Millions of Yen)	3,732,179	3,379,725	4,099,795	3,815,767	3,439,141
Total assets	(Millions of Yen)	11,501,013	10,910,511	12,202,921	11,491,319	10,777,274
Equity attributable to owners of the parent per share	(Yen)	2,115.80	1,885.47	2,287.17	2,128.73	1,884.33
Basic earnings per share attributable to owners of the parent	(Yen)	171.20	(46.53)	170.98	192.22	162.53
Diluted earnings per share attributable to owners of the parent	(Yen)	171.10	(46.54)	170.95	192.21	162.53
Equity attributable to owners of the parent ratio	(%)	32.45	30.98	33.60	33.21	31.91
Return on Equity (ROE)	(%)	8.61	(2.23)	7.74	9.65	9.41
Price Earnings Ratio (PER)	(Times)	9.42	-	9.43	7.59	8.08
Cash flows from operating activities	(Millions of Yen)	404,171	586,991	639,967	449,243	455,326
Cash flows from investing activities	(Millions of Yen)	(353,299)	(408,059)	(386,397)	(659,818)	(754,533)
Cash flows from financing activities	(Millions of Yen)	(50,265)	(50,548)	(126,193)	(13,237)	236,335
Cash and cash equivalents at end of year	(Millions of Yen)	1,503,820	1,490,775	1,400,770	1,226,317	1,432,534
Number of employees (excluding average number of part -time employees)	(Number of persons)	42,316 (9,988)	43,611 (10,784)	47,118 (11,139)	48,090 (12,570)	45,148 (16,750)

(Notes) 1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) from the 95th fiscal year.
2. Revenue do not include consumption taxes.
3. Price Earnings Ratio (PER) in the 97th fiscal year is not disclosed as earnings per share is loss.

		U.S. GAAP	
Fiscal year		95th	94th
Year ended		March 31, 2014	March 31, 2013
Consolidated financial data			
Revenues	(Millions of Yen)	5,740,650	4,911,609
Income from continuing operations before income taxes and equity in earnings	(Millions of Yen)	453,732	314,098
Net income attributable to Mitsui & Co., Ltd.	(Millions of Yen)	422,161	307,926
Comprehensive income attributable to Mitsui & Co., Ltd.	(Millions of Yen)	549,238	631,260
Total Mitsui & Co., Ltd. shareholders' equity	(Millions of Yen)	3,586,414	3,181,819
Total equity	(Millions of Yen)	3,868,066	3,440,104
Total assets	(Millions of Yen)	11,001,264	10,324,581
Shareholders' equity per share	(Yen)	2,000.78	1,743.34
Basic net income attributable to Mitsui & Co., Ltd. per share	(Yen)	231.79	168.72
Diluted net income attributable to Mitsui & Co., Ltd. per share	(Yen)	231.78	-
Shareholders' equity ratio	(%)	32.60	30.82
Return on Equity (ROE)	(%)	12.47	10.58
Price Earnings Ratio (PER)	(Times)	6.29	7.78
Cash flows from operating activities	(Millions of Yen)	521,524	461,430
Cash flows from investing activities	(Millions of Yen)	(704,516)	(753,297)
Cash flows from financing activities	(Millions of Yen)	(34,698)	221,635
Cash and cash equivalents at end of year	(Millions of Yen)	1,225,079	1,425,174
Number of employees (excluding average number of part -time employees)	(Number of persons)	48,090 (12,570)	45,148 (16,750)

(Notes) 1. The consolidated financial statements prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP) in the 95th fiscal year is unaudited financial information pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

2. "Shareholders' equity" or "equity" in shareholders' equity per share, shareholders' equity ratio and return on equity (ROE) in the above table refers to "Total Mitsui & Co., Ltd. shareholders' equity" in the consolidated balance sheets.

3. Diluted net income attributable to Mitsui & Co., Ltd. per share in the 94th fiscal years is not disclosed as there are no dilutive potential shares.

4. Revenues do not include consumption taxes.

2. History

Mitsui Bussan Kabushiki Kaisha (“Mitsui & Co., Ltd.” in English) was originally incorporated on July 25, 1947, as Daiichi Bussan Kabushiki Kaisha with a common stock of ¥195,000, with the main purpose of importing, exporting and selling a wide variety of products.

Since our establishment, our business results have developed strongly, and we have grown in scale as the result of capital increases or stock dividends, the issuance of foreign currency-denominated and domestic convertible bonds, along with integration with other new companies. On February 16, 1959, we changed our name to our present name of Mitsui Bussan Kabushiki Kaisha (Mitsui & Co., Ltd.), and took the form of a general trading company in both name and practice. From then until the present day, we have continued to expand our business through mergers and acquisitions of other businesses and companies.

The significant developments for the company that occurred during this time, including name changes, mergers, establishment of major affiliated companies, listings on securities exchanges, and other, are as follows.

Jul. 1947	Daiichi Bussan Kabushiki Kaisha established with common stock of ¥195,000
May 1949	Listed on Tokyo Stock Exchange
Nov. 1954	Listed on Sapporo Securities Exchange, Nagoya Stock Exchange and Osaka Securities Exchange
Apr. 1956	Established Daiichi Bussan Kabushiki Kaisha Australia (currently Mitsui &Co. (Australia), Ltd.)
Feb. 1959	Changed the name to Mitsui Bussan Kabushiki Kaisha (Mitsui & Co., Ltd.)
Feb. 1959	Listed on Fukuoka Stock Exchange
Jan. 1963	Participated in the development of the Moura Coal Mine in Australia (currently the Dawson Coal Mine)
May 1963	Issued American Depositary Receipts (ADR) in the U.S. (registered on NASDAQ in U.S. in 1971)
Feb. 1965	Decided to participate in Robe River iron mine in Australia
Apr. 1966	Established Mitsui & Co. (U.S.A.), Inc.
Oct. 1966	Concluded long-term purchase agreement of iron ore from Mount Newman in Australia
Mar. 1971	Split off lease business and established Mitsui leasing, Ltd. (currently JA Mitsui Leasing, Ltd.)
Sept. 1971	Signed basic agreement on development of Liquefied Natural Gas (LNG) in Das Island, Abu Dhabi
Oct. 1971	Signed basic agreement on Iran Petrochemical Project
May 1976	Established Aim Services Co., Ltd. with ARA (currently ARAMARK Corporation)
Nov. 1976	Moved head office to Otemachi, Chiyoda-ku, Tokyo
Jul. 1985	Participated in North West Shelf LNG project in Western Australia
Apr. 1988	Established Mitsui & Co. UK PLC (currently Mitsui & Co. Europe PLC)
Dec. 1990	Concluded Iran Petrochemical Project due to winding up of Iran Chemical Development Co. Ltd.
Oct. 1991	Introduced Chief Operating Officer system
Feb. 1994	Established P.T. Paiton Energy, an electric power company in Indonesia
Jun. 1994	Signed development contracts (production sharing contract) for the Sakhalin II petroleum and natural gas projects
Apr. 2002	Introduced Managing Officer system
Mar. 2003	Participated in ownership interest in International Methanol Company of Saudi Arabia
Jun. 2003	First appointment of external director
Sept. 2003	Purchased ownership interest in Valepar S.A., the holding company of Vale S.A., the Brazilian diversified resource company
Apr. 2004	Abolished Domestic Branches and Offices Segment and included them in each business unit by product
Apr. 2006	Introduced overseas regional business unit system (currently three overseas regional business unit system)
Jun. 2007	Acquired Steel Technologies, Inc., a U.S. steel processing service center
Feb. 2010	Decided to participate in the Marcellus Shale Gas production development project in the U.S.
Apr. 2011	Delisted from NASDAQ (deregistered from the U.S. Securities and Exchange Commission (the “SEC”) in July 2011)
Aug. 2012	Established a strategic alliance with Codelco and participated in a joint venture to jointly hold shares of Anglo American Sur S.A.
Nov. 2014	Moved head office to Marunouchi, Chiyoda-ku, Tokyo due to reconstruction of the head office building

3. 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 our 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.

The business units of Mitsui's Head Office, which are organized based on "products and services," plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with overseas branches and overseas trading subsidiaries in planning and executing their strategies for products and regions. The overseas branches and overseas trading subsidiaries are separate operating units, which are delegated responsibility for the business of their regions as the centers of each particular regional strategy and operate diversified businesses together with their subsidiaries and associated companies in collaboration with the business units.

Therefore, our operating segments consist of product-focused operating segments comprised of the business units of the Head Office and region-focused operating segments comprised of overseas branches and overseas trading subsidiaries. For the disclosure pursuant to IFRS 8 "Operating Segments," our operating segments have been aggregated based on the nature of the products and other criteria into seven product-focused reportable operating segments and three region-focused reportable operating segments, totaling ten reportable operating segments. Furthermore, we plan to aggregate the regional segments into the product segments in our disclosures beginning in the next fiscal year.

We have 469 affiliated companies for consolidation, which consist of 206 overseas subsidiaries, 62 domestic subsidiaries, 163 overseas equity accounted investees and 38 domestic equity accounted investees.

Segment	Products or Services	Major Subsidiaries	Major Equity Accounted Investees
Iron & Steel Products	Steel product for infrastructure projects, Automotive components, Steel products used in energy industry, and others	Mitsui & Co. Steel Ltd., Bangkok Coil Center Co., Ltd., Regency Steel Asia Pte Ltd.	Shanghai Bao-Mit Steel Distribution Co., Ltd., SIAM YAMATO STEEL COMPANY LIMITED, Gestamp North America, Inc., Gestamp Holding Mexico, S.L., Gestamp Brasil Industria De Autopecas S.A., Gestamp Holding Argentina, S.L., GESTAMP 2020, S.L., GRI Renewable Industries, S.L.
Mineral & Metal Resources	Iron ore, Coal, Copper, Nickel, Alminum, Ferrous Raw Materials, Recycling solutions, and others	Mitsui-Itochu Iron Pty. Ltd., Mitsui Iron Ore Development Pty. Ltd., Mitsui Iron Ore Corporation Pty. Ltd., Mitsui & Co. Iron Ore Exploration & Mining Pty. Ltd., Oriente Copper Netherlands B.V., Japan Collahuasi Resources B.V., Mitsui Bussan Copper Investment & Co., Ltd., MITSUI BUSSAN METALS CO., LTD., Mitsui & Co. Mineral Resources Development (Asia) Corp., Mitsui Coal Holdings Pty. Ltd.	Valepar S.A., Inner Mongolia Erdos Electrical Power & Metallurgical Group Limited By Shares, NIPPON AMAZON ALUMINIUM CO., LTD., BHP Billiton Mitsui Coal Pty Ltd.

Segment	Products or Services	Major Subsidiaries	Major Equity Accounted Investees
Machinery & Infrastructure	Electric power, Marine energy, Gas distribution, Water treatment and supply, Logistics and social infrastructure, Automotive, Construction, Transportation, Ships, Aircraft, and others	Mitsui & Co. Plant Systems, Ltd., KARUGAMO ENERGY MANAGEMENT PTY. LIMITED, MIT POWER CANADA LP INC., MITSUI GAS E ENERGIA DO BRASIL LTDA., Mit Investment Manzanillo B.V., Drillship Investment B.V., MIT Gas Mexico, S. de R.L. de C.V., Ecogen Brasil Solucoes Energeticas S.A., Mit-Power Capitals (Thailand) Limited, ATLATEC, S.A. de C.V., MyPower Corp., MIZHA ENERGIA PARTICIPACOES S.A., Portek International Private Limited, Tokyo International Air Cargo Terminal Ltd., Toyota Chile S.A., Mitsui Automotriz S.A., MITSUI AUTO FINANCE CHILE LTDA., Veloce Logistica S.A., MBK USA Commercial Vehicles Inc., HINO MOTORS SALES MEXICO, S.A. DE C.V., BAF (Thailand) Co., Ltd., PT. Bussan Auto Finance, BUSSAN AUTO FINANCE INDIA PRIVATE LIMITED, Komatsu-Mitsui Maquinarias Peru S.A., Road Machinery, LLC, Ellison Technologies Inc., MITSUI BUSSAN MACHINE TEC CO., LTD., Orient Marine Co., Ltd., OMC SHIPPING PTE. LTD., Mitsui Bussan Aerospace Co., Ltd., Guarana Urban Mobility Incorporated, Mitsui Rail Capital Holdings, Inc., Mitsui Rail Capital Europe B.V.	Toyo Engineering Corporation, P.T. PAITON ENERGY, Compania de Generacion Valladolid, S. de R.L. de C.V., IPM Eagle LLP, IPM Holdings (UK) Limited, MT Falcon Holdings Company, S.A.P.I. de C.V., 3B POWER SDN. BHD., SAFI ENERGY COMPANY, MAP Power Holding Company Limited, MAP Inland Holding Company Limited, MAP Coastal Holding Company Limited, VLI S.A., Penske Automotive Group, Inc., HINO MOTORS SALES (THAILAND) LTD., TOYOTA MANILA BAY CORPORATION, PT. Yamaha Indonesia Motor Manufacturing, India Yamaha Motor Private Limited, TAIYOKENKI RENTAL CO., LTD, KOMATSU MARKETING SUPPORT AUSTRALIA PTY LTD
Chemicals	Petrochemical raw material and products, Inorganic raw material and products, Synthetic resin material and products, Agricultural material, and others	Japan-Arabia Methanol Company Ltd., MMTX Inc., Shark Bay Salt Pty. Ltd., Mitsui Bussan Chemicals Co., Ltd., MITSUI & CO. PLASTICS LTD., Daito Chemical Co., Ltd., DAIICHI TANKER CO., LTD., Mitsui AgriScience International SA/NV, Mitsui AgriScience International Inc., San-ei Sucrochemical Co., Ltd., Mitsui Bussan Agro Business Co., Ltd., Mitsui Bussan Fertilizer Resources B.V.	—
Energy	Oil, Natural gas, LNG, Petroleum products, Uranium, Environmental and next-generation energy, and others	Mitsui Oil Exploration Co., Ltd., Mitsui E&P Middle East B.V., Mitsui E&P Australia Pty Limited, Mitsui E&P UK Limited, Mitsui E&P USA LLC, MEP Texas Holdings LLC, Mitsui & Co. Energy Trading Singapore Pte. Ltd., Mitsui Sakhalin Holdings B.V., Mitsui & Co. LNG Investment USA, Inc., Mitsui E&P Mozambique Area 1 Limited	ENEOS GLOBE Corporation, Japan Australia LNG (MIMI) Pty. Ltd.

Segment	Products or Services	Major Subsidiaries	Major Equity Accounted Investees
Lifestyle	Foods, Fashion, Housing and industrial materials, Real estate, Healthcare, Outsourcing services, and others	PRIFOODS CO., LTD., TOHO BUSSAN KAISHA, LTD., United Grain Corporation of Oregon, XINGU AGRI AG, Multigrain Trading AG, Mitsui Norin Co., Ltd., MITSUI ALIMENTOS LTDA., MITSUI FOODS CO., LTD., Bussan Logistics Solutions Co., Ltd., VENDOR SERVICE CO., LTD., RETAIL SYSTEM SERVICE CO., LTD., WILSEY FOODS, INC., MITSUI & CO. FORESIGHT LTD., UHS Partners, Inc., MBK Healthcare Partners Limited, MicroBiopharm Japan Co., Ltd., Mitsui Bussan Woodchip Oceania Pty. Ltd., MITSUI BUSSAN I-FASHION LTD., Paul Stuart, Inc., MAX MARA JAPAN CO., LTD., MITSUI & CO. REAL ESTATE LTD., MBK Real Estate LLC	FEED ONE CO., LTD., Starzen Co., Ltd., Mitsui Sugar Co., Ltd., The Kumphawapi Sugar Co., Ltd., AIM SERVICES CO., LTD., ARAMARK Uniform Services Japan Corporation, SOGO MEDICAL CO., LTD., Fuji Pharma Co., Ltd., Medica Asia (Holdco) Limited, SMB KENZAI CO., LTD.
Innovation & Corporate Development	Asset management, Leasing, Insurance, Buyout investment, Venture investement, Commodity derivatives, Logistics center, Information system, and others	MITSUI KNOWLEDGE INDUSTRY CO., LTD., Mitsui Bussan Electronics Ltd., Mitsui Bussan Secure Directions, Inc., Asia Pacific Mobile Pte. Ltd., Mitsuibussan Insurance Co., Ltd., Mitsui & Co. Global Investment Ltd., Mitsui & Co., Principal Investments Ltd., Mitsui & Co. Asset Management Holdings LTD., Mitsui Bussan Commodities Ltd., TRI-NET (JAPAN) INC., Trinet Logistics Co., Ltd.	Relia Inc., QVC JAPAN INC., CCTV Shopping Co., Ltd., JA Mitsui Leasing, Ltd.
Americas	Feed additives, Tank terminal, Iron & steel products, and others	Mitsui Foods, Inc., Mitsui Agro Business S.A., Mit-Salmon Chile SpA, Champions Cinco Pipe & Supply LLC, MITSUI PLASTICS INC., Novus International, Inc., Intercontinental Terminals Company LLC, Game Changer Holdings Inc., Mitsui & Co. (U.S.A.), Inc., Mitsui & Co. (Canada) Ltd., MITSUI & CO. (BRASIL) S.A.	—
Europe, the Middle East and Africa	Chemicals, Iron & steel products, and Machinery	EURO-MIT STAAL B.V., Mitsui & Co. Europe PLC, Mitsui & Co. Deutschland GmbH, Mitsui & Co. Benelux S.A./N.V., Mitsui & Co. Italia S.p.A., Mitsui & Co., Middle East Ltd.	ITC RUBIS TERMINAL ANTWERP NV, GEG (Holdings) Limited
Asia Pacific	Chemicals, Iron & steel products, Food resources, and Food products	Mitsui Water Holdings (Thailand) Ltd., MIT POWER AUSTRALIA PTY LTD, Mitsui & Co. (Asia Pacific) Pte. Ltd., Mitsui & Co. (Thailand) Ltd., Mitsiam International Ltd., Mitsui & Co. (Australia) Ltd.	—

4. Affiliated Companies

(1) Parent Company

Mitsui does not have a parent company.

(2) Major Subsidiaries

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Iron & Steel Products	Mitsui & Co. Steel Ltd.	Domestic sales, export, import of steel products	Japan	100.0
	Bangkok Coil Center Co., Ltd.	Steel processing	Thailand	99.6
	Regency Steel Asia Pte Ltd.	Wholesale and retail of steel products	Singapore	92.5
Mineral & Metal Resources	Mitsui-Itochu Iron Pty. Ltd.	Mining and sales of Australian iron ore	Australia	70.0
	Mitsui Iron Ore Development Pty. Ltd.	Mining and sales of Australian iron ore	Australia	100.0
	Mitsui Iron Ore Corporation Pty. Ltd.	Mining and sales of Australian iron ore	Australia	100.0
	Mitsui & Co. Iron Ore Exploration & Mining Pty. Ltd.	Mining and sales of Australian iron ore	Australia	100.0
	Oriente Copper Netherlands B.V.	Investment in and loan to copper business in Chile through Inversiones Mineras Acrux SpA	Netherlands	100.0
	Japan Collahuasi Resources B.V.	Investment in Collahuasi copper mine in Chile	Netherlands	61.9
	Mitsui Bussan Copper Investment & Co., Ltd.	Investment in Caserones copper mine in Chile	Japan	100.0
	MITSUI BUSSAN METALS CO., LTD.	Sales and trading of non-ferrous scrap, alloy and products	Japan	100.0
	Mitsui & Co. Mineral Resources Development (Asia) Corp.	Investments in nickel and cobalt smelting business in Philippines	Philippines	100.0
	Mitsui Coal Holdings Pty. Ltd.	Investments in Australian coal business	Australia	100.0
Machinery & Infrastructure	Mitsui & Co. Plant Systems, Ltd.	Sales of various plants, electric power facilities and transportation equipments	Japan	100.0
	KARUGAMO ENERGY MANAGEMENT PTY. LIMITED	Investments in power generation business	Australia	100.0
	MIT POWER CANADA LP INC.	Investment in Greenfield Power Generation Project in Ontario	Canada	100.0
	MITSUI GAS E ENERGIA DO BRASIL LTDA.	Investments in gas distribution companies in Brazil	Brazil	100.0
	Mit Investment Manzanillo B.V.	Investment in LNG terminal in Mexico	Netherlands	100.0
	Drillship Investment B.V.	Investment in deepwater drilling service business	Netherlands	100.0
	MIT Gas Mexico, S. de R.L. de C.V.	Investments in gas distribution companies in Mexico	Mexico	100.0
	Ecogen Brasil Solucoes Energeticas S.A.	Cogeneration service business in Brazil	Brazil	100.0
	Mit-Power Capitals (Thailand) Limited	Investment in cogeneration service business in Thailand	Thailand	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Machinery & Infrastructure	ATLATEC, S.A. de C.V.	Designing, building and operation of wastewater treatment plants	Mexico	85.0
	MyPower Corp.	Investment and management of power projects in U.S.	U.S.A.	100.0
	MIZHA ENERGIA PARTICIPACOES S.A.	Investment in power producing business in Brazil	Brazil	100.0
	Portek International Private Limited	Development and operation of container terminal	Singapore	100.0
	Tokyo International Air Cargo Terminal Ltd.	Operation of air cargo terminal at Tokyo International Airport	Japan	100.0
	Toyota Chile S.A.	Import and sales of automobiles and auto parts in Chile	Chile	100.0
	Mitsui Automotriz S.A.	Retail sales of automobiles and auto parts	Peru	100.0
	MITSUI AUTO FINANCE CHILE LTDA.	Automobile retail finance	Chile	100.0
	Veloce Logistica S.A.	Auto parts logistics	Brazil	100.0
	MBK USA Commercial Vehicles Inc.	Investment in full-service truck leasing, rental and logistics business	U.S.A.	100.0
	HINO MOTORS SALES MEXICO, S.A. DE C.V.	Sales of automobile and auto parts	Mexico	65.0
	BAF (Thailand) Co., Ltd.	Motorcycle retail finance	Thailand	100.0
	PT. Bussan Auto Finance	Motorcycle retail finance	Indonesia	70.0
	BUSSAN AUTO FINANCE INDIA PRIVATE LIMITED	Motorcycle retail finannce	India	80.0
	Komatsu-Mitsui Maquinarias Peru S.A.	Sales of construction and mining equipment	Peru	60.0
	Road Machinery, LLC	Sales of construction and mining equipment	U.S.A.	100.0
	Ellison Technologies Inc.	Sales of machine tools	U.S.A.	100.0
	MITSUI BUSSAN MACHINE TEC CO., LTD.	Sale of machine tools and peripheral equipment	Japan	100.0
	Orient Marine Co., Ltd.	Shipping business	Japan	100.0
	OMC SHIPPING PTE. LTD.	Shipping business	Singapore	100.0
	Mitsui Bussan Aerospace Co., Ltd.	Import and sales of helicopters and defense and aerospace products	Japan	100.0
	Guarana Urban Mobility Incorporated	Investment in passenger transportation business in Brazil	Japan	50.1
	Mitsui Rail Capital Holdings, Inc.	Freightcar leasing and management in North America	U.S.A.	100.0
	Mitsui Rail Capital Europe B.V.	Locomotive leasing and management in Europe	Netherlands	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Chemicals	Japan-Arabia Methanol Company Ltd.	Investments in methanol producing business in Saudi Arabia and sales of products	Japan	55.0
	MMTX Inc.	Investment in methanol producing business in the United States and sale of products	U.S.A.	100.0
	Shark Bay Salt Pty. Ltd.	Production of salt	Australia	100.0
	Mitsui Bussan Chemicals Co., Ltd.	Sales and trading of solvents and coating materials	Japan	100.0
	MITSUI & CO. PLASTICS LTD.	Sales of plastics and chemicals	Japan	100.0
	Daito Chemical Co., Ltd.	Manufacture and sales of industrial chemicals	Japan	70.0
	DAIICHI TANKER CO., LTD.	Operation of chemical tankers	Japan	100.0
	Mitsui AgriScience International SA/NV	Investments in crop protection businesses in Europe	Belgium	100.0
	Mitsui AgriScience International Inc.	Investments in crop protection businesses in Americas	U.S.A.	100.0
	San-ei Sucrochemical Co., Ltd.	Manufacture and sales of saccharified products, pharmaceuticals, feedstuffs and other products	Japan	70.0
	Mitsui Bussan Agro Business Co., Ltd.	Development and sales of fertilizers and agricultural products	Japan	100.0
	Mitsui Bussan Fertilizer Resources B.V.	Investment in phosphorus ore mining in Peru and global marketing business	Netherlands	100.0
Energy	Mitsui Oil Exploration Co., Ltd.	Exploration, development and production of oil and natural gas	Japan	74.3
	Mitsui E&P Middle East B.V.	Exploration, development and production of oil and natural gas	Netherlands	100.0
	Mitsui E&P Australia Pty Limited	Exploration, development and production of oil and natural gas	Australia	100.0
	Mitsui E&P UK Limited	Exploration, development and production of oil and natural gas in Europe & Africa	United Kingdom	100.0
	Mitsui E&P USA LLC	Exploration, development and production of oil and gas	U.S.A.	100.0
	MEP Texas Holdings LLC	Investment in Oil and Gas in Americas	U.S.A.	100.0
	Mitsui & Co. Energy Trading Singapore Pte. Ltd.	International trading of petroleum products and crude oil	Singapore	100.0
	Mitsui Sakhalin Holdings B.V.	Investments in Sakhalin Energy Investment Company Ltd.	Netherlands	100.0
	Mitsui & Co. LNG Investment USA, Inc.	Investment in natural gas liquefaction business in the U.S. and sales of LNG	U.S.A.	100.0
	Mitsui E&P Mozambique Area 1 Limited	Exploration, development and production of oil and natural gas in Mozambique	United Kingdom	50.3
Lifestyle	PRIFOODS CO., LTD.	Production, processing and sales of broilers	Japan	46.4
	TOHO BUSSAN KAISHA, LTD.	Import and sales of agricultural and marine products	Japan	100.0
	United Grain Corporation of Oregon	Grain merchandising	U.S.A.	100.0
	XINGU AGRI AG	Production and merchandising of agriproducts	Switzerland	100.0
	Multigrain Trading AG	Origination and merchandising of agricultural products	Switzerland	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Lifestyle	Mitsui Norin Co., Ltd.	Manufacture and sales of food products	Japan	100.0
	MITSUI ALIMENTOS LTDA.	Export of coffee beans and domestic sales of roasted coffee	Brazil	100.0
	MITSUI FOODS CO., LTD.	Wholesale of foods and beverages	Japan	100.0
	Bussan Logistics Solutions Co., Ltd.	Operation and management of logistics centers	Japan	100.0
	VENDOR SERVICE CO., LTD.	Sales and distribution of food and packaging materials	Japan	100.0
	RETAIL SYSTEM SERVICE CO., LTD.	Sales of foods and groceries, services for retailers	Japan	100.0
	WILSEY FOODS, INC.	Investments in processed oil food company	U.S.A.	90.0
	MITSUI & CO. FORESIGHT LTD.	Property management	Japan	100.0
	UHS Partners, Inc.	Investment in healthcare staffing business	U.S.A.	100.0
	MBK Healthcare Partners Limited	Investment in IHH Healthcare Bhd.	United Kingdom	100.0
	MicroBiopharm Japan Co., Ltd.	Manufacture and sales of medicines and chemicals	Japan	80.0
	Mitsui Bussan Woodchip Oceania Pty. Ltd.	Plantation, processing and sales of woodchip	Australia	100.0
	MITSUI BUSSAN I-FASHION LTD.	Planning and management for production and procurement of apparel	Japan	100.0
	Paul Stuart, Inc.	Luxury clothing retailer	U.S.A.	100.0
	MAX MARA JAPAN CO., LTD.	Import and sales of luxury clothing	Japan	65.5
	MITSUI & CO. REAL ESTATE LTD.	Real estate sales, leasing and brokerage	Japan	100.0
	MBK Real Estate LLC	Real estate-related business	U.S.A.	100.0
Innovation & Corporate Development	MITSUI KNOWLEDGE INDUSTRY CO., LTD.	Planning, development and sales of information and communication systems	Japan	100.0
	Mitsui Bussan Electronics Ltd.	Sales and development of IoT solutions, Sales of electronics device and equipment	Japan	100.0
	Mitsui Bussan Secure Directions, Inc.	Cyber security business	Japan	100.0
	Asia Pacific Mobile Pte. Ltd.	Investment in high-speed mobile service business in Indonesia	Singapore	100.0
	Mitsuibussan Insurance Co., Ltd.	Non life and life insurance agency services	Japan	100.0
	Mitsui & Co. Global Investment Ltd.	Investment in venture businesses	Japan	100.0
	Mitsui & Co., Principal Investments Ltd.	Investment in private equity	Japan	100.0
	Mitsui & Co. Asset Management Holdings LTD.	Real estate asset management	Japan	100.0
	Mitsui Bussan Commodities Ltd.	Trading of energy and basemetal derivatives	United Kingdom	100.0
	TRI-NET (JAPAN) INC.	International integrated transportation services	Japan	100.0
	Trinet Logistics Co., Ltd.	Domestic warehousing business	Japan	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Americas	Mitsui Foods, Inc.	Trading canned foods,chilled foods, juice ingredient and coffee	U.S.A.	100.0
	Mitsui Agro Business S.A.	Investment in fertilizer producing business in South America and sale of products	Chile	100.0
	Mit-Salmon Chile SpA	Investment in salmon farming, processing and sales company	Chile	100.0
	Champions Cinco Pipe & Supply LLC	Sales of oil and gas well tubular products	U.S.A.	100.0
	MITSUI PLASTICS INC.	Sales of Chemicals	U.S.A.	100.0
	Novus International, Inc.	Manufacturing and sales of feed additives	U.S.A.	80.0
	Intercontinental Terminals Company LLC	Chemical tank leasing	U.S.A.	100.0
	Game Changer Holdings Inc.	Investment in steel processing company	U.S.A.	100.0
	Mitsui & Co. (U.S.A.), Inc.	Trading	U.S.A.	100.0
	Mitsui & Co. (Canada) Ltd.	Trading	Canada	100.0
	MITSUI & CO. (BRASIL) S.A.	Trading	Brazil	100.0
Europe, the Middle East and Africa	EURO-MIT STAAL B.V.	Steel processing	Netherlands	90.0
	Mitsui & Co. Europe PLC	Trading	United Kingdom	100.0
	Mitsui & Co. Deutschland GmbH	Trading	Germany	100.0
	Mitsui & Co. Benelux S.A./N.V.	Trading	Belgium	100.0
	Mitsui & Co. Italia S.p.A.	Trading	Italy	100.0
	Mitsui & Co., Middle East Ltd.	Trading	United Arab Emirates	100.0
Asia Pacific	Mitsui Water Holdings (Thailand) Ltd.	Investment in water supply business	Thailand	100.0
	MIT POWER AUSTRALIA PTY LTD	Wind power generation	Australia	100.0
	Mitsui & Co. (Asia Pacific) Pte. Ltd.	Trading	Singapore	100.0
	Mitsui & Co. (Thailand) Ltd.	Trading	Thailand	100.0
	Mitsiam International Ltd.	Trading	Thailand	75.1
	Mitsui & Co. (Australia) Ltd.	Trading	Australia	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
All Other	Mitsui & Co. (Hong Kong) Ltd.	Trading	China	100.0
	Mitsui & Co. (China) Ltd.	Trading	China	100.0
	Mitsui & Co. (Shanghai) Ltd.	Trading	China	100.0
	Mitsui & Co. (Taiwan) Ltd.	Trading	Taiwan	100.0
	Mitsui & Co. Korea Ltd.	Trading	Korea	100.0
	Mitsui & Co. Financial Services Ltd.	Financing services within the Group	Japan	100.0
	Mitsui & Co. Financial Services (Asia) Ltd.	Financing services within the Group	Singapore	100.0
	Mitsui & Co. Financial Services (U.S.A.) Inc.	Financing services within the Group	U.S.A.	100.0
	Mitsui & Co. Financial Services (Europe) Plc	Financing services within the Group	United Kingdom	100.0
	Mitsui & Co. Financial Services (Australia) Ltd.	Financing services within the Group	Australia	100.0
	MITSUI BUSSAN BUSINESS PARTNERS CO., LTD.	Provision of HR & GA services to Mitsui and its subsidiaries	Japan	100.0
	Mitsui & Co. Trade Services Ltd.	Provision of logistics-related services to Mitsui and its subsidiaries	Japan	100.0
	Mitsui & Co. Financial Management, Ltd.	Provision of accounting and treasury-related services to Mitsui	Japan	100.0

* Mitsui & Co. Mineral Resources Development (Latin America) Ltd., Tokyo International Air Cargo Terminal Ltd., KARUGAMO ENERGY MANAGEMENT PTY. LIMITED, and Mitsui Bussan Copper Investment & Co., Ltd. were in a financial condition with liabilities in excess of assets. The amount of negative net worth as of March 31, 2017 were ¥130,882 million, ¥22,169 million, ¥12,719 million, and ¥10,063 million, respectively.

(3) Major Equity Accounted Investees

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Iron & Steel Products	*Shanghai Bao-Mit Steel Distribution Co., Ltd.	Processing and sales of steel products	China	35.0
	SIAM YAMATO STEEL COMPANY LIMITED	Manufacture and sales of steel products	Thailand	20.0
	*Gestamp North America, Inc.	Manufacture of automotive components	U.S.A.	30.0
	*Gestamp Holding Mexico, S.L.	Manufacture of automotive components	Spain	30.0
	*Gestamp Brasil Industria De Autopecas S.A.	Manufacture of automotive components	Brazil	30.0
	*Gestamp Holding Argentina, S.L.	Manufacture of automotive components	Spain	30.0
	GESTAMP 2020, S.L.	Investment in Manufacture of automotive components	Spain	25.0
	*GRI Renewable Industries, S.L.	Manufacture of wind turbine towers and flanges	Spain	25.0
Mineral & Metal Resources	Valepar S.A.	Holding Company of Vale S.A.	Brazil	18.2
	*Inner Mongolia Erdos Electrical Power & Metallurgical Group Limited By Shares	Coal mining, power generation, ferrous alloy and chemical production and water pumping	China	25.0
	NIPPON AMAZON ALUMINIUM CO., LTD.	Investments in aluminum smelting business in Brazil	Japan	20.9
	BHP Billiton Mitsui Coal Pty Ltd.	Mining and sales of Australian coal	Australia	16.8

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Machinery & Infrastructure	Toyo Engineering Corporation	Engineering and construction for industrial facilities	Japan	22.9
	P.T. PAITON ENERGY	Power generation in Indonesia	Indonesia	45.5
	*Compania de Generacion Valladolid, S. de R.L. de C.V.	Power generation in Mexico	Mexico	50.0
	*IPM Eagle LLP	Investments in power generation business	United Kingdom	30.0
	*IPM Holdings (UK) Limited	Power plant business in the United Kingdom	United Kingdom	26.3
	MT Falcon Holdings Company, S.A.P.I. de C.V.	Investment in power generation business in Mexico	Mexico	40.0
	*3B POWER SDN. BHD.	Power generation in Malaysia	Malaysia	50.0
	*SAFI ENERGY COMPANY	Power generation in Morocco	Morocco	30.0
	*MAP Power Holding Company Limited	Investment in power generation business in Oman	United Arab Emirates	50.0
	*MAP Inland Holding Company Limited	Investment in power generation business in Oman	United Arab Emirates	52.7
	*MAP Coastal Holding Company Limited	Investment in power generation business in Oman	United Arab Emirates	52.7
	VLI S.A.	Integrated freight transportation business	Brazil	20.0
	Penske Automotive Group, Inc.	Automotive retailer	U.S.A.	18.1
	*HINO MOTORS SALES (THAILAND) LTD.	Sales of automobile and auto parts	Thailand	43.0
	*TOYOTA MANILA BAY CORPORATION	Retail sales of Toyota cars	Philippines	40.0
	*PT. Yamaha Indonesia Motor Manufacturing	Manufacture and sales of motorcycles	Indonesia	15.0
	India Yamaha Motor Private Limited	Manufacture and sales of motorcycles	India	15.0
	TAIYOKENKI RENTAL CO., LTD	Rental of construction machinery	Japan	25.9
	KOMATSU MARKETING SUPPORT AUSTRALIA PTY LTD	Sales of construction and mining equipment	Australia	40.0
Energy	*ENEOS GLOBE Corporation	LPG imports and marketing, fuel cell and photovoltaic systems marketing	Japan	30.0
	*Japan Australia LNG (MIMI) Pty. Ltd.	Exploration, development and sales of crude oil and natural gas	Australia	50.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Lifestyle	FEED ONE CO., LTD.	Manufactureing and sales of compound feedstuffs	Japan	25.0
	Starzen Co., Ltd.	Processing and sale of meat, manufacture and sale of meat products	Japan	16.7
	Mitsui Sugar Co., Ltd.	Manufacture of refined sugar	Japan	32.3
	The Kumphawapi Sugar Co., Ltd.	Production and sales of sugar	Thailand	44.7
	*AIM SERVICES CO., LTD.	Contract food services	Japan	50.0
	*ARAMARK Uniform Services Japan Corporation	Rental and sales of uniforms	Japan	39.2
	SOGO MEDICAL CO., LTD.	Dispensary pharmacy business, total solutions for medical institution management	Japan	25.6
	Fuji Pharma Co., Ltd.	Manufacture and sale of pharmaceutical products	Japan	22.9
	*Medica Asia (Holdco) Limited	Investment in MIMS Group, a healthcare information company	United Kingdom	40.0
	*SMB KENZAI CO., LTD.	Sales of building materials, contract of construction work and import of various building materials	Japan	36.3
Innovation & Corporate Development	Relia Inc.	Comprehensive telemarketing and direct marketing operations	Japan	34.4
	QVC JAPAN INC.	Multimedia retail business based on TV shopping	Japan	40.0
	CCTV Shopping Co., Ltd.	Service for TV shopping business in China	China	25.0
	JA Mitsui Leasing, Ltd.	Leasing and financing business	Japan	31.4
Europe, the Middle East and Africa	*ITC RUBIS TERMINAL ANTWERP NV	Chemical tank leasing	Belgium	50.0
	GEG (Holdings) Limited	Fabrication, upgrading, inspection and maintenance of welded structures	United Kingdom	25.0

(*1) SUMIC Nickel Netherlands B.V. was in a financial condition with liabilities in excess of assets. Amount of negative net worth as of March 31, 2017 was ¥45,814 million.

(*2) The companies with an asterisk, accounted for using the equity method, are joint ventures in accordance with IFRS 11 "Joint Arrangements." For more information, see Note 2, "BASIS OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(4) Other Affiliated Companies

Not applicable.

5. Employees

(1) Mitsui & Co., Ltd. and Subsidiaries

As of March 31, 2017

Operating Segment	Number of Employees	
Iron & Steel Products	1,374	(82)
Mineral & Metal Resources	440	(19)
Machinery & Infrastructure	15,497	(3,269)
Chemicals	2,658	(254)
Energy	724	(43)
Lifestyle	10,466	(4,917)
Innovation & Corporate Development	3,398	(1,034)
Americas	2,457	(116)
Europe, the Middle East and Africa	964	(40)
Asia Pacific	1,271	(40)
All Other	3,067	(174)
Total	42,316	(9,988)

(Notes) 1. The figures in parentheses in the number of employees column indicate the annual average number of temporary employees.

2. The number of employees at trading subsidiaries and their consolidated subsidiaries in China, Taiwan, Korea and CIS are included in "All Other."

(2) Mitsui & Co., Ltd.

As of March 31, 2017

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary (Thousands of Yen)
5,971	42.4	18 years 11 months	12,135

Operating Segment	Number of Employees
Iron & Steel Products	321
Mineral & Metal Resources	245
Machinery & Infrastructure	791
Chemicals	598
Energy	378
Lifestyle	824
Innovation & Corporate Development	398
Americas	217
Europe, the Middle East and Africa	164
Asia Pacific	226
All Other	1,809
Total	5,971

(Notes) 1. The number of employees includes 1,132 seconded employees and 118 extended employment staff. However, 279 contract workers (including 150 workers seconded to Mitsui from outside Mitsui) and 162 employees hired in overseas offices are not included.

2. The average yearly salary includes bonuses and overtime pay.

3. The number of headquarters employees working in China, Taiwan, Korea and CIS is included in "All Other."

(3) Trade Union

No material items to report.

2. Operating and Financial Review and Prospects

1. Overview of Business Results

(1) Operating Results

See "7. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (2) Discussion and Analysis of Operating Results for the Years Ended March 31, 2017 and 2016, 3) Operating Results by Operating Segment."

(2) Cash Flows

See "7. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (3) Liquidity and Capital Resources, 6) Cash Flows."

2. Purchases, Sales Contracts and Trading Transactions

(1) Purchases

In all operating segments, as the difference between the amount of purchases and the amount of total trading transactions is minimal compared to the amount of total trading transactions, this item is omitted.

(2) Sales Contracts

In all operating segments, as the difference between the amount of contracts and the amount of total trading transactions is minimal, this item is omitted.

(3) Trading Transactions

See "7. Management's Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (2) Discussion and Analysis of Operating Results for the Years Ended March 31, 2017 and 2016," and Note 6, "SEGMENT INFORMATION."

3. Management Policies, Operating Environment, and Management Issues

This Management Policies, Operating Environment, and Management Issues section contains forward-looking statements about Mitsui and its consolidated subsidiaries. These forward-looking statements involve assumptions, risks, uncertainties and other factors, including, but not limited to, those described in "4. Risk Factors." Such risks, uncertainties and other factors may cause Mitsui's actual results to be materially different from any future results expressed or implied by these forward-looking statements.

(1) Review of the previous Medium-term Management Plan

Review of the previous Medium-term Management Plan "Challenge & Innovation for 2020 -Demonstrating Mitsui Premium-" announced in May 2014, is outlined below.

1) Attainment of Quantitative targets

The Company recorded a consolidated net loss for the first time ever due mainly to substantial impairment losses in the fiscal year ended March 31, 2016, amid a much greater than anticipated downturn in the commodities market beginning in the latter half of 2014. With commodity prices having bottomed out in the first half of 2016, financial results in the mineral resources and energy areas recovered, but did not reach initially anticipated levels. On the other hand, the Company also managed to achieve financial results at specified levels with respect to our stable earning business for which we have been enhancing earnings bases, yet those results were insufficient with respect to enabling us to reach our targets for EBITDA (¥1 trillion level) and Return on Equity (ROE) (10% to 12%) for the fiscal year ended March 31, 2017. In light of these results, we will work to establish an earnings base that can sufficiently weather major changes in the operating environment, under our new Medium-term Management Plan.

(Billions of Yen, Except ROE and Net DER)

	Year ended March 31, 2014 (IFRS)	Year ended March 31, 2017 (IFRS)
EBITDA (*1)	819.6	596.1
Profit for the Year Attributable to Owners of the Parent	350.1	306.1
Core Operating Cash Flow (*2)	608.9	3 years cumulative 1,600
Net Interest-Bearing Debt	3,178.8	3,282.1
Total Equity Attributable to Owners of the Parent	3,815.8	3,732.2
Return on Equity (ROE)	9.7%	8.6%
Net DER (times)	0.83	0.88

(*1) EBITDA = Gross Profit - Selling, general and administrative expenses + Dividend income + Equity earnings +Depreciation / Amortization

(*2) Core Operating Cash Flow = Cash flows from operating activities - Changes in operating assets and liabilities

2) Pursue both "New Investments" and "Shareholder Return" backed by strong cash generation capabilities

Cash flows generated over the entire three years of the previous Medium-term Management Plan are presented in the table shown as follows.

Core operating cash flow amounted to a net inflow of ¥1.6 trillion, which was below the target of ¥1.8 trillion to ¥2.0 trillion due to the substantial downturn in the commodities market. On the other hand, the total net inflow amounted to ¥2.4 trillion, with asset recycling having generated cash flow of ¥0.8 trillion which was in line with our target of ¥0.7 trillion to ¥0.9 trillion. Investment in existing businesses and projects in the pipeline (*3) produced a cash outflow of ¥1.1 trillion, which was below the target of ¥1.5 trillion, due to stringent investment discipline in terms of ongoing efforts geared to reducing investment amounts, modifying timing of investment, and streamlining investment projects. Recurring free cash flow amounted to a net cash inflow of ¥1.3 trillion, which was in line with the target range of ¥1.0 trillion to ¥1.4 trillion due to the reduction in the amount of investment outflow relative to the decrease in core operating cash flow. Meanwhile, we generated positive free cash flow of ¥0.5 trillion, in line with the target, as a result of having allocated ¥0.8 trillion of the aforementioned amount to new investment. We also struck a favorable balance between new investment and shareholder returns with total shareholder returns amounting to ¥375.0 billion, consisting of dividends amounting to ¥327.5 billion and share buyback amounting to ¥47.5 billion.

(*3) Projects in which our participation has been decided and announced as of May 2014.

(Trillions of Yen)

	Target in the previous Medium-term Management Plan	3 years cumulative results in the previous Medium-term Management Plan
Core Operating Cash Flow・・・(a)	+ 1.8 ~ 2.0	+ 1.6
Asset Recycling・・・(b)	+ 0.7 ~ 0.9	+ 0.8
Investment in Existing Business and Projects in the pipeline・・・(c)	- 1.5	- 1.1
Recurring FCF・・・(d) = (a) + (b) + (c)	+ 1.0 ~ + 1.4	+ 1.3
New Investment・・・(e)	Compatible with Shareholders Return	- 0.8
Free Cash Flow・・・(f) = (d) + (e)	Achieve positive FCF	+ 0.5
Shareholder Return	Compatible with New Investments	- 0.4

3) Establishing "Key Strategic Domains" in line with our core strengths, Enhance earnings base of "Existing Business" and fully execute "Projects in the pipeline"

In its seven Key Strategic Domains, the Company has been steadily engaging in initiatives to deploy its comprehensive strengths by horizontally linking areas of expertise in its respective operating segments. Moreover, we have been making steady progress in enhancing our existing businesses and carrying out projects in the pipeline, and accordingly anticipate that those efforts will enable us to boost the Company’s profitability during the term of the new Medium-term Management Plan, as we draw on these business assets which deliver the quality and competitive strengths necessary to shore up the corporate value of the Company.

Major examples of bolstering profitability :

Key Strategic Domains	Examples of bolstering profitability
Hydrocarbon Chain	･Cameron LNG project in US : final investment decision and construction on-going
	･Methanol production business in US : commenced production
	･Expansion of US tank terminal business : Phase-Ⅰcompleted, Phase-Ⅱ on-going
	･Kipper Gas field in Australia : acquisition of interest
	･Greater Enfield Project (development of Australian oil fields) : final investment decision
Mineral resources (urban & underground) and materials	･West Angelas iron ore mine in Australia and Cape Lambert port in Australia : completed expansion
	･Coal mine and rail & port infrastructure project in Mozambique : acquisition of interest
	･Carbon fiber production business in Norway : invested
	･CFRP Intermediate material manufacturing business in South Korea : invested
Food and agriculture	･Novus (feed additive manufacturing and sales) in US : acquisition of newly issued shares and expansion policy decision
	･Monsanto's Latitude® wheat seed treatment fungicide in US : acquired
Infrastructure	･Expansion of natural gas distribution business in Brazil : invested
	･Tanjung Priok Port new container terminal in Indonesia : commenced operations
	･FPSO (Floating production, storage and offloading system for offshore oil and gas) : invested and completed
	･IPP business : invested and completed
Mobility	･VLI integrated freight transportation business in Brazil : invested
	･Passenger railway transportation business in UK : invested
	･Truck leasing business in US : invested
	･Gestamp Automoción (Spain) (automotive components business) : invested
Medical / Healthcare	･NovaQuest (US pharmaceutical fund) : expanded
	･MIMS (Asia Pacific pharmaceutical information service) : joint acquisition
	･DaVita (dialysis business) in Asia : invested
	･Columbia Asia group (hospital operations) : invested
	･Panasonic Healthcare Holdings (healthcare devices) : invested
Lifestyle products and value-added services	･IoT data analysis in US : invested
	･NOCM (Bermuda) reinsurance asset management business : invested
	･CIM real estate asset management business in US : invested

(2) Operating Environment

1) General

Note: The following describes the understanding of the economic environments as of May 2017.
Descriptions included herein may differ from our current understanding.

In the year ended March 31, 2017, the global economy saw business confidence improve due to the bottoming out in the international commodities market, as well as signs of recovery in production and trade, which led to moderate growth overall, particularly in the U.S.

In the U.S., consumer spending is picking up amid increased employment and rising wages, and economic recovery is expected to continue for the immediate future. However, there are signs of maturity in some parts of the economy and there is also concern regarding what effect the hike in interest rates by the Federal Reserve Board will have on automotive sales, etc. In Europe, consumer spending is increasing and the gradual economic recovery is continuing. However, going forward, the pace of the economic recovery is expected to slow due to increasing uncertainty from issues such as the U.K.’s negotiations for exiting the EU. In Japan, there are signs that improvement will continue going forward due to increased exports following recoveries in

overseas economies, and expectations that investment related to the Olympic and Paralympic Games will get into full swing. In China, growth continues to weaken following an environment of excess capacity and adjustments of debts. For the immediate future, on the other hand, the slowdown is expected to be gradual due to the increase in infrastructure investment and the increase in the global demand for IT. Also, a gradual economic recovery is expected in Russia and Brazil as well due to the bottoming out of commodity prices.
The global economy is expected to follow a trend of gentle recovery going forward. However, careful watch is needed on the progress of policies under the new U.S. administration and the escalation of geopolitical risk surrounding the Middle East and East Asia.

2) Iron & Steel Products

Global steel output for the 2016 calendar year reached the same level as the previous calendar year, approximately 1.6 billion tons. Due to an excess in supply from Chinese steel manufacturers, which account for almost half of the global steel output, the difficult business environment is expected to persist. Against this backdrop, fierce competition among steel distributors accompanying the integration of suppliers could create an environment that sees even more intensified reorganization.
Over the medium to long term, the domestic iron and steel market is expected to shrink gradually due to population decline, among other factors. However, we anticipate that the Americas and Asia will drive a global economic recovery, resulting in increased demand for iron and steel products. Many business opportunities are expected to arise from this development.

3) Mineral & Metal Resources

In the short term, there is a risk that sluggish economic growth in China and emerging countries could lead to a continuing economic slowdown. Steel and non-ferrous metals are core industrial materials, and demand for these materials is likely to grow over the long term. On the other hand, over the medium to long term, supply and demand is expected to be tightened due to supply limitations resulting from the limited availability of high-quality undeveloped projects, in addition to rising development and production costs, depletion of reserves, and deterioration of quality minerals from existing mines. The segment believes the mineral and metal resources business will continue to be an important aspect of its operations.

4) Machinery & Infrastructure

In emerging countries, where economics and populations continue growing markedly, demand is rising for the development of basic infrastructure, including electrical, water-related and logistical infrastructure. As for industrialized countries, aging infrastructure is leading to increased demand for repairs, while efforts to create a low-carbon society are boosting demand for related infrastructure investment, such as a rapid expansion of environmentally friendly renewable energy. Moreover, as facilities and equipment for energy resource development become more advanced, larger, and more complex, development demand is rising overall. In the United States, the progress of shale oil and gas development is heightening demand, not only for infrastructure development but also for pipeline transportation, downstream chemical manufacturing, gas-fired power generation and LNG shipping facilities. On the other hand, policy interest rates have reached a historical low level backed by the implementation of quantitative easing policies by central banks primarily in industrialized countries, and greater attention is being paid to infrastructure projects from which stable earnings are expected, following an increase in the amount of investment-ready cash. The segment believes the infrastructure business will continue to be an important aspect of its operations.

As demand for resource and energy is seen to rise over the medium to long term with growth in emerging countries, demand for mining machinery should recover and market conditions are expected to pick up due to an increase in land-and-sea-based logistics. In the United States, the manufacturing industry is undergoing a revival, and the underlying trend of improvement in U.S. business conditions is having a favorable effect on the Company's automobile, truck, machine tool, and construction machinery businesses. Economic expansion in emerging economies has fostered growing concern about associated environmental problems, and a shift to the public transportation has been encouraged as a solution to the traffic congestion. As a result, demand for passenger and freight railway facilities is expected to increase. Due to ongoing global economic growth, the number of airline passengers is expected to increase over the medium to long term, and consequently, demand for airframes and engines is also expected to rise. Meanwhile, as global warming, population growth, urbanization, and the aging of society has progressed, various technological innovations for materials, engines, self-driving cars using artificial intelligence, and so on, have been developed and are soon to be put into practical use. In response to this, user awareness has changed including a heightening of safety and environmental consciousness, and a progressive shift from ownership of transport to use of transport. Against this backdrop, diverse and innovative business models that go beyond industry customs are appearing across industries and many business opportunities are expected to arise from this trend.

5) Chemicals

Due to the shale revolution, the petrochemical industry in North America has regained its competitiveness, and North America is becoming a supply region comparable with the Middle East. Furthermore, as plants become larger and production capacities increase, the commoditization of petrochemical intermediates is accelerating. As a result, securing highly cost-competitive petrochemical feedstock is becoming more important. Moreover, changes are occurring in the trade flow of petrochemicals due to increasing local production and consumption in China and Southeast Asia as well as the progress of structural reforms in Japan and Europe, including the elimination and consolidation of mineralization plants.
In the areas of performance and advance materials as well as specialty chemicals, three growth areas are garnering a significant amount of attention against the backdrop of a global macro environment consisting of a higher awareness toward the environment, improved quality of life, and advances in technological innovations. These growth areas are automobiles, where efforts to make vehicles lighter and electric powered such as electric vehicles and fuel cell vehicles, are progressing; consumer products, such as foods, detergents, and personal care products; and the ICT and new industries, which include the liquid-crystal displays of smartphones, in addition to robotics and healthcare.
In the agricultural chemicals and food and nutrition science areas, the need for increased food production and the demand for high-value-added food are increasing significantly with population and economic growth in global and the increase in middle income earners and an improved awareness towards health, which has led to market expansion.

6) Energy

Energy demand is expected to increase along with population and economic growth around the world, and oil, natural gas, coal, and nuclear fuel are expected to continue as main sources of primary energy over the medium to long term.
As oil demand is expected to increase in the medium to long term, the crude oil market is expected to follow a gentle uptrend mainly due to the effect of slowed-down development by restrained new upstream investment and the necessity to develop higher cost fields.
The LNG market is expected to remain as an oversupply situation for the time being, because the pace of LNG demand increase will not match with the supply increase by start-up of new large-scale LNG projects in Australia, the U.S., and so on. However, over the medium and long term, the oversupply situation is expected to be resolved around 2023 by firm demand increase mainly resulting from market expansion in emerging countries and fuel conversion.
In the upstream business, including E&P and LNG projects, we are working to improve profitability by promoting proactive initiatives and taking advantage of lower development costs caused by lower commodity prices. We are also promoting the development of undeveloped reserves and acquisition of good quality assets, which will establish a more stable earnings base.
In addition, we will enhance our presence by reinforcing global business and trading structure, and we will develop business through our energy value chain from upstream to midstream to downstream, further enhancing our earnings base and improving the sustainable value-creating capabilities of our business portfolio by capturing new demand arising in emerging countries and opportunities in infrastructure business such as power generation plants and terminals.
As a response to climate change, there has been a need for a shift to cleaner energy and action taken toward contributing to a low-carbon society. The growth rate of renewable energies, centered primarily on solar power and wind power, is high due to cost reduction by rapid technological innovation. Depending on the growth rate, it could significantly affect the composition of primary energy sources.
By assessing the trends in energy business from a long-term perspective, we intend to promote the establishment of a well-balanced energy portfolio for the future, and to contribute to the sustainable growth of society through comprehensive stable energy supply.

7) Lifestyle

As the global population and economy grow, food demand is expected to increase constantly. Meanwhile, against a background of decreasing agricultural population primarily in industrialized countries and changes to suitable agricultural land due to climate change, the uneven distribution of food-producing regions is progressing and the need to secure food resources and stable food supplies is expected to become more pressing. The global increase of the middle-income class leads to the sophistication of food demand, such as preferences for taste, animal protein, and so on. Additionally, the aging of society led food demand to diversify in areas such as health improvement, disease prevention, safety, security, and so on. The segment believes that it is also necessary to address the demand for high-value-added food.

In Japan's mature consumer market, consumption is expected to decline at a moderate pace due to a declining birthrate and a population that is contracting and aging. The changes are not only quantitative. Against a backdrop of changing lifestyles accompanying the increase in the senior population, and increases in dual-income households and small families due to more women having jobs, there are substantial changes in the quality and contents of services required, such as an emphasis on medical and healthcare services and the pursuit of safety, security and convenience.

In emerging countries, mainly in Asia, the growth of medical expenditures is accelerating alongside changes in disease patterns, such as an increase in chronic disease patients, accompanying population growth, an aging society, an increasing middle-income class, and economic development. On the other hand, due to a shortage in the supply of medical services, demand-supply gaps regarding medical services are expected to expand further. The segment believes that it is necessary to address the difficult issues of increasing the supply of high-quality medical services and curtailing medical expenditures.

8) Innovation & Corporate Development

In the ICT business area, with the evolution of devices and prevalence of SNS and IoT, the volume of digital data is increasing drastically, including documents, photos, audio, video, sensor information, and so on. Innovation has continued for technology that gathers and analyzes the vast amount of diverse and unstructured data that has, up to this point, been buried in society as well as in nature. By visualizing this information and making forecasts with significantly higher accuracy, added value is created. Business environments are changing rapidly, and as a result, there is a need to take swift action as technological innovation, as well as new services and business models, leads the way toward a next-generation society in which advanced ICT services and the real economy are closely linked.

Emerging economies are showing high growth potential in the ICT business field, exemplified by a shift from PCs to mobile devices, expanded investment in communications infrastructure, and a shift to investment in the service business industry. In addition, such things as high-speed internet infrastructure and TV shopping, both widespread in developed countries, are growing in emerging economies. With the increase of the middle-income class, diversification in consumption, and enhancement of logistics, the market size is expected to increase going forward.

In the Corporate Development business area, given the recent trend in which countries around the world are implementing monetary easing initiatives and enhancing their legal frameworks, Mitsui is expanding its real estate asset management business, combining the knowledge of the real estate and finance businesses, in both developed and emerging economies around the world. Furthermore, buyout funds and other private equity funds, which provide management know-how and funding, are playing an increasingly important role in supporting corporate growth. Moreover, from the viewpoint of institutional investors looking to diversify investment risk and investment targets, private equity funds are expected to continue to be an attractive asset class.

(3) New Medium-term Management Plan "Driving Value Creation"

Note: The following describes a part of the contents of the New Medium-term Management Plan "Driving Value Creation" announced in May 2017.

1) Company Vision

We established a new medium-term management plan entitled “Driving Value Creation.” As a “group that incubates and develops new businesses,” Mitsui creates new value enlisting a diverse pool of talented professionals equipped with varied and abundant qualities and capabilities across the entire Group in efforts that take the initiative to create new business and actively leverage Mitsui Group’s comprehensive strengths and global network with outstanding business partners and customers. The notion of “Driving Value Creation” involves hastening the Company’s growth through ongoing efforts to create such value.

2) Quantitative Targets for the Year Ending March 31, 2020

In the final year of the new Medium-term Management Plan, the fiscal year ending March 31, 2020, we aim to achieve profit for the year of ¥440.0 billion and core operating cash flow of ¥630.0 billion, thereby increasing Return on Equity (ROE) to 10%.

3) Four Key Initiatives

We will establish a profit base capable of weathering changes and risks in the business environment, taking results of the previous Medium-term Management Plan into account. To that end, we must dynamically allocate our limited business resources in a manner geared to growth areas where the strengths of the Company lie. We also need to steadily carry out business activities amid drastic changes, and must accordingly further strengthen the business foundations which help support such efforts. As such, we have established four key initiatives to address these challenges, as follows.

(a) Strengthen existing businesses, build robust profit base

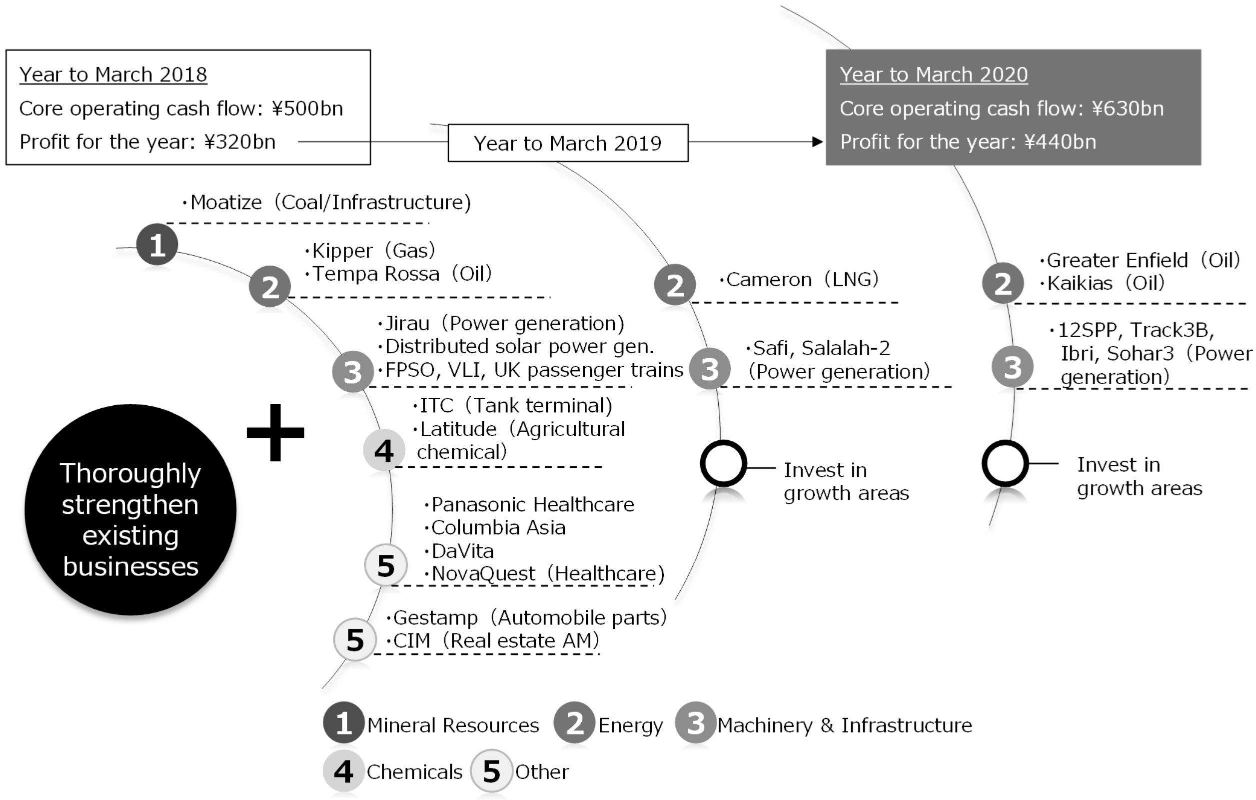
The new Medium-term Management Plan sets forth three core areas - Resources and Energy, Machinery & Infrastructure, and Chemicals. Those overwhelmingly constitute key areas of the Company’s business, and as such are expected to generate some 90% of its overall core operating cash flow over the three-year plan period. In Resources and Energy, we are engaging in projects that have strong capacity for generating cash even amid a scenario of low commodity prices as a result of undertaking combined reinforcement of the three key strengths: reserves, output, and cost reduction. In Machinery & Infrastructure as well as in Chemicals, we are achieving growth with respect to our profit pillars drawing on the successes of various initiatives running up to the end of the previous Medium-term Management Plan. Going forward, we will further add assets through bolt on acquisitions in our areas of strength, thereby enhancing our sound business projects.

Core areas :

	Resources & Energy	Machinery & Infrastructure	Chemicals
Main businesses	Iron Ore, Oil & Gas	Power generation, Marine energy, Gas distribution, Automobiles, Shipping, Railroads	Feed additives/Agricultural chemicals, Functional materials, Tank terminals, Chemical products manufacture and trading

We are also moving forward with efforts to fully realize value from projects with potential value yet to be demonstrated. In addition, we will hasten portfolio replacements of projects on the basis of having performed accurate assessment of project cycles taking changes in the external business environment into account. We will also persist with efforts to strengthen our trading business. With respect to our 'selling power' under trading business, long one of the Company's key capabilities, we will further enhance our networks with our partners and customers through our high added-value trading capabilities and seek more extensive opportunities for value creation.

We will work to achieve our quantitative targets by steadily launching business with respect to the premium-quality projects amassed during the term of the previous Medium-term Management Plan shown in the illustration below.



(b) Establish selected new growth areas

We will dynamically allocate our business resources in four growth areas with potential to leverage strengths of the Company based on the medium-term outlook for the business environment. In the Mobility area, we are engaging in multifaceted approach to materials and mobility & transportation services based on changing social needs in the environmental society. In the Healthcare area, we aim to create a healthcare ecosystem that is tailored to handling growing social needs particularly in Asia with respect to diabetes and other lifestyle diseases. In the Nutrition & Agriculture area we are engaging in efforts that involve raising productivity and providing stable supplies in agriculture, livestock and fisheries, and enhancing added value of foods, with the aim of addressing mounting interest in food and agriculture amid demographic and lifestyle changes. In the Retail Services area, we are fostering businesses for the next generation leveraging the latest digital, logistical and financial functions, partially with the aim of addressing consumer needs amid an environment of growing influence of diverse consumers worldwide and increasing consumer-specific preferences. In these growth areas, we will create new forms of value drawing on already existing Company strengths, to accordingly establish the Mitsui's next profit pillars.

Growth areas :

	1	2	3	4
	MOBILITY	HEALTHCARE	NUTRITION & AGRICULTURE	RETAIL & SERVICES
Approach	Multifaceted approach to Materials and Mobility & Transportation services based on changing social needs in the environmental society	Build healthcare ecosystem around medical services businesses	Raise productivity, provide stable supplies in agriculture/livestock/fisheries, enhance added value of foods	Foster next generation digital/logistics/ financial functions to meet consumer needs
Core businesses	■ Penske Truck Leasing ■ Gestamp	■ IHH ■ Panasonic Healthcare	■ Novus ■ Ventura	■ Media commerce businesses ■ Retail support businesses

The expanding middle class of Asia and growing North American economy are core targets

Foster businesses in new growth areas, create value to **establish Mitsui's next profit pillars**

(c) Stronger focus on cash flow management; Strengthen financial base

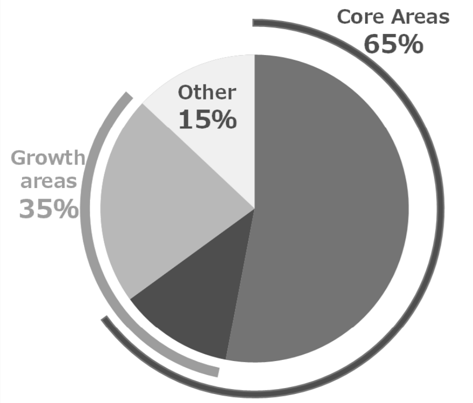
We will focus more on cash flow management under the new Medium-term Management Plan, following on our key initiatives in that regard under the previous Medium-term Management Plan. First off, we will establish a minimum total dividend amount, calculated on the basis of a core operating cash flow amount such that is possible to generate in a stable manner. We will also attempt to strengthen our financial foundations, thereby managing levels of interest-bearing debt through efforts geared to bringing about positive free cash flow after furnishing shareholder returns, over the three-year period on a cumulative basis. Depending on business circumstances at any given time, free cash flow that remains after deducting the minimum dividend payment will be allocated to providing additional shareholder returns, repaying interest-bearing debt, and undertaking additional investments. In carrying out such cash flow management practices, we will take steps geared to maintaining our current A-grade rating from credit rating agencies and achieving sustainable improvement in that regard.

On the basis of the aforementioned policies, outlook for cash flow allocations is as follows.

Outlook for cash flow allocation		3 years cumulative (FY2018-FY2020)
Cash-In	Core operating CF ･･･①	¥1,700bn
	Asset recycling ･･･②	¥700bn
Cash-Out	Investment･･･③	-¥1,700bn to -¥1,900bn
	Minimum dividend ･･･④	-¥300bn
FCF after minimum dividend ･･･①+②+③+④		¥200bn to ¥400bn

Additional shareholders returns | Debt repayment | Additional investment

Disciplined Allocation of Investment

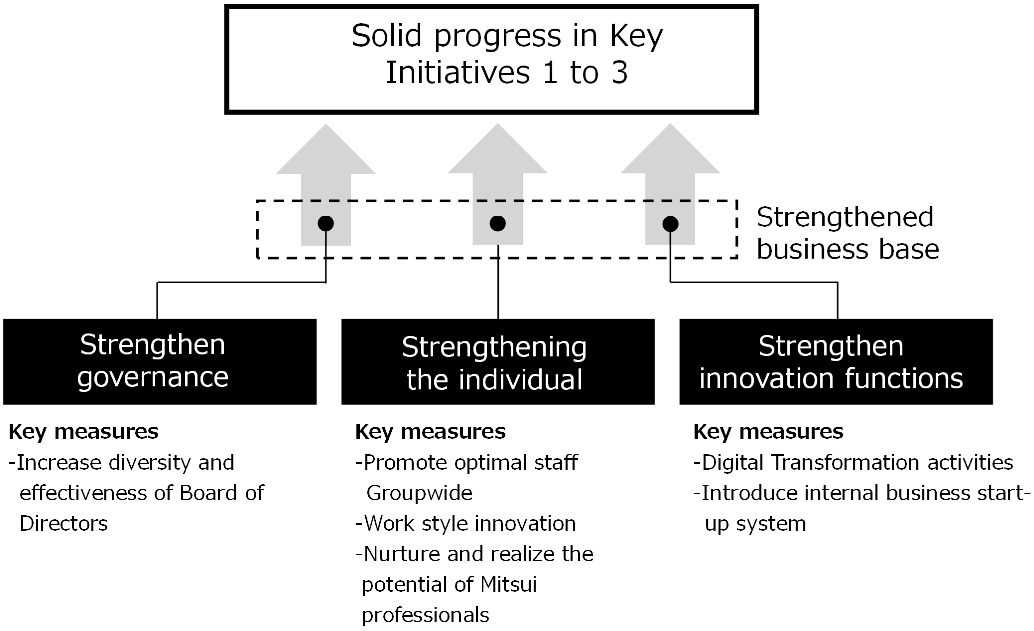


There is some overlap between the core areas of Machinery & Infrastructure and Chemicals, and the growth areas of Mobility and Nutrition/Agriculture

When it comes to investment, we will stringently select and conduct projects in accord with the first two key initiatives (a) and (b) , in a manner that continues to ensure strict investment discipline. As for allocating investment, around 65% of investment funds are to be allocated to core areas with the aim of maintaining and strengthening our ability to generate strong core operating cash flow, and around 35% of investment funds are to be allocated to growth areas with the aim of building Mitsui's next profit pillars.

(d) Enhance Governance, Personnel and Innovation functions

We are taking steps to enhance our governance, personnel and innovation functions given the need to establish business foundations that provide solid support in order for the Company to engage in sound business activities and steadily take on key initiatives of management. As for governance, we will continue working to increase the diversity of the Board of Directors and enhance its effectiveness. Regarding personnel, we will move forward with initiatives to place individual employees from among the diverse pool of talented professionals of the Mitsui Group who we deem as best suited to a job in correspondingly appropriate employment positions. With respect to innovation functions, we will enhance our competitive strengths, heighten productivity and accelerate business model reforms by actively promoting a digital transformation with our sights set on major opportunities involving rapid advances in technology.



4) Profit Distribution Policy

For further information regarding shareholder return policy, see "4. Corporate Information, 3. Shareholder Return Policy."

(4) Forecasts for the Year Ending March 31, 2018

1) Forecasts for the Year Ending March 31, 2018

[Assumption]

Exchange rate (JPY/USD)	110.00	108.89
Crude oil price (JCC)	$54/bbl	$47/bbl
Consolidated oil price	$53/bbl	$44/bbl

(Billions of yen)	March 31, 2018 Forecast	March 31, 2017 Result	Change	Description
Gross profit	770.0	719.3	50.7	Higher crude oil and gas prices Higher iron ore prices
Selling, general and administrative expenses	(570.0)	(539.0)	(31.0)	Increase in personnel and other expenses
Gain (loss) on investments, fixed assets and other	30.0	80.1	(50.1)	Reversal effects of deconsolidation of SIMS and partial disposal of IHH
Interest expenses	(30.0)	(22.1)	(7.9)	
Dividend income	60.0	51.9	8.1	
Profit (loss) of equity method investments	220.0	170.6	49.4	Asset recycling, reversal effects of losses on IPP, higher crude oil and gas prices
Profit before income taxes	480.0	460.8	19.2	
Income taxes	(140.0)	(134.7)	(5.3)	
Non-controlling interests	(20.0)	(20.0)	0.0	
Profit for the year attributable to owners of the parent	320.0	306.1	13.9	

Depreciation and amortization	200.0	193.3	6.7	

Core operating cash flow	500.0	494.8	5.2	

We assume foreign exchange rates for the year ending March 31, 2018 will be ¥110/US$, ¥85/AU$ and ¥35/BRL, while average foreign exchange rates for the year ended March 31, 2017 were ¥108.89/US$, ¥81.75/AU$ and ¥33.27/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2018 will be US$53/barrel, up US$9 from the previous year, based on the assumption that the crude oil price (JCC) will average US$54/barrel throughout the year ending March 31, 2018.

The forecast for profit for the year attributable to owners of the parent by operating segment is described as follows:
Effective April 1, 2017, the region-focused reporting segments were aggregated to product-focused reporting segments, and allocation of overhead costs and income taxes to reporting segments was changed. In accordance with the aforementioned changes, the operating segment information for the year ended March 31, 2017 has been restated to conform to the operating segments as of April 2017.

(Billions of yen)	Year ending March 31, 2018	Year ended March 31, 2017	Change	Description
Iron & Steel Products	10.0	10.8	(0.8)	
Mineral & Metal Resources	150.0	144.3	+5.7	Higher iron ore prices, FX fluctuation, reversal effect of deconsolidation of SIMS
Machinery & Infrastructure	70.0	66.8	+3.2	
Chemicals	30.0	32.7	(2.7)	
Energy	50.0	31.7	+18.3	Higher crude oil and gas prices
Lifestyle	20.0	25.3	(5.3)	Reversal effect of partial sale of IHH
Innovation & Corporate Development	10.0	11.0	(1.0)	
All Other/Adjustments and Eliminations	(20.0)	(16.5)	(3.5)	
Consolidated total	320.0	306.1	+13.9	

The forecast for core operating cash flow by operating segment is described as follows:
As is the case with profit for the year attributable to owners of the parent, the operating segment information for the year ended March 31, 2017 has been restated to conform to the operating segments as of April 2017.

(Billions of yen)	Year ending March 31, 2018	Year ended March 31, 2017	Change	Description
Iron & Steel Products	5.0	8.6	(3.6)	
Mineral & Metal Resources	210.0	202.2	+7.8	Higher iron ore prices, FX fluctuation, increase in income taxes
Machinery & Infrastructure	80.0	74.5	+5.5	
Chemicals	50.0	53.8	(3.8)	
Energy	140.0	134.2	+5.8	Higher crude oil and gas prices, increase in income taxes
Lifestyle	10.0	8.3	+1.7	
Innovation & Corporate Development	5.0	6.1	(1.1)	
All Other/Adjustments and Eliminations	0.0	7.1	(7.1)	
Consolidated total	500.0	494.8	+5.2	

2) Key commodity prices and other parameters for the year ending March 31, 2018

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2018. The effects of movements on each commodity price and foreign exchange rates on profit for the year attributable to owners of the parent are included in the table.

Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2018			March 2018 Assumption	March 2017 Result
Commodity	Crude Oil/JCC	¥2.8bn (US$1/bbl)	54	47
	Consolidated Oil Price (*1)		53	44
	U.S. Natural Gas (*2)	¥0.4bn (US$0.1/mmBtu)	3.00 (*3)	2.55 (*4)
	Iron Ore	¥2.5bn (US$1/ton)	(*5)	67 (*6)
	Copper	¥1.0bn (US$100/ton)	5,600	4,863 (*7)
Forex (*8)	USD	¥2.0bn (¥1/USD)	110	108.89
	AUD	¥1.7bn (¥1/AUD)	85	81.75
	BRL	¥0.4bn (¥1/BRL)	35	33.27

(*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, 2018, 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, 30%; 1-3 month time lag, 37%; no time lag, 33%.

(*2) US shale gas is 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 prices.

(*3) For natural gas sold in the US on HH linked prices, the assumed price used is US$3.00/mmBtu.

(*4) Daily average of settlement price for prompt month Henry Hub Natural Gas Futures contracts reported by NYMEX during January 2016 to December 2016.

(*5) We refrain from disclosing the iron ore price assumptions.

(*6) Daily average of representative reference prices (Fine, Fe 62% CFR North China) during April 2016 to March 2017.

(*7) Average of LME cash settlement price during January 2016 to December 2016.

(*8) Impact of currency fluctuation on profit for the year attributable to owners of the parent of overseas subsidiaries and equity accounted investees (denomination in functional currency) against the Japanese yen. Impact of currency fluctuation between their functional currencies against revenue currencies and exchange rate hedging are not included.

Note: Impact of Foreign Currency Exchange Fluctuation on Operating Results

The total sums for profit (loss) for the year attributable to owners of the parent for the years ended March 31, 2017 and 2016 reported by overseas subsidiaries and associated companies were ¥314.3 billion of gain and ¥156.3 billion of loss, respectively. These companies principally use the U.S. dollar, the Australian dollar and the Brazilian real as functional currencies in their reporting.

We conducted a simplified estimation for the effect of foreign currency exchange fluctuations on profit for the year attributable to owners of the parent for the year ending March 2018.

(a) We aggregated a total projected profit (loss) for the year attributable to owners of the parent in the business plans of these companies covering the year ending March 31, 2018, according to their functional currencies. Firstly, we aggregated Australian dollar- and Brazilian real-denominated projected profit (loss) for the year attributable to owners of the parent of those companies using two currencies as functional currencies. Secondly, we aggregated the rest of the projected profit (loss) for the year attributable to owners of the parent from overseas subsidiaries and associated companies as a US dollar-equivalent amount. We conducted a sensitivity analysis on foreign currency fluctuation for three categories of aggregated profit (loss) for the year attributable to owners of the parent.
For example, yen appreciation of ¥1 against US$1 would have the net effect of reducing profit (loss) for the year attributable to owners of the parent by approximately ¥2.0 billion. Specifically, for the profit (loss) for the year attributable to owners of the parent from those companies using Australian dollar and Brazilian real as functional currencies, appreciation of ¥1

against AUD1 and BRL1 would have the net effect of reducing profit for the year attributable to owners of the parent by approximately ¥1.7 billion and ¥0.4 billion, respectively.

(b) Profit (loss) for the year attributable to owners of the parent from those mineral resources and energy producing companies are affected by the currency fluctuation between the US dollar as a contractual currency of sales contracts and the two currencies as functional currency, affecting their Australian dollar or Brazilian real denominated revenues. Attention should be paid to this, in addition to the impact that is discussed in (a) above.

(c) Furthermore, some subsidiaries and associated companies, including the mineral resources- and energy-related production companies, carry out hedging on the exchange rates between their functional currencies and the US dollar, which is the contract currency for sales contracts. There are also cases that they carry out exchange rate hedging for yen equivalence valuation of profit for the year attributable to owners of the parent that is denominated in foreign currencies. It is necessary to take the impact of these factors into consideration separately from the sensitivity resulting from the yen equivalence valuation of profit (loss) for the year attributable to owners of the parent in each of the three currencies mentioned in (a) above.

4. Risk Factors

(1) Risks of Changes in Global Macroeconomic Factors

Our global business activities are affected by economic conditions both globally and regionally. Among other locations, we are particularly vulnerable to downward economic trends in Europe, Japan, China, the United States and emerging countries. An economic downturn may cause a reduction in the flow of goods and materials, a decline in consumer spending and capital investment, and subsequently a decline in demand from our customers for our products and services, which may have an adverse impact on our business, operating results and financial condition.

(2) Market Risk

1) Commodity Market Risk

We are engaged in trades in and, as the case may be, production of a variety of commodities in the global commodities market including mineral resources and energy products. Among others, operating results from our mineral resources and energy producing activities account for significant portion in our overall operating results. These commodity markets can be volatile in a short period or seasonally fluctuate by various factors such as imbalance of supply and demand, economic fluctuation, inventory adjustment, and exchange rate fluctuations. These factors are beyond our control. The unexpected market fluctuations may adversely affect our business, operating results and financial condition, as follows.

- At businesses such as mineral resources and/or energy development projects, in which large amounts of investment has been made, it may occur that the invested amount is not recoverable through sales of the produced products due to a fall in price or we may have difficulty in divesting our proprietary equity at a reasonable price.
- A decline in the value of our investments in LNG projects which are recognized to designate as at fair value through other comprehensive income (“FVTOCI”), could adversely affect our operating results and financial condition due to the decline of other comprehensive income.
- In trading of commodities or derivative instruments losses may occur as a result of unexpected fluctuations.
- Fluctuations in a commodity market may cause a reduction of trading transactions in which we act as a principal or an agent.

For further information about the impact of commodity price fluctuations on our operating results for the year ended March 31, 2017 and possible effects in the future, see “3. Management Policies, Operating Environment, and Management Issues, (4) Forecasts for the Year Ending March 31, 2018” and “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (2) Discussion and Analysis of Operating Results for the Years Ended March 31, 2017 and 2016.”

2) Foreign Currency Risk

We are exposed to risk of exchange rate fluctuations and exchange rate fluctuations may have an adverse effect on our operating results. Although our reporting currency is the Japanese yen, a significant portion of our business operations, consolidated revenues and operating expenses is denominated in currencies other than the Japanese yen. As a result, appreciation or depreciation in the value of other currencies as compared to the Japanese yen could result in material transactional gains or losses. As most of revenues, costs of revenues, and selling, general and administrative expenses incurred from regular business activities at overseas subsidiaries and associated companies are quoted in the U.S. dollar, the Australian dollar, the Brazilian real, or other currencies, our profit for the year may be affected by the fluctuations of these currencies and we are exposed to translation risk in our assets and liabilities denominated in foreign currencies. In addition, exchange rate fluctuations may reduce the value of investments in overseas subsidiaries and associated companies as well as in FVTOCI, and adversely affect our accumulated other comprehensive income.

For further information about the impact of exchange rate fluctuations on our operating results for the year ended March 31, 2017 and in the future, see “3. Management Policies, Operating Environment, and Management Issues, (4) Forecasts for the Year Ending March 31, 2018” and “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (3) Liquidity and Capital Resources.”

3) Interest Rate Risk

We are exposed to risks associated with interest rate fluctuations, which may affect our overall operational costs and the value of our financial assets and liabilities, particularly our debt obligations from the capital markets and borrowings from financial institutions, including ¥304.6 billion short-term debt and ¥4,497.0 billion long-term debt as of March 31, 2017. An increase in interest rates, especially in Japan and the United States, may adversely affect our operating results.

For information on the status of our funding, see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (3) Liquidity and Capital Resources” and Note 8, “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS”

4) Stock Price Risk

A significant portion of our investment portfolio consists of marketable equity financial assets. At March 31, 2017, our marketable equity financial assets recognized to designate as FVTOCI were carried at a fair value of ¥579.1 billion, representing 5.0% of our total assets. While we periodically review our investment portfolio, a decline in the equity securities market could negatively impact the value of our investment portfolio and operating results and financial condition due to the decline of other comprehensive income.

5) Risks Regarding Pension Cost and Projected Benefit Obligations

Declines in the market value of domestic and foreign government bonds, other debt securities and marketable equity securities would reduce the value of our pension plan assets. A decline in the value of our pension plan assets or an increase in our unfunded defined benefit obligation could adversely affect our operating results and financial condition due to the decline of other comprehensive income and retained earnings.

For information on our defined benefit cost, see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (4) Critical Accounting Policies and Estimates” and Note 18, “EMPLOYEE BENEFITS.”

(3) Credit Risks

We are exposed to large-scale counterparty credit risks, including the following:

- While many of our customers purchase products and services from us on credit, we may also provide financing programs or debt guarantees for customers associated with sales contracts. At March 31, 2017, our current trade receivables (less allowance for doubtful receivables－current) were ¥1,739.4 billion, representing 15.1% of our total assets. The balance of the allowance for doubtful receivables－current for the year ended March 31, 2017 was ¥10.3 billion.
- We engage in significant project financing activities as a lender or guarantor whereby we assume repayment risk.
- We have counterparty payment risk from various derivative transactions we enter into as part of our hedging activities.

It is not possible for our credit risk management policy to eliminate risks completely relating to the deterioration of the financial positions of our counterparties. Furthermore, factors such as insolvencies among our customers caused by liquidity crises, sudden falls in real estate market or stock market prices, or increases in company bankruptcies may make it difficult for us to collect receivables.

(4) Risks Regarding Impairment Loss on Fixed Assets

Assets for our own use and/or rental to third parties, such as equipment and fixtures, land and buildings are exposed to potential significant impairment losses due to the decline in the value of these assets. The total of the carrying amounts of property, plant and equipment, investment property and intangible assets was ¥2,172.0 billion, as of March 31, 2017. The carrying amounts of assets for our own use and/or rental to third parties are affected by certain factors, which are beyond our control such as changes in price, sales volume, production volume and cost based on global or local supply and demand. When impairment losses on these assets occur, impairment losses may have an adverse effect on our operating results and financial condition.

For information on our accounting policies and estimates with respect to impairment on non-financial assets, see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (4) Critical Accounting Policies and Estimates.”

(5) Risks Regarding Fund Procurement

Turmoil in financial markets, a downgrade in our credit ratings or significant changes in the lending or investment policies of our lenders or institutional investors could result in constraints on our fund procurement and an increase in funding costs, and could have an adverse effect on our financial position and liquidity.

For information on our funding sources and credit ratings, see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (3) Liquidity and Capital Resources.”

(6) Risks Regarding Deferred Tax Assets

We determine the recoverability of deferred tax assets based on all currently available information, including tax deductibility of accounting losses, their timing as well as future taxable income at Mitsui and the subsidiaries. Deferred tax assets are recognized except for cases where such deferred tax assets are not recoverable, while the amount of recoverable net deferred tax assets may change if estimates of future taxable income are changed or if tax laws and regulations including statutory tax rates are revised.

A worsening of our operating environment could negatively affect our ability to achieve the goals set in our business plan, and future taxable income may decrease compared to the amount anticipated in the current tax planning strategies. In such cases, decrease in deferred tax assets due to the changes in assessment for recoverability of deferred tax assets may adversely affect our operating results and financial conditions.

For information on our accounting policies and estimates with respect to deferred tax asset valuation, see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (4) Critical Accounting Policies and Estimates.”

(7) Concentrated Risk Exposures

Various types of businesses worldwide sometimes expose us to risks associated with regional political and economic instabilities, in addition to aspects of the global economic environment such as commodity market conditions, demand and supply for commodities, currency exchange rates and interest rates. Furthermore, some of our business activities may be exposed to concentration risk in particular industries located in specific regions or countries. For example:

- In Brazil, Chile and Russia, we have significant interests in the exploration, development and production of mineral resources and energy.
- In Indonesia, we actively participate in infrastructure projects, including the operation of power plants, and maintain a nationwide motorcycle retail finance business.
- In Mozambique, we have significant interests in the rail and port infrastructure business and the exploration, development and production of mineral resources.

As a result, declining levels of trading activities or asset volumes in specific sectors or in certain regions or countries, or unexpected political or economic instabilities could have a disproportionately negative effect on our business, operating results and financial condition.

(8) Business Investment Risk

As of March 31, 2017, we had 268 consolidated subsidiaries and 201 equity accounted investees. We have been continuously restructuring underperforming businesses of our consolidated subsidiaries and associated companies using a process we have introduced to assess their profitability. If we fail to successfully restructure or eliminate our underperforming subsidiaries and associated companies in a timely manner, or if these efforts fail to improve our business operations as contemplated, our business operations may become less efficient and our operating results and financial condition may be adversely affected.

Furthermore, we participate in various businesses directly or indirectly through joint ventures or by making strategic investments in other companies and business enterprises. The outcome of these joint ventures and strategic investments is unpredictable because:

- operational success is critically dependent on factors that are beyond our control such as the financial condition and performance of the partner companies or the strategic investees; or
- with respect to certain associated companies, we may be unable to exercise adequate control over the management, operations and assets of the companies in which we invested or may be unable to make major decisions without the consent of other shareholders or participants due to lack of common business goals and strategic objectives with our alliance partners.

Any occurrence of these events could have an adverse effect on our operating results and financial condition.

(9) Risks Regarding Exploration, Development and Production of Mineral Resources and Oil and Gas

Reflecting the rising prices of mineral resources and oil and gas as well as increased production in recent years, exploration, development and production of mineral resources and oil and gas are becoming more significant to our operating results and financial condition. Mining and oil and gas projects involve risks, such as the following:

- development of projects may face schedule delays or cost overruns than originally planned, due to difficulties in technical conditions, procurement of materials, financial conditions and government regulations including environmental aspect;
- reserves are estimated based on available geological, technical, contractual and economic information, and thus actual development and production may significantly differ from originally estimated reserves; and
- exploration activities may not produce successful results and thus it is possible that reserve replacement cannot be achieved based on the assumed cost and time schedule.

We participate as a non-operator in many of these projects. Under these circumstances, we carefully consider the business potential and profitability of projects based on the information and data provided by operators, who substantially control operations of such projects, including decision-making in the course of development and production. In addition to the above-mentioned risks, an operator's failure in managing those projects may adversely affect our operating results and financial condition.

(10) Risks Due to Competition

Products and services we provide are generally under competition. Other Japanese general trading companies as well as other competitors which engage in similar business activities in various fields may have stronger business associations and relationships with our customers, suppliers and business partners in both domestic and global markets; or stronger global network and regional expertise, diversified global customer bases, greater financial engineering skills and market insights.

Unless we can successfully continue to meet the changing needs of our customers by providing them with innovative and integrated services in a cost effective manner, we may lose our market share or relationships with our existing customers, and we may have an adverse effect on our operating results and financial condition.

(11) Risk Regarding Limitation of Resources on Business

In new businesses, we are investing human resources that are capable of planning and evaluating business, executing projects and managing and supervising workforce. However, in certain business areas, we may have a shortage of required human resources, which could cause a loss of opportunities to start new businesses, which in turn may adversely affect our future business, operating results and financial condition.

(12) Environmental Risks

Various projects and business transactions worldwide we are involved in are subject to extensive environmental laws and regulations. In particular, the Mineral & Metal Resources Segment and Energy Segment may be adversely affected by present or future environmental regulations or enforcement in connection with our exploration, development and production activities. For example, we are subject to complex sets of environmental regulations in Australia, Brazil, Chile, Russia, and the Middle East. These laws and regulations may require us to perform site clean-ups; require us to curtail or cease certain operations; impose fines and payments for significant environmental damage; require us to install costly pollution control equipment; and require us to modify our operations. Newly enacted environmental laws and regulations or changes therein, criticism by stakeholders such as

NPOs & NGOs, advise from institutional shareholder service provider and rating by the ESG/SRI research company may materially impact the progress of these projects.

Once an environmental accident occurs, as the owner of mineral resource and energy interests, regardless of the degree of our contribution to such accidents or acts of negligence, we may be imposed to bear fines or payments for compensation from environmental authorities or other concerned parties, even in situations where we have no involvement at all in actual operations as a non-operator. These fines and/or compensation payments may include clean-up costs, compensation for environmental damages, compensation for health hazard and/or property damage to those affected by the accident, compensation for absence from work and/or for loss of earnings.

As a result of an oil spill incident at an exploration project in the Gulf of Mexico for which BP Exploration & Production Inc. (BP) was the operator, civil lawsuits including those seeking recovery for alleged economic loss, property damages, the costs of and caused by the clean up and personal injuries as well as those seeking penalties were brought against subsidiaries of Mitsui.
In connection with this incident, subsidiaries of Mitsui entered into a settlement with BP and its parent companies (BP Settlement), under which Mitsui and its subsidiaries are to be fully indemnified by BP and its parent companies as to all claims arising from the incident except for punitive damages, but solely to the extent arising from the conduct of the Mitsui subsidiaries, and fines, penalties and sanctions. However, there is a risk that the indemnity payments required by the BP Settlement may not be made.
All asserted claims that are not covered by the BP Settlement or the DOJ Settlement have been dismissed by court orders. However, many of these court orders are not final and can be appealed.

Mitsui and its United States subsidiary, Mitsui & Co. (U.S.A.), Inc. are shareholders of Coronet Industries Inc. ("Coronet"), a former manufacturer of animal feed supplements, each with 18% and 12% share interest, respectively. Coronet has been working with the U.S. Environmental Protection Agency and the State of Florida in an investigation on environmental conditions related to its prior operations at its facility in the state of Florida. Currently deliberations continue with the environmental authorities in relation to appropriate environmental measures and concrete clean-up methods, as well as their implementation.

(13) Risks Associated with Laws and Regulations

Our business operations are subject to extensive laws and regulations in Japan and other countries throughout the world. Our operations are subject to laws and regulations governing, among other things, commodities, consumer protection, business and investment approvals, environmental protection, currency exchange control, import and export (including restrictions from the viewpoint of national and international security), taxation, and antitrust. For instance, many of our infrastructure projects in developing countries are subject to less developed legal systems. As a result, our costs may increase due to factors such as the lack of a comprehensive set of laws and regulations, an unpredictable judicial system based on inconsistent application and interpretation of laws and regulations, and changing practices of regulatory and administrative bodies. For example, we are subject to sudden and unpredictable changes to: tariffs for products and services that we provide; technical specifications with respect to environmental regulations; income tax and duty rates; and foreign currency exchange controls with respect to repatriation of investments and dividends.

Furthermore, while we are involved in the exploration, development and production activities through various contractual arrangements for concessions, the contracts may not be honored or extended when they expire. Moreover, the regulatory bodies of these areas may unilaterally intervene or even alter the contractual terms of our oil and gas as well as mineral resource producing operations involving production rates, pricing formulas, royalties, environmental protection cost, land tenure or otherwise. If these regulatory bodies unilaterally alter such contractual terms, or if the cost of complying with revised or newly established laws and regulations increases, our business, operating results and financial condition could be adversely affected. In order to comply with laws and regulations, we may bear considerable additional costs.

(14) Risks Regarding Employee's Compliance with Laws, Regulations, and Internal Policies

Due to our size, as well as the operational and geographic breadth of our activities, our day-to-day operations are necessarily de-centralized. As a result, we cannot fully ensure that our employees comply with all applicable laws and regulations as well as our internal policies. For example, our employees may engage in unauthorized trading activities and exceed the allotted market risk exposure for various commodities or extend an unauthorized amount of credit to a client, which, in either case, may result in unknown losses or unmanageable risks. Moreover, our employees could engage in various unauthorized activities prohibited under the laws of Japan or other jurisdictions to which we are subject, including export regulations, anticorruption laws, antitrust laws and tax regulations. The efforts we undertake to ensure employees' compliance with applicable laws and regulations as well as our internal policies may not succeed in preventing misconduct by our employees. Depending on its nature, employees' misconduct could have negative effects on our operating results and reputation.

(15) Risks Regarding Internal Control

We are engaged in business activities in a variety of products and services worldwide and thus our internal control over financial reporting needs to be established for numerous transaction patterns. We may be unable to maintain adequate internal control over financial reporting, and thus not be able to assert that our internal control over financial reporting is effective. This could adversely affect the capital market's perception of us and may cause negative market reactions.

(16) Risks Regarding Climate Changes and Natural Disasters

Among extreme weather conditions which have been increasing recently due to climate change, intense storms, especially hurricanes and cyclones, which are strong tropical depressions in the Atlantic and South Pacific oceans, respectively, may have an adverse impact on production and shipments of our mineral resources, oil and gas, and salt production operations, leading to increased costs and/or decreased revenues. In the case that production sites, production facilities, and infrastructure used for shipments such as roads, railways and ports, are seriously damaged by extreme weather conditions, operations and shipments could stop for indeterminate periods until restoration work is completed. Extreme weather conditions such as drought could also adversely affect foods raw material producing activities in which we have investments.
Initiatives to reduce greenhouse gases, which are said to be the root cause of climate change and global warming, are undertaken globally, such as adaption of "Paris Agreement" at the 21st Conference of Parties (COP21) in United Nations U.N. Framework Convention on Climate Change. Introduction of government-imposed greenhouse gas emission restrictions including environmental tax, and cap and trade schemes of emission credit could adversely affect the operating results of our businesses that use fossil fuel and emit a large amount of greenhouse gasses, such as overseas power producing businesses , and that produce coal, oil, and gas, where we have minority share holdings.

Furthermore, natural disaster, such as earthquake, heavy rain or flood, that affects our employees and damages our offices or facilities, may adversely hinder our business. We have implemented measures such as developing a disaster contingency manual, creating a Business Continuity Plan (BCP), introducing a safety confirmation system for employees, reinforcing earthquake resistance, and conducting emergency drills. However, despite these measures, there is no assurance that damage from disasters can be completely avoided.

(17) Risks Regarding Information Systems and Information Securities

We are working to enhance the safety of information systems used by us and our consolidated subsidiaries through development of related regulations and response systems internally and to thwart external attacks through various measures, including the monitoring of our IT networks. However, we cannot totally eliminate the possibility that unforeseeable serious problems in our IT system infrastructure or communications networks, or confidential business information could be destroyed or stolen. Such situations could seriously reduce our operational efficiency or jeopardize our ability to maintain or expand our business activities, which may have an adverse impact on our business, operating results and financial condition.

(18) Risks Relating to Terrorists and Violent Groups

We conduct business operations globally, and these conditions are therefore exposed to risk from unexpected situations relating to terrorists and violent groups, as well as trends in politics and social factors. The materialization of such risks may have an adverse impact on our business, operating results and financial condition.

(19) Risks Associated with the Incorporation of Valepar S.A.

The incorporation of Valepar S.A. ("Valepar") by Vale S.A. ("Vale") may affect our operating results and financial condition.

We have 15% share in Valepar, a holding company of Vale. 1) conversion of Vale's preferred shares to common shares, 2) amendment to Vale bylaw and 3) incorporation of Valepar by Vale shall be executed subject to approval at Vale's extraordinary shareholders meeting and consent of at least 54.09% to the conversion of Vale's preferred shares to common shares. At the time of the incorporation of Valepar by Vale, we will record profit/loss for the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and the profit due to the reversal of deferred tax liabilities. This transaction may affect our operating results and financial condition due to the fluctuation of the future Vale's share price and exchange rate.

(20) Possibility of difference between the actual dividend amount and the forecasts announced prior to the record date

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from the practice widely followed in other markets. Our dividend payout practice is no exception.

We ordinarily announce a certain dividend payout policy at the beginning of each fiscal year and also provide guidance for annual dividends based on the forecast of our financial results including profit for the year. Interim dividends are paid to shareholders of record on September 30 of each fiscal year after reviewing our financial results during the first six months of each fiscal year as well as our forecast of our financial results during the last six months of the same fiscal year. The decision of declaration and payment is solely a matter of discretion of our Board of Directors, and such a decision may be made after the September 30 record date, and thus may differ from our guidance provided prior to such record date.

The amount and payment of the year-end dividend are determined by our Board of Directors based on the actual financial results including profit for the year. It also requires the approval of shareholders at the annual general meeting held in June of each year, if we propose to declare the year-end dividend. Our Board of Directors decides and submits a proposal for the year-end dividend declaration a few weeks before the annual general meeting. If the shareholders' approval is given, dividend payments are made to shareholders of record.

The shareholders of record may sell shares after the March 31 record date with the anticipation of receiving a certain dividend payment. However, the declaration of year-end dividends is approved by our shareholders only in June, usually based upon a proposal submitted by our Board of Directors. As such, we may have announced dividend-related forecasts prior to the record date; but, in making a decision on the year-end dividend declaration, neither our shareholders nor our Board of Directors is legally bound by such forecast. Moreover, where our profit for the year turns out to be lower than we originally forecast, we may not submit any year-end dividend proposal to the annual general meeting of shareholders.

(21) Possibility of restriction to sell our common stock because of daily price range limitations under Japanese stock exchange rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price range limitations for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits on these exchanges. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

(22) Necessity of depositary to exercise the rights of shareholders

The rights of shareholders under Japanese law to take actions, including exercising voting rights, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to holders recorded on our register of shareholders. Because the depositary, through its custodian agents, is the recorded holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, as ADS holders, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through and with the consent of the depositary.

5. Material Contracts

There are no contracts for which disclosure is required.

6. Research & Development

There are no R&D activity for which disclosure is required.

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

Please take note that our management's discussion and analysis of financial position, operating results and cash flow contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ significantly from those anticipated in these forward-looking statements as a result of the items mentioned in "4. Risk Factors" or other factors.

As used in this "2. Operating and Financial Review and Prospects," "Mitsui" is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), and "we," "us," and "our" are used to indicate Mitsui & Co., Ltd. and its subsidiaries, unless otherwise indicated.

In the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements, the "Company" is used to refer to Mitsui & Co., Ltd., and the "companies" is used to refer to Mitsui & Co., Ltd. and its subsidiaries, unless otherwise indicated.

All references to "Note" throughout "2. Operating and Financial Review and Prospects" relate to the Notes to Consolidated Financial Statements contained elsewhere in this report.

(1) Key Performance Measures under Management's Discussion

Although our operating results and financial position are affected by various factors including the items stated in "4. Risk Factors," management believes that as of the end of the fiscal year under review, the following indicators can be usefully employed to discuss trends in our performance and financial condition.

1) Gross Profit, Share of Profit (Loss) of Investments Accounted for Using the Equity Method, EBITDA [*1] and Profit (Loss) for the Year Attributable to Owners of the Parent

We undertake world-wide business activities, involving diversified risk-return profiles, ranging from intermediary services as agent to development and production activities of mineral resources and energy. In this context, changes in the amounts of gross profit, share of profit (loss) of investments accounted for using the equity method, EBITDA and profit (loss) for the year attributable to owners of the parent by operating segment reflect the overall progress of our operating results and our businesses.

From the year ended March 31, 2015, we introduced EBITDA as a measure of underlying earnings power in addition to profit (loss) for the year attributable to owners of the parent as a base index to measure performance. However, from the year ending March 31, 2018, we demolish a measure of EBITDA since EBITDA includes impairment losses recorded at equity accounted investees and core operating cash flow is more preferable as a measure of cash flow generation capabilities.

[*1] EBITDA is the total of "gross profit," "selling, general and administrative expenses," "dividend income" and "share of profit (loss) of investments accounted for using the equity method" from the consolidated statements of income and "depreciation and amortization" from the consolidated statements of cash flows.

2) Trends in the Price of and Supply-Demand for Mineral Resources and Energy

Due to the significance to our operating results of the portion that comes from our mineral resources and energy-related businesses, the condition of the market and the production amount for mineral resources and energy has become a significant variable in operating results.

For further information regarding trends and prospects in this field, see the sections relating to the Mineral & Metal Resources Segment and the Energy Segment in "3. Management Policies, Operating Environment, and Management Issues, (2) Operating Environment" and "(2) Discussion and Analysis of Operating Results for the Years Ended March 31, 2017 and 2016, 3) Operating Results by Operating Segment."

3) Cash Flows, Capital Efficiency, and Financial Leverage

From the former Medium-term Management Plan (announced in May 2014), we introduced core operating cash flow (*2) as a measure of cash flow generation capabilities and source of cash reallocation. We also utilize core operating cash flow as a key performance measure under the new Medium-term Management Plan (announced in May 2017) started from the year ending March 31, 2018.

Mitsui decides the policies on levels of shareholders' equity (*3), and also debt and equity balances, and examines the status of execution in terms of stability for capital efficiency as well as financing. Mitsui also examines the scale of shareholders' equity in terms of risk buffer to maximum exposure to potential losses due to a deterioration of the respective business and is monitoring and managing group-wide financial leverage seeking to secure an efficient return on equity as well as maintaining and improving credit ratings and financial stability in order to refinance our interest-bearing debt. For further information regarding our capital management, see Note 8, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS, (6) Risk-related matters." For further information regarding our financial policy, see "(3) Liquidity and Capital Resources."

(*2) Core operating cash flow is cash flows from operating activities without the net cash outflow from an increase in working capital.

(*3) Shareholders' equity is total equity attributable to owners of the parent in the Consolidated Statements of Financial Position.

(2) Discussion and Analysis of Operating Results for the Years Ended March 31, 2017 and 2016

1) Analysis by Income Statement Account

Revenue

Under IFRS, revenue is reported based on the gross amount billed to a customer or on the net amount retained (that is, the amount billed to a customer less the amount paid to a supplier) in accordance with degree of risk against reward in the following manner.

- Revenue is reported based on gross amounts for transactions where we have the related risks and rewards of ownership such as transactions mainly where we are the primary obligor in the arrangement and/or assume general inventory risk without any significant mitigation of our risk level.

- Revenue is reported based on net amounts where we assume a low degree of related risks and rewards, effectively acting as an agent for the applicable products or services. A typical example of reporting revenue based on net amounts is a transaction where we receive a commission or fee at a fixed rate based on transaction volume or amount.

Mitsui & Co., Ltd. ("Mitsui") and its subsidiaries (collectively "we") recorded total revenue of ¥4,364.0 billion for the year ended March 31, 2017 ("current year"), a decline of ¥395.7 billion, or 8.3%, from ¥4,759.7 billion for the year ended March 31, 2016 ("previous year").

We classified our revenue into sale of products, rendering of services and other revenue with the corresponding costs of revenue.

The table below provides these three categories of revenue by operating segment.

	Billions of Yen											
	Current Year				Previous Year				Change			
	Sale of Products	Rendering of Services	Other Revenue	Total	Sale of Products	Rendering of Services	Other Revenue	Total	Sale of Products	Rendering of Services	Other Revenue	Total
Iron & Steel Products ………………	¥68.3	¥23.3	¥0.0	¥91.6	¥87.7	¥23.3	¥0.1	¥111.1	¥(19.4)	¥0.0	¥(0.1)	¥(19.5)
Mineral & Metal Resources …………	726.6	6.5	0.2	733.3	678.0	7.5	0.1	685.6	48.6	(1.0)	0.1	47.7
Machinery & Infrastructure …………	230.2	96.6	67.6	394.4	231.3	108.6	75.3	415.2	(1.1)	(12.0)	(7.7)	(20.8)
Chemicals ……………………………	712.6	36.9	(0.1)	749.4	771.7	37.4	(0.1)	809.0	(59.1)	(0.5)	0.0	(59.6)
Energy ………………………………	456.3	5.4	3.1	464.8	649.2	5.6	17.9	672.7	(192.9)	(0.2)	(14.8)	(207.9)
Lifestyle ……………………………	808.6	147.2	12.3	968.1	901.9	132.5	6.8	1,041.2	(93.3)	14.7	5.5	(73.1)
Innovation & Corporate Development ………………………	27.2	75.5	23.8	126.5	33.1	73.3	33.1	139.5	(5.9)	2.2	(9.3)	(13.0)
Americas ……………………………	634.1	21.0	16.3	671.4	670.9	19.8	22.4	713.1	(36.8)	1.2	(6.1)	(41.7)
Europe, the Middle East and Africa ………………………………	79.3	16.1	0.0	95.4	87.2	18.1	0.0	105.3	(7.9)	(2.0)	0.0	(9.9)
Asia Pacific …………………………	89.8	17.9	0.1	107.8	91.7	19.7	0.0	111.4	(1.9)	(1.8)	0.1	(3.6)
Total …………………………………	3,833.0	446.4	123.3	4,402.7	4,202.7	445.8	155.6	4,804.1	(369.7)	0.6	(32.3)	(401.4)
All Other ……………………………	0.4	6.3	1.5	8.2	0.0	1.0	1.6	2.6	0.4	5.3	(0.1)	5.6
Adjustments and Eliminations ………	0.2	(46.8)	(0.3)	(46.9)	(0.1)	(46.9)	0.0	(47.0)	0.3	0.1	(0.3)	0.1
Consolidated Total …………………	¥3,833.6	¥405.9	¥124.5	¥4,364.0	¥4,202.6	¥399.9	¥157.2	¥4,759.7	¥(369.0)	¥6.0	¥(32.7)	¥(395.7)

Sale of products

Sale of products is revenue from sales transactions of products and mainly includes the following four types of transactions:

- the sale of products as a principal in the various transactions;
- the sale of manufactured products in the wide range of industries such as metals, chemicals, foods and machinery;
- the sale of natural resources from iron ore, copper, and coal mining activities and oil and gas producing activities; and
- the development and sale of real estate.

Revenue from sales of products for the current year was ¥3,833.6 billion, a decline of ¥369.0 billion, or 8.8%, from ¥4,202.6 billion for the previous year.

Rendering of services

Rendering of services includes the revenue from trading margins and commissions related to various trading transactions in which we act as a principal or an agent. For example:

- We provide various services such as logistics and warehouse services, information and communication services and technical support. In these cases, the billed amounts for these services are recognized as revenue.
- We facilitate arrangement of the contracts between manufacturers and customers and deliveries of the products between suppliers, and also enter into back-to-back sales and purchase transactions of products. In these cases, the net amounts of sale and purchase prices (namely, margins for our intermediary services) are recognized as revenue.

Revenue from rendering of services for the current year was ¥405.9 billion, an increase of ¥6.0 billion, or 1.5%, from ¥399.9 billion for the previous year.

Other revenue

Other revenue principally includes the revenue from:

- derivative commodity instruments and derivative financial instruments held for trading purposes;
- the revenue from leasing activities of real estate, rolling stock, aircraft, ships and machinery equipment; and
- the revenue from external consumer financing.

Other revenue for the current year was ¥124.5 billion, a decline of ¥32.7 billion, or 20.8%, from ¥157.2 billion for the previous year.

Gross Profit

Gross profit for the current year was ¥719.3 billion, a decline of ¥7.3 billion, or 1.0%, from ¥726.6 billion for the previous year. Mainly the Energy Segment and the Americas Segment reported declines in gross profit, while the Mineral & Metal Resources Segment recorded an increase.
For more details of the discussion and analysis, see "3) Operating Results by Operating Segment."

Other Income (Expenses)

Selling, general and administrative expenses

Selling, general and administrative expenses for the current year were ¥539.0 billion, a decline of ¥27.0 billion, or 4.8%, from ¥566.0 billion for the previous year. The table below provides a breakdown of selling, general and administrative expenses used for our internal review.

	Billions of Yen		
	Current Year	**Previous Year**	**Change**
Personnel …………………………………	¥283.8	¥287.2	¥(3.4)
Welfare …………………………………	13.0	15.0	(2.0)
Travel …………………………………..	28.1	32.9	(4.8)
Entertainment ………………………..	6.7	8.0	(1.3)
Communication ……………………...	47.4	48.5	(1.1)
Rent …………………………………….	27.1	27.4	(0.3)
Depreciation ………………………….	13.4	14.8	(1.4)
Fees and Taxes ……………………….	10.8	14.4	(3.6)
Provision for Doubtful Receivables …………	9.2	9.9	(0.7)
Others …………………………………..	99.5	107.9	(8.4)
Total ……………………………………	¥539.0	¥566.0	¥(27.0)

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

	Billions of Yen		
	Current Year	**Previous Year**	**Change**
Iron & Steel Products ………………………..	¥29.5	¥29.0	¥0.5
Mineral & Metal Resources …………………	32.6	37.0	(4.4)
Machinery & Infrastructure …………………	114.4	127.7	(13.3)
Chemicals …………………………………….	61.9	69.2	(7.3)
Energy ……………………………………….	47.4	50.7	(3.3)
Lifestyle ……………………………………..	138.1	138.7	(0.6)
Innovation & Corporate Development ………	52.0	57.8	(5.8)
Americas …………………………………….	49.7	62.7	(13.0)
Europe, the Middle East and Africa …………	19.7	19.7	0.0
Asia Pacific ………………………………….	19.4	20.4	(1.0)
Total …………………………………………	564.7	612.9	(48.2)
All Other …………………………………….	14.0	12.3	1.7
Adjustments and Eliminations ………………	(39.7)	(59.2)	19.5
Consolidated Total …………………………..	¥539.0	¥566.0	¥(27.0)

Gain (loss) on securities and other investments—net

Gain on securities and other investments for the current year was ¥65.0 billion, a decline of ¥28.2 billion, or 30.3%, from ¥93.2 billion for the previous year. For the current year, a gain on securities was recorded mainly in the Mineral & Metal Resources Segment, the Innovation & Corporate Development Segment and the Lifestyle Segment. For the previous year, a gain on securities was recorded mainly in the Energy Segment, the Machinery & Infrastructure Segment and the Innovation & Corporate Development Segment.

Impairment reversal (loss) of fixed assets—net

Impairment loss of fixed assets for the current year was ¥5.7 billion, an improvement of ¥83.3 billion, or 93.6%, from ¥89.0 billion for the previous year. There were miscellaneous small items for the current year. For the previous year, an impairment loss on fixed assets was recorded mainly in the Energy Segment and the Mineral & Metal Resources Segment.

For more information on impairment losses on property, plant and equipment, see Note 11, "PROPERTY, PLANT AND EQUIPMENT."

Gain (Loss) on disposal or sales of fixed assets—net

Gain on disposal or sales of fixed assets for the current year was ¥11.0 billion, an improvement of ¥22.7 billion from ¥11.7 billion of loss for the previous year. For the current year, a gain on disposal of fixed assets was recorded mainly in the Lifestyle Segment. For the previous year, a loss on disposal of fixed assets was recorded in the Energy Segment. Meanwhile, a gain on disposal of fixed assets was recorded in the Lifestyle Segment.

Other income (expense)—net

Other income for the current year was ¥9.9 billion, an improvement of ¥42.0 billion from ¥32.1 billion of loss for the previous year. The Innovation & Corporate Development Segment recorded an improvement of foreign exchange gains (losses) in the commodity derivatives trading business, which corresponded to related gross profit, and exploration expenses declined mainly in the Energy Segment. For the previous year, an impairment loss on goodwill was recorded in the Lifestyle Segment. Furthermore, adjustment fees in relation to the purchase price of an IPP business were recorded in the Machinery & Infrastructure Segment for the current year.

Finance Income (Costs)

Interest income

Interest income for the current year was ¥34.9 billion, an increase of ¥3.3 billion, or 10.4%, from ¥31.6 billion for the previous year.

Dividend income

Dividend income for the current year was ¥51.9 billion, a decline of ¥2.8 billion, or 5.1%, from ¥54.7 billion for the previous year. Mainly the Energy Segment reported a decline.

Interest expense

Interest expense for the current year was ¥57.0 billion, an increase of ¥6.0 billion, or 11.8%, from ¥51.0 billion for the previous year.

The following table provides the month-end average of three-month Tibor for the Japanese yen and three-month Libor for the U.S. dollar for both years.

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

	Current Year	Previous Year
Japanese yen	0.06	0.16
U.S. dollar	0.87	0.42

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

Share of profit of investments accounted for using the equity method for the current year was ¥170.6 billion, an improvement of ¥302.6 billion from ¥132.0 billion of loss for the previous year. Mainly the Mineral & Metal Resources Segment, the Machinery & Infrastructure Segment and the Energy Segment recorded an increase.

For more details of the discussion and analysis, see “3) Operating Results by Operating Segment.”

Income Taxes

Income taxes for the current year were ¥134.6 billion, an increase of ¥43.4 billion, or 47.6%, from ¥91.2 billion for the previous year. Profit before income taxes for the current year was ¥460.8 billion, an increase of ¥436.5 billion from ¥24.3 billion for the previous year. In response, applicable income taxes also increased. Meanwhile, tax effects on equity accounted investees were reversed.
The effective tax rate for the current year was 29.2%, a decline of 345.8% from 375.0% for the previous year. For the current year, the major factor for the decline of the effective tax rate was the aforementioned reversal of tax effects. Meanwhile, for the previous year, the major factor for the increase of the effective tax rate was a substantial amount of impairment losses and disposal losses without tax effects.

Profit (Loss) for the Year

As a result of the above factors, profit for the year was ¥326.2 billion, an improvement of ¥393.1 billion from ¥66.9 billion of loss for the previous year.

Profit (Loss) for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent was ¥306.1 billion, an improvement of ¥389.5 billion from ¥83.4 billion of loss for the previous year.

2) EBITDA

We use EBITDA as a measure of underlying earning power.
EBITDA is the total of “gross profit,” “selling, general and administrative expenses,” “dividend income” and “share of profit (loss) of investments accounted for using the equity method” from the consolidated statements of income and “depreciation and amortization” from the consolidated statements of cash flows.

(Billions of Yen)		Current Year	Previous Year	Change
EBITDA (a+b+c+d+e) (*)		596.1	336.4	+259.7
Gross profit	a	719.3	726.6	(7.3)
Selling, general and administrative expenses	b	(539.0)	(566.0)	+27.0
Dividend income	c	51.9	54.7	(2.8)
Profit (loss) of equity method investments	d	170.6	(132.0)	+302.6
Depreciation and amortization	e	193.3	253.2	(59.9)

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

3) Operating Results by Operating Segment

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

Our operating segment information for EBITDA for the current year and the previous year is as follows:

EBITDA

	Billions of Yen		
	Current Year	**Previous Year**	**Change**
Iron & Steel Products ………………………..	¥9.5	¥10.9	¥(1.4)
Mineral & Metal Resources …………………	173.6	(93.8)	267.4
Machinery & Infrastructure …………………	72.7	29.2	43.5
Chemicals ……………………………………	38.8	32.5	6.3
Energy ……………………………………….	164.2	210.1	(45.9)
Lifestyle ……………………………………..	30.7	7.5	23.2
Innovation & Corporate Development ………	5.3	12.5	(7.2)
Americas …………………………………….	45.3	69.4	(24.1)
Europe, the Middle East and Africa …………	3.4	5.3	(1.9)
Asia Pacific ………………………………….	59.0	40.9	18.1
Total …………………………………………	602.5	324.5	278.0
All Other …………………………………….	1.0	(0.5)	1.5
Adjustments and Eliminations ………………	(7.4)	12.4	(19.8)
Consolidated Total …………………………..	¥596.1	¥336.4	¥259.7

Discussion and analysis regarding the operating results of each operating segment is as follows:

Iron & Steel Products Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	9.5	10.9	(1.4)
Gross profit	31.3	32.0	(0.7)
Selling, general and administrative expenses	(29.5)	(29.0)	(0.5)
Dividend income	2.8	2.1	+0.7
Profit (loss) of equity method investments	4.0	4.8	(0.8)
Depreciation and amortization	1.0	1.0	0.0
Profit for the year attributable to owners of the parent	6.9	6.3	+0.6

EBITDA declined by ¥1.4 billion, mainly due to the following factors:
- Gross profit declined by ¥0.7 billion.
- Profit (loss) of equity method investments declined by ¥0.8 billion.

Profit for the year attributable to owners of the parent increased by ¥0.6 billion.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	173.6	(93.8)	+267.4
Gross profit	173.6	98.7	+74.9
Selling, general and administrative expenses	(32.6)	(37.0)	+4.4
Dividend income	1.9	1.4	+0.5
Profit (loss) of equity method investments	(1.8)	(204.1)	+202.3
Depreciation and amortization	32.6	47.2	(14.6)
Profit (loss) for the year attributable to owners of the parent	138.0	(162.5)	+300.5

EBITDA increased by ¥267.4 billion, mainly due to the following factors:
- Gross profit increased by ¥74.9 billion.
  - Mitsui Coal Holdings Pty. Ltd. reported an increase of ¥45.6 billion reflecting higher coal prices.
  - Iron ore mining operations in Australia reported an increase of ¥35.1 billion due to higher iron ore prices.
- Selling, general and administrative expenses declined by ¥4.4 billion.
- Profit (loss) of equity method investments increased by ¥202.3 billion.
  - Inversiones Mineras Acrux SpA, a copper mining company in Chile, reported an improvement of ¥91.4 billion, mainly due to a reversal effect of impairment loss for the previous year.
  - Valepar S.A. reported an improvement of ¥71.5 billion mainly due to a reversal effect of impairment loss for the previous year, a reversal effect of foreign exchange valuation loss for the previous year, profit from foreign exchange valuation for the current year and higher iron ore prices, which was partially offset by impairment loss for the current year.
  - SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine, reported an improvement of ¥43.1 billion mainly due to a reversal effect of impairment loss in the previous year.
  - Robe River Mining Co. Pty. Ltd. reported an increase of ¥6.4 billion mainly due to higher iron ore prices.
  - Mitsui Raw Material Development Pty. Limited reported an increase of ¥3.8 billion mainly due to the reversal effect of a one-time loss in the previous year.
  - Compañía Minera Doña Inés de Collahuasi, a copper mining company in Chile reported an increase of ¥3.6 billion mainly due to the effect of cost reduction.
  - Allocation to other segments increased by ¥18.0 billion mainly due to the positive impact from higher prices on coal and iron ore mining operations in Australia, jointly invested with the Asia Pacific Segment.
- Depreciation and amortization declined by ¥14.6 billion.
  - Mitsui Coal Holdings Pty. Ltd. reported a decline of ¥10.4 billion mainly due to a decline in deprecation from the impairment in the previous year.

- Iron ore mining operations reported a decline of ¥4.3 billion mainly due to a revision of reserve assessment.

Profit (loss) for the year attributable to owners of the parent increased by ¥300.5 billion. In addition to the above, the following factors also affected results:

- Mitsui Coal Holdings Pty. Ltd. reported an impairment losses of ¥38.1 billion for the previous year.
- As a result of the deconsolidation of Sims Metal Management from an equity accounted investee, a profit of ¥26.9 billion on securities was recorded in the current year.
- For the current year, a decline of tax burden of ¥13.9 billion was recorded as a result of a tax effect resulting from the decision to liquidate Mitsui Raw Material Development Pty. Limited, an investment company for oversea scrap businesses. In addition, a decline of tax burden of ¥8.8 billion was recorded as a result of a tax effect resulting from the decision to liquidate SUMIC Nickel Netherlands, an investment company for oversea Nickel businesses. These tax effects were reversed in the Adjustments and Eliminations Segment, resulting in no impact on our profits.

Sensitivity for Fluctuations in Iron Ore Prices and Our Equity Share of Productions

Fluctuations in iron ore prices directly affect revenues from the equity share of production at our iron ore subsidiaries and equity accounted investees. For the year ending March 31, 2018, we estimate that the impact on profit for the year attributable to owners of the parent of a change of US$1 per ton in the iron ore price would be approximately ¥2.5 billion.

For the year ended March 31, 2017, the equity share of shipments of our overseas subsidiaries and equity accounted investees amounted to 57.4 million tons of iron ore. The above-mentioned effect of a change of US$1 per ton is calculated based on the assumptions of an estimated increase or decrease in production in the year ending March 31, 2018, in line with our holdings after the year ended March 31, 2017, and a specific range of foreign exchange rates for the U.S. dollar and other related currencies. As the value of natural resource producing countries' currencies, such as the Australian dollar and Brazilian real, generally trends to be highly correlated to the market prices of those countries' products, the change in the currencies may impact the local currency denominated revenues of our overseas subsidiaries and equity accounted investees.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	72.7	29.2	+43.5
Gross profit	110.9	127.1	(16.2)
Selling, general and administrative expenses	(114.4)	(127.7)	+13.3
Dividend income	2.6	3.6	(1.0)
Profit (loss) of equity method investments	56.9	8.0	+48.9
Depreciation and amortization	16.7	18.2	(1.5)
Profit for the year attributable to owners of the parent	62.1	18.3	+43.8

EBITDA increased by ¥43.5 billion, mainly due to the following factors:

- Gross profit declined by ¥16.2 billion.
  - The Infrastructure Projects Business Unit reported a decline of ¥3.8 billion.
  - The Integrated Transportation Systems Business Unit reported a decline of ¥12.4 billion.
    - ◇ Reclassification of a mining machinery sales and service subsidiary based in Mexico to an equity accounted investee resulted in a decline of ¥6.7 billion.
- Selling, general and administrative expenses declined by ¥13.3 billion.
  - The Infrastructure Projects Business Unit reported a decline of ¥0.9 billion.
  - The Integrated Transportation Systems Business Unit reported a decline of ¥12.4 billion.
    - ◇ Reclassification of a mining machinery sales and service subsidiary based in Mexico to an equity accounted investee resulted in a decline of ¥3.4 billion.
    - ◇ PT. Bussan Auto Finance, a motorcycle retail finance company in Indonesia, recorded a decline of ¥3.0 billion due to cost reduction.
- Profit (loss) of equity method investments increased by ¥48.9 billion.
  - The Infrastructure Projects Business Unit reported an improvement of ¥46.3 billion.

◇ IPP businesses posted a profit of ¥8.6 billion in total, an improvement of ¥50.1 billion from a loss of ¥41.5 billion for the previous year.
◆ For the previous year, a one-time negative impact of ¥54.2 billion was recorded due to lower electricity prices and obsolete power plants.
◆ For the current year, a decline of tax burden was recorded due to the Indonesian tax reform.
◆ A loss in relation to closure of a power plant was recorded for the current year.
◆ For the current year, an impairment loss on intangible assets was recorded in relation to previously purchased IPP business.
◆ Mark-to-market valuation losses, such as those on long-term power derivative contracts and long-term fuel purchase contracts, deteriorated by ¥0.1 billion to ¥2.0 billion from ¥1.9 billion for the previous year.
◇ The gas distribution business in Brazil recorded an increase of ¥5.3 billion mainly due to the increased interests.
◇ The LNG receiving terminal project in Mexico recorded a decline of ¥4.6 billion mainly due to a change in lease accounting treatment for the previous year.
- The Integrated Transportation Systems Business Unit reported an increase of ¥2.5 billion.
◇ National Plant and Equipment Pty Limited recorded an increase due to sale of its shares, which posted a loss for the previous year.

Profit for the year attributable to owners of the parent increased by ¥43.8 billion. In addition to the above, the following factors also affected results:

- For the current year, other income was recorded due to receipt of adjustment fees in relation to a purchase price of an IPP business.
- For the previous year, Road Machinery LLC recorded a gain on sale of a stake in its subsidiary, a mining machinery sales and service company based in Mexico.
- For the previous year, an ¥11.8 billion reversal gain of impairment loss was recorded at Tokyo International Air Cargo Terminal Ltd.
- For the previous year, this segment recorded a gain on partial sale of a share in a holding company for IPP business in Malaysia.
- For the current year and previous year, this segment recorded a ¥4.1 billion gain and ¥8.2 billion gain, respectively, on sale of a stake in relation to aviation business.

Chemicals Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	38.8	32.5	+6.3
Gross profit	82.6	81.7	+0.9
Selling, general and administrative expenses	(61.9)	(69.2)	+7.3
Dividend income	1.6	1.3	+0.3
Profit (loss) of equity method investments	6.4	8.0	(1.6)
Depreciation and amortization	10.2	10.7	(0.5)
Profit for the year attributable to owners of the parent	15.5	18.6	(3.1)

EBITDA increased by ¥6.3 billion, mainly due to the following factors:

- Gross profit increased by ¥0.9 billion.
  - The Basic Materials Business Unit reported an increase of ¥1.4 billion.
    ◇ MMTX Inc., methanol producing business in the U.S., reported an increase of ¥3.2 billion mainly from the production through the year.
  - The Performance Materials Business Unit reported a decline of ¥0.5 billion.
  - The Nutrition & Agriculture Business Unit reported a decline of ¥0.1 billion.
- Selling, general and administrative expenses declined by ¥7.3 billion.
- Profit (loss) of equity method investments declined by ¥1.6 billion.
  - Chemicals business in the Americas reported a decline of ¥3.0 billion mainly due to a one-time negative impact.

Profit for the year attributable to owners of the parent declined by ¥3.1 billion. In addition to the above, the following factor also affected results:

- Gain on the sale of stakes in relation to basic chemicals business was recorded in the previous year.

Energy Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	164.2	210.1	(45.9)
Gross profit	65.3	109.0	(43.7)
Selling, general and administrative expenses	(47.4)	(50.7)	+3.3
Dividend income	32.6	35.3	(2.7)
Profit (loss) of equity method investments	16.8	(22.3)	+39.1
Depreciation and amortization	96.9	138.8	(41.9)
Profit (loss) for the year attributable to owners of the parent	32.6	(3.9)	+36.5

EBITDA declined by ¥45.9 billion, mainly due to the following factors:

- Gross profit declined by ¥43.7 billion.
  - Mitsui Oil Exploration Co., Ltd. reported a decline of ¥22.1 billion from lower crude oil and gas prices and the negative impact of exchange rate fluctuations despite effects from cost reduction and increased volume.
  - Mitsui E&P Middle East B.V. reported a decline of ¥19.0 billion mainly due to the decreased working interests.
  - MEP Texas Holdings LLC reported a decline of ¥3.8 billion mainly from lower crude oil prices which was partially offset by a decline of depreciation due to the impairment in the previous year.
  - An improvement of ¥4.0 billion was reported at Mitsui E&P USA LLC mainly from lower depreciation due to the impairments in the previous year.
- Selling, general and administrative expenses declined by ¥3.3 billion.
- Dividend income declined by ¥2.7 billion.
  - Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Equatorial Guinea and Qatargas 3) were ¥30.4 billion in total, a decline of ¥2.4 billion from ¥32.8 billion for the previous year.
- Profit (loss) of equity method investments increased by ¥39.1 billion.
  - Japan Australia LNG (MIMI) Pty. Ltd. reported an increase due mainly to a reversal effect of an impairment loss of ¥40.3 billion for the previous year partially off-set by lower crude oil prices.
  - Mitsui Oil Exploration Co. reported an increase of ¥11.5 billion due to the reversal effect of an impairment in relation to its Gulf of Thailand business for the previous year.
  - ENEOS Globe Corporation reported an increase of ¥5.5 billion due mainly to the reversal effect of inventory valuation losses for the previous year.
- Depreciation and amortization declined by ¥41.9 billion.
  - In spite of increased capital expenditure at Mitsui Oil Exploration, oil and gas producing operations recorded a decline of ¥41.8 billion, including a decline at Mitsui E&P Middle East B.V., shale projects in the U.S., Mitsui E&P Australia Pty Ltd. and Mitsui E&P UK Limited.

Profit (loss) for the year attributable to owners of the parent increased by ¥36.5 billion. In addition to the above, the following factors also affected results:

- For the previous year, due mainly to falling oil prices, MEP Texas Holdings LLC recorded an impairment loss of ¥19.4 billion for its Eagle Ford shale oil and gas business, Mitsui E&P USA LLC recorded an impairment loss of ¥18.2 billion for its Marcellus shale gas business, Mitsui E&P UK Limited recorded losses of ¥8.9 billion from changes in forecasts of future costs for its oil and gas businesses in the North Sea, and Mitsui Oil Exploration Co., Ltd. has recorded impairment losses of ¥4.6 billion at its Gulf of Thailand businesses.
- For the previous year, a retirement loss of ¥21.5 billion was recorded at Mitsui E&P Middle East B.V.
- For the previous year, profit on securities and other investments of ¥34.5 billion was recorded in relation to the foreign exchange translation due to the liquidation of Mitsui & Co. LNG Investment Limited which managed LNG investments in the Middle East and Africa in an integrated manner.
- For the current year, exploration expenses of ¥7.5 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous year, exploration expenses of ¥14.7 billion in total were recorded, including those recorded by Mitsui E&P Australia Pty Limited and Mitsui Oil Exploration Co., Ltd.

Sensitivity for Fluctuations in Oil and Gas Prices and Our Equity Share of Productions

According to the U.S. Securities and Exchange Commission standards, our equity share of production amount of oil and gas for the year ended March 31, 2016 was 75 million barrels (gas is converted to barrels of oil at the ratio of 5,800 cubic feet of natural gas to 1 barrel of crude oil; not including 12 million barrels for Mitsui Oil Exploration Co., Ltd.'s non-controlling interest portion), and the equity share of production for the year ended March 31, 2017 was 71 million barrels (provisional at the time of publication, not including 12 million barrels of Mitsui Oil Exploration Co., Ltd.'s non-controlling interest portion).

For the year ending March 31, 2018, a change of US$1 per barrel in crude oil prices is estimated to have an effect of ¥2.8 billion on profit for the year attributable to owners of the parent as a result of changes in revenues of our oil and gas related subsidiaries and associated companies.

Similar to the discussion regarding iron and steel raw materials, actual results of operations are also influenced by production, costs, trends in foreign exchange rates and other factors surrounding those subsidiaries and associated companies.

Lifestyle Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	30.7	7.5	+23.2
Gross profit	132.0	112.9	+19.1
Selling, general and administrative expenses	(138.1)	(138.7)	+0.6
Dividend income	4.2	3.7	+0.5
Profit (loss) of equity method investments	17.8	16.9	+0.9
Depreciation and amortization	14.7	12.7	+2.0
Profit (loss) for the year attributable to owners of the parent	21.8	(14.9)	+36.7

EBITDA increased by ¥23.2 billion, mainly due to the following factors:

- Gross profit increased by ¥19.1 billion.
  - The Food Business Unit reported an increase of ¥10.5 billion.
    - ◇ Multigrain Trading AG reported an increase of ¥8.3 billion mainly due to an improvement of its lower grain origination for the previous year.
  - The Food & Retail Management Business Unit reported an increase of ¥1.9 billion.
  - The Healthcare & Service Business Unit reported a decline of ¥0.1 billion.
  - The Consumer Business Unit reported an increase of ¥6.8 billion.
    - ◇ An increase of ¥3.6 billion was reported due to a transfer of MBK Real Estate LLC, a real estate related business company, from the Americas Segment.
- Profit (loss) of equity method investments increased by ¥0.9 billion.
  - Mitsui Sugar Co., Ltd. reported an increase of ¥3.1 billion mainly due to a one-time positive impact.

Profit (loss) for the year attributable to owners of the parent improved by ¥36.7 billion. In addition to the above, the following factors also affected results:

- For the current year, a ¥14.6 billion gain on sale of shares was recorded due to the partial sale of shares in IHH Healthcare Berhad.
- For the current year, Mitsui & Co., Real Estate Ltd. recorded a gain on the sales of buildings in Japan. Meanwhile, for the previous year, a ¥13.1 billion gain was recorded.
- For the previous year, a ¥6.3 billion and ¥3.0 billion impairment loss on goodwill and fixed assets, respectively, were recorded at Multigrain Trading AG.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	5.3	12.5	(7.2)
Gross profit	45.9	52.9	(7.0)
Selling, general and administrative expenses	(52.0)	(57.8)	+5.8
Dividend income	3.9	4.9	(1.0)
Profit (loss) of equity method investments	2.9	7.8	(4.9)
Depreciation and amortization	4.6	4.6	0.0
Profit for the year attributable to owners of the parent	13.5	16.1	(2.6)

EBITDA decreased by ¥7.2 billion, mainly due to the following factors:

- Gross profit decreased by ¥7.0 billion.
  - The IT & Communication Business Unit reported an increase of ¥1.2 billion.
  - The Corporate Development Business Unit reported a decline of ¥8.2 billion.
    - ◇ There was a decline in gross profit corresponding to a ¥7.5 billion increase of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense.
- Selling, general and administrative expenses declined by ¥5.8 billion.
  - A decline of ¥3.1 billion was recorded due to liquidation of Mitsui & Co. Precious Metals, Inc.
- Profit (loss) of equity method investments declined by ¥4.9 billion.

Profit for the year attributable to owners of the parent declined by ¥2.6 billion. In addition to the above, the following factors also affected results:

- For the current year and for the previous year, foreign exchange gains of ¥2.7 billion and losses of ¥4.8 billion, respectively, were posted in other expense in relation to the commodity derivatives trading business.
- For the previous year, a ¥6.2 billion reversal gain of impairment loss on investments for Relia, Inc. in total was recorded.
- A decline of ¥4.5 billion was recorded due to the reversal effect of valuation gains of fair value on shares in Hutchison China MediTech for the previous year which was partially offset by the valuation gains on said shares for the current year.

Americas Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	45.3	69.4	(24.1)
Gross profit	75.6	113.3	(37.7)
Selling, general and administrative expenses	(49.7)	(62.7)	+13.0
Dividend income	0.0	0.1	(0.1)
Profit (loss) of equity method investments	11.6	9.8	+1.8
Depreciation and amortization	7.7	8.9	(1.2)
Profit for the year attributable to owners of the parent	25.1	28.3	(3.2)

EBITDA declined by ¥24.1 billion, mainly due to the following factors:

- Gross profit declined by ¥37.7 billion.
  - Novus International, Inc. reported a decline of ¥33.9 billion mainly due to a decline of methionine prices and the negative impact of exchange rate fluctuations.
  - A decline of ¥3.6 billion was reported due to a transfer of MBK Real Estate LLC, a real estate related business company, to the Lifestyle Segment.
  - Champions Cinco Pipe & Supply recorded an increase of ¥4.5 billion mainly due to the reversal effect of inventory valuation losses in the previous year.
- Selling, general and administrative expenses declined by ¥13.0 billion.
  - A decline of ¥4.5 billion was reported due to a transfer of MBK Real Estate LLC to the Lifestyle Segment.
- Profit (loss) of equity method investments increased by ¥1.8 billion.

Profit for the year attributable to owners of the parent declined by ¥3.2 billion.

Europe, the Middle East & Africa Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	3.4	5.3	(1.9)
Gross profit	19.9	20.5	(0.6)
Selling, general and administrative expenses	(19.7)	(19.7)	0.0
Dividend income	0.2	0.3	(0.1)
Profit (loss) of equity method investments	2.5	3.7	(1.2)
Depreciation and amortization	0.5	0.5	0.0
Profit for the year attributable to owners of the parent	1.9	3.5	(1.6)

EBITDA declined by ¥1.9 billion, mainly due to the following factors:

- Gross profit declined by ¥0.6 billion.
- Profit (loss) of equity method investments declined by ¥1.2 billion.

Profit for the year attributable to owners of the parent declined by ¥1.6 billion.

Asia Pacific Segment

(Billions of Yen)	Current Year	Previous Year	Change
EBITDA	59.0	40.9	+18.1
Gross profit	22.4	23.3	(0.9)
Selling, general and administrative expenses	(19.4)	(20.4)	+1.0
Dividend income	0.8	0.8	0.0
Profit (loss) of equity method investments	53.8	35.5	+18.3
Depreciation and amortization	1.5	1.7	(0.2)
Profit for the year attributable to owners of the parent	38.1	11.6	+26.5

EBITDA increased by ¥18.1 billion, mainly due to the following factors:

- Gross profit declined by ¥0.9 billion.
- Profit (loss) of equity method investments increased by ¥18.3 billion.
  - Coal mining operations and iron ore mining operations in Australia, jointly invested with the Mineral & Metal Resources Segment increased by ¥18.2 billion mainly due to the positive impact from higher prices.

Profit for the year attributable to owners of the parent increased by ¥26.5 billion. In addition to the above, the following factor also affected results:

- For the current year, a gain of ¥5.8 billion due to sale of wind power generation business in Australia was recorded.

(3) Liquidity and Capital Resources

Use of Non-GAAP Financial Measures

Net Debt-to-Equity Ratio

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.

	As of March 31, 2017	As of March 31, 2016
	(Billions of Yen)	(Billions of Yen)
Short-term debt	304.6	353.2
Long-term debt	4,497.0	4,357.3
Interest bearing debt	4,801.6	4,710.5
Less cash and cash equivalents and time deposits	(1,519.5)	(1,495.5)
Net interest bearing debt	3,282.1	3,215.0
Total equity attributable to owners of the parent	3,732.2	3,379.7
Net DER (times)	0.88	0.95

Free Cash Flow

We define “free cash flow” as the sum of net cash provided by/(used in) operating activities and net cash provided by/(used in) investing activities. Our management believes that such indicator is useful for investors to measure available net cash for strategic investments and/or for debt repayments, or the extent of reliance on borrowings from outside sources to procure funds.

The following table shows how we calculated free cash flow.

	Year ended March 31, 2017 (Billions of Yen)	Year ended March 31, 2016 (Billions of Yen)	Increase/(Decrease) (Billions of Yen)
Cash flows from operating activities	404.2	587.0	(182.8)
Cash flows from investing activities	(353.3)	(408.1)	+54.8
Free cash flow	50.9	178.9	(128.0)

1) Funding and Treasury Policies

Our basic funding policy as set forth by our management is to secure liquidity required for our smooth operations and to maintain the strength and soundness of our balance sheet. Thus, our principal strategy is to obtain long-term funds (those with maturities of around 10 years) from financial institutions, including domestic life-insurance companies and banks, and through the issuance of corporate bonds. At the same time, we minimize our refinance risk by deconcentrating the amount of long-term debt to be repaid each fiscal year. In cases of projects where large amounts of financing are required, we utilize financing programs provided by government financing agencies and/or project financing.

In principle, wholly owned subsidiaries procure funds not from financial institutions, but by utilizing the internal Cash Management Service, in which they can procure financing from overseas and domestic financing subsidiaries and overseas offices of the Company. Through this service, centralization of fund raising, the efficient use of fund and securement of liquidity are promoted. As a result, approximately three fourths of total interest-bearing debt on a consolidated basis as of March 31, 2017 was raised by Mitsui and the above-mentioned financing subsidiaries.

We also hold sufficient cash and cash equivalents in order to maintain liquidity to flexibly meet capital requirements and to minimize the harmful effects of a deteriorated financial market on future debt-service requirements. While there is no particular target amount of cash and cash equivalents to be held, considering the current financial market conditions, cash and cash equivalents are invested mainly in highly liquid and highly rated short-term financial instruments, or deposited.

2) Funding Sources

In accordance with our basic funding policy above, we choose the most favorable funding sources from various forms of direct and indirect financing by suitable means considering the financial condition at that point of time.

We procure necessary funds, mainly long-term, based on our longstanding and wide-ranging relations with financial institutions in Japan and overseas. In addition, we borrow from government financing agencies such as Japan Bank for International Cooperation, and also utilize project financing.

In addition to these funding sources, Mitsui maintains various means of procuring direct financing, such as a ¥200 billion debt shelf-registration and a ¥2,400 billion commercial paper program in Japan, and utilizes the method among these that is favorable depending on the financial situation. Furthermore, Mitsui & Co. Financial Services (Asia) Ltd. and Mitsui & Co., Ltd. have arranged a joint Euro medium-term note ("MTN") program of US$5 billion. Mitsui guarantees notes issued by Mitsui & Co. Financial Services (Asia) Ltd. under this program. Outstanding domestic bonds under shelf-registration and notes under the MTN program as of March 31, 2017 were ¥185 billion and ¥16.8 billion, respectively. For raising short-term funds overseas, Mitsui & Co. (U.S.A.), Inc. has a US$1.5 billion U.S. domestic commercial paper program, Mitsui & Co. Financial Services (Europe) Ltd. also has a US$1.5 billion Euro commercial paper program, and there are similar commercial paper programs in certain other overseas markets and these programs are utilized where appropriate. However we maintain the principal strategy of carrying out long-term and stable fund procurement, and we do not rely on fund procurement means such as commercial paper or short-term loans. As a result, the proportion of short-term debt to total interest-bearing debt on a consolidated basis was 6.3% as of March 31, 2017.

Certain subsidiaries set lines of credit by paying commitment fees to financial institutions, but the amount of fees paid was not material in the previous fiscal year or in the current fiscal year. For unused lines of credit for borrowing, including these lines of credit with fees, see Note 8, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS (6) Risk-related matters"

A vast majority of interest-bearing debt is denominated in Japanese yen and U.S. dollars. Considering the type of interest and currency of the asset-side, we employ certain derivative financial instruments, which include interest rate swaps, currency swaps and foreign currency exchange forward contracts to convert the interest or currency of our liabilities. We believe that the proportion of interest-bearing debt with fixed interest rate after taking into account interest rate swaps is appropriate considering the condition of our current financial position. See Note 8, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS" for further description of our derivative financial instruments. Additionally, regarding liquidity analysis related to derivative instruments, see Note 15, "DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES."

Credit Ratings

To facilitate smooth fund raising from capital markets, Mitsui has obtained ratings from Rating and Investment Information, Inc. ("R&I"), Moody's Japan K.K. ("Moody's") and Standard & Poor's Ratings Japan K.K. ("S&P"). The ratings as of May 31, 2017 were as follows:

	R&I	Moody's	S&P
Short-term rating	a-1+	P-2	A-1(**)
(Long-term) Issuer rating	AA-	—	A
Long-term issue rating	AA-	A3(*)	—
Medium-term note rating	AA-	A3	A
Outlook	Stable	Negative	Negative

(*) The terminology used at Moody's is "Long-Term Obligation Ratings (senior unsecured)."
(**) The terminology used at S&P is "Short-Term Issuer Credit Ratings."

Mitsui intends to maintain sound financial foundations and will strive to maintain and improve its credit rating.

Credit ratings are assessments by the rating agencies of the credit risks associated with us and are based on information provided by us and other sources that the rating agencies consider reliable. Credit ratings do not constitute a recommendation to buy, sell or hold securities and are subject to change or withdrawal by each of the rating agencies at any time. Each rating agency has different criteria in evaluating the risk associated with a company.

3) Liquidity Management

Cash and cash equivalents were ¥1,503.8 billion as of March 31, 2017. Majority of cash and cash equivalents are denominated in Japanese yen and our management recognizes that cash and cash equivalents as of March 31, 2017 satisfy the liquidity requirements for the repayment of short-term debt (¥304.6 billion) and current maturities of long-term debt (¥388.3 billion).

In the global economy during the year ended March 31, 2017 under review, while there was uncertainty in connection with the United Kingdom's decision to withdraw from the EU during the first half of the year, business sentiment has improved due to the bottoming out of the international commodity prices, leading to a moderate recovery overall centered on the United States. We steadily procured necessary funds in accordance with our basic funding policy by utilizing our good long-term relationship with financial institutions and various measures implemented by public financing agencies. Further, Mitsui made efforts to improve financial soundness through undertaking subordinated syndicated loans which is a funding method that incorporates features of equity. On the other hand, there are uncertainties in the financial landscape, such as the progress of policies under the new U.S. administration and the escalation of geopolitical risk surrounding the Middle East and East Asia. Thus, we consider it necessary to continue to closely monitor the prospects for liquidity.

As a result, our interest-bearing debt outstanding as of March 31, 2017, totaled ¥4,801.6 billion, an increase of ¥91.1 billion from the previous fiscal year-end, and the proportion of long-term debt to total interest-bearing debt on a consolidated basis was 93.7%. Subordinated syndicated loans accounted for ¥555.0 billion of the interest-bearing debt. Rating agencies treat 50% of this balance, or ¥277.5 billion, as equity. The maturity profile of our outstanding debt as of March 31, 2017 was as follows. For the details of the long-term debt and interest rate structure of our outstanding debt as of March 31, 2017, see Note 15, "DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES."

Year ending March 31:	2018	2019	2020	2021	2022	Thereafter	Total
Billions of Yen	388.3	493.8	468.2	358.4	338.7	2,449.6	4,497.0

Total equity attributable to owners of the parent as of March 31, 2017 was ¥3,732.2 billion, an increase of ¥352.5 billion from March 31, 2016. Also, net interest-bearing debt was ¥3,282.1 billion, an increase of ¥67.1 billion, and as a result, the Net DER decreased to 0.88 times as of March 31, 2017 from 0.95 times as of March 31, 2016.

The ratio of current assets to current liabilities, which was 167.3% as of March 31, 2016, was 177.3% as of March 31, 2017.

Judging by the numbers above and current market conditions, the financial strength of our balance sheet is maintained, and at this stage we are not aware of any significant financial difficulties that would affect our operations including investments and loans in accordance with our new Medium-term Management Plan starting from the year ending March 31, 2018.

Although we provide payment guarantees to third parties and related parties, these guarantees do not include those that have substantial impacts on our liquidity. For details on guarantees issued by us and future obligations, see Note 24, "CONTINGENT LIABILITIES."

With the exception of non-recourse financing for individual projects, it is our policy not to conclude agreements for important financial transactions with financial institutions that contain additional debt restriction clauses that may cause acceleration of our obligations, including debt incurrence restrictions, negative pledges, restrictions on dividend payments and various financial ratio limits, and there are no material financial covenants in the agreements undertaken.

Our management believes that our liquidity will not be affected by dividends from our foreign consolidated subsidiaries and equity accounted investees. Assuming that such companies have sufficient distributable net assets or retained earnings as provided under the local laws of the relevant jurisdictions, there are no material, contractual or legal restrictions on the ability of our consolidated subsidiaries and equity accounted investees to transfer funds to us in the form of dividends and other distributions. There are no material economic restrictions on payments of dividends and other distributions by them other than general withholding or other taxes calculated at the rates determined by the local tax laws of the relevant jurisdictions.

We plan to contribute ¥10.7 billion to our defined-benefit pension plans for the year ending March 31, 2018.

4) Investments and Loans, Financial Policies

In the year ended March 31, 2017, core operating cash flow amounted to approximately ¥495.0 billion. Asset recycling generated cash flow of approximately ¥290.0 billion, which combined with core operating cash flow amounted to a total of approximately ¥785.0 billion. Meanwhile, gross investments and loans totaled approximately ¥635.0 billion (*). Of this amount, gross investments and loans in existing business and projects in the pipeline totaled approximately ¥280.0 billion, and gross investments and loans in new business totaled approximately ¥355.0 billion. See "6) Cash Flows," for further description of cash flows for the year ended March 31, 2017.

(*) We discern investments and loans based on investing cash flows excluding an increase or decrease of time deposits.

	Asset recycling		Investments & Loans		
	Results (¥ billion)	Major items	Results (¥ billion) …①+②	Major items	
				Existing business and Projects in the Pipeline …①	Investments for growth …②
Metals	35.0	Ruyuan Sims	-160.0	Iron ore and coal in Australia	Coal and infrastructure in Mozambique Gestamp in Spain
Machinery & Infrastructure	65.0	Wind power in Australia Aircraft engines	-120.0	Oil refinery in Egypt FPSO in Brazil	Power generation in Indonesia Marine container terminal in Indonesia
Chemicals	30.0	Chemical-related business in Brazil	-30.0	U.S. feed additives business	U.S. seed treatment agrochemical U.S. tank terminal expansion
Energy	50.0	TonenGeneral Sekiyu	-95.0	Oil and gas business in Thailand	Oil and gas development in the U.S. Gulf of Mexico
Lifestyle	70.0	Malaysian hospital (IHH) Recruit Holdings	-130.0	Pharmaceutical fund in the U.S.	Panasonic Healthcare Hospital operations for middle income patients in Asia
Innovation & Corporate Development	30.0	Nihon Unisys	-65.0	Reinsurance asset management	U.S. asset management
All others/Adjustments & Eliminations	10.0	Miscellaneous	-35.0	Development of Ohtemachi District complex	Miscellaneous
Total	290.0		-635.0	-280.0	-355.0

Cumulatively over the three years of the previous Medium-term Management Plan, we achieved a recurring free cash flow of approximately ¥1,310.0 billion, and a free cash flow of approximately ¥490.0 billion after subtracting an outlay of approximately ¥820.0 billion on investments for growth. This means we have achieved the Midium-term Management Plan goal of a free cash flow surplus. Futheremore, even after subtracting the approximately ¥375.0 billion returned to shareholders, free cash flow remains at a surplus of approximately ¥115.0 billion. During the previous Medium-term Management Plan, a slump in the commodities markets had an impact on core operating cash flow, but we achieved a surplus free cash flow by making careful investments following thorough investment decipline. We also struck a favorable balance between new investment and shareholder returns with dividends amounting to approximately ¥327.5 billion and share buyback amounting to approximately ¥47.5 billion.

(¥ billion)

		Three-year Total Forecast(Announced February2017)	Two-year Total Results toMarch 2016 (a)	March 2017 Result (b)	Three-year Total Results toMarch 2017 (a)+(b)
RESOURCE	Core Operating Cash Flow…①	1,580.0	1,130.0	500.0	1,630.0
	Asset recycling…②	780.0	530.0	290.0	820.0
	Investment to Existing Business and Porjects in the Pipeline……③	-1,190.0	-860.0	-280.0	-1,140.0
	Recurring FCF…④=① + ② + ③	1,170.0	800.0	510.0	1,310.0
ALLOCATION	Ivestments for Growth……⑤ (New Investments)	-840.0	-460.0	-360.0	-820.0
	Free Cash Flow(FCF)…④ + ⑤	330.0	340.0	150.0	490.0
	Returns to Shareholders (Dividend, share buyback)	-370.0	-230.0	-145.0	-375.0

For the details of the new Medium-term Management Plan, see "3. Management Policies, Operating Environment, and Management Issues, (3) New Medium-term Management Plan "Driving Value Creation"" and for the details of refinancing, see "1) Funding and Treasury Policies" and "2) Funding Sources."

Final investment decisions on many of the projects in the Latest Forecast of Cash Flow Allocation (FY Mar/18 – Mar/20 cumulative) have not been made and the progress of such projects will have an effect on our actual cash flows and financial condition.

5) Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2017 was ¥11,501.0 billion, an increase of ¥590.5 billion from ¥10,910.5 billion as of March 31, 2016.

Total current assets as of March 31, 2017 was ¥4,474.7 billion, an increase of ¥188.0 billion from ¥4,286.7 billion as of March 31, 2016. Trade and other receivables increased by ¥131.5 billion, mainly due to the increase in trading volume in the Chemicals, Machinery & Infrastructure, and Americas Segment. Furthermore, inventories increased by ¥55.8 billion, mainly due to the increase in trading volume in the Iron & Steel Products and Lifestyle Segments.
Total current liabilities as of March 31, 2017 was ¥2,524.0 billion, a decline of ¥38.8 billion from ¥2,562.8 billion as of March 31, 2016. Trade and other payables increased by ¥96.5 billion, corresponding to the increase in trade and other receivables. Meanwhile, short-term debt and current portion of long-term debt declined by ¥48.6 billion and ¥130.9 billion, respectively, due to repayment of debt.

As a result, working capital, or current assets less current liabilities, as of March 31, 2017, totaled ¥1,950.7 billion, an increase of ¥226.8 billion from ¥1,723.9 billion as of March 31, 2016.

Total non-current assets as of March 31, 2017 amounted to ¥7,026.3 billion, an increase of ¥402.5 billion from ¥6,623.8 billion as of March 31, 2016, mainly due to the following factors (Operating Segments are shown in parentheses):

- Investments accounted for using the equity method as of March 31, 2017 was ¥2,741.7 billion, an increase of ¥226.4 billion from ¥2,515.3 billion as of March 31, 2016, mainly due to the following factors:
  - An increase of ¥54.1 billion due to an acquisition of a 22% stake in Panasonic Healthcare Holdings Co., Ltd., which is engaged in developing, manufacturing, and selling healthcare devices (Lifestyle);
  - An increase of ¥51.1 billion that corresponded to cash outflow for an acquisition of a 25% stake in Gestamp 2020, SL., a special purpose company established to purchase shares of Gestamp Automoción S.A., which is engaged in designing and manufacturing automotive stamping components in Spain (Iron & Steel Products);
  - An increase of ¥39.2 billion that corresponded to cash outflow for an acquisition of an interest in the asset management business in the U.S. (Innovation & Corporate Development);
  - An increase due to an additional acquisition of a stake in IPP businesses in Indonesia (Machinery & Infrastructure);
  - A decline due to the deconsolidation of Sims Metal Management, which is engaged in scrap businesses (Mineral & Metal Resources); and
  - A decline of ¥147.8 billion due to dividends received from equity accounted investees, despite an increase of ¥170.6 billion corresponding to the profit of equity method investments for the current year.

The following table shows the details of investments accounted for using the equity method as of March 31, 2017 and 2016 by operating segment.

	Billions of Yen		
	As of March 31,		**Change**
	2017	**2016**	
Iron & Steel Products	163.6	107.4	+56.2
Mineral & Metal Resources	698.0	722.6	(24.6)
Machinery & Infrastructure	856.3	778.2	+78.1
Chemicals	96.0	99.7	(3.7)
Energy	257.8	256.8	+1.0
Lifestyle	380.1	305.9	+74.2
Innovation & Corporate Development	158.3	113.7	+44.6
Americas	77.8	79.7	(1.9)
Europe, the Middle East and Africa	14.9	14.8	+0.1
Asia Pacific	41.1	38.6	+2.5
Total	**2,743.9**	**2,517.4**	**+226.5**
All Other	0.0	0.0	0.0
Adjustments and Eliminations	(2.2)	(2.1)	(0.1)
Consolidated Total	**2,741.7**	**2,515.3**	**+226.4**

- Other investments as of March 31, 2017 were ¥1,337.2 billion, an increase of ¥157.5 billion from ¥1,179.7 billion as of March 31, 2016, mainly due to the following factors:
  - An increase of fair value on financial assets measured at FVTOCI by ¥172.4 billion mainly in investments in LNG projects due to the costs reduction (Energy);
  - An increase due to the deconsolidation of Sims Metal Management (Mineral & Metal Resources);
  - An increase of ¥11.4 billion due to an investment in International Columbia U.S. LLC, the holding company for Asia's largest hospital group for middle- income patients (Lifestyle); and
  - A decline of ¥33.6 billion due to a sale of shares in Tonen General Sekiyu K.K. (Energy)

- Trade and other receivables (Non-Current) as of March 31, 2017 were ¥477.1 billion, an increase of ¥94.9 billion from ¥382.2 billion as of March 31, 2016, mainly due to the following factors:
  - An increase of ¥81.1 billion in the loan to Moatize coal mining business and Nacala rail & port infrastructure business in Mozambique (Mineral & Metal Resources); and
  - An increase of ¥22.4 billion in the loan to the Egyptian refining business (Machinery & Infrastructure).

- Property, plant and equipment as of March 31, 2017 totaled ¥1,823.5 billion, a decline of ¥114.9 billion from ¥1,938.4 billion as of March 31, 2016, mainly due to the following factors:
  - A decline of ¥20.6 billion (including a foreign exchange translation loss of ¥1.5 billion) at U.S. shale gas and oil projects (Energy);
  - A decline of ¥19.9 billion (including a foreign exchange translation loss of ¥2.7 billion) at iron ore mining operations (Mineral & Metal Resources); and
  - A decline of ¥19.6 billion (including a foreign exchange translation loss of ¥1.1 billion) at oil and gas operations other than U.S. shale gas and oil producing operations (Energy).

The following table shows the details of property, plant and equipment as of March 31, 2017 and 2016 by operating segment.

	Billions of Yen		
	As of March 31,		Change
	2017	2016	
Iron & Steel Products	8.2	8.9	(0.7)
Mineral & Metal Resources	409.4	430.8	(21.4)
Machinery & Infrastructure	199.8	215.7	(15.9)
Chemicals	100.4	105.0	(4.6)
Energy	691.3	731.6	(40.3)
Lifestyle	171.4	144.7	+26.7
Innovation & Corporate Development	37.9	38.7	(0.8)
Americas	104.4	129.6	(25.2)
Europe, the Middle East and Africa	3.7	3.0	+0.7
Asia Pacific	5.3	25.3	(20.0)
Total	**1,731.8**	**1,833.3**	**(101.5)**
All Other	69.6	55.0	+14.6
Adjustments and Eliminations	22.1	50.1	(28.0)
Consolidated Total	**1,823.5**	**1,938.4**	**(114.9)**

The following table shows the details for the categories of property, plant and equipment leased to others as of March 31, 2017 and 2016.

	Billions of Yen	
	As of March 31,	
	2017	2016
Real estate	84.7	67.7
Ships and aircraft	81.0	99.3
Rolling stock, equipment and others	63.7	75.3
Consolidated Total	**229.4**	**242.3**

- Investment property as of March 31, 2017 totaled ¥179.8 billion, an increase of ¥32.0 billion from ¥147.8 billion as of March 31, 2016, due to an increase of ¥35.7 billion for the integrated development project in 2, Ohtemachi 1-Chome District (All Other).

- Intangible assets as of March 31, 2017 totaled ¥168.7 billion, an increase of ¥11.2 billion from ¥157.5 billion as of March, 2016, due to an increase of ¥15.9 billion for an acquisition of the wheat seed treatment fungicide business asset (Chemicals).

Total non-current liabilities as of March 31, 2017 amounted to ¥4,986.9 billion, an increase of ¥305.7 billion from ¥4,681.2 billion as of March 31, 2016. Long-term debt, less current portion increased by ¥270.5 billion, mainly due to procurement of ¥555.0 billion in subordinated syndicated loans, despite a decline due to repayment of debt.

Total equity attributable to owners of the parent as of March 31, 2017 was ¥3,732.2 billion, an increase of ¥352.5 billion from ¥3,379.7 billion as of March 31, 2016.

- Retained earnings increased by ¥235.9 billion.

- Other components of equity as of March 31, 2017 increased by ¥167.4 billion, mainly due to the following factors:
  - Financial assets measured at FVTOCI increased by ¥123.7 billion. Fair value in investments in LNG projects increased reflecting the costs deduction and updates in discount rates; and
  - Foreign currency translation adjustments increased by ¥28.2 billion mainly reflecting the appreciation of the Brazilian real against the Japanese yen.
- Treasury stock which is a subtraction item in shareholders' equity increased by ¥48.4 billion mainly attributable to the share buyback.

6) Cash Flows

(Billions of Yen)	Current Year	Previous Year	Change
Cash flows from operating activities	404.2	587.0	(182.8)
Cash flows from investing activities	(353.3)	(408.1)	+54.8
Cash flows from financing activities	(50.3)	(50.5)	+0.2
Effect of exchange rate changes on cash and cash equivalents	12.4	(38.4)	+50.8
Change in cash and cash equivalents	13.0	90.0	(77.0)

Cash Flows from Operating Activities

(Billions of Yen)		Current Year	Previous Year	Change
Cash flows from operating activities	a	404.2	587.0	(182.8)
Cash flows from change in working capital	b	(90.6)	115.3	(205.9)
Core operating cash flow	a-b	494.8	471.7	+23.1

Net cash provided by operating activities for the current year was ¥404.2 billion, a decline of ¥182.8 billion from ¥587.0 billion for the previous year.
Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current year was ¥90.6 billion of net cash outflow mainly due to the effects of increase in inventories, a deterioration of ¥205.9 billion from ¥115.3 billion of net cash inflow for the previous year.
Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current year amounted to ¥494.8 billion, an increase of ¥23.1 billion from ¥471.7 billion for the previous year.

- Depreciation and amortization for the current year was ¥193.3 billion, a decline of ¥59.9 billion from ¥253.2 billion for the previous year.
- Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current year totaled ¥194.7 billion, a decline of ¥25.5 billion from ¥220.2 billion for the previous year.

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

(Billions of Yen)	Current Year	Previous Year	Change
Iron & Steel Products	7.1	4.8	+2.3
Mineral & Metal Resources	204.3	134.5	+69.8
Machinery & Infrastructure	77.7	62.9	+14.8
Chemicals	23.9	22.1	+1.8
Energy	138.1	206.0	(67.9)
Lifestyle	13.7	(9.9)	+23.6
Innovation & Corporate Development	10.1	7.6	+2.5
Americas	34.0	54.0	(20.0)
Europe, the Middle East and Africa	1.1	1.8	(0.7)
Asia Pacific	10.0	7.3	+2.7
Total	**520.0**	**491.1**	**+28.9**
All Other and Adjustments and Eliminations	(25.2)	(19.4)	(5.8)
Consolidated Total	**494.8**	**471.7**	**+23.1**

Cash Flows from Investing Activities

Net cash used in investing activities for the current year was ¥353.3 billion, a decline of ¥54.8 billion from ¥408.1 billion for the previous year. The net cash used in investing activities consisted of (Operating Segments are shown in parentheses):

- Net cash outflows that corresponded to investments in and advances to equity accounted investees (net of sales of investment and collection of advances) were ¥226.8 billion, mainly due to the following factors:
  - An acquisition of a 22% stake in Panasonic Healthcare Holding Co., Ltd., which is engaged in developing, manufacturing, and selling healthcare devices, for ¥54.1 billion (Lifestyle);
  - An investment and loan to the Moatize coal mining business and Nacala rail & port infrastructure business in Mozambique for ¥53.9 billion (Mineral & Metal Resources);
  - An acquisition of a 25% stake in Gestamp 2020, SL., a special purpose company established to purchase shares of Gestamp Automoción S.A., which is engaged in designing and manufacturing automotive stamping components in Spain, for ¥51.1 billion (Iron & Steel Products);
  - An acquisition of an interest in an asset management business in the U.S. for ¥39.2 billion (Innovation & Corporate Development);
  - An additional acquisition of a stake in IPP businesses in Indonesia (Machinery & Infrastructure);
  - An investment and loan to the FPSO leasing business for oil and gas production in Brazil for ¥13.3 billion (Machinery & Infrastructure);
  - A partial sale of MBK Healthcare Partners’s shares in IHH Healthcare Berhad for ¥24.9 billion (Lifestyle);
  - A sale of a stake in relation to chemicals business in Brazil for ¥24.0 billion (Chemicals); and
  - A sale of a stake in Galaxy NewSpring Pte. Ltd., which operates water infrastructure business in China, for ¥10.2 billion (Machinery & Infrastructure).

- Net cash inflows corresponded to other investments (net of sales and maturities of other investments) were ¥72.2 billion, mainly due to the following factors:
  - A sale of shares in Tonen General Sekiyu K.K. for ¥43.0 billion (Energy);
  - A sale of wind power generation business in Australia for ¥12.6 billion (Asia Pacific);
  - A sale of shares in Recruit Holdings Co., Ltd. for ¥11.0 billion (Lifestyle);
  - A sale of shares in Nihon Unisys, Ltd. for ¥10.4 billion (Innovation & Corporate Development); and
  - An acquisition of oil and gas projects in the U.S. Gulf of Mexico (Energy).

- Net cash outflows that corresponded to long-term loan receivables were ¥37.7 billion, mainly due to the following factors:
  - An acquisition of the Moatize coal mining business and Nacala rail & port infrastructure business in Mozambique for ¥28.2 billion (Mineral & Metal Resources); and
  - A loan to the Egyptian refining business for ¥22.4 billion (Machinery & Infrastructure).

- Net cash outflows that corresponded to purchases of property, plant, equipment and investment property (net of sales of those assets) were ¥152.0 billion, mainly due to the following factors:
  - An expenditure for the Oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥62.8 billion (Energy);
  - An expenditure for the integrated development project in 2, Ohtemachi 1-Chome District for ¥24.5 billion (All Other);
  - An expenditure for the Iron ore mining projects for a total of ¥11.9 billion (Mineral & Metal Resources);
  - A sale of buildings in Japan by Mitsui & Co. Real Estate Ltd. for ¥10.5 billion (Lifestyle); and
  - A sale of leasing aircraft engines for ¥10.2 billion (Americas).

Free cash flow, or the sum of net cash provided by operating activities and net cash used in investing activities, for the current year was a net inflow of ¥50.9 billion.

The following table shows net cash provided by (used in) investing activities by operating segment.

	Billions of Yen	
	Current Year	**Previous Year**
Iron & Steel Products	(44.7)	(8.9)
Mineral & Metal Resources	(83.6)	(22.2)
Machinery & Infrastructure	(80.9)	(52.3)
Chemicals	13.9	(16.0)
Energy	(45.9)	(193.5)
Lifestyle	(59.4)	(17.2)
Innovation & Corporate Development	(37.6)	(39.5)
Americas	2.4	(43.0)
Europe, the Middle East and Africa	(3.8)	(5.2)
Asia Pacific	10.0	(13.5)
Total	**(329.6)**	**(411.3)**
All Other and Adjustments and Eliminations	(23.7)	3.2
Consolidated Total	**(353.3)**	**(408.1)**

Cash Flows from Financing Activities

For the current year, net cash used by financing activities was ¥50.3 billion, a decline of ¥0.2 billion from ¥50.5 billion of net cash used for the previous year. The cash inflow from the borrowing of long-term debt was ¥196.8 billion, mainly due to the procurement of ¥555.0 billion in subordinated syndicated loans, despite the repayment of debt. Meanwhile, the cash outflow from payments of cash dividends was ¥102.2 billion and the cash outflow from the purchases of treasury stock was ¥48.6 billion.

See “2) Funding Sources” for funding during the year ended March 31, 2017.

(4) Critical Accounting Policies and Estimates

Accounting policies and estimates are considered to be critical if they are important to our financial condition and results of operations and involve estimates that require management’s subjective or significant judgment about the effect of matters that are inherently uncertain.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The following items require significant management judgments and estimates.

Impairment losses and reversal of impairment losses of Non-financial Assets and Investments in Equity Accounted Investee

Impairment losses of tangible fixed assets and intangible assets other than goodwill and intangible assets with infinite estimated useful lives, for the years ended March 31, 2017 and 2016, were ¥5.2 billion and ¥100.7 billion, respectively. There were no reversal of impairment losses of the assets for the year ended March 31, 2017. On the other hand, reversal of impairment losses of the assets for the year ended March 31, 2016 were ¥11.8 billion. The carrying amounts of these assets, net of accumulated depreciation and impairment losses, as of March 31, 2017 and 2016, were ¥2,099.1 billion and ¥2,170.4 billion, respectively.

The amount of impairment losses of investments in equity accounted investees for the years ended March 31, 2017 and 2016, were not material. There were no reversal of impairment losses of the assets for the year ended March 31, 2017. On the other hand, reversal of impairment losses of the assets for the year ended March 31, 2016 were ¥12.4 billion. The carrying amounts of investments in equity accounted investees as of March 31, 2017 and 2016, were ¥2,741.7 billion and ¥2,515.3 billion, respectively.

Impairment losses and reversal of impairment losses of non-financial assets and investments in equity accounted investees may have a material impact on our profit for the year.

Impairment losses were mainly due to the declining profitability resulting from deterioration of business environment and the reorganization of business structure of our consolidated subsidiaries and the fall in the market value of investments in equity accounted investees.

Non-financial assets and investments in equity accounted investees are assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the non-financial assets or asset groups and the investment are estimated. Where the carrying amount exceeds its recoverable amount, the difference is recognized as impairment loss.

The recoverable amount is the higher of fair value less costs of disposal and value in use.

Fair value is assessed as the price in an orderly transaction between market participants, such as the market price of marketable investments in equity accounted investees and the price on the appraisal report by the independent third party.

Cash flow projections used in calculations of value in use are based on the business plan authorized by our management or, if this is not available, on the operating plan reflecting the most recent condition of the non-financial asset. In these plans, for example, we assume:

- that the level of most recent selling prices and rents of real estate in the surrounding areas will remain unchanged for a reasonable period in the future;

- that the estimate of the sales prices of the products from facilities and equipment for the certain future period is based on the average price of the equivalent length of period in the past or on the analysts' reports;

- that for the development equipment and mining rights involved in resource businesses such as coal and oil, the most updated reserve will be produced in accordance with a production plan by using the non-financial assets, and that such materials to be produced will be sold on the assumption of prices based on futures prices as of the time of the review for impairment, prices estimated by third parties, or sales prices under long-term sales contracts; and

- that the estimate of the revenues from an operation derived from customer relationship for the certain future period is based on the degree of contribution to revenues in the past, on the past ratio of cancellation of contracts, and on analysts' market forecasts.

A profit margin which is deemed to be the market average and the risks inherent in the cash-generating unit is used as discount rate to calculate value in use.

Factors to be considered when estimating future cash flows and determining discount rates vary for each non-financial asset because of the difference in nature of the assets and in operating circumstances, such as location, owner, operator, profitability and other factors.

An assessment is made at each reporting date as to whether there is any indication of impairment that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed as income in consolidated statements of income only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized.

Impairment of Goodwill

Impairment losses on goodwill for the year ended March 31, 2017 were not material. On the other hand, impairment losses on goodwill for the year ended March 31, 2016 were ¥6.3 billion. The carrying amounts as of March 31, 2017 and 2016 were ¥68.5 billion and ¥69.2 billion, respectively.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies arising from the combination, and it is tested for impairment annually regardless of any indication of impairment, and when there is an indication that the cash-generating unit may be impaired.

Impairment testing is performed by comparing the carrying amount of the cash-generating unit or groups of cash-generating units, including the goodwill, with the recoverable amount. If the carrying amount exceeds the recoverable amount, the excess amount is recognized as the impairment loss. The recoverable amount is estimated by the same method as impairment testing of non-financial assets.

Non-marketable equity financial assets measured at fair value

Non-marketable equity securities measured at fair value are generally elected to be designated as FVTOCI. The carrying amounts of non-marketable securities which are the fair value as of the year ended March 31, 2017 and 2016 were ¥646.0 billion and ¥561.0 billion, respectively.
The company performs internal valuation analyses using the discounted cash flow method or by utilizing external valuation performed by independent external experts when management believes the amounts are material.
Similar to impairment of non-financial assets and investments in equity accounted investee, cash flow projections used in the fair value calculations are based on business plans authorized by investee’s management. Estimates and assumptions for fair value calculations could significantly impact other comprehensive income.

Tax Asset Valuation

Decrease in deferred tax assets due to the changes in assessment for recoverability has had a significant impact on our profit for the year. The deferred tax assets as of March 31, 2017 and 2016 are ¥265.7 billion and ¥222.3 billion, respectively.

We determine the recoverability of deferred tax assets based on all available evidence, both positive and negative, including all currently available information regarding tax deductibility on future years and ability to generate sufficient taxable income at Mitsui and subsidiaries prior to the expiration of the loss carryforward pursuant to the relevant tax laws and regulations. Deferred tax assets are recognized except for cases where such deferred tax assets are not recoverable. However, the amount of recoverable deferred tax assets may change in the near term if estimates of future taxable income during the carryforward period are changed or if statutory tax rates are changed. Some of the examples we factored in to assess the recoverability of deferred tax assets were as follows;

- On the occurrence of future deductible temporary difference, we establish a deferred tax asset; and, at the same time we evaluate when those deferred tax assets will be realized in future. Particularly, when we establish a deferred tax asset in relation to a write-down loss of securities or impairment loss on long-lived assets which are not subject to depreciation for tax purposes and we have no specific schedule of sale or disposal of those assets, we decrease the deferred tax asset because we view the deferred tax amount as not recoverable.

- We evaluate recoverability of deferred tax assets on the future deductible temporary difference and tax loss carryforwards at subsidiaries and associated companies. If those subsidiaries and associated companies recorded a significant amount of tax loss carryforwards in recent years and are expected to record a significant tax loss in the current fiscal year as well, we judge the recoverability of deferred tax assets considering the probability of the generation of future taxable income due to the nature of the taxable entities' operation and the expiration dates of operating loss in the countries in which they operate, etc.

- Mitsui and its wholly owned domestic subsidiaries started to file a consolidated corporate income tax return to the National Tax Agency as a consolidated group in the year ended March 31, 2010. We separately evaluate recoverability of national income tax portion of deferred tax assets based on the estimate of our consolidated tax group's future taxable income coupled with feasible tax planning strategies, and determined to decrease deferred tax assets which we judged could not utilized. Since the consolidated tax return system is not applicable to local income taxes, we evaluate their recoverability of deferred tax assets based on future taxable income of each company, and determined to decrease deferred tax assets which we judged could not utilized.

- In March 2012, the Expansion of the Petroleum Resource Rent Tax (hereinafter, PRRT) was enacted in Australia. Under the PRRT, companies are allowed electing to use market value as a starting base for existing transitional projects at May 1, 2010. A company electing to use market value approach can obtain deduction for the amortization of the market value of the project. As our subsidiaries and equity accounted investees apply the market value approach, these companies recorded deferred tax assets for the operating assets subject to PRRT based on the difference between book values for accounting purpose and those for tax purpose (the market value as of May 1, 2010) except for the portion that is deemed not to be recoverable in consideration of assumptions regarding commodity prices and the augmentation which will be incurred on tax loss carryforwards in the PRRT.

Reserve estimates for oil and gas producing and mining activities

Reserves are estimates of the amount of product that can be economically and legally extracted from interests in our properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect our financial results and financial position in a number of ways, including the following:

- Asset carrying values may be impaired due to changes in estimated future cash flows.

- Depreciation and amortization charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Defined benefit costs and obligations

Employee defined benefit costs and obligations are dependent on various assumptions, including discount, retirement, and mortality rates, which are based on current statistical data, and other factors. In accordance with IFRS, the difference between actual results and the assumptions is recognized immediately in other components of equity in equity and are transferred to retained earnings on recognition, and, therefore, generally affects comprehensive income and retained earnings. Management believes that the assumptions used are appropriate; however, differences in actual experience or changes in assumptions may affect our future defined benefit costs and obligations.

We determine the discount rates each year as of the measurement date, based on a review of interest rates associated with high-quality fixed-income corporate bonds or long-term Japanese government bonds. The discount rates determined on each measurement date are used to calculate the defined benefit obligations as of that date, and are also used to calculate the net periodic pension costs for the upcoming plan year.

See Note 18, "EMPLOYEE BENEFITS," for further discussion about the estimates and assumptions on the defined benefit costs and obligations.

3. Equipment and Facilities

1. Overview of Capital Expenditures

For a breakdown of the amounts of capital expenditures for property and equipment in the year ended March 31, 2017 see “7. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (3) Liquidity and Capital Resources, 5) Assets, Liabilities and Shareholders’ Equity and 6) Cash Flows.” Also see Note 6, “SEGMENT INFORMATION.”

Expenditures for property, plant, equipment and investment property for the year ended March, 31, 2017 mainly included an expenditure for the Oil and gas projects other than the U.S. shale gas and oil projects of ¥62.8 billion in the Energy Segment, an expenditure for the integrated development project in 2, Ohtemachi 1-Chome District for ¥24.5 billion in the All Other Segment and an expenditure for the Iron ore mining projects in Australia of ¥11.9 billion in the Mineral & Metal Resources Segment.

2. Major Equipment and Facilities

(1) Mitsui & Co., Ltd.

Operating Segment	Office Name	Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Other	Head Office	Office building	Chiyoda-ku, Tokyo	3,625	—	—	1,845	—	126	Rent:¥6,780 mil/year
		Multi-purpose office complex	Chiyoda-ku, Tokyo	—	14,105	56,450	—	—	25,113	Including investment property
	Kansai Office	Office building	Kita-ku, Osaka-shi, Osaka	113	3,038	2,161	6,531	—	6	Partially leased
	Chubu Office	Office building	Nakamura-ku, Nagoya-shi, Aichi	51	1,525	548	903	—	1	Partially leased
		Human Resource Development Center	Atami-shi, Shizuoka	—	15,655	2,045	985	—	5	
		Global Human Resource Development Center	Tsuzuki-ku, Yokohama-shi, Kanagawa	—	15,000	2,417	934	—	34	

(2) Domestic Subsidiaries

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Iron & Steel Products	Mitsui & Co. Steel Ltd.	Kita Kanto Branch, MITSUI BUSSAN KOZAI HANBAI CO., LTD. and others	Ota-shi, Gunma and others	665	59,657	2,561	899	1,819	118	
Chemicals	DAIICHI TANKER CO., LTD.	Ships	Chuo-ku, Tokyo	80	－	－	6	6	7,943	
	San-ei Sucrochemical Co., Ltd.	Main Factory / Second Factory and others	Chita-shi, Aichi and others	216	123,353	2,126	2,137	3,260	36	
Energy	Mitsui Oil Exploration Co., Ltd.	Crude oil / gas manufacturing facility and others	Thailand, Gulf of Thailand and others	162	－	－	3,485	124,446	76,786	Including mineral rights
Lifestyle	MITSUI FOODS CO., LTD.	Tokyo Metropolitan West Distribution Center	Midori-ku, Sagamihara-shi, Kanagawa	1,233	28,146	11,687	10,914	4,172	3,830	Including investment property
	PRIFOODS CO., LTD.	Hosoya Factory and others	Misawa-shi, Aomori and others	1,586	98,836	3,333	8,543	7,466	63	
	Mitsui Norin Co., Ltd.	Fujieda Plant and others	Fujieda-shi, Shizuoka and others	522	25,773	1,491	3,803	1,458	－	
	Bussan Logistics Solutions Co., Ltd.	CB Nagoya Center / Fukushima Sales Office and others	Minato-ku, Nagoya-shi, Aichi and others	621	9,496	564	6,772	2,028	－	
	MITSUI & CO. REAL ESTATE LTD.	Hibiya Central Building and others	Minato-ku, Tokyo	38	－	－	44	24	42,845	Including investment property
	MicroBiopharm Japan Co., Ltd.	Yatsushiro Factory	Yatsushiro-shi, Kumamoto	189	74,753	1,899	2,025	1,331	1,049	
Innovation & Corporate Development	Trinet Logistics Co., Ltd.	Higashihama Logistic Center and others	Ichikawa-shi, Chiba	422	60,364	15,724	11,558	722	3,094	Including investment property

(Note) For those companies who own more than one type of equipment or facility, only the information of the most notable one is presented.
For the number of employees and the carrying amount, the total number and amount in each company are presented.
For movables such as ships and aircraft, the location of each company’s head office is presented.

(3) Overseas Subsidiaries

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Mineral & Metal Resources	Mitsui Iron Ore Development Pty. Ltd.	Mining equipment for iron ore	Pilbara, Western Australia, Australia	13	—	—	114,911	94,755	12,299	Including mineral rights
	Mitsui-Itochu Iron Pty. Ltd.	Mining equipment for iron ore	Pilbara, Western Australia, Australia	2	—	—	25,276	93,057	9,490	
	Mitsui Coal Holdings Pty. Ltd.	Mining equipment for coal	Emerald, Queensland, Australia and others	14	—	—	4,932	45,001	9,672	Including mineral rights
Machinery & Infrastructure	Mitsui Rail Capital Europe B.V.	Rolling stock	Amsterdam, Netherlands	110	—	—	—	56,801	10,010	Including property leased to others
	Ecogen Brasil Soluções Energéticas S.A.	Equipment for energy services	Sao Paulo, Brazil	247	—	—	—	12,611	232	
	Portek International Pte. Limited.	Port terminal facility and others	Singapore and others	1,256	—	10	2,681	4,959	31	
	Komatsu-Mitsui Maquinarias Peru S.A.	Construction equipment	Callao, Peru	1,873	38,000	3,024	2,938	4,388	622	Including property leased to others
	M&T Aviation Finance (Ireland) Limited	Aircraft	Dublin, Ireland	—	—	—	—	—	27,456	Including property leased to others
	OMC SHIPPING PTE. LTD.	Ships	Singapore	16	—	—	24	11	52,524	Including property leased to others
	Road Machinery, LLC	Construction equipment	Phoenix, Arizona, U.S.A.	208	81,150	238	331	3,411	1,703	Including property leased to others
	Mitsui Automotriz S.A.	Automobiles	Lima, Peru	586	28,104	945	2,781	1,874	2	Including property leased to others
Chemicals	Shark Bay Salt Pty. Ltd.	Salt manufacturing facility	Shark Bay, Western Australia, Australia and others	148	—	587	19,162	8,487	101	
	MMTX Inc.	Methanol production facility	Houston, Texas, U.S.A.	2	—	—	1,412	40,360	54	

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Energy	Mitsui E&P Australia Pty Limited	Crude oil / gas manufacturing facility and others	Indian Ocean, Australia and others	16	―	―	―	24,685	62,602	Including mineral rights
	Mitsui E&P Middle East B.V.	Crude oil / gas manufacturing facility and others	Oman and others	22	―	―	38	21,806	1,997	Including mineral rights
	Mitsui E&P USA LLC	Gas manufacturing plant and others	Pennsylvania, U.S.A.	24	―	―	―	98,769	22,063	Including mineral rights
	MEP Texas Holdings LLC	Crude oil / gas manufacturing facility and others	Texas, U.S.A.	―	―	―	―	50,086	4,298	Including mineral rights
	Mitsui E&P Mozambique Area 1 Limited	Crude oil / gas exploration facility and others	Northern offshore, Mozambique	2	―	―	―	2	35,820	
	Mitsui E&P UK Limited	Crude oil / gas manufacturing facility and others	British North Sea	12	―	―	―	1,787	160,132	Including mineral rights
Lifestyle	Xingu Agri AG	Tabuleiro farm	Bahia, Brazil	496	970,740 (thousand ㎡)	36,704	5,153	4,534	28,064	Including investment property
	MBK Real Estate LLC	Senior living properties	Tucson, Arizona, U.S.A. and others	1,465	-	2,101	17,984	402	7,621	Including investment property
	United Grain Corporation of Oregon	Grain exporting facility	Vancouver, Washington, U.S.A.	80	3,831,079	369	13,683	5,645	729	
Americas	Inter-continental Terminals Company LLC	Chemical tank terminal	Deer Park, Texas, U.S.A.	302	1,067,953	3,642	73,292	336	5,670	Including property leased to others
	Novus International, Inc.	Feed additive manufacturing plant	Alvin, Texas, U.S.A. and others	773	―	724	2,651	11,641	572	

(Note) For those companies who own more than one type of equipment or facility, only the information of the most notable one is presented.
For the number of employees and the carrying amount, the total number and amount in each company are presented.
For movables such as ships and aircraft, the location of each company's head office is presented.

3. Plans for New Additions or Disposals

As indicated in "1. Overview of Capital Expenditures," major capital expenditures include mineral resources and energy resources areas and the integrated development project in Ohtemachi, and those areas are focused in the future.

4. Corporate Information

1. Status on the Mitsui's Shares

(1) Total Number of Shares and Other Related Information

1) Total Number of Shares

Class	Total number of shares authorized to be issued
Common stock	2,500,000,000
Total	2,500,000,000

2) Number of Shares Issued

Class	Number of shares outstanding (as of March 31, 2017)	Number of shares outstanding as of issuance date of this report (June 21, 2017)	Names of stock exchanges on which Mitsui is listed or names of authorized financial instruments firms association	Description
Common stock	1,796,514,127	1,796,514,127	Securities Exchanges in Tokyo, Nagoya, (both listed on the first section), Sapporo, Fukuoka	The number of shares constituting a unit is 100.
Total	1,796,514,127	1,796,514,127	―	―

(2) Status of the Share Subscription Rights

Share Subscription Rights issued based on the Companies Act of Japan are as follows:

1) Stock Option based on the resolution of the Board of Directors on July 4, 2014
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2017	As of May 31, 2017
Number of subscription rights to shares	2,574	2,574
Number of own subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	257,400 (Note 1)	257,400 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 28, 2017 to July 27, 2044	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding substitute payment	—	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

(Notes) 1. The class of shares to be issued upon exercise of subscription rights to shares shall be common shares of Mitsui, and the number of shares to be issued upon exercise of one subscription right to shares (hereinafter referred to as the "number of shares granted") will be 100 shares.

After the day of allotment, however, if Mitsui undertakes a share split (including gratis allotment of common shares of Mitsui. The same shall apply to the description of the share split hereinafter.), or a share consolidation with respect to common shares of Mitsui, an adjustment to the number of shares granted will be made according to the following formula, and any fractional portion of less than one share resulting from the foregoing adjustment shall be disregarded:

Number of shares granted after adjustment
= Number of shares granted before adjustment × Ratio of share split or share consolidation

2. Exercise of right by an heir

In the case that inheritance from a holder of subscription rights to shares commenced for reasons such as the death of the holder, only one of the heirs-at-law of the holder of subscription rights to shares (hereinafter referred to as the "heir-at-law") may exercise the offered subscription rights to shares. It is not permitted to inherit subscription rights to shares again in the case that the heir-at-law dies.

3. Conditions for exercise of subscription rights to shares
   (1) A holder of subscription rights to shares may no longer exercise the subscription rights to shares after a period of 10 years has elapsed from the day following the day on which the holder of subscription rights to shares loses his/her position as Director, and/or Executive Officer, and/or Audit & Supervisory Board Member of Mitsui.
   (2) A holder of subscription rights to shares may exercise all of the subscription rights to shares only when, as the stock price conditions, Mitsui's stock price growth rate for the period of three years from the allotment date is equal to or exceeds the TOPIX (Tokyo Stock Price Index) growth rate. When Mitsui's stock price growth rate does not exceed the TOPIX growth rate, reflecting that degree, the holder of subscription rights to shares may exercise only part of such subscription rights to shares allotted (please refer to the below for details).
   (3) Notwithstanding the exercise period of subscription rights to shares prescribed above, if a proposal for approval of a merger agreement under which Mitsui is to be dissolved, or a proposal for approval of a share exchange agreement or a share transfer plan, under which Mitsui will become a wholly-owned subsidiary is approved at an ordinary general meeting of shareholders of Mitsui, holders of subscription rights to shares may exercise offered subscription rights to shares within 15 days from the following day of the day on which such proposal for approval is approved, except where subscription rights to shares of a restructured company are to be issued to the holders of subscription rights to shares in accordance with Note 4 below.
   (4) In the event that Mitsui recognizes any violation of laws and regulations, misconduct of the duties, act conflicting with the duty of due care or duty of loyalty, or any other act equivalent thereto of a holder of subscription rights to shares during the period in which he/she serves as Mitsui's Director, and/or Executive Officer, and/or Audit & Supervisory Board Member, Mitsui may limit, subject to a resolution by the Board of Directors of Mitsui, the number of subscription rights to shares that may be exercised by such holder of subscription rights to shares. In this event, such holder of subscription rights to shares may not exercise the subscription rights to shares more than the said limit.

4. If Mitsui is to engage in a merger (limited to cases where Mitsui is to be dissolved as a result of the merger), an absorption-type company split or an incorporation-type company split (both limited to cases where Mitsui is to be a split company), or a share exchange or a share transfer (both limited to cases where Mitsui is to be a wholly-owned subsidiary) (all of which are collectively referred to as a "restructuring transaction"), subscription rights to shares in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act of Japan (such entity hereinafter referred to as the "restructured company") shall be issued, in accordance with the following conditions, to holders of subscription rights to shares who hold subscription rights to shares remaining in effect immediately prior to the effective date of the restructuring transaction (hereinafter respectively referring to the effective date of an absorption-type merger in case of an absorption-type merger, the date of formation of a new company incorporated by the merger in case of a consolidation-type merger, the effective date of an absorption-type company split in case of an absorption-type company split, the date of formation of a new company in case of an incorporation-type company split, the effective date of a share exchange in the case of a share exchange, and the date of formation of a wholly-owning parent company in case of a share transfer) (such rights hereinafter referred to as "remaining subscription rights to shares"). In this event, the remaining subscription rights to shares shall become extinct, and the restructured company shall newly issue subscription rights to shares. However, such rights may be granted only if provisions for issuing the subscription rights to shares of the restructured company in accordance with the following conditions are included in an absorption-merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement, or a share transfer plan.
   (1) The number of subscription rights to shares of the restructured company to be issued
      The same number of subscription rights to shares as the number of remaining subscription rights to shares owned by respective holders of subscription rights to shares shall be issued.
   (2) The class of shares of the restructured company to be issued upon exercise of the subscription rights to shares
      The class of shares of the restructured company to be issued upon exercise of the subscription rights to shares shall be common shares of the restructured company.
   (3) The number of shares of the restructured company to be issued upon exercise of subscription rights to shares
      The number of shares of the restructured company to be issued upon exercise of subscription rights to shares shall be determined in accordance with the provisions in Note 1 above, taking into consideration the conditions and other factors concerning the restructuring transactions.

(4) The amount of assets to be contributed upon exercise of subscription rights to shares

The amount of assets to be contributed upon exercise of each subscription right to shares to be issued shall be the amount obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each subscription right to shares that will be determined in accordance with (3) above. The amount to be paid in after restructuring shall be ¥1 per share of the restructured company to be issued upon exercise of each subscription right to shares to be issued.

(5) Exercise period of subscription rights to shares

The exercise period of subscription rights to shares shall begin on the date of commencement of the exercise period or the effective date of the restructuring transaction, whichever is later, and end on the closing date of the exercise of such subscription rights to shares.

(6) Matters concerning capital stock and capital reserve to be increased in the event of issuance of shares upon exercise of subscription rights to shares

It shall be determined in accordance with the memorandum for offering.

(7) Restriction on acquisition of subscription rights to shares through transfer

Acquisition of subscription rights to shares through transfer requires the approval of the restructured company.

(8) Terms and conditions of acquisition of subscription rights to shares

It shall be determined in accordance with the memorandum for offering.

(9) Other conditions for exercise of subscription rights to shares

It shall be determined in accordance with the memorandum for offering.

Details of stock price conditions

1. When Mitsui's stock price growth rate*1 is equal to or exceeds the TOPIX (Tokyo Stock Price Index) growth rate*2:
All of the subscription rights to shares granted may be exercised.

2. When Mitsui's stock price growth rate does not exceed the TOPIX growth rate:
Only part of the subscription rights to shares granted*3 may be exercised.

*1 Mitsui's stock price growth rate shall be calculated by the formula below based on Mitsui's stock price growth rate for the period of three years from the allotment date to the first date of the exercise period.

A: The average closing price for Mitsui's common stock on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the first date of the exercise period of the subscription rights to shares falls

B: The total amount of dividends per common share of Mitsui for the period from the allotment date to the first date of the exercise period of the subscription rights to shares

C: The average closing price for Mitsui's common stock on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the allotment date falls

Mitsui's stock price growth rate = (A + B) / C

*2 The TOPIX growth rate shall be calculated by the formula below based on the TOPIX growth rate for the period of three years from the allotment date to the first date of the exercise period.

D: The average closing price for TOPIX on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the first date of the exercise period of the subscription rights to shares falls

E: The average closing price for TOPIX on the Tokyo Stock Exchange on each day for the three months immediately before the month in which the allotment date falls

TOPIX growth rate = D / E

*3 **Number of exercisable subscription rights to shares = Number of subscription rights to shares granted × (Mitsui's stock price growth rate / TOPIX growth rate)**

2) Stock Option based on the resolution of the Board of Directors on May 8, 2015
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2017	As of May 31, 2017
Number of subscription rights to share	68	68
Number of own subscription right to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	6,800 (Note 1)	6,800 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From May 28, 2018 to May 27, 2045	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding substitute payment	—	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

(Note) Notes 1. to 4. are the same as Notes 1. to 4 in 1) Stock Option based on the resolution of the Board of Directors on July 4, 2014 (stock option scheme as stock-based compensation with stock price conditions).

3) Stock Option based on the resolution of the Board of Directors on July 8, 2015
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2017	As of May 31, 2017
Number of subscription rights to share	2,507	2,507
Number of own subscription right to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	250,700 (Note 1)	250,700 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 28, 2018 to July 27, 2045	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding substitute payment	—	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

(Note) Notes 1. to 4. are the same as Notes 1. to 4 in 1) Stock Option based on the resolution of the Board of Directors on July 4, 2014 (stock option scheme as stock-based compensation with stock price conditions).

4) Stock Option based on the resolution of the Board of Directors on July 13, 2016
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2017	As of May 31, 2017
Number of subscription rights to share	3,627	3,627
Number of own subscription right to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	362,700 (Note 1)	362,700 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 29, 2019 to July 28, 2046	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding substitute payment	—	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

(Note) Notes 1. to 4. are the same as Notes 1. to 4 in 1) Stock Option based on the resolution of the Board of Directors on July 4, 2014 (stock option scheme as stock-based compensation with stock price conditions).

(3) Exercise Status of Bonds with Share Subscription Rights Containing a Clause for Exercise Price Adjustment

Not applicable.

(4) Right Plans

Not applicable.

(5) Trends in the Number of Shares Issued, Amount of Common Stock, and Others

Period	Changes in the number of shares issued (Thousands)	Balance of the number of shares issued (Thousands)	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in additional paid-in capital (Millions of Yen)	Balance of additional paid-in capital (Millions of Yen)
From April 1, 2012 to March 31, 2013	−	1,829,153	−	341,481	−	367,758
From April 1, 2013 to March 31, 2014	−	1,829,153	−	341,481	−	367,758
From April 1, 2014 to March 31, 2015 (Note)	(32,639)	1,796,514	−	341,481	−	367,758
From April 1, 2015 to March 31, 2016	−	1,796,514	−	341,481	−	367,758
From April 1, 2016 to March 31, 2017	−	1,796,514	−	341,481	−	367,758

(Note) The number of shares issued was decreased by 32,639,400 dated April 18, 2014 due to cancellation of such number of treasury stock based on the resolution of the meeting of the Board of Directors held on March 26, 2014.

(6) Status of Shareholders

As of March 31, 2017

Classification	Status of shares (1 unit = 100 shares)								Shares under one unit
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders (persons)	−	275	63	2,494	822	277	317,062	320,993	−
Number of shares held (units)	−	6,593,570	733,080	885,056	5,120,813	6,347	4,615,318	17,954,184	1,095,727
Ratio (%)	−	36.72	4.08	4.92	28.52	0.03	25.70	100	−

(Notes) 1. Of treasury stock of 32,456,869 shares, 324,568 units (32,456,800 shares) are included in “Individuals and other,” and 69 shares are included in “Shares under one unit.”

2. Of 1,715 shares registered in the name of Japan Securities Depositary Center, Inc., 17 units (1,700 shares) are included in “Other corporations,” and 15 shares are included in “Shares under one unit.”

(7) Status of Major Shareholders

As of March 31, 2017

Name of shareholders	Location	Number of shares held (Thousands)	Percentage of common stock issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	134,968	7.51
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	96,733	5.38
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	35,070	1.95
Japan Trustee Services Bank, Ltd. (trust account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	33,198	1.84
Japan Trustee Services Bank, Ltd. (trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	32,787	1.82
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	25,667	1.42
Japan Trustee Services Bank, Ltd. (trust account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	24,424	1.35
Japan Trustee Services Bank, Ltd. (trust account 1)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	24,236	1.34
Japan Trustee Services Bank, Ltd. (trust account 2)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	24,025	1.33
STATE STREET BANK WEST CLIENT －TREATY 505234 (Standing agent: Mizuho Bank, Ltd.)	1776, HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	23,739	1.32
Total		454,852	25.31

(Notes) 1. In addition to the shares listed above, the Company holds treasury stock of 32,456 thousand shares.
2. The number of shares is rounded down to the nearest thousand.
3. Percentage of common stock issued is rounded down to two decimal places.
4. The status of major shareholders shown above does not include the following reports on possession of large volume and change reports pertaining to reports on possession of large volume that were filed with the Director-General of the Kanto Local Finance Bureau in the past three fiscal years, as it is not possible for us to confirm the actual status of the shareholding ratio as of March 31, 2017, which is the end of our fiscal year. Reports by large volume shareholders include portions held by joint holders.

Name of shareholders	Ownership as of	Number of shares owned	Holding ratio (%)
BlackRock Japan Co., Ltd.	July 29, 2016	93,768,268	5.22
Mizuho Bank, Ltd.	October 14, 2016	103,960,540	5.79

(8) Status of Voting Rights

1) Shares Issued

As of March 31, 2017

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 32,456,800	—	—
Shares with full voting rights (Others)	Common stock 1,762,961,600	17,629,616	—
Shares under one unit	Common stock 1,095,727	—	Shares under one unit (100 shares)
Total shares issued	1,796,514,127	—	—
Total voting rights held by all shareholders	—	17,629,616	—

(Notes) 1. In the column "Shares with full voting rights (Others)," "1,762,961,600 shares in common stock" and "17,629,616 units of voting rights" include 17 units (1,700 shares) and 17 units of voting rights within those shares, all of which are registered in the name of Japan Securities Depositary Center, Inc.

2. In the column "Shares under one unit," "1,095,727 shares in common stock" include 69 shares of treasury stock (under one unit) held by Mitsui and 15 shares (under one unit) that are registered in the name of Japan Securities Depositary Center, Inc.

2) Treasury Stock, etc.

As of March 31, 2017

Name of shareholders	Addresses of shareholders	Number of shares held under own name	Number of shares held under the name of others	Total	Percentage of interest (%)
Treasury stock:					
Mitsui & Co., Ltd.	1-3, Marunouchi, 1-chome, Chiyoda-ku	32,456,800	—	32,456,800	1.80
Total	—	32,456,800	—	32,456,800	1.80

(9) Stock Option Plans

Details of Mitsui's stock option plan are as follows:

1) Stock Option based on the resolution of the Board of Directors on July 4, 2014
(Stock option scheme as stock-based compensation with stock price conditions)

Date of resolution	July 4, 2014
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 24 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan)
Class of shares to be issued upon exercise of subscription rights to shares	See (2) Status of the Share Subscription Rights
Number of shares to be issued upon exercise of subscription rights to shares	same as above
Amount to be paid in upon exercise of subscription rights to shares	same as above
Exercise period of subscription rights to shares	same as above
Conditions for exercise of subscription rights to shares	same as above
Matters regarding acquisition of subscription rights to shares through transfer	same as above
Matters regarding substitute payment	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	See (2) Status of the Share Subscription Rights

2) Stock Option based on the resolution of the Board of Directors on May 8, 2015
(Stock option scheme as stock-based compensation with stock price conditions)

Date of resolution	May 8, 2015
Class and number of person for subscription rights to shares	1 Executive Officer who is not serving concurrently as a Mitsui's Director
Class of shares to be issued upon exercise of subscription rights to shares	See (2) Status of the Share Subscription Rights
Number of shares to be issued upon exercise of subscription rights to shares	same as above
Amount to be paid in upon exercise of subscription rights to shares	same as above
Exercise period of subscription rights to shares	same as above
Conditions for exercise of subscription rights to shares	same as above
Matters regarding acquisition of subscription rights to shares through transfer	same as above
Matters regarding substitute payment	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	See (2) Status of the Share Subscription Rights

3) Stock Option based on the resolution of the Board of Directors on July 8, 2015

(Stock option scheme as stock-based compensation with stock price conditions)

Date of resolution	July 8, 2015
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 24 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan)
Class of shares to be issued upon exercise of subscription rights to shares	See (2) Status of the Share Subscription Rights
Number of shares to be issued upon exercise of subscription rights to shares	same as above
Amount to be paid in upon exercise of subscription rights to shares	same as above
Exercise period of subscription rights to shares	same as above
Conditions for exercise of subscription rights to shares	same as above
Matters regarding acquisition of subscription rights to shares through transfer	same as above
Matters regarding substitute payment	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	See (2) Status of the Share Subscription Rights

4) Stock Option based on the resolution of the Board of Directors on July 13, 2016

(Stock option scheme as stock-based compensation with stock price conditions)

Date of resolution	July 13, 2016
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 28 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan, including retired Executive Officers to whom granting Stock options were being withheld during their assignment outside Japan)
Class of shares to be issued upon exercise of subscription rights to shares	See (2) Status of the Share Subscription Rights
Number of shares to be issued upon exercise of subscription rights to shares	same as above
Amount to be paid in upon exercise of subscription rights to shares	same as above
Exercise period of subscription rights to shares	same as above
Conditions for exercise of subscription rights to shares	same as above
Matters regarding acquisition of subscription rights to shares through transfer	same as above
Matters regarding substitute payment	—
Matters regarding the grant of subscription rights to shares upon organizational restructuring	See (2) Status of the Share Subscription Rights

2. Acquisition of Treasury Stock and Other Related Status

[Class of shares] Acquisition of shares of common stock falling under Article 155, Item 3, 7 and 8 of the Companies Act of Japan

(1) Acquisition of Treasury Stock Based on a Resolution Approved at the Ordinary General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Stock Based on a Resolution Approved by the Board of Directors

Acquisition falling under Article 155, Item 3 of the Companies Act of Japan

Classification	Number of shares (Shares)	Total amount (Yen)
Details of resolution at meeting of Board of Directors (February 8, 2017) (Acquisition period: February 9, 2017)	28,000,000	50,000,000,000
Treasury stock acquired before the current fiscal year	―	―
Treasury stock acquired during the current fiscal year	28,000,000	47,460,000,000
Number of shares and total amount of outstanding shares of resolution	―	―
Ratio of non-exercised portion at the end of the current fiscal year (%)	―	―
Treasury stock acquired during the current period for acquisition	―	―
Ratio of non-exercised portion as of issuance date of this report (%)	―	―

Acquisition falling with Article 155, Item 8 of the Companies Act of Japan

Classification	Number of shares (Shares)	Total amount (Yen)
Details of resolution at meeting of Board of Directors (February 8, 2017) (Acquisition period: February 8, 2017)	692,422	Amount of unit purchase price multiplied by total number of shares purchased (Note)
Treasury stock acquired before the current fiscal year	―	―
Treasury stock acquired during the current fiscal year	692,422	1,173,655,290
Number of shares and total amount of outstanding shares of resolution	―	―
Ratio of non-exercised portion at the end of the current fiscal year (%)	―	―
Treasury stock acquired during the current period for acquisition	―	―
Ratio of non-exercised portion as of issuance date of this report (%)	―	―

(Note) Unit purchase price:Closing price of the common stock on the Tokyo Stock Exchange as of the date of purchase (February 8, 2017)

(3) Acquisition of Treasury Stock not Based on a Resolution Approved at the Ordinary General Meeting of Shareholders or a Resolution Approved by the Board of Directors

Acquisition falling under Article 155, Item 7 of the Companies Act of Japan

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	9,476	14,441,106
Treasury stock acquired during the current period for acquisition (Note)	1,194	1,869,035

(Note) "Treasury stock acquired during the current period for acquisition" does not include shares constituting less than one full unit purchased during the period from June 1, 2017, to the issuance date of this report.

(4) Current Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Current fiscal year		Current period for acquisition	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	–	–	–	–
Acquired treasury stock that was disposed of	–	–	–	–
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/corporate separation	–	–	–	–
Other (Sold due to demand for sale of shares constituting less than one full unit) (Note 1)	556	751,010	2	3,068
Number of shares of treasury stock held (Note 2)	32,456,869	–	32,458,061	–

(Notes) 1. Treasury stock disposed of during the current period for acquisition does not include shares constituting less than one full unit sold during the period from June 1, 2017, to the issuance date of this report.

2. Number of shares of treasury stock held during the current period for acquisition does not include shares constituting less than one full unit purchased or sold during the period from June 1, 2017, to the issuance date of this report.

3. Shareholder Return Policy

Our profit distribution policy has been resolved as follows at the Board of Directors through discussion in which External Directors were also involved:

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

Our basic policy is to pay dividends from retained earnings twice a year as interim dividend and year-end dividend. The Articles of Incorporation stipulate that Mitsui may pay interim dividends, by a resolution of the Board of Directors, where September 30th of each year is set as the record date. Meanwhile, our year-end dividend shall be resolved by General Meeting of Shareholders.

It was resolved that the year-end dividend for the year ended March 31, 2017 was ¥30 per share. The annual dividend for the year ended March 31, 2017 was ¥55, including the interim dividend of ¥25 per share.

For the period of the new Medium-term Management Plan, we have established a target minimum annual dividend amount of ¥100 billion, based on our assessment of achievable stable core opperating cash flow, with the aim of ensuring a certain level of return to shareholders regardless of changes in the external environment. While our principal intension is to steadily increase dividends through improvements in corporate performance, we will also consider flexible ways to address shareholder compensation, provided that sufficient retained earnings is secured for future business development.

For the year ending March 31, 2018, we currently envisage an annual dividend of ¥60 per share, a ¥5 increase from the year ended March 31, 2017, taking into consideration of core operating cash flow and profit for the year attributable to owners of the parent as well as stability and continuity of the amount of dividend. We will review our actual results and other business environment before finally deciding the amount to be paid out.

Dividends for the year ended March 31, 2017 were as follows:
(a) The interim dividend which the Board of Directors resolved on November 2, 2016
Total dividend amount of ¥44,819 million; ¥25 per share
(b) The year-end dividend which Ordinary General Meeting of Shareholders resolved on June 21, 2017
Total dividend amount of ¥52,922 million; ¥30 per share

4. Trends in the Market Price of Mitsui's Shares

(1) Highest and Lowest Prices by Fiscal Year during the Past Five Years

Fiscal year	98th	97th	96th	95th	94th
Year-end	March 2017	March 2016	March 2015	March 2014	March 2013
Highest (Yen)	1,753	1,759	1,820	1,636	1,463
Lowest (Yen)	1,156	1,164	1,402	1,193	1,041

(Note) The above prices are quoted on the first section of the Tokyo Stock Exchange.

(2) Highest and Lowest Prices by Month during the Past Six Months

Month	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017
Highest (Yen)	1,469.5	1,555.0	1,703.5	1,700.0	1,750.0	1,753.0
Lowest (Yen)	1,381.0	1,333.0	1,564.0	1,597.0	1,628.0	1,611.5

(Note) The above prices are quoted on the first section of the Tokyo Stock Exchange.

5. Members of the Board of Directors and Audit & Supervisory Board Members

16 male Directors and Audit & Supervisory Board Members and 3 female Directors and an Audit & Supervisory Board Member (percentage of female: 15.8%)

Directors

Name ***Masami Iijima (1)***
Date of Birth September 23, 1950
Shareholdings as of March 31, 2017 89,388

Prior Positions	・1974/4	Joined Mitsui & Co., Ltd.
	・2006/4	Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit
	・2007/4	Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit
	・2008/4	Executive Managing Officer
	・2008/6	Representative Director, Executive Managing Officer
	・2008/10	Representative Director, Senior Executive Managing Officer
	・2009/4	Representative Director, President and Chief Executive Officer
	・2015/4	Representative Director, Chairman of the Board of Directors (current position)

Name ***Tatsuo Yasunaga (1)***
Date of Birth December 13, 1960
Shareholdings as of March 31, 2017 29,657

Prior Positions	・1983/4	Joined Mitsui & Co., Ltd.
	・2013/4	Managing Officer, Chief Operating Officer of Integrated Transportation Systems Business Unit
	・2015/4	President and Chief Executive Officer
	・2015/6	Representative Director, President and Chief Executive Officer (current position)

Name ***Hiroyuki Kato (1)***
Date of Birth April 28, 1956
Shareholdings as of March 31, 2017 39,664

Prior Positions	・1979/4	Joined Mitsui & Co., Ltd.
	・2010/4	Managing Officer, Chief Operating Officer of Energy Business Unit 1
	・2012/4	Executive Managing Officer, Chief Operating Officer of Energy Business Unit 1
	・2014/4	Senior Executive Managing Officer
	・2014/6	Representative Director, Senior Executive Managing Officer
	・2016/4	Representative Director, Executive Vice President, Chief Information Officer, Chief Privacy Officer
	・2017/4	Representative Director, Executive Vice President (current position)

Name ***Yoshihiro Hombo (1)***
Date of Birth March 19, 1957
Shareholdings as of March 31, 2017 30,092

Prior Positions	・1979/4	Joined Mitsui & Co., Ltd.
	・2010/4	Managing Officer, Chief Operating Officer of Basic Chemicals Business Unit
	・2012/4	Executive Managing Officer, General Manager of Investment Administrative Division
	・2014/4	Senior Executive Managing Officer
	・2014/6	Representative Director, Senior Executive Managing Officer
	・2017/4	Representative Director, Executive Vice President (current position)

Name	***Makoto Suzuki (1)***		
Date of Birth	April 13, 1958		
Shareholdings as of March 31, 2017			52,073

Prior Positions	・1981/4	Joined Mitsui & Co., Ltd.
	・2011/4	Managing Officer, Chief Representative of Mitsui & Co., Ltd. in South West Asia
	・2013/4	Executive Managing Officer, Chief Representative of Mitsui & Co., Ltd. in South West Asia
	・2015/4	Senior Executive Managing Officer, Chief Compliance Officer
	・2015/6	Representative Director, Senior Executive Managing Officer, Chief Compliance Officer
	・2017/4	Representative Director, Executive Vice President, Chief Compliance Officer (current position)

Name	***Satoshi Tanaka (1)***		
Date of Birth	February 27, 1958		
Shareholdings as of March 31, 2017			38,994

Prior Positions	・1981/4	Joined Mitsui & Co., Ltd.
	・2011/4	Managing Officer, Chief Operating Officer of Consumer Service Business Unit
	・2013/4	Executive Managing Officer, Chief Operating Officer of Consumer Service Business Unit
	・2015/4	Senior Executive Managing Officer, Chief Operating Officer of Asia Pacific Business Unit and President of Mitsui & Co. (Asia Pacific) Pte. Ltd.
	・2017/4	Executive Vice President, Chief Administrative Officer, Chief Information Officer, Chief Privacy Officer
	・2017/6	Representative Director, Executive Vice President, Chief Administrative Officer, Chief Information Officer, Chief Privacy Officer (current position)

Name	***Keigo Matsubara (1)***		
Date of Birth	December 10, 1955		
Shareholdings as of March 31, 2017			15,681

Prior Positions	・1979/4	Joined Mitsui & Co., Ltd.
	・2012/4	Managing Officer, Deputy Chief Financial Officer, General Manager of Global Controller Division
	・2015/4	Executive Managing Officer, Chief Financial Officer
	・2015/6	Representative Director, Executive Managing Officer, Chief Financial Officer
	・2017/4	Representative Director, Senior Executive Managing Officer, Chief Financial Officer (current position)

Name	***Shinsuke Fujii (1)***		
Date of Birth	December 8, 1958		
Shareholdings as of March 31, 2017			16,010

Prior Positions	・1981/4	Joined Mitsui & Co., Ltd.
	・2013/4	Managing Officer, President of Mitsui & Co. (Brasil) S.A.
	・2015/4	Executive Managing Officer, General Manager of Investment Administrative Division
	・2016/4	Executive Managing Officer
	・2016/6	Representative Director, Executive Managing Officer
	・2017/4	Representative Director, Senior Executive Managing Officer (current position)

Name ***Nobuaki Kitamori (1)***
Date of Birth October 8, 1958
Shareholdings as of March 31, 2017 20,887

Prior Positions	・1983/4	Joined Mitsui & Co., Ltd.
	・2013/4	Managing Officer, General Manager of Human Resources & General Affairs Division
	・2015/4	Managing Officer, Chief Operating Officer of IT & Communication Business Unit
	・2016/4	Executive Managing Officer, Chief Operating Officer of IT & Communication Business Unit
	・2017/4	Executive Managing Officer
	・2017/5	Executive Managing Officer, Chief Digital Officer
	・2017/6	Representative Director, Executive Managing Officer, Chief Digital Officer (current position)

Name ***Toshiro Muto (1)***
Date of Birth July 2, 1943
Shareholdings as of March 31, 2017 11,625

Prior Positions	・1966/4	Entered the Ministry of Finance
	・1999/7	Director-General of the Budget Bureau, Ministry of Finance
	・2000/6	Administrative Vice Minister, Ministry of Finance
	・2003/1	Special Advisor, Ministry of Finance
	・2003/3	Deputy Governor, Bank of Japan
	・2008/7	Chairman, Daiwa Institute of Research Ltd. (current position)
	・2009/4	Director, Principal, The Kaisei Academy
	・2010/6	External Director, Mitsui & Co., Ltd. (current position)

Name ***Izumi Kobayashi (1)***
Date of Birth January 18, 1959
Shareholdings as of March 31, 2017 2,168

Prior Positions	・1981/4	Joined Mitsubishi Chemical Industries, Ltd. (currently Mitsubishi Chemical Corporation)
	・1985/6	Joined Merrill Lynch Futures Japan Inc.
	・2001/12	President, Merrill Lynch Japan Securities Co., Ltd.
	・2002/7	External Director, Osaka Securities Exchange Co., Ltd.
	・2008/11	Executive Vice President, Multilateral Investment Guarantee Agency, World Bank Group
	・2014/6	External Director, Mitsui & Co., Ltd. (current position)
	・2015/4	Vice Chairperson, Japan Association of Corporate Executives (current position)

Name ***Jenifer Rogers (1)***
Date of Birth June 22, 1963
Shareholdings as of March 31, 2017 2,457

Prior Positions	・1989/9	Joined Haight Gardner Poor & Havens (currently Holland & Knight LLP)
	・1990/12	Registered as Attorney at Law admitted in New York
	・1991/2	Joined Industrial Bank of Japan Limited, New York Branch (currently Mizuho Bank)
	・1994/12	Joined Merrill Lynch Japan Securities Co., Ltd.
	・2000/11	Merrill Lynch Europe Plc
	・2006/7	Bank of America Merrill Lynch (Hong Kong)
	・2012/11	General Counsel Asia, NEW Asurion Asia Pacific Japan LLC (currently Asurion Japan Holdings G.K.) (current position)
	・2015/6	External Director, Mitsui & Co., Ltd. (current position)

Name	***Hirotaka Takeuchi (1)***		
Date of Birth	October 16, 1946		
Shareholdings as of March 31, 2017			－

Prior Positions	･1969/4	Joined McCann-Erickson Hakuhodo Co., Ltd. (currently McCann Erickson Japan Inc.)
	･1976/9	Lecturer, Harvard Business School
	･1977/12	Associate Professor, Harvard Business School
	･1983/4	Associate Professor, Hitotsubashi University-Faculty of Commerce and Management
	･1987/4	Professor, Hitotsubashi University-Faculty of Commerce and Management
	･1998/4	Dean of The Graduate School of International Corporate Strategy, Hitotsubashi University
	･2010/4	Professor Emeritus, Hitotsubashi University (current position)
	･2010/7	Professor, Harvard Business School (current position)
	･2016/6	External Director, Mitsui & Co., Ltd. (current position)

Name	***Samuel Walsh (1)***		
Date of Birth	December 27, 1949		
Shareholdings as of March 31, 2017			－

Prior Positions	･1972/2	Joined General Motors Holden's Limited
	･1987/6	Joined Nissan Motor Australia
	･1991/9	Joined Rio Tinto Limited
	･2013/1	Chief Excecutive Officer, Rio Tinto Limited
	･2016/11	Global President, The Chartered Institute of Procurement and Supply (current position)
	･2017/2	Chairman, The Accenture Global Mining Executive Council (current position)
	･2017/2	Chairman Elect, Royal Flying Doctor Service (WA) (current position)
	･2017/6	External Director, Mitsui & Co., Ltd. (current position)

Audit & Supervisory Board Members

Name	***Joji Okada (2)***		
Date of Birth	October 10, 1951		
Shareholdings as of March 31, 2017			43,720

Prior Positions	･1974/4	Joined Mitsui & Co., Ltd.
	･2008/4	Managing Officer, General Manager of Accounting Division
	･2009/4	Managing Officer, Deputy Chief Financial Officer, General Manager of Global Controller Division
	･2010/4	Executive Managing Officer, Deputy Chief Financial Officer, General Manager of Global Controller Division
	･2011/4	Executive Managing Officer, Chief Financial Officer
	･2011/6	Representative Director, Executive Managing Officer, Chief Financial Officer
	･2012/4	Representative Director, Senior Executive Managing Officer, Chief Financial Officer
	･2014/4	Representative Director, Executive Vice President, Chief Financial Officer
	･2015/4	Director
	･2015/6	Full-time Audit & Supervisory Board Member (current position)

Name ***Takashi Yamauchi (2)***
Date of Birth May 3, 1951
Shareholdings as of March 31, 2017 54,653

Prior Positions	・1976/4	Joined Mitsui & Co., Ltd.
	・2008/4	Managing Officer, Chief Operating Officer of Iron & Steel Products Business Unit
	・2010/4	Executive Managing Officer, Chief Operating Officer of Transportation Logistics Business Unit
	・2011/4	Executive Managing Officer, Chief Operating Officer of Asia Pacific Business Unit
	・2013/4	Senior Executive Managing Officer, Chief Operating Officer of Asia Pacific Business Unit
	・2014/4	Executive Vice President, Chief Operating Officer of Asia Pacific Business Unit
	・2015/4	Executive Vice President
	・2015/6	Full-time Audit & Supervisory Board Member (current position)

Name ***Haruka Matsuyama (3)***
Date of Birth August 22, 1967
Shareholdings as of March 31, 2017 85

Prior Positions	・1995/4	Appointed to Assistant Judge at Tokyo District Court
	・2000/7	Registered as Attorney at Law
	・2000/7	Joined Hibiya Park Law Offices
	・2002/1	Partner of Hibiya Park Law Offices (current position)
	・2014/6	External Audit & Supervisory Board Member, Mitsui & Co., Ltd. (current position)

Name ***Hiroshi Ozu (2)***
Date of Birth July 21, 1949
Shareholdings as of March 31, 2017 724

Prior Positions	・1974/4	Appointed to Public Prosecutor
	・2007/7	Vice Minister of Justice
	・2012/7	Attorney General
	・2014/9	Registered as Attorney at Law
	・2015/6	External Audit & Supervisory Board Member, Mitsui & Co., Ltd. (current position)

Name ***Kimitaka Mori (4)***
Date of Birth June 30, 1957
Shareholdings as of March 31, 2017 900

Prior Positions	・1980/4	Joined Shinwa Accountants (currently KPMG AZSA LLC)
	・2000/6	Representative Partner
	・2004/6	Director of financial services
	・2006/6	Board Member
	・2011/7	Chairman, KPMG FS Japan
	・2013/7	Established Mori Certified Public Accountant Office
	・2013/7	Chairman and President, The Japanese Institute of Certified Public Accountants
	・2016/7	Senior Advisor, The Japanese Institute of Certified Public Accountants (current position)
	・2017/6	External Audit & Supervisory Board Member, Mitsui & Co., Ltd. (current position)

(1) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2018.
(2) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2019.
(3) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2018.
(4) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2021.
(5) Mr. Toshiro Muto, Ms. Izumi Kobayashi, Ms. Jenifer Rogers, Mr. Hirotaka Takeuchi and Mr. Samuel Walsh are External Directors.
Ms. Haruka Matsuyama, Mr. Hiroshi Ozu and Mr. Kimitaka Mori are External Audit & Supervisory Board Members.
Mr. Joji Okada and Mr. Takashi Yamauchi are full-time Audit & Supervisory Board Members.
(6) Ms. Matsuyama’s name as it appears in her family registry is Haruka Kato.

Mitsui introduced the Managing Officer System in April 2002. Managing Officers as of June 21, 2017 are as follows: (* Serves concurrently as Director)

Managing Officers

Name	Title and Principal Positions
Tatsuo Yasunaga*	President and Chief Executive Officer; Chairman, Internal Controls Committee; Head of Crisis Management Headquarters
Hiroyuki Kato*	Executive Vice President; Iron & Steel Products Business Unit; Mineral & Metal Resources Business Unit; Energy Business Unit I; Energy Business Unit II
Yoshihiro Hombo*	Executive Vice President; Basic Materials Business Unit; Performance Materials Business Unit; Nutrition & Agriculture Business Unit; Food Business Unit; Food & Retail Management Business Unit
Makoto Suzuki*	Executive Vice President; Chief Compliance Officer; Corporate Staff Unit (Secretariat, Audit & Supervisory Board Member Division, Human Resources & General Affairs Division, Legal Division, Corporate Logistics Control Division, New Head Office Building Development Department); Business Continuity Management; New Headquarter Project; Chairman, Compliance Committee; Chairman, Diversity Promotion Committee; Head of Emergency Management Headquarter
Satoshi Tanaka*	Executive Vice President; Chief Administrative Officer; Chief Information Officer; Chief Privacy Officer; Corporate Staff Unit (Corporate Planning & Strategy Division, Investment Administrative Division, Information Technology Promotion Division, Regional Business Promotion Division, Corporate Communications Division, Environmental·Social Contribution Division, Business Supporting Unit (Each Planning & Administrative Division)); Domestic Offices and Branches; HQ Overseen Region; Business Innovation & Incubation; Environmental Matters; Chairman, Information Strategy Committee; Chairman, Sustainability Committee; Chairman, Business Innovation Committee
Keigo Matsubara*	Senior Executive Managing Officer; Chief Financial Officer; Corporate Staff Unit (CFO Planning & Administrative Division, Global Controller Division, Finance Division, Risk Management Division, Investor Relations Division, Business Supporting Unit (Financial Management & Advisory Division I, II, III, IV)); Chairman, Disclosure Committee; Chairman, J-SOX Committee
Shinsuke Fujii*	Senior Executive Managing Officer; Healthcare & Service Business Unit; Consumer Business Unit; Corporate Development Business Unit; Chairman, Portfolio Management Committee
Atsushi Kume	Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit
Takeshi Kanamori	Senior Executive Managing Officer; Chief Representative of Mitsui & Co., Ltd. in China
Yasushi Takahashi	Senior Executive Managing Officer; Chief Operating Officer of Americas Business Unit
Taku Morimoto	Senior Executive Managing Officer; Chief Operating Officer of Asia Pacific Business Unit
Nobuaki Kitamori*	Executive Managing Officer; Chief Digital Officer; Infrastructure Projects Business Unit; Integrated Transportation Systems Busiess Unit I; Integrated Transportation Systems Busiess Unit II; IT & Communication Business Unit; Digital Transformation
Yasuyuki Fujitani	Executive Managing Officer; Chief Operating Officer of Corporate Development Business Unit
Motoo Ono	Executive Managing Officer; General Manager of Human Resources & General Affairs Division
Yukio Takebe	Executive Managing Officer; Chairman & CEO of Mitsui & Co. (Australia) Ltd.
Shinsuke Kitagawa	Executive Managing Officer, General Manager of Osaka Office
Noboru Katsu	Executive Managing Officer; Chief Operating Officer of Iron & Steel Products Business Unit
Takakazu Uchida	Executive Managing Officer; General Manager of Finance Division
Hiromichi Yagi	Executive Managing Officer; Chief Representative of Mitsui & Co., Ltd. in South West Asia; Managing Director, Mitsui & Co., India Pvt. Ltd.
Shinichiro Omachi	Executive Managing Officer; Chief Operating Officer of Mineral & Metal Resources Business Unit
Hiroyuki Tsurugi	Executive Managing Officer; Chief Operating Officer of Energy Business Unit I
Hirotatsu Fujiwara	Executive Managing Officer; Chief Operating Officer of Energy Business Unit II

Name	Title and Principal Positions
Kenichi Hori	Executive Managing Officer; Chief Operating Officer of Nutrition & Agriculture Business Unit
Shingo Sato	Managing Officer; Chief Operating Officer of Integrated Transportation Systems Business Unit I
Katsurao Yoshimori	Managing Officer; Chief Operating Officer of Basic Materials Business Unit
Osamu Toriumi	Managing Officer; General Manager of Internal Auditing Division
Shin Hatori	Managing Officer; General Manager of Nagoya Office
Shinji Tsuchiya	Managing Officer; President of Mitsui & Co. (Brasil) S.A.
Hiroshi Meguro	Managing Officer; Deputy Chief Administrative Officer (HQ Overseen Region)
Kimiro Shiotani	Managing Officer; General Manager of Global Controller Division
Miki Yoshikawa	Managing Officer; Chief Operating Officer of Food Business Unit
Yoshio Kometani	Managing Officer; Chief Operating Officer of Infrastructure Projects Business Unit
Toshiaki Maruoka	Managing Officer; Chief Representative of Mitsui & Co., Ltd. in CIS; General Director of Mitsui & Co. Moscow LLC
Motoaki Uno	Managing Officer; President & CEO of P.T. Mitsui Indonesia
Koji Nagatomi	Managing Officer; Chief Operating Officer of Healthcare & Service Business Unit
Kohei Takata	Managing Officer; General Manager of Planning & Administrative Division (Food & Services)
Sayu Ueno	Managing Officer; General Manager of Corporate Planning & Strategy Division
Yumi Yamaguchi	Managing Officer; President & CEO, Mitsui Global Strategic Studies Institute
Masaki Saito	Managing Officer; Chief Operating Officer of IT & Communication Business Unit
Takeshi Setozaki	Managing Officer; Chief Operating Officer of Integrated Transportation Systems Business Unit II
Reiji Fujita	Managing Officer; Chief Operating Officer of Consumer Business Unit; General Manager of New Head Office Building Development Department
Takeo Kato	Managing Officer; Chief Operating Officer of Performance Materials Business Unit
Yuki Kodera	Managing Officer; Generanl Manager of Planning & Administrative Division (Metals)
Hirohiko Miyata	Managing Officer; General Manager of Investment Administrative Division
Yoshiki Hirabayashi	Managing Officer; Chief Operating Officer of Food & Retail Management Business Unit

6. Corporate Governance

(1) Corporate Governance

1) Basic Corporate Governance Policy

In structuring the corporate governance framework, Mitsui places emphasis on "improved transparency and accountability" and "clarification of the division of roles between management oversight and execution."
For the "improved transparency and accountability," Mitsui ensures sound supervision and monitoring of management with the view point of External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the "external members"). Mitsui has also established an internal control system for disclosure so that all executives and employees fulfill their accountability to stakeholders under the principle of fair disclosure. For "clarification of the division of roles between management oversight and execution," Mitsui delegates execution of business to Managing Officers substantially while the Board of Directors retains a supervisory role over Managing Officers' business activities. Chief Operating Officers of 16 business units within headquarters and 3 regional business units serve concurrently as Managing Officers and engage in business operation for the consolidated group in a responsive and flexible manner.
While increasing the effectiveness of supervisory functions by having Audit & Supervisory Board Members, Mitsui implements corporate governance by maintaining an Audit & Supervisory Board system because it believes that having internal Directors who are familiar with our business practices and operations is essential to the business of a general trading company. By adopting a Committee System in which External Directors and External Audit & Supervisory Board Members participate, Mitsui achieves highly effective corporate governance to secure "improved transparency and accountability" and "clarification of the division of roles between management oversight and execution." In order to realize effective corporate governance for shareholders and other stakeholders, Mitsui has established, and maintains, the following structures:

ⅰ) The Board of Directors is the highest authority for execution of business and supervision, and in order to secure this function, Mitsui has set the number of Directors to the maximum number that permits substantial discussions. As advisory committees to the Board of Directors, Mitsui also has in place the Governance Committee, the Nomination Committee and the Remuneration Committee, in which External Directors and/or External Audit & Supervisory Board Members participate as members.

ⅱ) The Audit & Supervisory Board Members supervise the Directors' execution of duties as an independent institution with the mandate of the shareholders. For this purpose, Audit & Supervisory Board Members carry out multi-faceted, effective audit activities such as attending important internal meetings, verifying reports and investigating our business, and take necessary measures in a timely manner.

Regarding Mitsui's basic views and policies on Corporate Governance, we published "Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles" on Mitsui's website as follows.
(http://www.mitsui.com/jp/ja/company/outline/governance/system/pdf/corp_gov.pdf)

Mitsui complies with all Principles of the Corporate Governance Code. Please see the "Corporate Governance Report" which we presented to the Tokyo Stock Exchange and other stock exchanges.

2) Corporate Governance Structure of Mitsui

ⅰ) Status of the Board of Directors

- Upon the introduction of the Managing Officer System in April 2002, the number of Directors was reduced from 38 to 11 in June 2002. In June 2003, the first External Director was appointed, and since the Ordinary General Meeting of Shareholders held in June 2015, five External Directors have been appointed.

- The Chairman is a director and is authorized to call for a meeting of the Board of Directors and to serve as a chairman of the meeting. As of the date of the issuance of this report, 14 Directors (including 2 female External Directors, and the percentage of female Directors is 14.3%) are appointed, 8 of whom also serve as Managing Officers.

- Mitsui has limited the number of Directors to the maximum to enable substantial discussions and gives priority to the appointment of new External Directors in the case of increasing the number of board members in order to enhance the division of roles between management oversight and execution. The tenure of Directors is one year, and Directors can be reappointed.

- In accordance with the Rules of the Board of Directors Regarding Resolutions and Matters to be Reported, the Board of Directors passes resolutions of fundamental policies on management of Mitsui, matters of important business operation, matters mandated by a resolution of the General Meeting of Shareholders and issues prescribed in laws and regulations and in the Articles of Incorporation. The Board of Directors also receives reports on issues prescribed in laws and regulations and the status of important business operations.

- A regular meeting of the Board of Directors is held once every month, and extraordinary meetings are held from time to time, whenever necessary. During the year ended March 31, 2017, 16 meetings were held.

- Further, the meeting composed of all external members is held for the purpose of exchanging information and opinions regarding important matters in management among external members, or among external members, Internal Directors, Full-time Audit & Supervisory Board Members, Independent Auditors and/or Managing Officers.

- Mitsui has entered into agreements with each External Directors respectively limiting their liability as External Directors to legally designated limits pursuant to Article 427, Paragraph 1 of the Companies Act of Japan.

- Mitsui has established the three committees below as advisory bodies to the Board of Directors. The compositions of members as of the date of issuance of this report are as follows:

・ Governance Committee

Composition: Chairman of the Board of Directors (the committee chair), President and Chief Executive Officer, three External Directors, one Internal Director, one External Audit & Supervisory Board Member

Objectives: To study the state and future vision of Mitsui's corporate governance with the viewpoints of External Directors and External Audit & Supervisory Board Members

・ Nomination Committee

Composition: Two External Directors (one of whom is the committee chair), President and Chief Executive Officer, two Internal Directors, one External Audit & Supervisory Board Member

Objectives: To discuss the selection standards and processes to be applied in nominating Directors and Managing Officers as well as to evaluate the proposal of Director nomination

・ Remuneration Committee

Composition: Two External Directors (one of whom is the committee chair), President and Chief Executive Officer, two Internal Directors, one External Audit & Supervisory Board Member

Objectives: To study the system and decision-making process related to remuneration and bonuses for Directors and Managing Officers as well as to evaluate the remuneration proposals for the Directors

- Each year the Board of Directors analyzes and evaluates its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Director, and discloses a summary of the results. A summary of this evaluation for the year ended March 31, 2017 is as described in 6.(1).5).i).(a).

ⅱ) Status of auditing by the Audit & Supervisory Board Members, Internal Auditors and Independent Auditors

(a) Status of the Audit & Supervisory Board

- As of the issuance of this report, there are five Audit & Supervisory Board Members, including two Full-time Audit & Supervisory Board Members and three External Audit & Supervisory Board Members (including one female External Audit & Supervisory Board Member, and the percentage of female Audit & Supervisory Board Member is 20%). A meeting of the Audit & Supervisory Board Members is regularly held prior to a meeting of the Board of Directors and whenever necessary. In the year ended March 31, 2017, 22 meetings were held. Audit & Supervisory Board Members attend the meeting of the Board of Directors and audit the procedure of the meeting and the contents of resolutions as well as other issues, and proactively express their opinions.

- The Guidelines of Auditing by Audit & Supervisory Board Members define the responsibility of Audit & Supervisory Board Members, the frame of mind necessary for them, the framework of audits, audit standards, and codes of conduct. Pursuant to laws and regulations, the Articles of Incorporation and the provision of the Rules of the Audit & Supervisory Board, the Audit & Supervisory Board receives relevant reports, deliberates and/or makes resolutions as to important matters in auditing.

- Each Audit & Supervisory Board Member has a duty to audit the following issues: in the area of business auditing, execution of duties by Directors, decision-making processes at the Board of Directors and others, and the status of construction and operation of the internal control systems. In the area of financial audit, the independence of the Independent Auditors, effectiveness of the internal control systems, system of financial reporting, accounting policies and processing of financial information, audit of financial statements, reports from the Independent Auditors, and the system of disclosure.

- The Audit & Supervisory Board establishes audit policies and makes audit plans taking into consideration materiality, timeliness and other necessary elements. To conduct effective and efficient audits, the Audit & Supervisory Board coordinates closely with the Independent Auditors and Internal Auditing Division.

- Full-time Audit & Supervisory Board Members attend important internal meetings and committees, including the Corporate Management Committee. All Audit & Supervisory Board Members have discussions with the Chairman of the Board of Directors and the President & Chief Executive Officer, respectively, on a periodic basis. Full-time Audit & Supervisory Board Members receive reports and exchange opinions at individual meetings with Directors and Managing Officers, as well as regular meetings with the Directors in charge of Corporate Staff Units and general managers in Corporate Staff Units.

- The Audit & Supervisory Board has designated some of the affiliated companies both domestic and overseas as "Important Affiliated Companies Designated by the Audit & Supervisory Board". The Audit & Supervisory Board Members conduct auditing on the management status of Mitsui's subsidiaries through visits to these designated affiliate companies and major subsidiaries as well as through cooperation with audit & supervisory board members at subsidiaries.

- The Audit & Supervisory Board has designated Mr. Joji Okada and Mr. Kimitaka Mori as Audit & Supervisory Board Members who have considerable expertise in finance and accounting.

  Mr. Joji Okada joined Mitsui in 1974. Before being elected as one of our Audit & Supervisory Board Members in 2015, he had worked in the field of accounting and was appointed as Managing Officer, General Manager of Accounting Division in 2008, as Executive Managing Officer, Chief Financial Officer in 2011, and as Vice President, Chief Financial Officer in 2014.

  Mr. Kimitaka Mori had been working in the field of corporate accounting over the years as a certified public accountant, and holding important positions in that field such as the former Chairman and President of Japanese Institute of Certified Public Accountants.

- Mitsui has entered into agreements with each Audit & Supervisory Board Member respectively limiting their liability as Audit & Supervisory Board Members to legally designated limits, pursuant to Article 427, Paragraph 1 of the Companies Act of Japan.

- We set up the Audit & Supervisory Board Member Division to assist in the performance of the duties of the Audit & Supervisory Board Members, and assign to the Division at least three full-time employees with the appropriate knowledge and abilities necessary for this work.

(b) Internal auditing

- Based on the order or approval of the President and Chief Executive Officer, for the purpose of contributing to the effective achievement of management goals, the Internal Auditing Division evaluates how internal control is maintained and exercised with an emphasis on the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations, as well as safeguarding of Company assets. The adequacy and effectiveness of each process in risk management, control (any action taken by the management toward the achievement of the established goals) and governance (processes and structures implemented by the management to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives) within each organizational unit shall also be evaluated, and suggestions and proposals shall be made for their improvement.

- In order to ensure the independence and objectivity of internal audits, we have the Internal Auditing Division directly under the rule of the President and Chief Executive Officer. The composition of the personnel in the division as of March 31, 2017, is as follows: of a total of 66 people, which includes one General Manager, 28 internal auditors, 26 members in charge of audits, and 11 staff members; 56 people are stationed in the Internal Auditing Division in the Head Office, 6 people are stationed in Internal Auditing Offices overseas, and 4 people are stationed in the Internal Auditing Department within Business Supporting Units.

- In the regular audits which cover Mitsui, Overseas Offices, Overseas Trading Subsidiaries, and other subsidiaries, internal auditors carry out independent and objective evaluations, pursuant to the rules on internal audits, etc., with an emphasis on risk management, effectiveness of management and operations, compliance, and appropriate financial reporting. In addition, the following audits are implemented as internal audits: cross-organizational and cross-functional audits by target and item, such as issues involving multiple organizations and business processes or security trade control systems, and extraordinary examinations to get a whole picture of such events that caused or could cause irregular economic losses or that jeopardized or could jeopardize the corporate trust, in order to identify the responsibility and recommend measures to clarify the causes as well as to prevent recurrence. The Internal Auditing Division as an independent department compiles and checks the assessment of the entity-wide internal control regarding the credibility of financial reports, pursuant to the Financial Instruments and Exchange Act of Japan. The final results are reported to the below-mentioned J-SOX Committee.

- For each fiscal year, the internal auditing policy and the internal auditing plan go through the approval process by the President and Chief Executive Officer. Internal audits are implemented either with or without advance notice to the target organization. The internal auditors provide feedback on the results of the internal audit to the organization before preparing the internal audit report and carry out a full exchange of opinions on their suggestions. The audit results are reported to the President and Chief Executive Officer. The reports from the organization on the implementation status of improvements regarding the issues identified are requested and are reevaluated.

(c) Auditing of financial statements

- For the year ended March 31, 2017, the certified public accountants executing audits on our financial statements are the following four people, who all belong to Deloitte Touche Tohmatsu LLC: Yoshio Sato, Takashi Kitamura, Michiyuki Yamamoto and Takenao Ohashi. The number of assistants involved in auditing work is 82 people as of March 31, 2017, and this number is comprised of 29 certified public accountants, 16 members of the Japanese Institute of Junior Accountants, and 37 others.

- In order to secure prompt financial closing and reliability, the auditing work of Mitsui and its consolidated subsidiaries is in principle entrusted solely to Deloitte Touche Tohmatsu. Mitsui's Independent Auditors implement auditing under the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan as well as auditing of the consolidated financial statements in English.

(d) Coordination among auditing by Audit & Supervisory Board Members, auditing by Internal Auditing Division and auditing by the Independent Auditors

- At the end of the fiscal year, the Independent Auditors report to the Audit & Supervisory Board the audit procedures and results of audits on accounting and internal controls, and exchange opinions on these. During a fiscal year, the Audit & Supervisory Board Members hold monthly meetings with the Independent Auditors and receive reports from the Independent Auditors about their auditing plans, the items of focus in audits, the status of audits and other matters. At the meetings, the participants exchange information and have discussions on the execution of effective and efficient accounting audits and internal control audits.

- In addition to the exchange of information with the Internal Auditing Division for implementing efficient audits, Full-time Audit & Supervisory Board Members in principle attend all of the feedback sessions on regular internal audits by the Internal Auditing Division. The General Manager of the Internal Auditing Division periodically reports on the plans and results of internal audits to the Audit & Supervisory Board. The Audit & Supervisory Board Members, as necessary, request reports on the internal control system, risk evaluation and other matters from the Internal Auditing Division and other divisions responsible for internal controls, and also ask for their cooperation on a wide range of matters in audits.

(e) Coordination between supervision by the External Directors or auditing by External Audit & Supervisory Board Members and the internal audits, auditing by Audit & Supervisory Board Members and Independent Auditors, and relationship with divisions involved in internal control

- The External Directors and External Audit & Supervisory Board Members, through the Board of Directors, the Audit & Supervisory Board and the meeting composed of all External Directors and all External Audit & Supervisory Board Members respectively, mutually coordinate with internal audits, auditing by Audit & Supervisory Board Members and accounting audits as well as supervise and audit the internal control system. Specifically, they periodically receive reports on the following at the meeting of the Board of Directors and the Audit & Supervisory Board, respectively: results of the internal audits and internal audit plans, results of auditing by the Audit & Supervisory Board and audit implementation plans, summary of management letters by Independent Auditors, assessment results with regard to the internal control system in accordance with the Financial Instruments and Exchange Act of Japan, the operational status of compliance programs, and other matters regarding the structure and management of internal controls. At the meeting composed of all External Directors and all External Audit & Supervisory Board Members, External Directors, Audit & Supervisory Board Members and Independent Auditors mutually exchange information and opinions regarding the policy of audits.

iii) Framework for internal control and execution of business activities

- Ultimate responsibility for execution of business operations lies with the President and Chief Executive Officer. The President and Chief Executive Officer delegates authority to the Chief Operating Officers of the business units and regional business units, who, in turn, report to the President and Chief Executive Officer. The Corporate Management Committee is organized for deliberating the basic policies and important matters for execution of group-wide business operations. The Committee consists of the Chairman of the Board of Directors, President and Chief Executive Officer (the committee chair), the Directors in charge of Corporate Staff Units, and Representative Directors or Managing Officers nominated by the President and Chief Executive Officer. The Corporate Management Committee is held weekly in principle.

- As mentioned above, the Internal Auditing Division, the division positioned directly under the President and Chief Executive Officer, examines the status of development and implementation of the internal control of Mitsui. With the delisting from NASDAQ in April 2011 and the termination of SEC registration in July 2011, Mitsui has implemented the internal control framework based on Japanese regulation from the year ended March 31, 2012. Even after the transition, Mitsui maintains its internal control system by positioning the internal control as the structure by which the management controls the executive body, aiming for: (1) "Improvement of effectiveness and efficiency of operations," (2) "Compliance with accounting standards and securing reliability of financial reporting," (3) "Compliance with laws, rules that are equivalent to the laws, and observance of management philosophy and company rules including all codes of conduct which reflect this philosophy," and (4) "The safeguarding of company assets;" and consists of: "control environment," "risk assessment," "control activities," "information and communication," "monitoring," and "response to IT." These objectives and components are as stated in the basic framework designated in “Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting,” issued by the advisory board to the Commissioner of the Financial Services Agency.

- Mitsui has established major committees pertaining to the execution of business and implementation of internal control as follows, and is taking measures to respond to a wide range of risks and forms of businesses, which continue to increase and diversify.

  - Internal Controls Committee
    Chaired by the President and Chief Executive Officer, as an organization under the Corporate Management Committee, the Internal Controls Committee establishes a basic policy related to the internal control system while developing, maintaining, and improving the effectiveness of the integrated management system.

  - Compliance Committee
    As an organization under the Internal Controls Committee, this committee, with an attorney at law from outside Mitsui participating as an observer, develops, maintains, and improves the effectiveness of the compliance structure.

  - Disclosure Committee
    As an organization under the Internal Controls Committee, this committee develops principles and basic policy for statutory disclosure and timely disclosure as well as the internal structure, and discusses and determines the materiality and appropriateness of information to be disclosed.

  - J-SOX Committee
    As an organization under the Internal Controls Committee, this committee develops, maintains, and improves the effectiveness of the system for ensuring the reliability of our consolidated financial reporting. During the year ended March 31, 2012, due to the termination of the registration with SEC, the SOA Sec. 404 Committee was renamed as the J-SOX Committee.

  - Portfolio Management Committee
    As an advisory body to the Corporate Management Committee, this committee establishes the corporate portfolio strategy as well as investment and loan plans, monitors our corporate portfolios, and examines important individual proposals.

  - Information Strategy Committee
    As an advisory body to the Corporate Management Committee, this committee plans company-wide information strategy and determines and monitors essential policies concerning establishment of a management platform and promotion of the structure of the information strategy.

  - Sustainability Committee
    We have newly established the Sustainability Committee from May 2017 by strengthening and enhancing the role of the CSR Promotion Committee. As an organization under the Corporate Management Committee, this committee aims to promote management with greater awareness of the sustainability of both society and Mitsui and provides advice to the management.

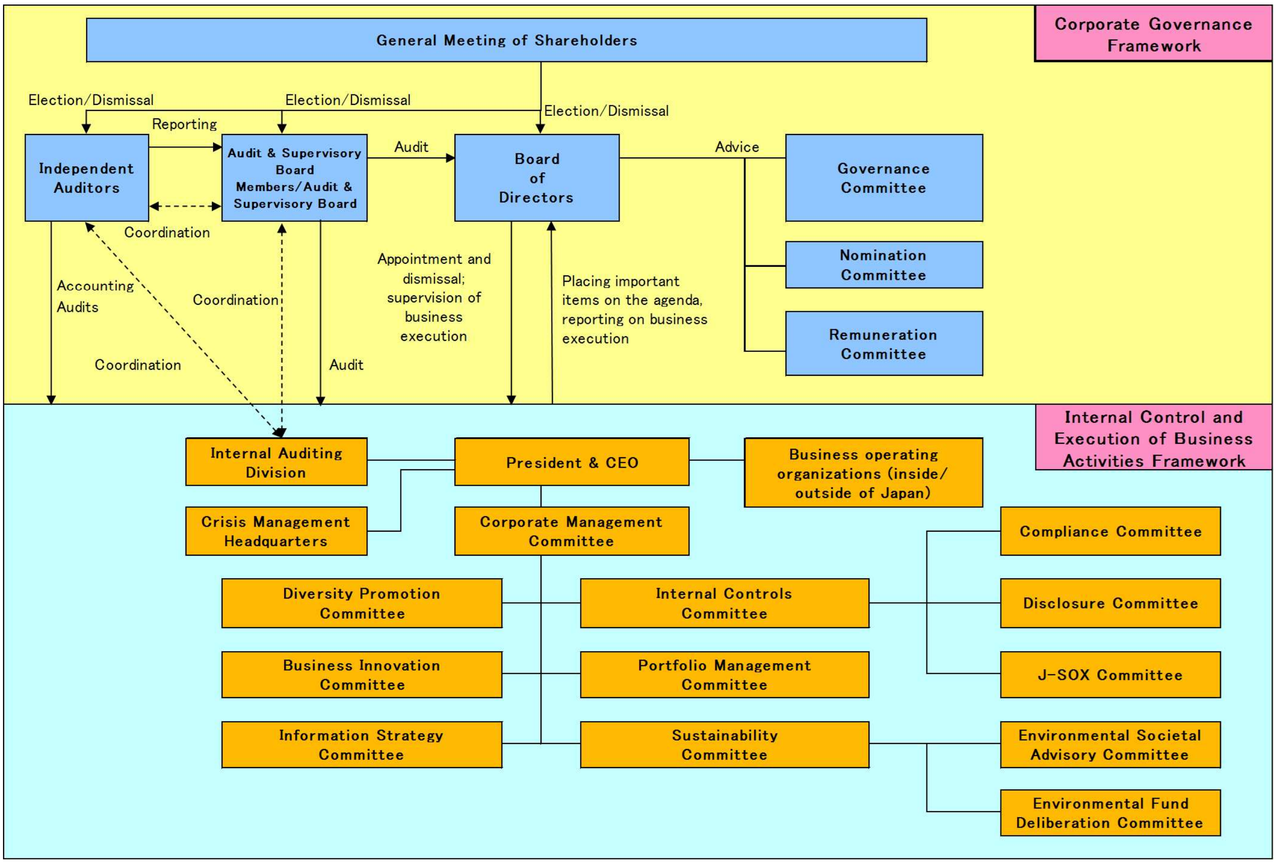
  - Diversity Promotion Committee
    As an advisory body to the Corporate Management Committee, this committee makes proposals regarding basic policy and the plan for diversity promotion, and formulates and implements targets set along with the plan.

  - Crisis Management Headquarters
    As an extraordinary and non-permanent organization under the direct rule of the President and Chief Executive Officer, the Crisis Management Headquarters exercises necessary decision making in place of normal in-house decision mechanisms relating to all conceivable matters requiring an extraordinary response. The President and Chief Executive Officer serves as head of this Headquarters.

  - Business Innovation Committee

As an organization under the Corporate Management Committee, this committee monitors and analyzes new technology trends and potential business innovations, specifies our priorities and focuses, and provides advice to the management, as well as examines specific measures to support business units in implementing potential new businesses, aiming for the next generation.

Overview of our corporate governance and internal control framework is as follows:



3) The Relationship with External Directors and External Audit & Supervisory Board Members and Their Activities

i) Relationship with External Directors and reasons for their appointments; policy regarding their independence

- The prospective person's extensive business experience and knowledge is required to deliberate on such board meeting proposals as investments and loans, and knowledge of his or her particular area of business should be used.

- Mitsui puts great value on ensuring independence of the External Directors from Mitsui in the pursuit of their management oversight functions. Also, with a view to overseeing business operations in a way that reflects the standpoint of our diverse stakeholders, in selecting External Directors, Mitsui shall take into consideration the fields from which candidates originate, along with their gender.

Given that Mitsui is a general trading company with extensive business dealings, it has been decided to make appropriate efforts by the Board of Directors to handle likely conflicts of interest involving the prospective External Directors in individual transactions with external parties.

The five External Directors that were appointed at the Ordinary General Meeting of Shareholders held on June 21, 2017, their relationships with Mitsui, and the reasons for their appointment are as follows. Regarding shareholdings of External Audit & Supervisory Board Members, see "4. Corporate Information, 5. Members of the Board of Directors and Audit & Supervisory Board Members."

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Director at Mitsui
Toshiro Muto (Since June 2010)	There is no special interest between Mr. Muto and Mitsui, therefore, Mr. Muto is deemed to appropriately carry out his duties as the independent and neutral External Director.	Mr. Muto has deep insight into fiscal and monetary affairs, as well as in economics in general, gained at the Ministry of Finance and the Bank of Japan. At the Board of Directors meetings, he uses his specialist knowledge to speak out actively, making a significant contribution to deepening the discussion. In the year ended March 31, 2017, he served as the committee chair of the Remuneration Committee, contributing to the study and so forth of the remuneration system for Directors, which helped to further strengthen Mitsui's corporate governance. In view of these points Mitsui has reappointed him to an External Director so that he may continue to advise and supervise Mitsui's management.
Izumi Kobayashi (Since June 2014)	Mitsui paid membership fees and made donations to the Japan Association of Corporate Executives, where Ms. Kobayashi has served as Vice Chairperson since April 2015, but the yearly amount paid in each of the last three fiscal years was below the standard amount for donations and aid funds (¥10 million) established by Mitsui's criteria of independence for External Officers. From the above, Mitsui has determined that there is nothing that would affect the independence of Ms. Kobayashi as External Director. Other than the above, there is no special interest between Ms. Kobayashi and Mitsui, therefore, Ms. Kobayashi is deemed to appropriately carry out her duties as the independent and neutral External Director.	Ms. Kobayashi has advanced expertise in organizational management and risk management for generating innovation, which she has accumulated through her experience working as the representative of private sector financial institutions and a multilateral development bank. She speaks out actively from diverse perspectives at the Board of Directors meetings, making a significant contribution to deepening the discussion. In the year ended March 31, 2017, she served as a member of the Governance Committee and the Remuneration Committee, actively stating her opinions on the building of a highly transparent governance system. In view of these points Mitsui has reappointed her to a candidate for another term as External Director so that she may continue to advise and supervise Mitsui's management.
Jenifer Rogers (Since June 2015)	There is no special interest between Ms. Rogers and Mitsui, therefore, Ms. Rogers is deemed to appropriately carry out her duties as the independent and neutral External Director.	Ms. Rogers has a global perspective and advanced expertise in risk management cultivated through her experience working for international financial institutions and her experience in legal work as an in-house counsel. She makes many useful comments concerning risk control at the Board of Directors meetings, making a significant contribution to enhancing the supervision function of the Board of Directors. In the year ended March 31, 2017, she served as a member of the Governance Committee, actively stating her opinions on the building of a highly transparent governance system. In view of these points Mitsui has reappointed her to an External Director so that she may continue to advise and supervise Mitsui's management.

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Director at Mitsui
Hirotaka Takeuchi (Since June 2016)	Mitsui paid advisory remuneration and training costs related to human resource development to t-lab Co., Ltd., where Mr. Takeuchi has served as a Director since June 2013, but the yearly amount paid in each of the last three fiscal years was below the standard amount for remuneration (¥10 million) paid to consultants and other individuals providing professional services established by Mitsui's criteria of independence for External Officers. Moreover, Mitsui pays donations, outsourcing fees related to human resource development, and academic fees for trainees to the Harvard Business School, where Mr. Takeuchi has been a professor since July 2010; however, the yearly amount of Mitsui's donations made in each of the last three fiscal years was below the standard amount for donations and aid funds (¥10 million) established by Mitsui's Criteria of Independence for External Officers, and the yearly amount paid by Mitsui including donations is less than 1% of the annual revenue of the Harvard Business School. From the above, Mitsui has determined that there is nothing that would affect the independence of Mr. Takeuchi as External Director. Mr. Takeuchi's nephew is an employee (in a managerial position) of Mitsui. Other than the above, there is no special interest between Mr. Takeuchi and Mitsui, therefore, Mr. Takeuchi is deemed to appropriately carry out his duties as the independent and neutral External Director.	Mr. Takeuchi has deep insight related to management gained as an expert in international corporate strategy. At the Board of Directors meetings, he makes thought-provoking proposals about Mitsui's management strategies, making a significant contribution to enhancing the supervision function of the Board of Directors. In the year ended March 31, 2017, he served as a member of the Nomination Committee, helping to ensure the transparency of Mitsui's officers nominations. In view of these points Mitsui has reappointed him to an External Director so that he may continue to advise and supervise Mitsui's management.
Samuel Walsh (Since June 2017)	Mitsui's consolidated subsidiary sells iron and steel products to Rio Tinto Limited, at which Mr. Walsh served as CEO until July 2016; however, the yearly amount of sales in each of the last three fiscal years is less than 0.1% of Mitsui's annual consolidated transaction volume. From the above, Mitsui has determined that there is nothing that would affect the independence of Mr. Walsh as External Director. Other than the above, there is no special interest between Mr. Walsh and Mitsui, therefore, Mr. Walsh is deemed to appropriately carry out his duties as the independent and neutral External Director.	Mr. Walsh has global expertise and excellent management skills cultivated through his long years working in upper management within the automobile industry and as chief executive officer of an international mining and resources company. In addition to corporate management experience, Mr. Walsh has abundant experience in regional activities, art and cultural activities, charity projects, and the activities of international economic discussion groups. Mitsui has appointed him to an External Director because he is deemed capable of advising and supervising Mitsui's management from diverse perspectives.

(*) As of the time of issuance of this report, concurrent positions in other organizations held by External Directors are mainly as follows:

Name	Concurrent positions in other organizations held by External Directors
Toshiro Muto	Chairman of the Institute, Daiwa Institute of Research Ltd. Director General / CEO, The Tokyo Organising Committee of the Olympic and Paralympic Games
Izumi Kobayashi	External Director, ANA HOLDINGS INC. Governor, Japan Broadcasting Corporation
Jenifer Rogers	General Counsel Asia, NEW Asurion Asia Pacific Japan LLC
Hirotaka Takeuchi	Professor Emeritus, Hitotsubashi University Professor, Harvard Business School External Director, Daiwa Securities Group Inc. External Director, GreenPeptide Co., Ltd.

ⅱ) Activities of External Directors in the year ended March 31, 2017

The activities of External Directors in the year ended March 31, 2017 were as follows:

Name	Major activities
Ikujiro Nonaka	Mr. Nonaka participated in all 16 Board of Directors meetings held during the year ended March 31, 2017, and offered advice mainly from the perspective of his deep insight related to management gained as an expert in international corporate strategy. Also, as the chair of the Nomination Committee, he contributed to ensuring the transparency of Mitsui's nomination of officers, and as a member of the Governance Committee, provided opinions that contributed to enhancing Mitsui's governance.
Toshiro Muto	Mr. Muto participated in 14 of the 16 Board of Directors meetings held during the year ended March 31, 2017, and offered advice mainly from the perspective of his deep insight into fiscal and monetary affairs, as well as in economics in general, gained at the Ministry of Finance and the Bank of Japan. Also, as the chair of the Remuneration Committee, he contributed to the discussions related to a remuneration system for officers that would lead to further enhancement of governance, etc.
Izumi Kobayashi	Ms. Kobayashi participated in 15 of the 16 Board of Directors meetings held during the year ended March 31, 2017, and offered advice from the perspective of her deep insight related to organization management that produces innovation, and risk management, gained from her experience serving as a representative of private sector financial institutions and a multilateral development bank. Also, at the Governance Committee and Remuneration Committee, she actively provided her opinion with the aim of creating a highly transparent governance system.
Jenifer Rogers	Ms. Rogers participated in all 16 Board of Directors meetings held during the year ended March 31, 2017, and offered advice from her global perspective and based on her deep insight related to risk management gained from her experience working for international financial institutions and her experience in legal work as an in-house counsel. Also, at the Governance Committee, she actively provided her opinion with the aim of creating a highly transparent governance system.
Hirotaka Takeuchi	Mr. Takeuchi has participated in all 13 Board of Directors meetings held since he became a Director in June 2016, and offered advice from the perspective of his deep insight related to management gained as an expert in international corporate strategy. Also, as a member of the Nomination Committee, he contributed to ensuring the transparency of Mitsui's nomination of officers.

Mr. Nonaka retired at the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 21, 2017.

iii) Relationship with External Audit & Supervisory Board Members and reasons for their appointments; policy regarding their independence

The External Audit & Supervisory Board Members shall be elected with the objective of further heightening the neutrality and independence of the auditing system, and, in particular, it is expected that the External Audit & Supervisory Board Members will give an objective voice to their auditing opinions from the standpoint of neutrality, building on such factors as independence. When selecting candidates for External Audit & Supervisory Board Members, the Audit & Supervisory Board has confirmed that no issues with independence arose by taking into consideration such factors as relations with the company, management and important staff members.
As to the three External Audit & Supervisory Board Members as of the issuance of this report, the reasons for their appointment are as follows. Regarding shareholdings of External Audit & Supervisory Board Members, see 4. Corporate Information, 5. "Members of the Board of Directors and Audit & Supervisory Board Members."

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Audit & Supervisory Board Member at Mitsui
Haruka Matsuyama (Since June 2014)	There is no personal, capital, business or other relationship between Ms. Matsuyama and Mitsui, therefore, Ms. Matsuyama is deemed to appropriately carry out her duties as the independent and neutral External Audit & Supervisory Board Member.	Ms. Matsuyama is appointed as an External Audit & Supervisory Board Member in expectation of the expression of her objective audit opinions from an independent and neutral standpoint, from the many years of experience and perspective she has gained, mainly as an attorney at law.
Hiroshi Ozu (Since June 2015)	There is no personal, capital, business or other relationship between Mr. Ozu and Mitsui, therefore, Mr. Ozu is deemed to appropriately carry out his duties as the independent and neutral External Audit & Supervisory Board Member.	Mr. Ozu is appointed as an External Audit & Supervisory Board Member in expectation of the expression of his objective audit opinions from an independent and neutral standpoint, from the many years of experience and perspective he has gained, mainly as a prosecutor.
Kimitaka Mori (Since June 2017)	Although Mitsui paid market research fees and so forth exceeding ¥10 million in the most recent business year to Deloitte Tohmatsu Consulting LLC, at which Mr. Mori's eldest son was an employee until April 2017, the relevant amount of payment was less than 0.1% of Deloitte Tohmatsu Consulting LLC's annual sales; moreover, Mr. Mori's eldest son was in a non-managerial role, and was not involved in duties consigned by Mitsui; as such, Mr. Mori's eldest son corresponds to a "one who is not important" defined under the Mitsui's Criteria of Independence. From the above, Mitsui has determined that there is nothing that would affect the independence of Mr. Mori for External Audit & Supervisory Board Member. Other than the above, there is no special interest between Mr. Mori and Mitsui, therefore, Mr. Mori is deemed to appropriately carry out his duties as the independent and neutral External Audit & Supervisory Board Member.	Mr. Mori is appointed as an External Audit & Supervisory Board Member because Mitsui deems him capable of clearly expressing an opinion as External Audit & Supervisory Board Member from a neutral and objective perspective based on his advanced expertise in corporate accounting cultivated through his many years of experience as a certified public accountant.

(*) As of the time of issuance of this report, concurrent positions in other organizations held by Audit & Supervisory Board Members are mainly as follows:

Name	Concurrent positions held in other organizations
Haruka Matsuyama	Attorney at Law External Director, T&D Holdings, Inc. External Director, Mitsubishi UFJ Financial Group, Inc. External Director, VITEC HOLDINGS CO., LTD.
Hiroshi Ozu	Attorney at Law External Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION External Audit & Supervisory Board Member, Shiseido Company, Limited
Kimitaka Mori	Certified Public Accountant External Director, Japan Exchange Group, Inc.

ⅳ) Activities of External Audit & Supervisory Board Members in the year ended March 31, 2017

The activities of External Audit & Supervisory Board Members in the year ended March 31, 2017 were as follows:

Name	Major activities
Hiroyasu Watanabe	Mr. Watanabe participated in 15 of the 16 Board of Directors meetings, and 21 of the 22 Audit & Supervisory Board meetings, held during the year ended March 31, 2017. He offered advice and expressed opinions from the perspective of his knowledge and experience gained at the Ministry of Finance and the National Tax Agency, and as a graduate school professor.
Haruka Matsuyama	Ms. Matsuyama participated in all 16 Board of Directors meetings, and all 22 Audit & Supervisory Board meetings, held during the year ended March 31, 2017. She offered advice and expressed opinions from the perspective of her knowledge and experience gained as an attorney at law. Also, at the Governance Committee, she actively provided her opinion with the aim of creating a highly transparent governance system.
Hiroshi Ozu	Mr. Ozu participated in all 16 Board of Directors meetings, and all 22 Audit & Supervisory Board meetings, held during the year ended March 31, 2017. He offered advice and expressed opinions from the perspective of his knowledge and experience gained as a public prosecutor and an attorney at law.

Mr. Watanabe retired at the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 21, 2017.

ⅴ) Criteria of independence for external officers (Directors/Audit & Supervisory Board Members)

External Directors or External Audit & Supervisory Board Members of Mitsui who do not fall under any of the following items are to be judged to have independence.

(1) Person who is currently or was in the past ten years an executive director, executive officer, managing officer, manager, employee, administrative officer, etc. (hereinafter referred to as "executing person") of Mitsui or Mitsui's consolidated subsidiaries

(2) Person or the executing person of a corporation holding either directly or indirectly 10% or more of total number of the voting rights of Mitsui

(3) Person whose major business partner is Mitsui or Mitsui's consolidated subsidiaries (*1) or the executing person of the same

*1 If the relevant business partner received from Mitsui or Mitsui's consolidated subsidiary the payment equivalent to 5% or more of its annual transaction volume (non-consolidated) in the most recent fiscal year or the relevant business partner obtained from Mitsui or Mitsui's consolidated subsidiary the money loans equivalent to 5% or more of its consolidated total assets in the most recent fiscal year, the relevant business partner is deemed to be the person whose major business partner is Mitsui or Mitsui's consolidated subsidiary.

(4) Major business partner of Mitsui or Mitsui's consolidated subsidiary (*2) or the executing person of the same

*2 If Mitsui or Mitsui's consolidated subsidiary received from the relevant business partner the payment equivalent to 2% or more of Mitsui's annual consolidated transaction volume in the most recent fiscal year or the relevant business partner provided Mitsui or Mitsui's consolidated subsidiary with the money loans equivalent to 2% or more of Mitsui's consolidated total assets, the relevant business partner is deemed to be the major business partner of Mitsui or Mitsui's consolidated subsidiary.

(5) Independent Auditor of Mitsui or Mitsui's consolidated subsidiary or employee, etc. of the same

(6) Person providing professional services such as consultant, lawyer and certified public accountant who received from Mitsui monetary payment or other property benefits exceeding ¥10 million in total other than officer remuneration in the most recent fiscal year (referring to the person belonging to the organization if the one who received the relevant property is an organization such as corporation and association)

(7) Person or the executing person of a corporation who received an annual total of ¥10 million or more of donations or aid funds from Mitsui or Mitsui's consolidated subsidiary in the most recent fiscal year

(8) Person who has fallen under any of (2) to (7) above in the past three years

(9) Spouse or relative within the second degree of kinship (hereinafter referred to as "close relatives") of the person who is currently or has been recently the important executing person of Mitsui or Mitsui's consolidated subsidiary (including Director who is not the executing person in the case of External Audit & Supervisory Board Member)

(10) Close relatives of the person who currently falls or has fallen recently under any of (2) to (7) above (excluding the one who is not important)

ⅵ) Support for external members

For External Directors, before regular and extraordinary meetings of the Board of Directors, materials on the proposals are provided and advance explanations are given.

For External Audit & Supervisory Board Members, in addition to timely provision of company information by the Full-time Audit & Supervisory Board Members and staff in the Audit & Supervisory Board Member Division, summaries of meetings between Full-time Audit & Supervisory Board Members and staff in the Audit & Supervisory Board Member Division are provided to External Audit & Supervisory Board Members periodically. When necessary, advance distribution of materials and advance explanations are conducted regarding regular and extraordinary meetings of the Audit & Supervisory Board and of the Board of Directors.

For external members, Mitsui provides personal computers (hereinafter referred to as the "officer PCs") and distributes materials for meetings of the Board of Directors in a timely manner via email, thereby ensuring the time to review agendas.

Mitsui sets up a Board of Directors' database for use in storing information such as minutes and other materials from past meetings of the Board of Directors, and maintains a platform that enables access to such database from the officer PCs.

ⅶ) Policy on training for Directors and Audit & Supervisory Board Members

Upon assumption, opportunities are given to Directors and Audit & Supervisory Board Members for gaining full understanding of the business, financial affairs, organization, etc. of the company, the Companies Act of Japan and related laws and regulations, corporate governance and internal control to ensure that they may fulfil their duties including the role expected of directors which is mandated by the shareholders (fiduciary responsibility) and legal responsibility. Furthermore, opportunities are given for keeping them up to date as necessary.

4) Status of Internal Control System

In the construction of internal control processes, aiming to achieve the above mentioned objective of the internal control process —"Improvement of effectiveness and efficiency of operations," "Compliance with accounting standards and securing reliability of financial reporting," "Compliance with laws, rules that are equivalent to the laws, and observance of management philosophy and company rules including all codes of conduct which reflect this philosophy," and "The conservation of company assets"—the following systems are implemented.

ⅰ) Risk management system

As a general trading company engaging in a wide variety of businesses, risks arising from business activities are monitored and managed by Chief Operating Officers of business units and regional business units within their authorization delegated from the management. Risks associated with our business include quantitative risks such as credit risk, market risk, business risk arising from subsidiaries' businesses, and country risk, as well as qualitative risks such as compliance risk and operational risk. Measures taken by each business unit to manage quantitative risks include setting of position limits and loss-cut limits as well as monitoring of positions by divisions with relevant expertise. For the management of qualitative risks, the business units are obligated to observe related internal regulations. When a business unit or a regional business unit takes risks greater than the scope of authority granted to the Chief Operating Officers, it is necessary to obtain approval of the Corporate Management Committee or a Representative Director in charge, or a Senior Managing Officer in charge, depending on the importance of the case, in accordance with the standards of the internal approval system.

Furthermore, as stated in "2) Corporate Governance Structure of Mitsui," as committees responsible for business execution and the internal control system, organizations such as the Portfolio Management Committee, the Internal Controls Committee, the Sustainability Committee, and the Crisis Management Headquarters establish and develop the risk management structures and handle significant risks. These committees consist of Managing Officers and the General Managers of Corporate Staff Units. With respect to the risks in the fields they are in charge of, each division of the Corporate Staff Units is responsible for surveillance of the whole Company's positions, control within the prescribed range of their authority, and supporting the relevant Directors and Managing Officers.

ⅱ) Internal control over financial reporting

As a result of the termination of the SEC registration, Mitsui has implemented the internal control framework as stipulated in the Financial Instruments and Exchange Act of Japan from the year ended March 2012. In addition to the Company-wide discipline, Mitsui has been conducting self-assessment by units subject to evaluation and testing by an independent division concerning the effectiveness of accounting and financial closing controls, IT controls, and business process level controls. After comprehensively assessing the above, Mitsui management confirmed that internal control over financial reporting is effective for the year ended March 31, 2017.

ⅲ) Internal controls regarding construction and management of information systems and information security

"Information Technology (IT) policy" is declared as a basic policy for IT utilization to promote further awareness raising of employees and enhancement of IT governance. The important principles for our global group information strategy are formulated in line with the corporate management policy through the discussions at the Information Strategy Committee established pursuant to the "Rules of Information Strategy Committee." Under the system centered around the Information Strategy Committee, we are enhancing the system of internal control including management of various possible risks such as information leakage risks through maintenance of the following rules, necessary in light of development and operation of information systems and information security.

"Rules on Information System Management": rules on the process of procurement, introduction and operation of information assets

"Rules on IT Security": code of conduct for the system supervisory divisions regarding IT security

"Rules on Information Management": basic policies in terms of information risk management system and information management

"Rules on Protection of Personal Information": rules for the handling of personal information required for business execution (Applied only in Japan)

"Rules on Cyber Security Countermeasures": rules for preventive measures against cyber-attacks and emergency countermeasures in the event of incident

ⅳ) Compliance structure

In addition to the Compliance Committee (see "2) Corporate Governance Structure of Mitsui"), chaired by the Chief Compliance Officer, Mitsui implements a compliance management system within the regular line of management at business division and department level. Further, Compliance Supervising Officers are designated at domestic and overseas units, branch offices and others.

Mitsui has set forth the "Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd." ("Guidelines") and has equivalent business conduct guidelines in place at its subsidiaries. Mitsui is striving to improve observance of the

Guidelines through continuous monitoring and review. See Mitsui's website for the "Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd."

Mitsui has a total of eight whistle-blowing avenues in place, including those involving an external attorney at law and a third-party providing hotline services. Pursuant to the Whistleblower Protection Act, Mitsui made it clear that a whistle-blower would not be subject to any recrimination or detrimental treatment by Mitsui as a result of whistle-blowing. Additionally, Mitsui makes sure that its domestic affiliated companies are also able to use the whistle-blowing avenues (external attorneys at law and a third-party providing hotline services) designated by Mitsui in order to (i) maintain a high standard of confidentiality and (ii) enable their employees to use these avenue without uneasiness. Mitsui's overseas offices and overseas affiliate companies also have whistle-blowing systems that were put in place considering applicable local laws and regional characteristics. Furthermore, Mitsui prohibits treating a whistleblower disadvantageously due to the reason of the whistleblowing itself, and will thoroughly make this a known internal fact. Any cases of violation of compliance are handled strictly, including disciplinary actions in accordance with the Employment Regulations of Mitsui & Co., Ltd.

ⅴ) Specially Designated Business Management System

In response to the DPF Incident, Mitsui established the "Specially Designated Business Management System" in April 2005. Under this system, internal review of four business domains which are "Environment-related business," "Medical, Healthcare and Bioethics-related businesses," "Businesses with subsidy," and "Business harboring other unusual reputation risks" is strengthened. When examining these matters, reports from the Sustainability Committee or the Environmental Societal Advisory Committee in which external experts participate as members, or opinions from other external experts will be obtained, as necessary. In addition, Mitsui appoints consultants with insights into environmental and social risk, human rights and utilize their advice for new and existing environment-related businesses as necessary.

ⅵ) Systems to secure appropriateness of operations within the corporate group

In March 2006, Mitsui established the "Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles" ("Principles"). In light of other laws and regulations and to the extent reasonable, Mitsui requires its subsidiaries to develop and operate internal controls based on these Principles, and for its equity accounted investees, Mitsui coordinates with other equity participants and encourages the equity accounted investees to develop and operate similar internal controls. For internal controls to secure reliability in financial reporting, see "internal control over financial reporting" above. In addition, from its officers and employees, Mitsui appoints supervising officers for its affiliated companies and has them engage in their duties based on the "Rules on Delegation of Authority for Supervising Officers for Affiliated Companies." Also, when Mitsui deploys full-time audit & supervisory board members in major affiliated companies, Mitsui selects personnel from the Internal Auditing Division rather than from related Business Units to enhance the independence of auditing.

5) Enhancements of Corporate Governance in the year ended March 31, 2017

ⅰ) Implementation for strengthening corporate governance

Implementation for strengthening corporate governance during the year ended March 31, 2017 is as follows:

(a) Evaluation of effectiveness of the Board of Directors

The methods and results of the evaluation of effectiveness of the Board of Directors for the year ended March 31, 2017 are summarized as follows:

＜Evaluation method＞

In January 2017, questionnaires pertaining to matters such as the composition of the Board of Directors, its operational status, and individual responsibilities were distributed to fourteen Directors and five Audit & Supervisory Board Members (hereinafter referred to as the "2017 questionnaire"), who all subsequently completed and returned the questionnaires. In its meeting held in February 2017, the Governance Committee engaged in discussions on the basis of the aggregate results of those questionnaires, and then the Board of Directors, after discussing such matters while taking the committee's report into account, decided on the matter of evaluating its effectiveness in its meeting held in March 2017.

＜Questionnaire items＞

Major categories of questionnaire items of the 2017 questionnaire are listed below. The 2017 questionnaire contains fields for comments related to such categories, and has been evaluated using methodology that involves assigning one of five grades to each question in the major categories. Furthermore, evaluation also encompasses the extent to which effectiveness of the Board of Directors has improved in comparison with the previous year, in order to gain an understanding of progress achieved in that regard.

I. Matters relating to composition of the Board of Directors
II. Matters relating to the operational status of the Board of Directors
III. Matters relating to deliberations of the Board of Directors
IV. Matters relating to roles and duties of the Board of Directors
V. Matters relating to the advisory committees to the Board of Directors
VI. Matters relating to execution of duties of the Directors and Audit & Supervisory Board Members themselves
VII. Matters relating to support, etc. for Directors and Audit & Supervisory Board Members
VIII.Overall comments

＜Initiatives in the year ended March 31, 2017 geared to achieving greater effectiveness＞

During the year ended March 31, 2017, the Board of Directors and the Board of Directors Secretariat have engaged in initiatives taking into account results of the questionnaire relating to effectiveness of the Board of Directors implemented in the previous year, as follows:

- Ensuring time for Directors and Audit & Supervisory Board Members to review agendas
  The Board of Directors Secretariat had been distributing materials for meetings of the Board of Directors to all Directors and Audit & Supervisory Board Members prior to such meetings and has been holding preliminary briefings for all external members. Meanwhile, during the year ended March 31, 2017, the Board of Directors Secretariat provided the officer PCs to all external members in order to better ensure that they have sufficient time to review agendas, and began to distribute materials for meetings of the Board of Directors in a timely manner via email.
  More than half of those responding to the 2017 questionnaire (also more than half of external members) have indicated that they feel the situation has improved in comparison with the previous year in terms of the timing of distributing materials for meetings of the Board of Directors.

- Making improvements with respect to information for making a decision provided to External Directors
  During the year ended March 31, 2017, the Company has been taking steps to ensure that External Directors sufficiently understand Board of Directors meeting proposals so that they can make even more appropriate decisions in that regard. To that end, the Board of Directors Secretariat has been setting up a Board of Directors' database for use in storing information such as minutes and other materials from past meetings of the Board of Directors, and has been maintaining a platform that enables access to such database from the officer PCs. In addition to materials for meetings of the Board of Directors, the Company also started to provide materials prepared for internal decision-making purposes and the results of internal decisions. Since before the year ended March 31, 2017, the Company has been engaging in initiatives that involve sharing summaries of Corporate Management Committee discussions with the Board of Directors, and during the year ended March 31, 2017, the Company has been further promoting such initiatives, and has been more specifically explaining and sharing information on matters such as risks that have been identified and discussed by the Corporate Management Committee.
  A significant majority of the external members responding to the 2017 questionnaire favorably assessed the matter of providing information in addition to materials for meetings of the Board of Directors, and more than half of the respondents feel the situation has improved in comparison with the previous year.

- Enhancing coordination between External Directors and External Audit & Supervisory Board Members, and Independent Auditors and the Internal Auditing Division
  The Company has been taking steps to ensure that external members are able to gain a more precise understanding of risks relevant to the Company's business and issues with respect to internal controls. To that end, during the year ended March 31, 2017, meetings consisting of all external members have been used as a forum for exchanging opinions with the Independent Auditor and Internal Auditing Division. The Company plans to hold the external member meetings for the same purpose on a regular basis going forward.

Multiple external members responding to the 2017 questionnaire conveyed views favorably assessing the establishment of such opportunities, and feel the situation has improved in comparison with the previous year.

- Making improvements with respect to deliberations regarding the overall direction the Company is taking in terms of its business plan, management policy, etc.
  To better apply knowledge of the External Directors to management of the Company thereby improving its corporate value, during the year ended March 31, 2017, the Company has endeavored to facilitate discussions on its overall direction through individual business opportunities. This has involved revamping briefing materials on individual business opportunities intended for meetings of the Board of Directors so that in addition to providing details specifically geared to a particular opportunity, such materials also include details on how the opportunity is positioned with respect to the Company's overall strategy and asset portfolio. Moreover, in the external member meetings, the management openly discussed business plans and the Medium-term Management Plan with the External Directors.
  Multiple external members responding to the 2017 questionnaire conveyed views favorably assessing the open discussions relating to discussions held in meetings of the Board of Directors on overall direction, and feel the situation has improved in comparison with the previous year.

＜Summary of evaluation results＞

Taking the aforementioned initiatives into account, the Company has reviewed the results of the 2017 questionnaire, and outcomes of deliberations of the Governance Committee and deliberations of the Board of Directors. Accordingly, with respect to effectiveness of the Board of Directors during the year ended March 31, 2017, the findings made by the Board of Directors are as follows:

- The Board of Directors has a wealth of diversity, and has prepared a structure to secure effective management oversight.
- Meetings of the Board of Directors have been operating smoothly, underpinned by adequate support of the Board of Directors Secretariat in areas such as preparing materials for meetings of the Board of Directors, providing information, and scheduling.
- The Board of Directors has been securing sufficient time for deliberations and engaging in constructive discussions and exchanges of opinion.
- At meetings of the Board of Directors, reports are given on results of risk analysis from Companywide and multiple angles, based on which the Board of Directors discusses and reviews such risks drawing on knowledge furnished by respective Directors and Audit & Supervisory Board Members.
- The respective Directors and Audit & Supervisory Board Members, upon understanding the Board of Directors' duty to carry out oversight and auditing of the management, have all been devoting sufficient time and effort in fulfilling their responsibilities as Directors or Audit & Supervisory Board Members from an objective standpoint separate from business execution.
- The Company adequately ensures the availability of opportunities and funds for enabling Directors and Audit & Supervisory Board Members to acquire knowledge necessary to fulfill their roles and duties, and also on the whole the Company has ensured availability of frameworks for collaboration involving external members, the management, the Independent Auditor, and the Internal Auditing Division.

Based on the details summarized above, the Company's Board of Directors concludes that it has adequately maintained its effectiveness during the year ended March 31, 2017.

＜Future Initiatives geared to achieving greater effectiveness＞

- Topics for the Board of Directors to discuss
  With respect to topics for the Board of Directors to discuss, some commented that more opportunities should be arranged for discussing the Company's overall direction on matters such as corporate strategy and the Medium-term Management Plan.
  The Company's Board of Directors will continue to review options with respect to adequately establishing agendas for the Board of Directors to discuss, from the perspective of enabling the Board of Directors to bring greater added value in terms of managing the Company.

- Composition of the Board of Directors

With respect to composition of the Board of Directors, there was a diverse range of comments on matters such as numbers of board members, the proportion of external members, and striking a balance in terms of abilities, knowledge, etc., of Directors for optimum composition.
Taking such opinions into account, the Company's Board of Directors will ceaselessly review options with respect to a membership composition that is adequately suited to how the Board of Directors is positioned within the governance framework chosen by the Company.

- Review of operations of the Board of Directors
  With respect to operations of the Board of Directors, some commented that they would like to see greater clarification with respect to points to be deliberated on by the Board of Directors, which includes content of materials for meetings of the Board of Directors.
  Taking such opinions into account, the Company's Board of Directors will forge ahead in reviewing methods for operating the Board of Directors, such as in terms of endeavoring to improve meeting materials, proceedings and other operational aspects, clarifying points for deliberation in terms of respective proposals, and ensuring that more time is devoted to deliberations on priority matters for deliberation.

The Company's Board of Directors will aim to sustainably increase corporate value by engaging in ongoing initiatives geared to maintaining and enhancing the effectiveness of the Board of Directors including those initiatives involving the aforementioned points, and ensuring adequate oversight with respect to management by the Board of Directors.

(b) Other initiatives

- The status of meetings held in the year ended March 31, 2017 by the three Committees that are advisory bodies to the Board of Directors is as follows:
  - The Governance Committee was held twice in the year ended March 31, 2017 and carried out reviews of the framework of corporate governance of the Company and the effectiveness of the Board of Directors.
  - The Nomination Committee was held twice in the year ended March 31, 2017 and carried out a review of the standards and the process for nominating Directors and Managing Officers. The Committee confirmed that the candidates met the selection criteria of the Directors.
  - The Remuneration Committee was held three times in the year ended March 31, 2017 and carried out a review of the remuneration structure for Directors and Managing Officers. The Committee considered the revision of amounts for the basic remuneration and the results-linked bonuses, and the revision of the formula to calculate the bonuses.

- The meeting composed of all External Directors and all External Audit & Supervisory Board Members
  - The meeting composed of all External Directors and all External Audit & Supervisory Board Members was held nine times in the year ended March 31, 2017, where External Directors, External Audit & Supervisory Board Members, Internal Directors, Full-time Audit & Supervisory Board Members, Independent Auditors and Managing Officers exchanged information and opinions regarding matters such as the corporate management policy, audits and the operation of operating segments.

ii) Measures for strengthening internal controls

The efforts made by the committees regarding execution of business activities and internal controls in the year ended March 31, 2017 are as follows:

- The Internal Controls Committee met twice. The three sub-committees to the Internal Controls Committee, which are the Compliance Committee, the Disclosure Committee and the J-SOX Committee, each made reports to the Internal Controls Committee regarding matters including the discussions they held.

- The Compliance Committee met twice. The Committee carried out a review of Mitsui's responses to compliance issues and the compliance plans for the purpose of maintaining and improving the effectiveness of the compliance structure. In order to improve the awareness and knowledge of its officers and employees regarding compliance issues, Mitsui distributed the Handbook to all the employees, and implemented various compliance e-learning and compliance training sessions. In November 2016, Mitsui held the Compliance Review week as an opportunity to review familiar compliance issues, in which we held a seminar, exchanged opinions and information, and so on. The compliance awareness survey was also conducted at Mitsui and its main group companies located in Japan in order to see the awareness level of our group. Mitsui also worked on building a consolidated group-wide compliance structure by developing a compliance program at affiliated companies, through provision of assistance to compliance officers of such companies, for example, by distributing "Compliance Handbook for Mitsui Group companies" to main group companies located in Japan.

- The Disclosure Committee met three times. The Committee established a disclosure policy for various disclosure materials and carried out evaluations of the appropriateness of the contents of such materials.

- The J-SOX Committee met twice. The Committee understood the company-wide status of internal control over financial reporting for the year ended March 31, 2017 and studied company-wide measures to keep and improve the effectiveness of internal control.

- The Portfolio Management Committee met sixteen times. The Committee reported to the Corporate Management Committee regarding the results of examinations into key strategic domains, business portfolio strategy, investments, loans and recycling plans, and individual large-scale investments, and carried out monitoring and analysis of important indices such as cash flows and risk assets.

- The Information Strategy Committee met six times. The Committee made decisions on policies such as the construction of the next-generation management platform on a global and group basis, IT governance, management of IT investments, IT security and R&D activity on information technology, training of human resources literate in IT management, and changing mindsets company-wide. Also the discussion about Digital Transformation was held in the Committee.

- The CSR Promotion Committee met four times. The Committee conducted progress reporting on CSR promotion activities, social contribution activities and the Mitsui & Co., Ltd. Environment Fund, etc., and prepared the 2017 activity policy. In addition, the Committee identified CSR material items and confirmed the identification process.

- The Power and Energy Strategy Committee met three times. The Committee carried out medium- and long-term macro analysis of the environment, electricity, and energy segments based upon data and information provided by governmental agencies, etc., and discussed strategic approach and necessary measures in those segments.

- The Business Innovation Committee met eight times. It not only focused on new technology trends and potential business innovations, but also promoted innovation such as reformation of business models, researched and identified company-wide priority items, shared such information internally, formed internal task forces, conducted awareness campaigns, and studied and deliberated on potential new business opportunities.

- The Diversity Promotion Committee met in September, 2016. The Committee discussed and analyzed current issues to realize our diversity management aims and made decisions regarding action plans such as Working Style Innovations in order to resolve these issues.

6) Other regulations in Mitsui's Articles of Incorporation

ⅰ) Resolution requirements for appointment of Directors

Regarding resolutions for the appointment of Directors, our Articles of Incorporation set forth that attendance of shareholders who hold one-third or more of the voting rights of the shareholders who can exercise voting rights is necessary. The Articles of Incorporation also set forth that resolutions for the appointment of Directors may not be made with cumulative voting.

ⅱ) Decision-making body for buying back Company's own shares

In order to enable the execution of a flexible and swift capital policy, the Articles of Incorporation set forth that Mitsui may acquire its own shares by means of a market transaction upon a resolution of the Board of Directors.

ⅲ) Requirements for special resolutions of the General Meeting of Shareholders

For smooth management of the General Meeting of the Shareholders, the Articles of Incorporation set forth that a resolution of the General Meeting of Shareholders as specified by Article 309, Paragraph 2 of the Companies Act of Japan is valid if the shareholders who have at least one-third of the total voting rights attend the meeting and of which two-thirds of the votes support such resolution.

ⅳ) Interim dividend

In order to enable profits to be returned to shareholders in a flexible and swift manner, the Articles of Incorporation set forth that Mitsui may pay interim dividends, upon a resolution by the Board of Directors, with September 30 set as the record date each year.

ⅴ) Limitation of liability of Directors and Audit & Supervisory Board Members

In order to enable Directors and Audit & Supervisory Board Members to fully carry out the role that is expected of them in the execution of their duties, the Articles of Incorporation set forth that, upon a resolution of the Board of Directors, the liability of Directors and Audit & Supervisory Board Members may be limited to the extent determined by the applicable laws and regulations.

7) Remuneration of Directors and Audit & Supervisory Board Members

ⅰ) The remuneration of Directors and Audit & Supervisory Board Members for the year ended March 31, 2017 was as follows:

Category of position	Number of recipients	Basic remuneration	Bonus	Stock option	Total remuneration
Directors (Excluding External Directors)	11	¥714 million	¥306 million	¥82 million	¥1,103 million
Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	2	¥132 million	－	－	¥132 million
External Directors and External Audit & Supervisory Board Members	9	¥110 million	－	－	¥110 million
Total	22	¥957 million	¥306 million	¥82 million	¥1,345 million

(Notes) 1. Bonuses shown above are not paid yet on the date of the issuance of this report.
2. In addition to the amounts shown above, Mitsui paid pensions (resolution for payments made prior to the abolition of such program) of ¥556 million to 122 retired Directors, and a total of ¥61 million to 18 retired Audit & Supervisory Board Members in the year ended March 31, 2017.

ⅱ) The following table contains information about remuneration earned by the named directors who earned more than a total of ¥100 million for the year ended March 31, 2017.

Name	Category of position	Payer	Basic remuneration	Bonus	Stock option	Total remuneration
Masami Iijima	Director	Mitsui	¥114 million	¥49 million	¥19 million	¥182 million
Tatsuo Yasunaga	Director	Mitsui	¥131 million	¥49 million	¥23 million	¥203 million
Shintaro Ambe	Director	Mitsui	¥76 million	¥34 million	¥5 million	¥115 million
Hiroyuki Kato	Director	Mitsui	¥76 million	¥34 million	¥5 million	¥115 million
Motomu Takahashi	Director	Mitsui	¥56 million	¥34 million	¥13 million	¥103 million

ⅲ) Taking into consideration the result of the deliberation at the Remuneration Committee, which is chaired by an External Director, the remuneration of Directors (excluding External Directors) is determined as a sum of fixed basic remuneration, performance-related bonus based on the key performance indicators, and stock-based compensation stock options with stock price conditions as medium- and long-term incentive compensation. Total amount of basic remuneration to be paid to the Directors shall not exceed ¥1 billion per year (the limit of basic remuneration at ¥70 million per month has been revised to yearly limit and the yearly limit has been increased by the resolution at the General Meeting of Shareholders on June 21,

2017). Total amount of bonus to be paid to the Directors (excluding External Directors) shall not exceed ¥700 million per year (the limit of ¥500 million per year has been increased by the resolution at the General Meeting of Shareholders on June 21, 2017). Total amount of stock option with stock price conditions to be paid to the Directors (excluding External Directors) shall not exceed ¥500 million per year (resolved at the General Meeting of Shareholders on June 20, 2014).
External Directors, who are separated from business execution, are not paid performance-related bonus and stock-based compensation stock options with stock price conditions.
Directors are not paid retirement compensation.

(a) Total amount paid in bonuses for Directors

The performance-related bonus are calculated by the formula that is advised as appropriate by the Remuneration Committee and subsequently resolved at a Board of Directors meeting.

For fiscal year ended on March 31, 2017, total amount of bonus is calculated as the lesser of (i) profit attributable to owners of the parent × 0.1% (if the profit attributable to owners of the parent is minus, i.e., net loss, this item is set as 0 for the calculation) and (ii) ¥500 million, and, from the fiscal year ending March 31, 2018, the following formula will be applied:
Total amount of bonus = (profit attributable to owners of the parent × 50% × 0.1%)
+ (core operating cash flow × 50% × 0.1%)
However, the total amount shall not exceed ¥700 million. If the profit attributable to owners of the parent is minus, i.e. "net loss", and/or core operating cash flow is minus, i.e. "cash outflow", then such item is set as 0 for the calculation.

(b) Amount paid as individual bonuses

The total amount calculated by the method shown in (a) above is distributed to each Director in proportion to the following points, which are assigned for each position. Amounts less than ¥10,000 will be rounded off.
(Amount individually paid = total amount of bonus × position points / sum of position points)

Points by position

Chairman/President	Executive Vice President	Senior Executive Managing Officer	Executive Managing Officer
10	7	6	5

Based on the composition of the Directors as of the date of the issuance of this report, the maximum amounts that may be paid for each position (at the limit of the total bonus amount of ¥700 million) are as follows:

Chairman/President	= ¥700 million × 10 points / (10 points × 2 persons + 7 points × 4 persons + 6 points × 2 persons + 5 points × 1 person = 65 points)	= ¥107.69 million
Executive Vice President	= ¥700 million × 7 / 65 points	= ¥75.38 million
Senior Executive Managing Officer	= ¥700 million × 6 / 65 points	= ¥64.62 million
Executive Managing Officer	= ¥700 million × 5 / 65 points	= ¥53.85 million

(c) Conditions for exercise of subscription rights to shares

This stock option with stock price conditions is granted to the Company's Directors (excluding External Directors) to purchase up to 500,000 shares of the Company's common stock per year. The exercise period of subscription rights to shares shall be 27 years from the day following the date on which 3 years have elapsed after the allotment date of subscription rights to shares, with payment due upon the exercise of the subscription right to shares being ¥1 per share. See "1. Status on the Mitsui's Shares, (2) Status of the Share Subscription Rights" for more detail.

ⅳ) Each Director (excluding External Directors) is required to purchase Mitsui's shares in an amount equivalent to at least 10% of his or her monthly remuneration but less than ¥1 million through the Mitsui Executives' Shareholding Association.

ⅴ) Audit & Supervisory Board Members receive only fixed basic remuneration which does not include a performance-related portion. The remuneration for each Audit & Supervisory Board Member is determined by discussions among the Audit & Supervisory Board Members. The total amount shall not exceed ¥240 million per year (the monthly limit has been revised to yearly limit by the resolution at the General Meeting of Shareholders on June 21, 2017). Retirement compensation is not paid to the Audit & Supervisory Board Members.

8) Status of Stocks Held

ⅰ) Stocks for investment held for purposes other than pure investment purposes stood at 442 issues and total of the amount recorded in the balance sheet is ¥653,344 million as of March 31, 2017.

ⅱ) Stocks for investment held for purposes other than pure investment purposes (excluding unlisted stocks), of which amount recorded on the balance sheet as of March 31, 2016 exceeded 1% of the common stock of Mitsui are as follows:

Specified Investment Shares (29 issues)

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Purpose of holding
Seven & i Holdings Co., Ltd.	16,222,480	77,738	Seek operating revenue and improvement in corporate value by strengthening relationship with issuer of stocks or making various proposals, etc. to issuer of stocks
Recruit Holdings Co., Ltd.	12,000,000	41,220	same as above
TonenGeneral Sekiyu K. K.	36,000,000	36,648	same as above
Yamaha Motor Co., Ltd.	8,586,000	16,072	same as above
Nihon Unisys, Ltd.	9,798,509	14,609	same as above
MODEC, INC.	8,387,300	13,830	same as above
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	7,691,000	13,413	same as above
Toray Industries, Inc.	13,776,000	13,213	same as above
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	33,831,000	12,686	same as above
Yamato Kogyo Co., Ltd.	4,573,000	11,171	same as above
HUTCHISON CHINA MEDITECH LIMITED	3,214,404	9,823	same as above
TOYOTA MOTOR CORPORATION	1,500,000	8,928	same as above
KATO SANGYO Co., Ltd.	3,153,000	8,774	same as above
Mitsui Fudosan Co., Ltd.	3,000,000	8,424	same as above
J-OIL MILLS, INC.	20,877,110	7,181	same as above
Mitsui Chemicals, Inc.	17,370,390	6,513	same as above
TPV Technology Limited	426,802,590	6,324	same as above
Nippon Flour Mills Co., Ltd.	6,698,221	6,195	same as above
POSCO	254,696	5,512	same as above
Kaneka Corporation	5,543,459	5,343	same as above
Nippon Steel & Sumitomo Metal Corporation	2,459,954	5,318	same as above
DaikyoNishikawa Corporation	3,222,720	5,204	same as above
GOLDWIN INC.	1,091,876	4,973	same as above
MS & AD Insurance Group Holdings, Inc.	1,422,900	4,462	same as above
The Dai-ichi Life Insurance Company, Limited	3,163,900	4,310	same as above
Mitsui Engineering & Shipbuilding Co., Ltd.	25,500,000	4,284	same as above

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Purpose of holding
NSK Ltd.	3,838,000	3,953	same as above
Mitsubishi UFJ Financial Group, Inc.	6,978,000	3,639	same as above
Showa Sangyo Co., Ltd.	7,700,000	3,588	same as above

Deemed Stockholdings (7 issues)

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Rights held by Mitsui
TOYOTA MOTOR CORPORATION	2,246,200	13,369	Voting rights
MS & AD Insurance Group Holdings, Inc.	2,846,100	8,925	same as above
SKY Perfect JSAT Holdings Inc.	13,405,200	8,780	same as above
Mitsui Fudosan Co., Ltd.	2,801,000	7,865	same as above
Mitsui Chemicals, Inc.	17,370,000	6,513	same as above
Katakura Industries Co., Ltd.	3,600,000	4,258	same as above
Toyo Suisan Kaisha, Ltd.	994,000	4,015	same as above

(Note) In selection of high ranking issues in terms of the amount recorded on the balance sheet, Specified Investment Shares and Deemed Stockholdings are not combined.

Stocks for investment held for purposes other than pure investment purposes (excluding unlisted stocks), of which amount recorded on the balance sheet as of March 31, 2017 exceeded 1% of the common stock of Mitsui are as follows:

Specified Investment Shares (32 issues)

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Purpose of holding
Seven & i Holdings Co., Ltd.	16,222,480	70,762	Seek operating revenue and improvement in corporate value by strengthening relationship with issuer of stocks or making various proposals, etc. to issuer of stocks
Recruit Holdings Co., Ltd.	9,000,000	51,120	same as above
Sims Metal Management Ltd.	33,450,338	35,490	same as above
Yamaha Motor Co., Ltd.	8,586,000	23,019	same as above
MODEC, INC.	8,387,300	19,852	same as above
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	3,383,100	15,832	same as above
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	7,691,000	15,289	same as above
HUTCHISON CHINA MEDITECH LIMITED	3,214,404	14,645	same as above
Toray Industries, Inc.	13,776,000	13,596	same as above
Yamato Kogyo Co., Ltd.	4,573,000	13,133	same as above
TPV Technology Limited	426,802,590	12,942	same as above
Mitsui Chemicals, Inc.	17,370,390	9,553	same as above
TOYOTA MOTOR CORPORATION	1,500,000	9,063	same as above
KATO SANGYO Co., Ltd.	3,153,000	9,004	same as above
J-OIL MILLS, INC.	2,087,711	8,768	same as above
Mitsui Fudosan Co., Ltd.	3,000,000	7,122	same as above
GOLDWIN INC.	1,091,876	6,387	same as above
Dai-ichi Life Holdings, Inc.	3,163,900	6,316	same as above

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Purpose of holding
Nippon Steel & Sumitomo Metal Corporation	2,459,954	6,309	same as above
NSK Ltd.	3,838,000	6,110	same as above
PT Pelat Timah Nusantara Tbk	252,335,000	5,701	same as above
Nippon Flour Mills Co., Ltd.	3,349,110	5,505	same as above
MS & AD Insurance Group Holdings, Inc.	1,422,900	5,037	same as above
DaikyoNishikawa Corporation	3,222,720	4,701	same as above
Sumitomo Metal Mining Co., Ltd.	2,908,000	4,604	same as above
Kaneka Corporation	5,543,459	4,589	same as above
Showa Sangyo Co., Ltd.	7,700,000	4,527	same as above
TOSOH CORPORATION	4,493,000	4,394	same as above
Mitsui Engineering & Shipbuilding Co., Ltd.	25,500,000	4,386	same as above
Nihon Unisys, Ltd.	2,448,509	3,721	same as above
AIR WATER INC.	1,754,000	3,599	same as above
Lion Corporation	1,759,000	3,521	same as above

Deemed Stockholdings (7 issues)

Issue	Number of shares (Shares)	Amount on balance sheet (Millions of Yen)	Rights held by Mitsui
TOYOTA MOTOR CORPORATION	2,246,200	13,571	Voting rights
Mitsui Chemicals, Inc.	17,370,000	9,553	same as above
MS & AD Insurance Group Holdings, Inc.	2,030,100	7,186	same as above
Mitsui Fudosan Co., Ltd.	2,801,000	6,649	same as above
SKY Perfect JSAT Holdings Inc.	13,405,200	6,300	same as above
Katakura Industries Co., Ltd.	3,600,000	5,014	same as above
Toyo Suisan Kaisha, Ltd.	994,000	4,120	same as above

(Note) In selection of high ranking issues in terms of the amount recorded on the balance sheet, Specified Investment Shares and Deemed Stockholdings are not combined.

ⅲ) There are no stocks held solely for investment purposes.

(2) Details of Audit Fees and Other Matters

1) Details of fees paid to the certified public accountant auditor

Mitsui's certified public accountant auditor is Deloitte Touche Tohmatsu LLC.
The table below shows the amount of fees paid to Deloitte Touche Tohmatsu LLC by Mitsui and its consolidated subsidiaries, for the years ended March 31, 2017 and 2016.

Classification	Year ended March 31, 2017		Year ended March 31, 2016	
	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)
Mitsui	709	18	713	13
Consolidated subsidiaries	725	10	733	3
Total	1,434	28	1,446	16

(Note) Audit fees are fees for auditing pursuant to the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, and auditing the consolidated financial statements prepared in English. The audit fees include services performed as part of the audit, directly relating to the audit, and which are required by laws to be performed by the auditor, and can only be reasonably performed by the auditor.

2) Details of other significant fees

We entrust auditing work and non-auditing work to member firms of Deloitte Touche Tohmatsu Limited, which belong to the same network to which Deloitte Touche Tohmatsu LLC belongs.
The table below shows the amount of fees paid to member firms of Deloitte Touche Tohmatsu Limited (excluding Deloitte Touche Tohmatsu LLC) by Mitsui and its consolidated subsidiaries, for the years ended March 31, 2017 and 2016.

Classification	Year ended March 31, 2017		Year ended March 31, 2016	
	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)
Mitsui	2	97	5	78
Consolidated subsidiaries	2,209	258	2,240	533
Total	2,211	355	2,245	611

3) Details of non-auditing work performed by the certified public accountant auditor of Mitsui

The non-auditing work for which Mitsui pays a fee to Deloitte Touche Tohmatsu LLC includes advisory services and so on.

4) Policy for determining audit fees

In determination of audit fees, factors such as the auditing plans and the status of execution of duties by the auditor in the previous fiscal year are taken into account. The approval of the Audit & Supervisory Board is obtained when decisions on fees for auditing work are made.

5. Financial Information

1. Consolidated Financial Statements

Consolidated Statements of Financial Position
Mitsui & Co., Ltd. and subsidiaries
March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2016	2017
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 2)	¥ 1,503,820	¥ 1,490,775	$ 13,427
Trade and other receivables (Notes 2, 7, 8, 9 and 16)	1,739,402	1,607,885	15,530
Other financial assets (Notes 2, 8 and 23)	267,680	295,064	2,390
Inventories (Notes 2, 8, 10 and 23)	589,539	533,697	5,264
Advance payments to suppliers	225,442	220,711	2,013
Other current assets	148,865	138,563	1,329
Total current assets	4,474,748	4,286,695	39,953
Non-current Assets:			
Investments accounted for using the equity method (Notes 2, 5, 6 and 16)	2,741,741	2,515,340	24,480
Other investments (Notes 2, 8, 16 and 23)	1,337,164	1,179,696	11,939
Trade and other receivables (Notes 2, 7, 8, 9 and 16)	477,103	382,176	4,260
Other financial assets (Notes 2, 8 and 23)	145,319	159,384	1,297
Property, plant and equipment (Notes 2, 9, 11, 14 and 16)	1,823,492	1,938,448	16,281
Investment property (Notes 2, 9 and 12)	179,789	147,756	1,605
Intangible assets (Notes 2 and 13)	168,677	157,450	1,506
Deferred tax assets (Notes 2 and 22)	92,593	92,231	827
Other non-current assets	60,387	51,335	540
Total non-current assets	7,026,265	6,623,816	62,735
Total assets	¥ 11,501,013	¥ 10,910,511	$ 102,688

Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries

March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	**2016**	**2017**
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term debt (Notes 15 and 16)	¥ 304,563	¥ 353,203	$ 2,719
Current portion of long-term debt (Notes 8, 9, 15 and 16)	388,347	519,161	3,467
Trade and other payables (Notes 2, 9 and 15)	1,203,707	1,107,238	10,747
Other financial liabilities (Notes 2, 8, 15, 23 and 24)	315,986	298,329	2,821
Income tax payables (Notes 2 and 22)	52,177	22,309	466
Advances from customers	212,142	207,419	1,894
Provisions (Notes 2 and 17)	13,873	14,959	124
Other current liabilities	33,172	40,161	297
Total current liabilities	2,523,967	2,562,779	22,535
Non-current Liabilities:			
Long-term debt, less current portion (Notes 8, 9, 15 and 16)	4,108,674	3,838,156	36,685
Other financial liabilities (Notes 2, 8, 15, 23 and 24)	111,289	109,520	994
Retirement benefit liabilities (Notes 2 and 18)	60,358	78,176	539
Provisions (Notes 2 and 17)	196,718	219,330	1,756
Deferred tax liabilities (Notes 2 and 22)	481,358	409,695	4,298
Other non-current liabilities	28,487	26,319	255
Total non-current liabilities	4,986,884	4,681,196	44,527
Total liabilities	7,510,851	7,243,975	67,062
Equity: (Note 19)			
Common stock	341,482	341,482	3,049
Capital surplus	409,528	412,064	3,657
Retained earnings	2,550,124	2,314,185	22,769
Other components of equity (Notes 2 and 8)	485,447	317,955	4,334
Treasury stock	(54,402)	(5,961)	(486)
Total equity attributable to owners of the parent	3,732,179	3,379,725	33,323
Non-controlling interests (Note 2)	257,983	286,811	2,303
Total equity	3,990,162	3,666,536	35,626
Total liabilities and equity	¥ 11,501,013	¥ 10,910,511	$ 102,688

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Mitsui & Co., Ltd. and subsidiaries

Years Ended March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2016	2017
Revenue (Notes 2, 5, 6 and 8)**:**			
Sale of products	¥ 3,833,564	¥ 4,202,593	$ 34,228
Rendering of services	405,893	399,937	3,624
Other revenue	124,512	157,164	1,112
Total revenue	4,363,969	4,759,694	38,964
Cost (Notes 2, 5 and 8)**:**			
Cost of products sold	(3,418,437)	(3,807,456)	(30,522)
Cost of services rendered	(171,741)	(161,910)	(1,533)
Cost of other revenue	(54,496)	(63,706)	(487)
Total cost	(3,644,674)	(4,033,072)	(32,542)
Gross Profit	719,295	726,622	6,422
Other Income (Expenses):			
Selling, general and administrative expenses (Notes 2, 13, 18 and 21)	(538,975)	(566,014)	(4,812)
Gain (loss) on securities and other investments-net (Notes 2, 4, 5, 8 and 23)	64,962	93,168	580
Impairment reversal (loss) of fixed assets-net (Notes 2, 11 and 13)	(5,732)	(88,964)	(51)
Gain (loss) on disposal or sales of fixed assets-net (Notes 11 and 13)	11,013	(11,684)	98
Other income (expense)-net (Notes 2, 3, 13 and 14)	9,877	(32,092)	88
Total other income (expenses)	(458,855)	(605,586)	(4,097)
Finance Income (Costs) (Notes 2 and 8)**:**			
Interest income	34,905	31,612	312
Dividend income	51,874	54,675	463
Interest expense (Note 17)	(56,997)	(50,961)	(509)
Total finance income (costs)	29,782	35,326	266
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Notes 2, 5 and 6)	170,569	(132,033)	1,523
Profit before Income Taxes	460,791	24,329	4,114
Income Taxes (Notes 2 and 22)	(134,641)	(91,243)	(1,202)
Profit (Loss) for the Year	¥ 326,150	¥ (66,914)	$ 2,912
Profit (Loss) for the Year Attributable to:			
Owners of the parent	¥ 306,136	¥ (83,410)	$ 2,733
Non-controlling interests	20,014	16,496	179

	Yen		U.S. Dollars (Note 2)
Earnings per Share Attributable to Owners of the Parent (Notes 2 and 20)**:**			
Basic	¥ 171.20	¥ (46.53)	$ 1.53
Diluted	¥ 171.10	¥ (46.54)	$ 1.53

Consolidated Statements of Income and Comprehensive Income—(Continued)
Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2017 and 2016

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2017	2016	2017
Comprehensive Income:			
Profit (Loss) for the year	¥ 326,150	¥ (66,914)	$ 2,912
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Financial assets measured at FVTOCI (Notes 2 and 8)	198,971	(315,232)	1,777
Remeasurements of defined benefit pension plans (Notes 2 and 18)	16,379	(33,191)	146
Share of other comprehensive income of investments accounted for using the equity method (Note 5)	(3,132)	(1,739)	(28)
Income tax relating to items not reclassified (Note 19)	(54,549)	81,316	(487)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments (Notes 2 and 8)	23,404	(52,032)	209
Cash flow hedges (Notes 2 and 8)	11,243	10,011	100
Share of other comprehensive income of investments accounted for using the equity method (Note 5)	7,601	(151,581)	68
Reclassification adjustments	(8,004)	(77,249)	(71)
Income tax relating to items that may be reclassified (Note 19)	7,094	(5,490)	63
Total other comprehensive income	199,007	(545,187)	1,777
Comprehensive Income for the Year	¥ 525,157	¥ (612,101)	$ 4,689
Comprehensive Income for the Year Attributable to:			
Owners of the parent	¥ 503,025	¥ (607,490)	$ 4,491
Non-controlling interests (Note 19)	22,132	(4,611)	198

Consolidated Statements of Changes in Equity
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2017 and 2016

	Attributable to owners of the parent							
Millions of Yen	**Common Stock**	**Capital Surplus**	**Retained Earnings**	**Other Components of Equity**	**Treasury Stock**	**Total**	**Non-controlling Interests**	**Total Equity**
Balance as at April 1, 2015	¥ 341,482	¥ 411,881	¥ 2,537,815	¥ 814,563	¥ (5,946)	¥ 4,099,795	¥ 297,579	¥ 4,397,374
Profit (Loss) for the year …………			(83,410)			(83,410)	16,496	(66,914)
Other comprehensive income for the year (Notes 2, 8 and 19) …				(524,080)		(524,080)	(21,107)	(545,187)
Comprehensive income for the year …						(607,490)	(4,611)	(612,101)
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥64) …………			(114,722)			(114,722)		(114,722)
Dividends paid to non-controlling interest shareholders ……………							(18,387)	(18,387)
Acquisition of treasury stock ……					(16)	(16)		(16)
Sale of treasury stock ……………			(0)		1	1		1
Compensation costs related to stock options ……………………………		181				181		181
Equity transactions with non-controlling interest shareholders (Notes 2 and 19) …		2		1,974		1,976	12,230	14,206
Transfer to retained earnings (Notes 2 and 19) ……………………………			(25,498)	25,498		−		−
Balance as at March 31, 2016	¥ 341,482	¥ 412,064	¥ 2,314,185	¥ 317,955	¥ (5,961)	¥ 3,379,725	¥ 286,811	¥ 3,666,536
Profit (Loss) for the year …………			306,136			306,136	20,014	326,150
Other comprehensive income for the year (Notes 2, 8 and 19) …				196,889		196,889	2,118	199,007
Comprehensive income for the year …						503,025	22,132	525,157
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥57) …………			(102,187)			(102,187)		(102,187)
Dividends paid to non-controlling interest shareholders ……………							(52,706)	(52,706)
Acquisition of treasury stock ……					(48,648)	(48,648)		(48,648)
Sale of treasury stock ……………			(0)		207	207		207
Compensation costs related to stock options ……………………………		164				164		164
Equity transactions with non-controlling interest shareholders (Notes 2 and 19) …		(2,700)		2,593		(107)	1,746	1,639
Transfer to retained earnings (Notes 2 and 19) ……………………………			31,990	(31,990)		−		−
Balance as at March 31, 2017	¥ 341,482	¥ 409,528	¥ 2,550,124	¥ 485,447	¥ (54,402)	¥ 3,732,179	¥ 257,983	¥ 3,990,162

Millions of U.S. Dollars (Note 2)	Attributable to owners of the parent Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at March 31, 2016	$ 3,049	$ 3,679	$ 20,662	$ 2,839	$ (53)	$ 30,176	$ 2,561	$ 32,737
Profit (Loss) for the year …………			2,733			2,733	179	2,912
Other comprehensive income for the year (Notes 2, 9 and 20) …				1,758		1,758	19	1,777
Comprehensive income for the year …						4,491	198	4,689
Transaction with owners:								
Dividends paid to the owners of the parent (per share: $0.51) …………			(912)			(912)		(912)
Dividends paid to non-controlling interest shareholders ……………							(471)	(471)
Acquisition of treasury stock ……					(434)	(434)		(434)
Sale of treasury stock ……………			0		1	1		1
Compensation costs related to stock options ……………………………		2				2		2
Equity transactions with non-controlling interest shareholders (Notes 2 and 20) …		(24)		23		(1)	15	14
Transfer to retained earnings (Notes 2 and 20) ……………………………			286	(286)		–		–
Balance as at March 31, 2017	$ 3,049	$ 3,657	$ 22,769	$ 4,334	$ (486)	$ 33,323	$ 2,303	$ 35,626

Consolidated Statements of Cash Flows

Mitsui & Co., Ltd. and subsidiaries

Years Ended March 31, 2017 and 2016

	Millions of Yen 2017	Millions of Yen 2016	Millions of U.S. Dollars (Note 2) 2017
Operating Activities (Note 25):			
Profit (Loss) for the year	¥ 326,150	¥ (66,914)	$ 2,912
Adjustments to reconcile profit for the year to cash flows from operating activities:			
Depreciation and amortization	193,329	253,168	1,726
Change in retirement benefit liabilities	(637)	336	(6)
Provision for doubtful receivables	9,172	9,916	82
(Gain) loss on securities and other investments-net	(64,962)	(93,168)	(580)
Impairment (reversal) loss of fixed assets-net	5,732	88,964	51
(Gain) loss on disposal or sales of fixed assets-net	(11,013)	11,684	(98)
Finance (income) costs	(22,967)	(26,571)	(205)
Income taxes	134,641	91,243	1,202
Share of (profit) loss of investments accounted for using equity method	(170,569)	132,033	(1,523)
Changes in operating assets and liabilities:			
Change in trade and other receivables	(121,022)	338,168	(1,080)
Change in inventories	(60,272)	107,124	(538)
Change in trade and other payables	111,917	(228,258)	999
Change in derivative assets and liabilities	24,550	20,178	219
Other financial liabilities-Change in deposits received	(21,188)	(37,931)	(189)
Other-net	(24,660)	(83,993)	(219)
Interest received	30,085	34,395	269
Interest paid	(65,352)	(51,232)	(584)
Dividends received	194,698	220,160	1,738
Income taxes paid	(63,461)	(132,311)	(567)
Cash flows from operating activities	404,171	586,991	3,609
Investing Activities (Note 25):			
Change in time deposits	(8,936)	369	(80)
Investments in and advances to equity accounted investees	(319,131)	(199,807)	(2,850)
Proceeds from sales of investments in and collection of advances from equity accounted investees	92,344	73,429	825
Purchases of other investments	(70,357)	(65,769)	(628)
Proceeds from sales and maturities of other investments	142,524	88,196	1,273
Increase in long-term loan receivables	(56,939)	(2,859)	(508)
Collections of long-term loan receivables	19,234	16,956	172
Purchases of property, plant, equipment and investment property	(191,472)	(300,832)	(1,710)
Proceeds from sales of property, plant, equipment and investment property	39,434	28,109	352
Acquisitions of subsidiaries or other businesses (Note 3)	—	(45,851)	—
Cash flows from investing activities	(353,299)	(408,059)	(3,154)
Financing Activities (Note 25):			
Change in short-term debt	(48,983)	79,839	(437)
Proceeds from long-term debt	800,248	507,505	7,145
Repayments of long-term debt	(603,447)	(522,716)	(5,388)
Purchases and sales of treasury stock	(48,647)	(14)	(434)
Dividends paid	(102,187)	(114,737)	(913)
Transactions with non-controlling interests shareholders	(47,249)	(425)	(422)
Cash flows from financing activities	(50,265)	(50,548)	(449)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12,438	(38,379)	111
Change in Cash and Cash Equivalents	13,045	90,005	117
Cash and Cash Equivalents at Beginning of Year	1,490,775	1,400,770	13,310
Cash and Cash Equivalents at End of Year	¥ 1,503,820	¥ 1,490,775	$ 13,427

1. REPORTING ENTITY

Mitsui & Co., Ltd. (the “Company”) is a company incorporated in Japan. The consolidated financial statements of the Company have an annual closing date as of March 31. The consolidated financial statements are comprised of the financial statements of the Company, its subsidiaries, and its interests in associated companies and joint ventures (collectively, the “equity accounted investees”).

The Company and its subsidiaries, 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 Company and its subsidiaries 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 Company and its subsidiaries 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 solutions business.

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ⅰ. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Ⅱ. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Japanese yen. It is the functional currency of the Company, and all financial information presented in Japanese yen has been rounded to the nearest million.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2017 is included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥112=U.S. $1, the approximate rate of exchange at March 31, 2017. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

Ⅲ. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost basis, except for items such as financial instruments, assets and liabilities related to defined benefit pension plans, and a part of inventories as explained in V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Ⅳ. USE OF ESTIMATES AND JUDGMENTS

The preparation of the 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 and estimates. The judgments based on assumptions and estimates are reviewed on an ongoing basis.

Main assumptions and estimates that may have a significant risk of resulting in a material adjustment in the consolidated financial statements within the next financial year are as follows:

- Impairment and its reversal of non-financial assets (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Impairment of non-financial assets and investments accounted for using the equity method”, “Oil and gas producing activities”, Note 5 “INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD”, Note 11 “PROPERTY, PLANT AND

EQUIPMENT”, Note 13 “INTANGIBLE ASSETS” and Note 14 “EXPLORATION AND EVALUATION FOR MINERAL RESOURCES AND OIL & GAS”)
- Revaluation of financial instruments (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Financial instruments”, Note 7 “RECEIVABLES AND RELATED ALLOWANCES”, Note 8 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS” and Note 23 “FAIR VALUE MEASUREMENT”)
- Provisions (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Provisions”, “Asset retirement obligations” and Note 17 “PROVISIONS”)
- Measurement of defined benefit obligations (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Employee benefits” and Note 18 “EMPLOYEE BENEFITS”)
- Recoverability of deferred tax assets (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Income taxes” and Note 22 “INCOME TAXES”)

The changes in judgments based on assumptions and estimates which could affect the accompanying consolidated financial statements are mainly as follows.
- Measurement of the recoverable amounts of non-financial assets (See Note 5 “INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD”, Note 11 “PROPERTY, PLANT AND EQUIPMENT” and Note 13 “INTANGIBLE ASSETS”)
- Provisions (See Note 17 “PROVISIONS”)
- Revaluation for financial instruments (See Note 23 “FAIR VALUE MEASUREMENT”)

Main information about the judgments taken in the application of the accounting policies which have an impact on consolidated financial statements are as follows:
- Scope of consolidated subsidiaries, associated companies, and joint ventures (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Consolidation”, “Investments in associated companies and joint arrangements”, Note 4 “CONSOLIDATED SUBSIDIARIES” and Note 5 “INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD”)
- Financial instruments (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Financial instruments”, Note 8 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS” and Note 23 “FAIR VALUE MEASUREMENT”)
- Accounting for leases (See Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Leasing” and Note 9 “LEASES”)

Ⅴ. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries (which were controlled directly or indirectly through voting or similar rights), and structured entities (“SEs”). They are collectively called the “companies,” where the Company or one of its subsidiaries have control. SEs are entities controlled through means other than voting or similar rights. The word “control” is used based on its definition in IFRS 10 “Consolidated Financial Statements,” so that the companies consider all facts and circumstances, including the existing rights and substantive rights included within agreements with investees.

The consolidated financial statements include financial statements of certain subsidiaries with different fiscal year-ends from that of the Company, as the Company considers it impracticable to unify the fiscal year-ends of such subsidiaries with that of the Company.

Major consolidated subsidiaries with different fiscal year-ends include subsidiaries that operate exploration, development and production of oil and gas. As the Company is a non-operator in such operations and the financial information is prepared by the operators, the Company is unable to obtain necessary information from the operators in time for the preparation of the Company’s year end consolidated financial statements. For the same reasons, it is also impracticable to prepare additional financial statements for these subsidiaries as of the same date as the Company’s year-end date. Therefore, financial information for such subsidiaries as of their fiscal year-end of December 31 is included in the Company’s consolidated results.

There are other consolidated subsidiaries for which it is also considered impracticable to unify their fiscal year-ends with that of the Company’s due to the requirement of local laws and regulations, and it is also impracticable to prepare additional financial statements for these subsidiaries as of the same date as the Company’s year-end date due to certain facts and circumstances such as the local business practices and the environment surrounding the accounting system. The fiscal year-ends of such consolidated subsidiaries are mainly December 31.

Adjustments are made for the effects of significant transactions or events that occur between the ends of the fiscal years of such consolidated subsidiaries and that of the Company.

Changes in the companies' ownership interests that are made while retaining their controlling financial interests in their subsidiaries are accounted for as equity transactions. When the companies cease to have their controlling financial interests, any retained investments are measured at their fair value at that date. The difference between the fair value and the carrying amount of the retained non-controlling investments is recognized as gain (loss) on securities and other investments－net.

Investments in associated companies and joint arrangements

Associated companies are the entities over which the Company and its subsidiaries own 20% or more of the voting rights. The exceptions to this rule include the entities in which it can be clearly demonstrated that Company and its subsidiaries are unable to exercise significant influence over the financial and operating policy decisions of the investees, or those whereby the companies have the ability to exercise significant influence despite holding less than 20% ownership. Investments in associated companies are accounted for using the equity method.

Joint arrangements are arrangements in which decisions about the relevant activities require the unanimous consent of the parties sharing control. When the parties that have joint control of the arrangement substantially have rights to the assets and obligations for the liabilities, relating to the arrangement, the arrangement is a joint operation. When an arrangement is structured through a separate vehicle and the parties that have joint control of the arrangement have rights to the net assets of the arrangement, the arrangement is classified as a joint venture. A joint operation is accounted for by recognizing the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venture is accounted for using the equity method.

Robe River Iron Associates (Mitsui's percentage of ownership: 33%), which conducts iron ore mining activity in Australia, is a major joint operation.

The consolidated financial statements include some associated companies, joint ventures and joint operations with different fiscal year -ends from that of the Company.It is impracticable to unify the fiscal year-ends due to the requirement of local laws and regulations and relationships with other shareholders, and it is also impracticable to prepare additional financial statements as of the same date as the financial statements of the companies due to certain factors such as the local business practices and the environment surrounding the accounting system. The fiscal year-ends of associated companies, joint ventures and joint operations are generally December 31. Adjustments are made for the effects of significant transactions or events that occur between the ends of the fiscal years of such associated companies, joint ventures and joint operations and that of the Company.
The companies discontinue the use of the equity method from the date when the investment ceases to be an associated company or a joint venture. Any retained investments are measured at their fair value at that date, and the difference between the fair value and the carrying amount of the retained investments is recognized as gain (loss) on securities and other investments－net. Regarding impairment of investments in equity accounted investees, please refer to "*Impairment of non-financial assets and investments accounted for using the equity method.*"

Business combinations

In accordance with IFRS 3 "Business Combinations," all business combinations on or after April 1, 2012, the date of transition to IFRS, are accounted for using the acquisition method. This is a method where all assets and liabilities of an acquired company, including non-controlling interests, are measured at fair value. The differences between consideration transferred and the net fair value of identifiable assets and liabilities are recognized as goodwill when the consideration transferred is in excess of the net fair value of identifiable assets and liabilities. If the net fair value of identifiable assets and liabilities exceed the consideration transferred, the excess is recognized immediately as a gain in profit (loss) for the year.

Foreign currency translation

The assets and liabilities of foreign subsidiaries and equity accounted investees are translated into Japanese yen using the spot exchange rate at the respective reporting date. All income and expense accounts are translated into Japanese yen using average rates of exchange for the respective reporting period. The resulting translation adjustments are recognized in other components of equity.

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of transactions. At the end of each reporting period, monetary assets and liabilities, and non-monetary assets and liabilities measured at fair value denominated in foreign currencies are translated into functional currencies using the spot exchange rate at the reporting date. The exchange differences arising from translation are recognized in profit (loss) for the year.

Non-monetary items measured at historical cost denominated in foreign currencies are translated using the spot exchange rate at the date of transaction.

Cash equivalents

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

Inventories

Inventories, consisting mainly of commodities and materials for sale, are measured at the lower of cost and net realizable value. The cost of inventory of items that are not ordinarily interchangeable are assigned by using specific identification of their individual costs. For those items which are interchangeable, the costs are mainly assigned by using the weighted-average cost formula. Inventories acquired with the purpose of being sold in the near term to profit from fluctuations in price are measured at fair value less costs to sell, and changes in the fair value less costs to sell are recognized in profit (loss) for the year.

Financial instruments

The companies have early adopted IFRS 9 “Financial Instruments” (amended in November 2013).

Non-derivative financial assets

Trade and other receivables are recognized at fair value on initial recognition. Regular purchases of other financial assets are recognized on the trade date. These financial assets are derecognized if they satisfy any of the following conditions:

- the contractual rights to the cash flows from the financial asset have expired; or
- the contractual rights to receive the cash flows of the financial asset have been transferred, and substantially all risks and rewards of the ownership of the financial asset have been transferred.

Non-derivative financial assets are classified and measured as follows:

Non-derivative financial assets that are debt instruments are measured at amortized cost if they meet the following two criteria. They are held for the purpose of collecting contractual cash flows and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortized cost is calculated by using the effective interest rate method. For financial assets measured at amortized cost, the companies consider if an impairment has occurred. Please see *Impairment of financial assets* regarding impairment.

Equity financial instruments and non-derivative financial assets that do not satisfy the requirements to be measured at amortized cost are measured at fair value through profit or loss (“FVTPL”). However, for certain equity financial instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the companies elect at initial recognition to designate these instruments as at fair value through other comprehensive income (“FVTOCI”).

When financial assets measured at FVTOCI are derecognized, the accumulated other components of equity are directly reclassified to retained earnings without being recognized in profit (loss) for the year. Dividend income received on financial assets measured at FVTOCI is mainly recognized in profit (loss) for the year.

Non-derivative financial liabilities

The companies have non-derivative financial liabilities including corporate bonds and loans payable, trade and other payables, and other financial liabilities. Corporate bonds issued by the companies are recognized at fair value on the issue date and all other non-derivative financial liabilities are recognized on the trade date at fair value plus or minus transaction costs that are directly

attributable to the acquisition or issue of the financial liabilities. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.
The companies derecognize a non-derivative financial liability only when it is extinguished (that is, the underlying obligation specified in the contract is discharged, cancelled or expires).

Impairment of financial assets

For financial assets measured at amortized cost, the companies recognize an allowance for doubtful receivables on an individual basis for certain receivables if there is objective evidence of a loss event based on the latest information or events. These objective evidence includes cases such as where the debtor is under legal reorganization and in financial failure or has a serious problem in repaying debts due to financial difficulty, although it is not yet in financial failure. Impairment losses are measured by using the present value of expected future cash flows discounted at the effective interest rate based on the original terms of the contract, or at fair value of the collateral if their value depends on the collateral.

Similarly, debt securities measured at amortized cost are assessed for impairment, and impairment losses are directly deducted from the carrying amount. Impairment losses are recognized in profit (loss) for the year. After an impairment loss is recognized, interest income continues to be recognized on the reduced carrying amount using the same discount rate used to discount the expected future cash flows when the impairment loss was measured.

If the fair value of previously impaired receivables or debt securities measured at amortized cost subsequently recovers due to factors occurring after the recognition of impairment, a reversal of impairment loss is recognized in profit (loss) for the year. The reversal amount is directly added to the carrying amount for debt securities, or deducted from related provision for receivables. The carrying amount after a reversal of impairment loss cannot exceed the carrying amount that would have been recorded, had the impairment loss not been recognized in prior years.

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

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

Finance income and costs

Finance income and costs consist of items such as interest income, interest expense, dividend income and gain or loss on hedging instruments recognized in profit (loss) for the year. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the rights of the companies to received dividends vest. See *Derivative instruments and hedging activities* for the accounting for gains or losses arising from hedging instruments.

Derivative instruments and hedging activities

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business. In order to mitigate or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity futures, forwards, options and swap contracts. These derivative instruments hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use derivative instruments and non-derivative financial instruments, such as foreign currency-denominated debt, to hedge the foreign currency exposure in the net investments in foreign operations.
The companies recognize all derivative instruments as an asset or a liability at fair value as at the date on which they become party to the relevant agreement. Subsequent to initial recognition, derivative instruments are measured at fair value with any changes in fair value accounted for as follows:

・ Fair value hedges

Derivative instruments held for the purpose of eliminating the risk of changes in the fair value of hedged items are designated as fair value hedges and subject to the assessment of hedge effectiveness. To the extent that they satisfy the requirements for hedge accounting, the companies include the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments mainly as interest expense.

・ Cash flow hedges
Derivative instruments held for the purpose of offsetting the variability in cash flows of the hedged items are designated as cash flow hedges. To the extent that they are effective, any changes in fair value are recognized in other comprehensive income until cash flows of the hedged item affect gain or loss. The amounts previously recognized in other comprehensive income are reclassified into profit (loss) for the year mainly as interest expense and other income (expense)-net when earnings are affected by the hedged items.

・ Hedges of net investments in foreign operations
The foreign currency transaction gain or loss on derivative instruments and non-derivative financial instruments that are designated as, and are effective as, hedging instruments to reduce the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as a hedge. The amounts in other components of equity are reclassified into profit (loss) for the year mainly as gain (loss) on securities and other investments-net when the related investment is sold completely or partially, or the liquidation of the investment is completed. The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are recorded in profit (loss) for the year mainly as other income (expenses)-net immediately.

・ Derivative instruments for trading purposes
The Company and certain subsidiaries use derivative instruments for trading purposes within certain position and loss limits. Derivative instruments for trading purposes are measured at fair value and changes in fair value are recorded in profit (loss) for the year as other revenue.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Leasing

The companies are engaged in finance and operating lease businesses. Leases are classified as finance leases whenever it transfers substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases. For finance leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized as revenue over the term of underlying leases using the straight-line method.

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

Property, plant and equipment

Property, plant and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for land and projects in progress, is computed principally under the straight-line method, using rates based on the estimated useful lives of the related assets. The estimated useful lives for buildings, equipment and fixtures, vessels and aircrafts are primarily 2 to 52 years, 3 to 40 years, and 3 to 20 years, respectively. Mineral rights are primarily amortized using the unit-of-production method.

Investment property

Investment property is measured by using the cost model and is stated at cost less accumulated depreciation and impairment losses. Depreciation of investment property is computed principally under the straight-line method, using rates based upon the estimated useful lives of the related investment property. The estimated useful lives for investment properties are primarily 2 to 60 years.

Intangible assets

Intangible assets include goodwill arising from the acquisition of subsidiaries.
Intangible assets are measured based on the cost model and intangible assets with finite estimated useful lives are stated at cost less accumulated amortization and impairment losses. Goodwill and intangible assets with indefinite estimated useful lives are not amortized and are presented at cost less accumulated impairment losses.
Software is primarily amortized over 5 years using the straight-line method.

Impairment of non-financial assets and investments accounted for using the equity method

Non-financial assets and investments accounted for using the equity method are assessed to determine whether there is any indication of impairment at respective reporting date. If any such indication exists, the recoverable amounts of the non-financial asset and the investment are estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. For investments accounted for using the equity method, the entire carrying amount of the investment is tested for impairment as a single asset.
The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, when the asset generates cash inflows that are largely independent of those from other assets or groups of assets.
Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount. The impairment loss is then recognized in profit (loss) for the year. For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication of impairment that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed as income in profit (loss) for the year. The amount is reversed to the extent that the increased carrying amount of an asset does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized. An impairment loss recognized for goodwill is not reversed.

Oil and gas producing activities

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

Proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the recoverable amount. Unproved properties are assessed whenever there is an indication of impairment, and if the unproved properties are determined to be impaired, impairment losses are charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

Mining operations

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once established as commercially viable, costs are capitalized as development costs and are amortized using either the unit-of-production method or straight-line method based on the proven and probable reserves.
In surface mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as "stripping costs." During the development of a mine, before production commences, such costs are generally capitalized as part of the development costs. Removal of waste materials continues during the production stage of

the mine. Such post-production stripping costs in relation to mineral produced during the fiscal year are variable production costs to be considered as a component of mineral inventory costs. These are recognized as a component of costs in the same period as the related revenues from the sales of the minerals. On the other hand, post-production stripping costs incurred that relate to mineral to be produced in the subsequent fiscal year are capitalized, and are amortized using either the unit-of-production method or straight-line method based on the proved and probable reserves.

Provisions

Provisions are recognized when the companies have a present obligation (legal or constructive) as a result of a past event, it is probable that outflows of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligations can be made. Provisions are measured as the best estimate of the amount of expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted to their present value using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Asset retirement obligations

The companies recognize costs of dismantling and removing assets mainly related to mining and oil and gas production facilities, and the companies record the provision for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the asset. Over time, the liability is increased to its present value to reflect the passage of time, and the capitalized cost is depreciated over the useful life of the related asset.

Employee benefits

The Company and certain subsidiaries have defined benefit pension plans and severance indemnity plans. The costs of defined benefit pension plans and severance indemnity plans are accrued based on amounts determined using actuarial procedures based on the projected unit credit method. The Company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the consolidated statements of financial position. The remeasurements of defined benefit pension plans are recognized immediately in other components of equity in equity and are transferred to retained earnings on recognition.

The Company and certain subsidiaries also have defined contribution pension plans. Payments to defined contribution pension plans are recognized as an expense when employees have rendered service.

Revenue recognition

Revenue is recognized as follows:

<u>Sales of products</u>

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

For long-term construction contracts such as railroad projects, depending on the nature of the contract, revenue is accounted for by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. Otherwise, the companies recognize revenues only to the extent that contract costs incurred are probable to be recovered. Under the percentage-of-completion method, the stage of completion of a construction contract is determined based on the proportion of costs incurred for the contract works to date to the total estimated contract costs.

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

Rendering of services

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

Other revenue

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

Income taxes

Income taxes comprise current taxes and deferred taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards or tax credit carryforwards are expected to reverse. Deferred tax assets are recognized except for cases where such deferred tax assets are not deemed to be recoverable.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and equity accounted investees, unless the companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are applicable to the expected manner of recovery or settlement by management.

Upon the introduction of the Expansion of the Petroleum Resource Rent Tax Act in Australia, companies are allowed to elect to use market value as a starting base for existing transitional projects at May 1, 2010. A company electing to use the market value approach can obtain a deduction for the amortization of the market value of the project. The Company’s Australian subsidiaries and equity accounted investees apply the market value approach. The Petroleum Resource Rent Tax is regarded as an income tax subject to tax effect accounting in accordance with IAS 12 “Income Taxes,” and deferred tax assets have been recognized for the operating assets based on the difference in the book values for financial reporting purposes and their tax bases except for the portion that is deemed not to be recoverable. In determining recoverability, several tax deductible items such as royalties and the impact of future augmentation, which will be incurred on tax losses carried forward in the Petroleum Resource Rent Tax, have been considered.

The companies recognize uncertain tax positions in income taxes in the consolidated financial statements when it is probable that an economic outflow would occur if the tax positions were examined and challenged by tax authorities.

Earnings per share

Basic earnings per share attributable to owners of the parent is computed by dividing profit (loss) for the year attributable to owners of the parent by the weighted-average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. Diluted earnings per share attributable to owners of the parent reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Ⅵ. STANDARDS AND INTERPRETATIONS NEWLY APPLIED

Effective April 1, 2016, the companies applied the following new standards and interpretation for the consolidated financial statements. The potential impacts on the consolidated financial statements of application of these are immaterial.

IFRS	Title	Summaries
IFRS 11	Joint Arrangements	Clarification of accounting for acquisitions of interests in joint operations
IAS 16	Property, Plant and Equipment	Clarification that revenues cannot be the basis of depreciation and amortization
IAS 38	Intangible Assets	

Ⅶ. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements which the companies have not yet applied as of March 31, 2017 are mainly as follows. The potential impacts that application of these will have on the consolidated financial statements cannot be reasonably estimated.

IFRS	Title	Reporting periods beginning on or after which the applications are required	Reporting periods of the application by the companies （The reporting period ended）	Summaries of new IFRS and amendments
IAS 7	Statement of Cash Flows	January 1, 2017	March 31, 2018	Disclosures about changes in liabilities arising from financing activities
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Accounting for recognizing revenue from contracts with customers
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	Implementation of expected credit loss model for the recognition of impairment losses of financial instruments
IFRS 16	Leases	January 1, 2019	March 31, 2020	Fundamental amendment of lease transactions
IFRS 17	Insurance Contracts	January 1, 2021	Undecided	Fundamental amendment of insurance contracts

3. BUSINESS COMBINATIONS

For the year ended March 31, 2017

No material business combinations were completed during the year ended March 31, 2017.

For the year ended March 31, 2016

Interest in an offshore gas and condensate field in Australia

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

The Company was in the process of determining its purchase price allocation, and recorded provisional amounts for assets acquired and liabilities assumed as at March 31, 2016. The process of determining its purchase price allocation was completed in the year ended March 31, 2017. The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed at March 31, 2016 and March 31, 2017. The measurement period adjustments did not have a significant impact on the Company's results of operations and financial position and, therefore, the Company has not retrospectively adjusted the consolidated financial statements.

	Millions of Yen			
	March 31, 2017		March 31, 2016	
Property, plant and equipment	¥	43,918	¥	48,856
Intangible assets		4,938		-
Deferred tax assets		732		-
Total assets acquired		49,588		48,856
Current liabilities		(7)		(8)
Non-current liabilities		(2,125)		(2,125)
Total liabilities assumed	¥	(2,132)	¥	(2,133)

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

A net cash outflow in cash flows from investing activities of ¥45,851 million arising from the above business combination is included in acquisitions of subsidiaries or other businesses in the Consolidated Statement of Cash Flows for the year ended March 31, 2016. The fair value of assets acquired and liabilities assumed exceeded the acquisition cost by ¥733 million, and the Company has recognized this amount as a gain on a bargain purchase in other income (expense)-net in the Consolidated Statement of Income for the year ended March 31, 2017.

4. CONSOLIDATED SUBSIDIARIES

Consolidated subsidiaries

Major consolidated subsidiaries as of March 31, 2017 were as follows:

Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of voting shares (%)
Mitsui Oil Exploration Co., Ltd.	Exploration, development and production of oil and natural gas	Japan Tokyo	74.3
Mitsui Iron Ore Development Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	100.0
Mitsui-Itochu Iron Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	70.0
Mitsui Sakhalin Holdings B.V.	Investments in Sakhalin Energy Investment Company Ltd.	Netherlands Amsterdam	100.0
Novus International, Inc.	Manufacturing and sales of feed additives	U.S.A St. Charles	80.0
Oriente Copper Netherlands B.V.	Investment in and loan to copper business in Chile	Netherlands Amsterdam	100.0
Mitsui Bussan Copper Investment & Co., Ltd.	Investment in Caserones copper mine in Chile	Japan Tokyo	100.0
Mitsui Coal Holdings Pty. Ltd.	Investments in Australian coal business	Australia Brisbane	100.0
Mitsui & Co. (U.S.A.), Inc.	Trading	U.S.A New York	100.0
Mitsui Iron Ore Corporation Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	100.0

Changes in owners of parent's ownership interests due to the deconsolidation of subsidiaries

During the year ended March 31, 2016, the companies deconsolidated certain subsidiaries mainly due to the plan of liquidation. Through these transactions the companies recognized a net pre-tax gain of ¥34,541 million. This net gain was included in gain (loss) on securities and other investments－net in the Consolidated Statement of Income.

There is no significant gain or loss arising from changes in owners of parent's ownership interests due to the deconsolidation of subsidiaries during the year ended March 31, 2017.

Unconsolidated Structured Entities (Unconsolidated SEs)

The companies are involved with SEs, established for the purpose of financing projects such as oil and gas, by providing guarantees or loans to the SEs. These SEs provide financing for customers located principally in Latin America in the form of leases and loans. Those entities are financed mainly by bank borrowings and issuance of stock.

The total assets of the SEs, the carrying amounts of assets and liabilities in the Consolidated Statements of Financial Position that relate to the companies' interests in the SEs, and the companies' maximum exposure to loss as a result of the companies' involvement with the SEs as of March 31, 2017 and 2016 were as follows:

March 31, 2017:

Millions of Yen			
	Assets and liabilities that relate to interests in SEs		
Total assets of SEs	**Carrying amounts of assets**	**Carrying amounts of liabilities**	**Maximum exposure to loss**
¥ 346,275	¥ 26,723	－	¥ 29,914

March 31, 2016:

Millions of Yen			
	Assets and liabilities that relate to interests in SEs		
Total assets of SEs	**Carrying amounts of assets**	**Carrying amounts of liabilities**	**Maximum exposure to loss**
¥ 251,871	¥ 17,981	—	¥ 20,313

Note: The assets that relate to the companies' interests in the SEs are mainly "Other investments" and "Trade and other receivables."

The amount of maximum exposure to loss represents a loss that the companies could incur from financial difficulties of the customers. The amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the SEs and is considered to greatly exceed the anticipated loss.

The maximum exposure to loss that relates to the companies' interests in the SEs represents the amounts of investments, loans and guarantees provided by the companies to the SEs as of March 31, 2017 and 2016 respectively.

The companies did not provide any financial support to the SEs for the years ended March 31, 2017 and 2016.

Consolidated Structured Entities (Consolidated SEs)

There is no consolidated SE as of March 31, 2017 and 2016.

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Primary investees over which the companies have the ability to exercise significant influence despite ownership percentage of less than 20% are as follows:

The investment in Valepar S.A. (18.24%) is accounted for under the equity method because of the Company's ability to exercise significant influence over operating and financial policies. The infleunce is primarily through the board representation and veto power over significant operating and financial decisions through the board of directors. As the sole operating company among the shareholders, which consist primarily of pension funds and financial institutions, the Company utilizes its experience and expertise in operating businesses and substantively participates in the decision-making processes.

One of the consolidated subsidiaries is the second largest shareholder, owning 18.05% of IHH Healthcare Berhad ("IHH") and the strategic partner of the main shareholder of IHH. IHH is utilizing the Company's global network to develop its business activities outside Malaysia. The investment in IHH is accounted for under the equity method because of the Company's ability to exercise significant influence over operating and financial policies through its board representation on IHH and its main subsidiaries, and representation of the consultive and advisory committee on its board meeting. The Company's significant influence will not be changed even if the potential voting rights of other shareholders are converted.

The Companies are the second largest shareholder group, owning 18.06% of Penske Automotive Group, Inc. ("PAG"). The Companies entered into a shareholders agreement with the largest shareholder group owning 39.65% of PAG's voting shares. Based on a reciprocal voting provision set forth in the agreement for any shareholder election of the directors of PAG, the companies and the largest shareholder group constitute a "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and jointly participate in the management of PAG. The investment in PAG is accounted for under the equity method because of the companies' ability to exercise significant influence over operating and financial policies primarily through board representation by a director and senior vice president dispatched from the companies. PAG is utilizing the companies' global network to develop its business activities outside the United States and, as part of the process, the companies substantively participate in PAG's decision-making processes.

The carrying amount of the investments accounted for using the equity method for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen	
	2017	2016
Associated companies	¥ 1,759,398	¥ 1,608,871
Joint ventures	982,343	906,469
Total	¥ 2,741,741	¥ 2,515,340

Share of profit and other comprehensive income of the equity accounted investees for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Profit (loss) for the year		
Associated companies	¥ 132,213	¥ 18,415
Joint ventures	38,356	(150,448)
Total	¥ 170,569	¥ (132,033)
Other comprehensive income (loss)		
Associated companies	¥ (882)	¥ (79,103)
Joint ventures	(8,778)	(77,838)
Total	¥ (9,660)	¥ (156,941)
Total comprehensive income (loss)	¥ 160,909	¥ (288,974)

Impairment Losses included in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method”
For the year ended March 31 2017, the amount of impairment losses included in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method” is not material.
For the year ended March 31 2016, the impact of ¥ 92,506 million was recorded due to the impairment loss at Acrux, an equity-method affiliate in the Mineral & Metal Resources Segment, which invests in the Anglo American Sur, an equity-method affiliate, driven by the revision of the long-term copper price outlook.
The impact of ¥ 46,185 million was recorded at Mitsui Bussan Copper Investment & Co., Ltd., a subsidiary in the Mineral & Metal Resources Segment, due to the impairment loss of Minera Lumina Copper Chile, an equity-method affiliate, driven by update in various assumptions, in consideration of operational situation and the revision of the long-term copper price outlook. The impact of ¥ 47,989 million was also recorded at Valepar, an equity-method affiliate, due to the impairment loss of Vale, which is invested by Valepar.

The impact of ¥ 54,206 million was recorded due to the impairment loss at investments accounted for using the equity method for IPP business in the Machinery & Infrastructure Segment, driven by the lower electricity prices and some obsolete power plants.

The impact of ¥ 40,271 million was recorded due to the impairment loss at Japan Australia LNG(MIMI), an equity-method affiliate in the Energy Segment, which invests in the Browse LNG project in Australia, following a decision to review the development plan caused by deteriorated business environment, which will lead to a postponement of its commercial operations. For the year ended March 31, 2017, the impact recorded due to the impairment loss at investments accounted for using the equity method were not material.

Dividends received from the equity accounted investees for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Associated companies	¥ 86,489	¥ 98,565
Joint ventures	57,042	66,363
Total	¥ 143,531	¥ 164,928

The carrying value of the investments accounted for using the equity method exceeded the companies' equity in the underlying net assets of those companies. The amounts of such excess value for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Associated companies	¥	332,183	¥	207,943
Joint ventures		121,949		133,509
Total	¥	454,132	¥	341,452

The amount of excess value is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity method goodwill. The fair value adjustments mainly relate to property, plant and equipment, intangible assets which consist primarily of equipment and fixtures, mineral rights and customer relationship amortized over their respective estimated useful lives using either the straight-line or the unit-of-production method.

Investments in common stock of publicly-traded associated companies include marketable equity securities carried at ¥281,780 million and ¥316,782 million at March 31, 2017 and 2016, respectively. Corresponding aggregate quoted market values were ¥478,684 million and ¥544,901 million, respectively. There is no investment in common stock of publicly-traded joint venture.

The amount of impairment losses on investments in equity accounted investees for the years ended March 31, 2017 and 2016 was not material.

For the year ended March 31 2017, the amount of reversal of impairment loss is not material.

For the year ended March 31 2016, the Company recognized the reversal of impairment loss of ¥12,442 million of investments accounted for using the equity method due to recovery of market prices in "Gain (loss) on securities and other investments - net" in the Consolidated Statement of Income.

The amounts of outstanding balances of assets and liabilities in the equity accounted investees for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen							
	2017				2016			
	Assets		Liabilities		Assets		Liabilities	
Associated companies	¥	226,947	¥	76,087	¥	213,892	¥	96,023
Joint ventures		152,135		44,230		76,446		35,220
Total	¥	379,082	¥	120,317	¥	290,338	¥	131,243

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.
The Company has completed the procurement of eight LNG ships intended to be used for the delivery of LNG mainly to its customers in Japan by the end of March 2017.
Among the time charter contracts for the eight LNG ships for which the Company has completed procurement, four LNG ships including contracts for one ship with ship-owning companies in which the Company has investments accounted for as joint ventures, have a total maximum charter period of 25 years starting from 2018, three ships including contracts for one ship with ship-owning companies in which the Company has investments accounted for as joint ventures, have a total maximum charter period of 25 years starting from 2019, and the remaining ship with ship-owning companies in which the Company has investments accounted for as joint ventures, has a total maximum charter period of 25 years starting from 2020.
The total maximum hire amount for the eight ships is approximately ¥700 billion. Corresponding to most of the costs from the above tolling and transportation contracts, the Company also entered into long term LNG sales contracts with customers mainly in Japan.

The companies' revenues and purchases in cost of revenues from the equity accounted investees for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Revenues				
Associated companies	¥	54,064	¥	53,808
Joint ventures		2,982		5,937
Total	¥	57,046	¥	59,745
Purchases				
Associated companies	¥	70,425	¥	47,581
Joint ventures		39,391		41,515
Total	¥	109,816	¥	89,096

6. SEGMENT INFORMATION

IFRS 8 “Operating Segments” requires disclosure of financial and descriptive information regarding operating segments, which are components of an entity whose operating results are regularly reviewed by the entity’s chief operating decision-maker in deciding resources to be allocated to the segments and assessing their performance.

The Company is operated through business units, determined based on their products and services, which plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with the regional business units in planning and executing their strategies for products and regions. The regional business units are delegated the business of their regions as the centers of each particular regional strategy and operate diversified businesses together with their affiliated companies in collaboration with the business units. Therefore, the companies’ operating segments consist of product operating segments comprised of the business units of the Head Office and regional operating segments comprised of the regional business units.

The companies’ operating segments have been aggregated based on the similarities in the nature of the products and services, the production processes, the type of customer, the methods used for distribution, and the regulatory environments surrounding their businesses, along with the similarities in the economic characteristics based on the profitability indicators using Gross Profit, Profit (Loss) for the Year, EBITDA, etc. Therefore, the Company discloses seven product segments and three regional segments, totaling ten reportable segments.

The reportable segments of the Company are as follows:

“Iron & Steel Products” consists of the Iron & Steel Products Business Unit. This segment manufactures, sells and trades iron & steel products in Japan and abroad.

“Mineral & Metal Resources” consists of the Mineral & Metal Resources Business Unit. This segment is engaged in overseas development of iron and non-ferrous metal resources, and produces, sells and trades raw materials and metal products in Japan and abroad.

“Machinery & Infrastructure” consists of the Infrastructure Projects Business Unit and the Integrated Transportation Systems Business Unit. This segment is engaged in manufacturing, sales and trading, leasing and financing of plant and machinery, as well as infrastructure businesses such as power generation in Japan and abroad.

“Chemicals” consists of the Basic Materials Business Unit, the Performance Materials Business Unit, and the Nutrition & Agriculture Business Unit. This segment manufactures, sells and trades chemical products in Japan and abroad.

“Energy” consists of the Energy Business Units I and II. This segment is engaged in overseas development of oil and gas resources, and manufactures, sells and trades oil, gas, coal and related products in Japan and abroad.

“Lifestyle” consists of the Food Business Unit, the Food & Retail Business Unit, the Healthcare & Service Business Unit and the Consumer Business Unit. This segment manufactures, sells, and trades foods, consumer products and materials, and engages in healthcare, real estate and service businesses in Japan and abroad.

“Innovation & Corporate Development” consists of the IT & Communication Business Unit and the Corporate Development Business Unit. This segment engages in information and communication, logistics, insurance, finance and media businesses in Japan and abroad.

“Americas”, “Europe, the Middle East and Africa”, and “Asia Pacific” trade in various commodities and conduct related business led by overseas trading subsidiaries or offices located in each region.

The companies’ operating segment information, product information and geographic area information for the years ended March 31, 2017 and 2016 presented in conformity with IFRS 8 were as follows:

Segment information

Year ended March 31, 2017 :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 91,622	¥ 733,326	¥ 394,383	¥ 749,419	¥ 464,755	¥ 968,064	¥ 126,431
Gross Profit	¥ 31,338	¥ 173,603	¥ 110,929	¥ 82,566	¥ 65,323	¥ 132,008	¥ 45,870
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 3,997	¥ (1,813)	¥ 56,918	¥ 6,384	¥ 16,799	¥ 17,837	¥ 2,917
Profit for the Year Attributable to Owners of the parent	¥ 6,850	¥ 138,039	¥ 62,121	¥ 15,542	¥ 32,583	¥ 21,767	¥ 13,510
Total Assets at March 31, 2017	¥ 501,920	¥ 1,761,352	¥ 2,142,000	¥ 823,406	¥ 1,914,929	¥ 1,626,162	¥ 607,290
Investments accounted for using the equity method at March 31, 2017	¥ 163,593	¥ 697,969	¥ 856,262	¥ 96,019	¥ 257,815	¥ 380,139	¥ 158,293
Capital additions to Non-current assets	¥ 1,390	¥ 20,959	¥ 9,132	¥ 13,950	¥ 68,471	¥ 31,173	¥ 3,827
Depreciation and amortization	¥ 977	¥ 32,557	¥ 16,684	¥ 10,194	¥ 96,937	¥ 14,734	¥ 4,599
EBITDA	¥ 9,544	¥ 173,614	¥ 72,711	¥ 38,768	¥ 164,222	¥ 30,717	¥ 5,331

Year ended March 31, 2017 :	Americas	Europe, the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 671,429	¥ 95,431	¥ 107,756	¥ 4,402,616	¥ 8,187	¥ (46,834)	¥ 4,363,969
Gross Profit	¥ 75,633	¥ 19,872	¥ 22,355	¥ 759,497	¥ 6,632	¥ (46,834)	¥ 719,295
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 11,616	¥ 2,497	¥ 53,772	¥ 170,924	¥ 40	¥ (395)	¥ 170,569
Profit for the Year Attributable to Owners of the parent	¥ 25,108	¥ 1,913	¥ 38,094	¥ 355,527	¥ 2,401	¥ (51,792)	¥ 306,136
Total Assets at March 31, 2017	¥ 606,751	¥ 148,273	¥ 440,527	¥10,572,610	¥ 5,658,717	¥(4,730,314)	¥11,501,013
Investments accounted for using the equity method at March 31, 2017	¥ 77,770	¥ 14,910	¥ 41,148	¥ 2,743,918	¥ (15)	¥ (2,162)	¥ 2,741,741
Capital additions to Non-current assets	¥ 11,862	¥ 563	¥ 1,835	¥ 163,162	¥ 28,310	¥ -	¥ 191,472
Depreciation and amortization	¥ 7,659	¥ 505	¥ 1,480	¥ 186,326	¥ 7,003	¥ -	¥ 193,329
EBITDA	¥ 45,291	¥ 3,431	¥ 58,991	¥ 602,620	¥ 951	¥ (7,479)	¥ 596,092

Year ended March 31, 2016 (As Restated) :	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development
	Millions of Yen						
Revenue	¥ 111,082	¥ 685,557	¥ 415,198	¥ 809,027	¥ 672,638	¥ 1,041,283	¥ 139,473
Gross Profit	¥ 31,951	¥ 98,672	¥ 127,085	¥ 81,657	¥ 108,952	¥ 112,882	¥ 52,884
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 4,842	¥ (204,064)	¥ 8,045	¥ 7,956	¥ (22,257)	¥ 16,939	¥ 7,825
Profit (Loss) for the Year Attributable to Owners of the parent	¥ 6,328	¥ (162,480)	¥ 18,308	¥ 18,591	¥ (3,885)	¥ (14,876)	¥ 16,128
Total Assets at March 31, 2016	¥ 392,174	¥ 1,591,364	¥ 2,009,812	¥ 756,997	¥ 1,973,464	¥ 1,499,281	¥ 510,529
Investments accounted for using the equity method at March 31, 2016	¥ 107,418	¥ 722,605	¥ 778,151	¥ 99,670	¥ 256,843	¥ 305,896	¥ 113,663
Capital additions to Non-current assets	¥ 845	¥ 35,829	¥ 14,108	¥ 18,958	¥ 154,925	¥ 19,221	¥ 3,876
Depreciation and amortization	¥ 1,019	¥ 47,211	¥ 18,195	¥ 10,746	¥ 138,775	¥ 12,698	¥ 4,647
EBITDA	¥ 10,945	¥ (93,802)	¥ 29,239	¥ 32,508	¥ 210,119	¥ 7,519	¥ 12,491

Year ended March 31, 2016 (As Restated) :	Americas	Europe, the Middle East and Africa	Asia Pacific	Total	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen						
Revenue	¥ 713,072	¥ 105,267	¥ 111,402	¥ 4,803,999	¥ 2,606	¥ (46,911)	¥ 4,759,694
Gross Profit	¥ 113,251	¥ 20,530	¥ 23,259	¥ 771,123	¥ 1,664	¥ (46,165)	¥ 726,622
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 9,823	¥ 3,700	¥ 35,493	¥ (131,698)	¥ 57	¥ (392)	¥ (132,033)
Profit (Loss) for the Year Attributable to Owners of the parent	¥ 28,301	¥ 3,474	¥ 11,552	¥ (78,559)	¥ 7,429	¥ (12,280)	¥ (83,410)
Total Assets at March 31, 2016	¥ 648,787	¥ 151,328	¥ 402,889	¥ 9,936,625	¥ 5,590,315	¥(4,616,429)	¥10,910,511
Investments accounted for using the equity method at March 31, 2016	¥ 79,721	¥ 14,794	¥ 38,550	¥ 2,517,311	¥ (24)	¥ (1,947)	¥ 2,515,340
Capital additions to Non-current assets	¥ 35,970	¥ 378	¥ 6,928	¥ 291,038	¥ 9,794	¥ -	¥ 300,832
Depreciation and amortization	¥ 8,914	¥ 450	¥ 1,657	¥ 244,312	¥ 8,856	¥ -	¥ 253,168
EBITDA	¥ 69,371	¥ 5,262	¥ 40,850	¥ 324,502	¥ (490)	¥ 12,406	¥ 336,418

(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 March 31, 2017 and 2016 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services. A capital expenditure for the integrated development project in 2, Ohtemachi 1-Chome Distinct is included in Capital additions to Non-current assets.

2. Transfers between reportable segments are made at cost plus a markup.
3. The amounts in "Adjustments and Eliminations" for Profit (Loss) for the Year Attributable to Owners of the parent include income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions. Profit for the Year Attributable to Owners of the parent of "Adjustments and Eliminations" for the year ended March 31, 2017 include ¥44,535 million (loss) related to adjustments for the difference between Company's actual income taxes and the reportable segments' income taxes based on a management approach. For the year ended March 31, 2016, there was no individually material item in "Adjustments and Eliminations" for Profit (Loss) for the Year Attributable to Owners of the parent.
4. EBITDA has been disclosed by reportable segments as the information of the operating segments periodically reviewed by the entity's chief operating decision-maker. EBITDA is comprised of the companies' (a) Gross Profit, (b) Selling, general and administrative expenses, (c) Dividend income, (d) Share of Profit (Loss) of Investments Accounted for Using the Equity Method as presented in the Consolidated Statements of Income and (e) Depreciation and amortization as presented in the Consolidated Statements of Cash Flows.
5. During the year ended March 31, 2017, the Food Science Division was transferred from the "Lifestyle" segment to the "Chemicals" segment, in conjunction with the creation of the Nutrition & Agriculture Business Unit. In addition, United Grain Corporation of Oregon, which was formerly included in the "Americas" segment, was transferred to the "Lifestyle" segment with the aim to optimize global grain trading strategy. In accordance with these changes, the operating segment information for the year ended March 31, 2016 has been restated to conform to the current period presentation.

Product information

	Millions of Yen			
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals
Year ended March 31, 2017:				
Revenue …………………………	¥ 200,489	¥ 748,863	¥ 409,115	¥ 1,034,207
Year ended March 31, 2016 (As Restated):				
Revenue …………………………	¥ 247,598	¥ 697,045	¥ 442,513	¥ 1,171,598

	Millions of Yen			
	Energy	Lifestyle	Innovation & Corporate Development	Consolidated Total
Year ended March 31, 2017:				
Revenue …………………………	¥ 464,549	¥ 1,381,294	¥ 125,452	¥ 4,363,969
Year ended March 31, 2016 (As Restated):				
Revenue …………………………	¥ 671,775	¥ 1,391,108	¥ 138,057	¥ 4,759,694

Note: Until the year ended March 31, 2016, Product information had been classified into following 10 categories; "Iron and Steel", "Non-Ferrous Metals", "Machinery", "Electronics & Information", "Chemicals", "Energy", "Foods", "Textiles", "General Merchandise" and "Property and Service Business". In order to classify in accordance with the similarity of products and services, from the year ended March 31, 2017, Product information is classified into following 7 categories; "Iron & Steel Products", "Mineral & Metal Resources", "Machinery & Infrastructure", "Chemicals", "Energy", "Lifestyle" and "Innovation & Corporate Development".

Product information for the year ended March 31, 2016 has been restated to conform to the current period presentation.

Geographic area information

	Millions of Yen					
	Japan	United States	Australia	Singapore	All Other	Consolidated Total
Year ended March 31, 2017:						
Revenue …………………………	¥ 1,948,234	¥ 912,434	¥ 400,101	¥ 241,340	¥ 861,860	¥ 4,363,969
Year ended March 31, 2016:						
Revenue …………………………	¥ 2,141,274	¥ 977,253	¥ 354,367	¥ 348,513	¥ 938,287	¥ 4,759,694

Note: Revenues are attributed to countries based on the location of sellers.

	Millions of Yen						
	Australia	United States	Japan	Italy	Thailand	All Other	Consolidated Total
At March 31, 2017:							
Non-current assets …………	¥ 550,335	¥ 456,147	¥ 384,156	¥ 196,866	¥ 171,359	¥ 473,482	¥2,232,345
At March 31, 2016:							
Non-current assets …………	¥ 595,742	¥ 460,050	¥ 348,318	¥ 181,836	¥ 211,809	¥ 497,234	¥2,294,989

Note: Financial instruments and deferred tax assets are excluded from Non-current assets.

Non-current assets in "Italy" which was previously included in "All Other" is presented separately at March 31, 2017 due to an increase in its significance. In accordance with this change, the Non-current assets in "Italy" of ¥181,836 million which was included in "All Other" of ¥679,070 million at March 31, 2016 have been restated to conform to the current period presentation.

There were no individual material customers with respect to revenues for the years ended March 31, 2017 and 2016.

7. RECEIVABLES AND RELATED ALLOWANCES

Changes in allowance for doubtful receivables

The analysis of the changes in allowance for doubtful receivables for the years ended March 31, 2017 and 2016 is as follows. The allowance for doubtful receivables shown in the following table includes those for short-term trade receivables.

	Millions of Yen		
Year ended March 31, 2017:	**Corporate Businesses**	**Retail Finance Business**	**Total**
Balance at beginning of year	¥ 37,517	¥ 6,088	¥ 43,605
Credits charged off	(1,575)	(6,516)	(8,091)
Provision for doubtful receivables	2,614	6,558	9,172
Others*	643	36	679
Balance at end of year	¥ 39,199	¥ 6,166	¥ 45,365

* "Others" principally includes the effect of changes in foreign exchange rates.

	Millions of Yen		
Year ended March 31, 2016:	**Corporate Businesses**	**Retail Finance Business**	**Total**
Balance at beginning of year	¥47,481	¥8,380	¥55,861
Credits charged off	(6,117)	(10,045)	(16,162)
Provision for doubtful receivables	1,274	8,642	9,916
Others*	(5,121)	(889)	(6,010)
Balance at end of year	¥37,517	¥6,088	¥43,605

* "Others" principally includes the effect of changes in foreign exchange rates.

Credit quality indicators

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

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

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

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

The companies classify receivables other than nonperforming receivables as performing receivables.
Companies engaged in financial business with retail customers ("retail finance business") assess and monitor receivables every quarter by number of days past due.

The amounts of recorded investments in receivables classified by Credit Quality Indicators as of March 31, 2017 and 2016 were as follows:

Corporate Businesses

	Millions of Yen	
	2017	2016
Performing	¥ 2,265,138	¥ 2,034,743
Nonperforming	33,173	42,073
Total	¥ 2,298,311	¥ 2,076,816

Retail Finance Business

	Millions of Yen	
	2017	2016
Less than 30 days past due (including not past due)	¥ 115,261	¥ 119,465
30 days or more past due	8,704	5,783
Total	¥ 123,965	¥ 125,248

Receivables that are past due, but not impaired

The age analysis of receivables that are past due but not impaired as of March 31, 2017 and 2016 is as follows. The amounts of receivables of the companies engaged in retail finance business that are past due but not impaired were immaterial.

Corporate Businesses

	Millions of Yen	
	2017	2016
Less than 90 days past due	¥ 47,485	¥ 49,255
90 days or more past due	14,418	21,899
Total	¥ 61,903	¥ 71,154

Impaired receivables

The amounts of recorded investments in impaired receivables as of March 31, 2017 and 2016 were as follows. The carrying amounts of individually impaired receivables in the retail finance business were immaterial.

Corporate Businesses

	Millions of Yen			
	2017		2016	
	Receivable	Allowance	Receivable	Allowance
With allowance for doubtful accounts	¥ 54,463	¥ 30,087	¥ 56,401	¥ 29,537
Without allowance for doubtful accounts	376	-	513	-
Total	¥ 54,839	¥ 30,087	¥ 56,914	¥ 29,537

8. DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS

(1) Trade and other receivables, and other financial assets

Trade and other receivables, and other financial assets as of March 31, 2017 and 2016 were measured at amortized cost and FVTPL, except for derivative assets, and consisted of the following:

	Millions of Yen	
	2017	2016
Current		
Trade and other receivables		
Accounts and notes	¥ 1,528,251	¥ 1,427,439
Loans	101,275	97,028
Receivables from equity accounted investees	120,200	95,878
Other financial assets		
Time deposits	15,640	4,697
Accounts receivable-other	95,926	96,665
Derivative assets	101,811	133,138
Other	54,303	60,564
Allowances for doubtful receivables	¥ (10,324)	¥ (12,460)
Total	¥ 2,007,082	¥ 1,902,949
Non-current		
Trade and other receivables		
Accounts and notes	¥ 107,875	¥ 107,783
Loans	207,587	165,377
Receivables from equity accounted investees	196,682	140,161
Other financial assets		
Time deposits	732	2,162
Accounts receivable-other	7,906	7,226
Derivative assets	98,276	110,609
Other	38,405	39,387
Allowances for doubtful receivables	¥ (35,041)	¥ (31,145)
Total	¥ 622,422	¥ 541,560

Note: "Non-current Loans" includes a loan to equity method investee/associate whose interest payment is based on its borrower's performance. It is measured at FVTPL, whose carrying amount is on the notes No.23.

(2) Other investments

The carrying amounts of other investments as of March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Other investments		
Financial assets measured at FVTPL	¥ 107,784	¥ 81,027
Financial assets measured at FVTOCI	1,225,167	1,094,439
Amortized cost	4,213	4,230
Total	¥ 1,337,164	¥ 1,179,696

Note: Preferred stock issued by equity method investees, which was included in financial assets measured at FVTOCI as of March 31, 2017 and 2016, were ¥41,532 million and ¥39,478 million, respectively.

Financial assets measured at FVTOCI which were included in other investments

The fair value of financial assets measured at FVTOCI as of March 31, 2017 and 2016 was as follows:

	Millions of Yen			
	2017		2016	
Marketable	¥	579,133	¥	533,428
Non-marketable		646,034		561,011
Total	¥	1,225,167	¥	1,094,439

The fair value of major items of these marketable financial assets measured at FVTOCI as of March 31, 2017 and 2016 was as follows:

	Millions of Yen			
	2017		2016	
Seven & i Holdings Co., Ltd.	¥	71,145	¥	78,140
Recruit Holdings Co., Ltd.		51,120		41,220
INPEX CORPORATION		43,949		38,368
Sims Metal Management Ltd.		35,490		-
Yamaha Motor Co., Ltd.		23,019		16,073
MODEC, INC.		19,853		13,831
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION		15,833		12,687
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.		15,290		13,413
TORAY INDUSTRIES, INC.		13,597		13,214
YAMATO KOGYO CO., LTD.		13,134		11,172
TPV TECHNOLOGY LIMITED		12,943		6,324
Mitsui Chemicals, Inc		9,556		6,516
TOYOTA MOTOR CORPORATION		9,127		8,928
KATO SANGYO CO., LTD		9,005		8,775
J-OIL MILLS, INC.		8,821		7,226
Mitsui Fudosan Co., Ltd.		7,122		8,424
GOLDWIN INC.		6,387		4,973
Dai-ichi Life Holdings, Inc.		6,317		4,311
NIPPON STEEL & SUMITOMO METAL CORPORATION		6,309		5,998
NSK Ltd.		6,110		3,953

Non-marketable financial assets measured at FVTOCI were mainly composed of investments in six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) and mineral & metal resources projects, including the Jimblebar iron ore project.

The fair value of investments in the six LNG projects as of March 31, 2017 and 2016 was ¥352,656 million and ¥261,730 million, respectively.

The fair value of the main investments in the mineral & metal resources projects, including the Jimblebar iron ore project, as of March 31, 2017 and 2016 was ¥80,042 million and ¥71,823 million, respectively.

Derecognized financial assets measured at FVTOCI

The fair value, gains and losses, and dividends income related to financial assets measured at FVTOCI which were derecognized because of review of business strategy as of March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Fair value of the financial assets at the date of derecognition	¥	108,498	¥	36,520
Cumulative gains and losses on disposition	¥	26,543	¥	13,272
Dividends received from derecognized financial assets	¥	1,997	¥	1,494

With respect to financial assets measured at FVTOCI, gains and losses on disposition (after income tax effect) recorded as other components of equity at the date of derecognition were transferred to retained earnings. The amounts transferred were ¥16,987 million and ¥8,033 million for the years ended March 31, 2017 and 2016, respectively.

(3) Gain (loss) on securities and other investments-net

Gain (loss) on securities and other investments-net for the years ended March 31, 2017 and 2016 that the companies recognized were as follows:

	Millions of Yen	
	2017	2016
Gain (loss) on securities and other investments-net		
Financial assets measured at FVTPL	¥ 1,924	¥ 5,393
Affiliated companies	63,038	87,775
Total	¥ 64,962	¥ 93,168

(4) Finance income and costs

The finance income and finance costs for the years ended March 31, 2017 and 2016 that the companies recognized were as follows:

	Millions of Yen	
	2017	2016
Interest income		
Amortized cost	¥ 38,891	¥ 34,504
Derivatives	(3,986)	(2,892)
Total	¥ 34,905	¥ 31,612
Dividend income		
Financial assets measured at FVTOCI	¥ 50,719	¥ 52,919
Financial assets measured at FVTPL	1,155	1,756
Total	¥ 51,874	¥ 54,675
Interest expense		
Amortized cost	¥ (63,978)	¥ (95,278)
Derivatives	6,981	44,317
Total	¥ (56,997)	¥ (50,961)

In addition to those shown in the table above, interest income of ¥31,562 million and ¥34,972 million on financial assets measured at amortized cost is included in “Other revenue” and interest expenses of ¥8,990 million and ¥10,637 million on financial liabilities measured at amortized cost are included in “Cost of other revenue” for the years ended March 31, 2017 and 2016, respectively, mainly related to the retail finance business.
Fee income and expenses arising from financial assets measured at amortized cost are immaterial.

(5) 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 approximate their respective carrying amounts. The fair values of non-current receivables with fixed rates and long-term debt with fixed rates 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 March 31, 2017 and 2016 were as follows. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts reasonably approximate their fair values.

	Millions of Yen			
	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and other financial assets (*)…………	¥ 622,422	¥ 622,943	¥ 541,560	¥ 542,582
Non-current liabilities				
Long-term debt, less current portion and other financial liabilities (*) …………………………………………………………	¥ 4,219,963	¥ 4,317,549	¥ 3,947,676	¥ 3,999,237

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

Trade and other receivables include loans receivable. Long-term debt includes borrowings and bonds payable. Fair values of trade and other receivables classified as Level 3 were ¥293,444 million and ¥185,153 million as of March 31, 2017 and 2016, respectively. Their valuation is based on significant unobservable inputs such as credit spreads, default probabilities, and estimated loss rates on individual receivables using the discounted cash flow method. Items other than said loans and certain other items are classified as Level 2 as their fair values are measured using the discounted cash flow method based on observable inputs including market interest rates.

(6) Risk-related matters

Capital management
The Company decides the policies to maintain appropriate levels of shareholders' equity, debt and equity balances. It examines the status of execution in terms of stability for capital efficiency as well as financing when the Company acquires high-quality assets to improve enterprise value and utilize existing assets. Shareholders' equity is the total equity attributable to owners of the parent in the Consolidated Statements of Financial Position. The Company also examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to maximum exposure to potential losses that could result from a deterioration in the companies' respective businesses.
The key metrics used for capital management are as follows:
・ Return on equity (ROE) (*)
・ Net Debt-to-Equity Ratio (Net DER) (**)
・ Ratio of risk adjusted assets to shareholder's equity (***)

(*) ROE refers to the ratio of profit (loss) for the year attributable to the owner of the parent to shareholders' equity. ROE as of March 31, 2017 and 2016 was 8.6% and (2.2%), respectively.

(**) Net DER refers to the ratio of net interest bearing debt to shareholders' equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents and time deposits from interest bearing debt. Net DER as of March 31, 2017 and 2016 was 0.88 times and 0.95 times, respectively.

(***) Risk-adjusted assets refers to the maximum loss exposure and is calculated by multiplying assets including trade and other receivables, other investments and fixed assets by risk weights, which the companies have determined individually based on the potential risk of loss.

The Company considers these indicators periodically, and they are used for developing business policy and business judgment.
The Company maintains a robust balance sheet and credit rating which is sufficient for business projects. The Company strives to maintain and upgrade its credit rating through the above capital management.
The Company is not subject to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act of Japan).

<u>Risk management</u>

・ Credit risk

With regard to the contingent characteristics of credit risks included in derivative instruments, some of the derivative instruments used by the Company and certain subsidiaries such as commodity futures, commodity forwards, commodity swaps, and commodity options may include clauses that prescribe changes in the minimum required collateral (margins) or early termination in accordance with the credit ratings of the Company. If the credit ratings of the Company are downgraded, the counterparty will require additional collateral from the Company and certain subsidiaries to cover the whole or part of the amount of the relevant derivative obligations in accordance with such clauses.
See Note 7 “RECEIVABLES AND RELATED ALLOWANCES” in the notes to the consolidated financial statements for credit risks of financial instruments other than derivative instruments.
Concentration of credit risk in specific regions or customers is minimized as the companies carry out a wide variety of transactions with various customers all over the world. The companies also minimize credit risks of derivative instruments associated with, for example, counterparty defaults by entering into these transactions mainly with reputable international financial institutions with high credit ratings. Therefore, the companies believe that a significant loss arising from these transactions is extremely unlikely. The Companies manage credit risks through the management of commitment lines of credit approved by executive officer and through counterparty monitoring conducted on an ongoing basis. In addition, the companies require collateral and/or other forms of security from counterparties as necessary.

・ Liquidity risk

Turmoil in financial markets, a downgrade in our credit ratings or significant changes in the lender or investment policies of our lenders or institutional investors could result in constraints on our fund procurement and an increase in funding costs, and could have an adverse effect on our financial position and liquidity. The companies secure liquidity required for our smooth operations and maintain the strength and soundness of our balance sheet by holding sufficient cash and cash equivalents, maintaining lines of credit with banks, procuring mainly long-term funds, utilizing financing programs provided by government financing agencies and/or project financing and such so that the companies decrease liquidity risk. The unused lines of credit that the companies can access to meet liquidity needs as of March 31, 2017 and 2016 were ¥1,107,863 million and ¥1,113,412 million respectively.

・ Market risks

The companies are subject to market risks associated with fluctuations in interest rates, foreign currency exchange rates, commodity prices, and stock prices that arise in the course of the company's operating activities and other activities.
The companies have formulated market risk management policies, and have established management systems at several levels. In particular, regarding foreign currency exchange risks and commodity price risks, Chief Operating Officers have the primary responsibility of establishing risk management policies that prescribe the setting of limits on positions and losses, as well as prescribing management systems at each business unit. They also have the responsibility of obtaining the approval of our executive officers in charge of risk management, and carrying out management and reporting in accordance with such approval. In addition, risk management sections, which are independent from trading sections, monitor, analyze and evaluate market risks and periodically report to the executive officers in charge. Regarding interest rate risks, the environment surrounding financial markets, the company’s ratio of assets and liabilities, and the risks of interest rate fluctuations are regularly reported to the executive officers, by whom the risk management policies for interest rate is approved. Stock price risk is managed by analyzing factors of stock price fluctuations.

① Interest rate risk

The companies are exposed to interest rate risk arising from floating-rate assets and liabilities. An increase in interest rates may adversely affect our operating results. The companies have entered into interest rate derivative transactions which consist mainly of interest rate swap agreements and interest rate and currency swap agreements to hedge exposures of certain assets and liabilities.
The impact on profit before income taxes for the years ended March 31, 2017 and 2016 assuming a 100 basis point rise in interest rates as of March 31, 2017 and 2016 is ¥(28,353) million and ¥(31,100) million, respectively. This analysis calculates the impact by multiplying the balance of floating-rate financial instruments held by the companies as of March 31, 2017 and 2016 by 100 basis

points without considering future changes in the balance, the effect of exchange rate fluctuations, the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts, etc., and assuming that all other variables are constant.
The items that are considered to be instruments that are affected by interest rate fluctuations for the purpose of calculating the sensitivity include floating-rate interest-bearing debts/loans, fixed-rate interest-bearing debts/loans that are effectively converted to floating-rate instruments under interest rate swap agreements, deposits and other instruments.

② Foreign currency exchange rate risk
The companies are exposed to foreign currency exchange rate risk on receivables and payables denominated in foreign currencies arising from transactions such as purchases and sales of commodities and financial transactions. The companies hedge these risks with forward exchange contracts and currency swaps.
For significant long and short net positions denominated in foreign currencies as of March 31, 2017 and 2016, assuming a 1% appreciation of the Yen, the impacts on profit before income taxes would have been ¥(612) million from USD, ¥(37) million from BRL and ¥59 million from AUD as of March 31, 2017 and ¥270 million from USD, ¥(4) million from BRL and ¥289 million from AUD as of March 31, 2016. Based on the same assumption, the impact on other comprehensive income would be ¥(260) million from USD as of March 31, 2017 and ¥(14) million from USD as of March 31, 2016. The long and short positions denominated in foreign currencies indicate that they are in currencies other than that of the functional currency of each company. In this context, the long positions represent the condition in which certain losses occur due to decline in the value of the currency, and the short positions represent the condition in which certain gains occur due to an increase in the value of the currency. As a result, a foreign currency translation adjustment is not included in the scope of this analysis. In addition, this analysis also assumes that all other variables are constant.

③ Commodity price risk
As the companies carry out business activities pertaining to commodities such as non-ferrous metals, crude oil and gas, and foods, they are exposed to risks associated with commodity prices.
The companies measure the risk of market commodities for which historical price fluctuations have been relatively significant along with actively traded derivatives by using Value at Risk (VaR), which is a statistical measure of the potential maximum loss in the fair value of a given portfolio over a certain holding period and within a certain confidential level. VaR is calculated by mainly using a 10-day holding period and a confidence level of 99%. In addition, the figures do not necessarily take into account correlations among all commodities. VaR as of March 31, 2017 and 2016 was ¥10,445 million and ¥9,988 million, respectively. The actual results may differ significantly from VaR above as VaR is calculated by using historical fluctuations of each risk component.

④ Stock price risk
The companies invest in listed companies to strengthen ties with customers, suppliers and others, as well as to make various types of propositions to the companies in which the companies invest, to pursue operating revenue. These investments are exposed to stock price risks.
For investments held as of March 31, 2017 and 2016, the impact on other comprehensive income arising from changes in the fair values assuming a 10% change in the stock index representative of the markets on which the individual stocks are traded are ¥52,203 million and ¥47,358 million, respectively. The impact on profit before taxes is immaterial.

(7) Derivative instruments and hedging accounting

The companies have early adopted IFRS 9 “Financial Instruments: Hedge Accounting” (amended in November 2013). Therefore, the following disclosure information is in accordance with the requirements of IFRS 7 “Financial Instruments: Disclosures” (amended in November 2013).
The risk management policies for each risk category of risk exposure for which hedge accounting is applied is provided in Note 8 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS (6) Risk-related matters”. Regarding foreign currency exchange rate risks and commodity price risks, the companies manage the risk exposure based on limits to positions and losses set by each business unit. Regarding interest rate risks, the companies manage the risk exposure based on approved policies with considering factors such as financial market, asset and debt balances and the risk of interest rate fluctuations.

<u>Foreign currency exchange rate risk</u>
The companies use derivative instruments, such as foreign exchange forward contracts and currency swap agreements, as hedging instruments for hedge accounting to fix the expected future cash flows from foreign-currency-denominated receivables and payables resulting from selling and purchasing activities in currencies other than the local currency, and long-term financing transactions as part

of the companies' global operations in many countries. The companies also use foreign-currency-denominated debt in order to mainly hedge the foreign currency exposure in the net investment in foreign operations.

Interest rate risk

The companies use derivatives, such as interest rate swap agreements, as hedging instruments for hedge accounting to fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and offset the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

Commodity price risk

The companies use derivative instruments, such as swap contracts, as hedging instruments for hedge accounting to fix the expected future cash flows from forecasted transactions in marketable commodities.

When applying hedge accounting to address the above risk, the companies confirm that there are economic relationships between the hedged items and the hedging instruments through qualitative and quantitative assessments. Qualitative assessments show whether the critical terms of hedging instruments and hedged items match exactly or are closely aligned. Quantitative assessments show fluctuations of value of hedged item and hedging instrument with the same risk offset each other.

Each hedge ratio is determined properly based on an economic relationship between the hedged item and the hedging instrument and the risk management strategy. Expected hedge ineffectiveness including the cases caused by credit risk is immaterial. The decrease in a net investment could cause hedge ineffectiveness in the risk from the foreign currency exchange rate of a net investment in a foreign operation, but the companies manage the risk from the foreign currency exchange rate in order to minimize such hedge ineffectiveness.

In the case the companies designate a specific risk component which is decided based on the risk management strategies for each risk category as a hedged item, the risk component is separately identifiable from the hedged item in its entirety for all risks, and changes in the cash flows or the fair value attributable to the change in the risk component is measured with reliability.

The nominal amounts of the hedging instruments as of March 31, 2017 and 2016 were as follows:

	Billions of Yen					
	March 31, 2017			March 31, 2016		
Risk category	Fair value hedges	Cash flow hedges	Hedges of the net investment in a foreign operation	Fair value hedges	Cash flow hedges	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	¥ 70	¥ 278	¥ 1,399	¥ 82	¥ 283	¥ 1,133
Interest rate	660	452	–	735	396	–
Commodity price	–	25	–	–	1	–
Total nominal amounts	¥ 730	¥ 755	¥ 1,399	¥ 817	¥ 680	¥ 1,133

The effects of hedge accounting on Consolidated Statements of Financial Position

The following tables present Carrying Value of hedging instruments included within the Consolidated Statements of Financial Position as of March 31, 2017 and 2016:

		Millions of Yen					
		March 31, 2017			March 31, 2016		
Risk category	Line Item in the Consolidated Statements of Financial Position	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	Cash and cash equivalents	¥ –	¥ –	¥ –	¥ –	¥ 109,992	¥ –
	Other financial assets - Current	88	3,387	2,446	7	6,114	3,988
	Other financial assets - Non-current	–	903	7,844	142	2,296	5,305
Interest rate	Other financial assets - Current	366	16	–	732	1	–
	Other financial assets - Non-current	61,731	5,023	–	69,403	4	–
Commodity price	Other financial assets - Current	–	877	–	–	4	–
Total		¥ 62,185	¥ 10,206	¥ 10,290	¥ 70,284	¥ 118,411	¥ 9,293

		Millions of Yen					
		March 31, 2017			March 31, 2016		
Risk category	Line Item in the Consolidated Statements of Financial Position	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	Current portion of long-term debt	¥ 8,299	¥ –	¥ 108,207	¥ 2,504	¥ –	¥ 93,212
	Other financial liabilities - Current	51	898	2,232	109	2,517	3,655
	Long-term debt, less current position	40,869	–	918,060	54,867	–	721,181
	Other financial liabilities - Non-current	–	991	7,882	–	1,717	4,791
Interest rate	Other financial liabilities - Current	–	283	–	–	356	–
	Other financial liabilities - Non-current	1,938	2,369	–	–	9,750	–
Commodity price	Other financial liabilities - Current	–	895	–	–	–	–
Total		¥ 51,157	¥ 5,436	¥ 1,036,381	¥ 57,480	¥ 14,340	¥ 822,839

Fair value hedge

The following table presents the carrying amount of the hedged items recognized in the Consolidated Statements of Financial Position as of March 31, 2017 and 2016, and the accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items recognized in the Consolidated Statements of Financial Position:

		Millions of Yen			
		March 31, 2017		March 31, 2016	
Risk Category	Line Item in the Consolidated Statements of Financial Position	Carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items	Carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items
Foreign currency exchange rate	Other investments	¥ 94,884	¥ 691	¥ 99,508	¥ 2,263
	Current portion of long-term debt	5,079	19	–	–
	Long-term debt, less current position	–	–	5,143	61
Interest rate	Current portion of long-term debt	53,366	366	60,000	758
	Long-term debt, less current position	668,298	61,693	774,667	76,055

The accumulated amounts of fair value hedge adjustments remaining in the Consolidated Statements of Financial Position as of March 31, 2017 and 2016 for any hedged items that have ceased to be adjusted for hedging gains and losses were immaterial.

Cash flow hedge

The following amounts in the Consolidated Statements of Financial Position as of March 31, 2017 and 2016 were immaterial:
- The balances in the cash flow hedge reserve
- The balances remaining in the cash flow hedge reserve from any hedging relationships for which hedge accounting is no longer applied

Hedges of net investments in foreign operations

The balance in the foreign currency translation adjustments which were recognized by applying the hedge accounting to reduce the foreign currency exposure in the net investment in foreign operations as of March 31, 2017 and 2016 were ¥(140,240) million and ¥(145,602) million, respectively. The balance in the foreign currency translation adjustments from any hedging relationships for which hedge accounting is no longer applied as of March 31, 2017 and 2016 were immaterial.

The effects of hedge accounting on the Consolidated Statements of Income and Comprehensive Income

Fair value hedge

The following table presents the change in value of the hedged items and fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness for the years ended March 31, 2017 and 2016.

Risk category	Millions of Yen March 31, 2017 Change in value of hedged items	 Change in fair value of Hedging instruments	 March 31, 2016 Change in value of hedged items	 Change in fair value of Hedging instruments
Foreign currency exchange rate risk	¥ (875)	¥ 793	¥ (2,223)	¥ 2,396
Interest rate risk	4,633	(4,633)	(45,406)	45,406

The following amounts included in the Consolidated Statements of Income and Comprehensive Income for the years ended March 31, 2017 and 2016 were immaterial:
- Hedge ineffectiveness recognized in profit (loss) for the year.

Cash flow hedge

The following amounts included in the Consolidated Statements of Income and Comprehensive Income for the years ended March 31, 2017 and 2016 were immaterial:
- The change in the value of hedged items and fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness.
- The hedging gains and losses that were recognized in other comprehensive income.
- Hedge ineffectiveness recognized in profit (loss) for the year.
- The amount reclassified from the cash flow hedge reserve into profit (loss) for the year as a reclassification adjustment.

Hedges of net investments in foreign operations

The change in the fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness for the years ended March 31, 2017 and 2016, were ¥104 million and ¥81,142 million, respectively. Of these amounts, ¥2,063 million and ¥79,543 million were recognized in the foreign currency translation adjustments for the years ended March 31, 2017 and 2016, respectively. The change in value of hedged items used as the basis for recognizing hedge ineffectiveness approximated the change in fair value of hedging effectiveinstruments used as the basis for recognizing hedge ineffectiveness.

The following amounts included in the Consolidated Statements of Income and Comprehensive Income for the years ended March 31, 2017 and 2016 were immaterial:
- Hedge ineffectiveness recognized in profit (loss) for the year.

The amount reclassified from the foreign currency translation adjustments into profit (loss) for the year ended March 31, 2017 as a reclassification adjustment was immaterial, and the amount as of March 31, 2016 was ¥(45,330) million.

(8) Offset of financial assets and liabilities

A financial asset and a financial liability including collateral are offset and the net amount is presented in the Consolidated Statements of Financial Position of the Company 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.

The following table presents the gross amounts of recognized financial assets and liabilities, amounts of offset, net amounts, amounts not offset despite the existence of a master netting agreement, and exposure on a net basis of derivative assets, derivative liabilities and collateral as of March 31, 2017 and 2016. These amounts of financial assets and liabilities except derivative assets, derivative liabilities and collateral as of March 31, 2017 and 2016 were immaterial.

	Millions of Yen	
March 31, 2017:	**Financial Assets**	**Financial Liabilities**
Gross amounts of recognized financial assets and liabilities	¥ 558,612	¥ 466,839
Gross amounts of financial assets and liabilities set off in the Consolidated Statements of Financial Position	(318,446)	(318,446)
Net amounts of financial assets and liabilities presented in the Consolidated Statements of Financial Position	¥ 240,166	¥ 148,393
Related amounts not set off in the Consolidated Statements of Financial Position (including collateral)	(33,358)	(33,358)
Exposure on a net basis	¥ 206,808	¥ 115,035

	Millions of Yen	
March 31, 2016:	**Financial Assets**	**Financial Liabilities**
Gross amounts of recognized financial assets and liabilities	¥ 791,150	¥ 659,334
Gross amounts of financial assets and liabilities set off in the Consolidated Statements of Financial Position	(512,924)	(512,924)
Net amounts of financial assets and liabilities presented in the Consolidated Statements of Financial Position	278,226	146,410
Related amounts not set off in the Consolidated Statements of Financial Position (including collateral)	(52,801)	(52,801)
Exposure on a net basis	¥ 225,425	¥ 93,609

Financial assets are included in Other financial assets of Current and Non-current assets, and financial liabilities are included in Other financial liabilities of Current and Non-current liabilities in Consolidated Statements of Financial Position.

The companies normally have the rights to set off which are enforceable only in the event of default, insolvency or bankruptcy of its customers in relation to its recognized financial assets and liabilities where the requirements to set off are not met.

9. LEASES

Lessor

The companies lease real estate, aircraft, equipment, ocean transport vessels, rolling stock and others.

Certain leases of equipment, rolling stock and others are classified as finance leases, and the net investments are included as part of trade and other receivables in the Consolidated Statements of Financial Position. The unguaranteed residual values represent the estimate of the values of the leased assets at the end of the lease contracts and are initially recorded based on appraisals and estimates at the commencement of the lease. Realization of the residual values is dependent on the companies’ future ability to sell the related assets under then prevailing market conditions.

Other leases are classified as operating leases and the related assets are presented as property, plant and equipment or investment property in the Consolidated Statements of Financial Position.
The following is a schedule of future minimum lease payments to be received from finance leases as well as the components of the present value as of March 31, 2017 and 2016:

	Millions of Yen			
	Gross investment in the lease		**The present value of future minimum lease payments to be received**	
Year ended March 31:	**2017**	**2016**	**2017**	**2016**
Not later than 1 year	¥ 10,438	¥ 9,617	¥ 7,257	¥ 6,822
Later than 1 year and not later than 5 years	29,026	20,801	24,829	18,303
Later than 5 years	15,315	15,688	6,207	7,844
Total	¥ 54,779	¥ 46,106	¥ 38,293	¥ 32,969
Unearned income	(16,486)	(12,622)		
Unguaranteed residual values of leased assets (present value)	-	(515)		
The present value of future minimum lease payments to be received	¥ 38,293	¥ 32,969		

The following is a schedule of future minimum lease payments to be received under noncancellable operating leases as of March 31, 2017 and 2016:

	Millions of Yen	
Year ended March 31:	**2017**	**2016**
Not later than 1 year	¥ 33,695	¥ 29,124
Later than 1 year and not later than 5 years	58,929	53,252
Later than 5 years	25,370	19,288
Total	¥ 117,994	¥ 101,664

Lessee

The companies lease real estate, equipment, ocean transport vessels and others under finance leases.
The following is a schedule of minimum lease payments under finance leases as well as components of the present value as of March 31, 2017 and 2016. The following minimum lease payments have not been reduced by minimum sublease payments to be received of ¥33,265 million and ¥35,643 million as of March 31, 2017 and 2016:

	Millions of Yen			
	Future minimum lease payments		**The present value of future minimum lease payments**	
Year ended March 31:	**2017**	**2016**	**2017**	**2016**
Not later than 1 year	¥ 8,860	¥ 8,748	¥ 6,925	¥ 6,693
Later than 1 year and not later than 5 years	30,312	30,124	27,876	27,860
Later than 5 years	51,203	56,541	38,169	40,206
Total	¥ 90,375	¥ 95,413	¥ 72,970	¥ 74,759
Future financial cost	(17,405)	(20,654)		
The present value of future minimum lease payments	¥ 72,970	¥ 74,759		

The companies lease real estate, ocean transport vessels, rolling stock, equipment and others under operating leases. Most of the ocean transport vessels and rolling stock under operating leases are subleased to third parties.

The following is a schedule of future minimum lease payments under noncancellable operating leases as of March 31, 2017 and 2016. The following minimum lease payments have not been reduced by minimum sublease payments to be received of ¥28,538 million and ¥13,728 million as of March 31, 2017 and 2016:

	Millions of Yen	
Year ended March 31:	2017	2016
Not later than 1 year	¥ 31,885	¥ 21,552
Later than 1 year and not later than 5 years	78,812	59,378
Later than 5 years	53,562	37,456
Total	¥ 164,259	¥ 118,386

Rental expenses incurred for operating leases for the years ended March 31, 2017 and 2016 were ¥48,813 million and ¥46,708 million, respectively. Sublease rental income for the years ended March 31, 2017 and 2016 was ¥7,411 million and ¥4,079 million, respectively.

10. INVENTORIES

Inventories as of March 31, 2017 and 2016 were comprised of the following:

	Millions of Yen	
	2017	2016
Commodities and finished goods	¥ 505,432	¥ 456,358
Property for Sale	18,054	16,887
Raw materials, work in progress and others	66,053	60,452
Total	¥ 589,539	¥ 533,697

See Note 23, "FAIR VALUE MEASUREMENT" for the carrying amount of inventories carried at fair value less costs to sell.

11. PROPERTY, PLANT AND EQUIPMENT

The changes in acquisition cost, accumulated depreciation and impairment losses and carrying amount of property, plant and equipment for the years ended March 31, 2017 and 2016 were as follows:

[Acquisition cost]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at April 1, 2015	¥ 811,751	¥ 2,395,856	¥ 128,263	¥ 326,926	¥ 308,449	¥ 3,971,245
Additions	20,595	79,806	43,555	3,690	191,686	339,332
Disposals	(6,563)	(214,627)	(23,265)	(23,231)	(990)	(268,676)
Acquisitions through business combinations	–	12,852	–	36,004	–	48,856
Foreign currency translation	(34,042)	(106,261)	(7,964)	(19,068)	(13,549)	(180,884)
Others	41,715	110,461	(1,042)	4,212	(234,049)	(78,703)
Balance at March 31, 2016	¥ 833,456	¥ 2,278,087	¥ 139,547	¥ 328,533	¥ 251,547	¥ 3,831,170
Additions	12,703	37,971	32,622	17,706	127,346	228,348
Disposals	(6,429)	(41,987)	(54,526)	(1,057)	(135)	(104,134)
Foreign currency translation	(772)	(8,912)	(1,966)	(841)	(1,263)	(13,754)
Others	(11,133)	62,015	5,037	(5,412)	(129,954)	(79,447)
Balance at March 31, 2017	¥ 827,825	¥ 2,327,174	¥ 120,714	¥ 338,929	¥ 247,541	¥ 3,862,183

[Accumulated depreciation and impairment losses]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at April 1, 2015	¥ 239,424	¥ 1,393,254	¥ 32,964	¥ 157,420	¥ 41	¥ 1,823,103
Depreciation expenses	28,385	190,332	7,884	9,023	–	235,624
Disposals	(3,186)	(151,814)	(7,616)	(22,729)	–	(185,345)
Impairment losses	3,552	74,353	1,549	8,783	7,431	95,668
Foreign currency translation	(9,116)	(58,903)	(1,081)	(9,304)	136	(78,268)
Others	962	(3,463)	(1,740)	6,178	3	1,940
Balance at March 31, 2016	¥ 260,021	¥ 1,443,759	¥ 31,960	¥ 149,371	¥ 7,611	¥ 1,892,722
Depreciation expenses	25,176	139,430	6,961	4,891	–	176,458
Disposals	(4,148)	(15,685)	(7,065)	–	–	(26,898)
Impairment losses	1,440	1,209	1,859	689	–	5,197
Foreign currency translation	175	(2,031)	(254)	(470)	(8)	(2,588)
Others	1,535	199	(1,204)	186	(6,916)	(6,200)
Balance at March 31, 2017	¥ 284,199	¥ 1,566,881	¥ 32,257	¥ 154,667	¥ 687	¥ 2,038,691

[Carrying amount]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at March 31, 2016	¥ 573,435	¥ 834,328	¥ 107,587	¥ 179,162	¥ 243,936	¥ 1,938,448
Balance at March 31, 2017	¥ 543,626	¥ 760,293	¥ 88,457	¥ 184,262	¥ 246,854	¥ 1,823,492

The impairment loss was recorded as "Impairment reversal (loss) of fixed assets - net" in the Consolidated Statements of Income. The breakdown of impairment losses of fixed assets for the years ended March 31, 2017 and 2016 by segment is as follows:

	Millions of Yen	
	2017	2016
Mineral & Metal Resources	¥ (438)	¥ (38,808)
Machinery & Infrastructure	(1,864)	(2,113)
Chemicals	(48)	–
Energy	(1,245)	(52,204)
Lifestyle	(1,602)	(2,451)
Innovation & Corporate Development	–	(29)
Americas	–	(63)
Asia Pacific	–	–
Others	–	–
Consolidated Total	¥ (5,197)	¥ (95,668)

The impairment loss on property, plant and equipment for the year ended March 31, 2017 was immaterial.

The impairment loss on property, plant and equipment for the year ended March 31, 2016 consisted mainly of three impairment losses as stated below.

One of the primary impairment losses was from a portion of mining equipment and mineral rights of ¥38,135 million, which were owned by Mitsui Coal Holdings Pty. Ltd., a subsidiary in the Mineral & Metal Resources Segment engaged in the exploration, development and production of coal in Australia. The impairment losses were calculated as the result of the reduction of carrying amounts to the recoverable amount of ¥51,146 million. The impairment loss mainly related to a decline in coal prices.

Another impairment loss was from the production equipment and others of ¥19,445 million, which were owned by MEP Texas Holdings LLC, a subsidiary in the Energy Segment engaged in the shale oil and gas development in Texas. The impairment loss was calculated as the result of the reduction of carrying amounts to the recoverable amount of ¥60,171 million.
The other impairment loss was from the production equipment and others of ¥18,179 million, which were owned by Mitsui E&P USA LLC., a subsidiary in the Energy Segment engaged in the shale gas development in Pennsylvania. The impairment loss was calculated as the result of the reduction of carrying amounts to the recoverable amount of ¥135,441 million.
These impairment losses mainly related to a decline in the crude oil and natural gas prices.

The recoverable amounts above represent 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 amounts of commitments for the purchase of property, plant and equipment as of March 31, 2017 was ¥134,568, and the amounts as of March 31, 2016 was immaterial.

12. INVESTMENT PROPERTY

The acquisition cost, accumulated depreciation and impairment losses, carrying amount and fair value of investment property for the years ended March 31, 2017 and 2016 were as follows.

[Acquisition cost and accumulated depreciation and impairment losses]

	Millions of Yen	
	Acquisition cost	Accumulated depreciation and impairment losses
Balance at April 1, 2015	¥ 196,596	¥ 48,839
Balance at March 31, 2016	¥ 188,393	¥ 40,637
Balance at March 31, 2017	¥ 217,621	¥ 37,832

[Carrying amount and fair value]

	Millions of Yen	
	Carrying amount	Fair value
Balance at March 31, 2016	¥ 147,756	¥ 198,194
Balance at March 31, 2017	¥ 179,789	¥ 385,203

The amounts of acquisitions for the year ended March 31, 2017 were ¥27,131 million, and the amounts for the year ended March 31, 2016 was immaterial.
The amounts of transfers to and from property, plant and equipment for the year ended March 31, 2017 were ¥17,201 million, and the amounts for the year ended March 31, 2016 were immaterial.

Rental income from investment property and direct operating expenses arising from investment property for the years ended March 31, 2017 and 2016 were immaterial.

The fair value of primary investment property as of the end of each reporting period is based on a valuation conducted by independent valuation appraisers who have recent experience in the locations and categories of the investment property being valued, and have the appropriate and recognized professional qualifications (such as a registered appraiser), and is classified as level 3. The valuation is based on significant unobservable inputs such as estimated rents and discount rates using primarily the income approach and conforms to the standards of the country where the investment property is located.

13. INTANGIBLE ASSETS

The changes in acquisition cost, accumulated amortization and impairment losses and carrying amount of intangible assets for the years ended March 31, 2017 and 2016 were as follows:

[Acquisition cost]

	Millions of Yen			
	Goodwill	**Software**	**Others**	**Total**
Balance at April 1, 2015	¥ 111,903	¥ 83,912	¥ 118,060	¥ 313,875
Additions	8,085	6,881	3,276	18,242
Disposals	(3,617)	(8,164)	(2,621)	(14,402)
Foreign currency translation	(5,689)	(1,342)	(5,949)	(12,980)
Others	634	1,235	19,338	21,207
Balance at March 31, 2016	¥ 111,316	¥ 82,522	¥ 132,104	¥ 325,942
Additions	577	7,232	25,300	33,109
Disposals	(1,237)	(9,860)	(9,070)	(20,167)
Foreign currency translation	(320)	(68)	(651)	(1,039)
Others	303	295	156	754
Balance at March 31, 2017	¥ 110,639	¥ 80,121	¥ 147,839	¥ 338,599

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Goodwill	**Software**	**Others**	**Total**
Balance at April 1, 2015	¥ 38,401	¥ 51,834	¥ 60,689	¥ 150,924
Amortization expense	-	10,380	4,722	15,102
Impairment losses	6,306	2,035	3,069	11,410
Disposals	(1,267)	(7,554)	(1,425)	(10,246)
Foreign currency translation	(1,357)	(969)	(2,850)	(5,176)
Others	-	239	6,239	6,478
Balance at March 31, 2016	¥ 42,083	¥ 55,965	¥ 70,444	¥ 168,492
Amortization expense	-	9,361	5,062	14,423
Impairment losses	63	6	529	598
Disposals	(411)	(9,000)	(3,925)	(13,336)
Foreign currency translation	(35)	(5)	(374)	(414)
Others	425	119	(385)	159
Balance at March 31, 2017	¥ 42,125	¥ 56,446	¥ 71,351	¥ 169,922

[Carrying amount]

	Millions of Yen			
	Goodwill	**Software**	**Others**	**Total**
Balance at March 31, 2016	¥ 69,233	¥ 26,557	¥ 61,660	¥ 157,450
Balance at March 31, 2017	¥ 68,514	¥ 23,675	¥ 76,488	¥ 168,677

Amortization expense on intangible assets with finite estimated useful lives was mainly recognized in “Selling, general and administrative expenses” in the Consolidated Statements of Income.
Impairment losses on goodwill were recognized in “Other income (expense)-net”, while impairment losses and reversal of impairment losses on other intangible assets were recognized in “Impairment reversal (loss) of fixed assets - net” in the Consolidated Statements of Income.
For the year ended March 31, 2016, TOKYO INTERNATIONAL AIR CARGO TERMINAL LTD., a subsidiary in the Machinery & Infrastructure Segment, recognized the reversal of impairment loss of ¥11,808 million related to the intangible asset based on the service concession arrangement based on the recoverable amount of ¥12,075 million. This reversal of impairment loss mainly related to the increase in the quantity of air cargo caused by the increase in inbound and outbound flights at Haneda Airport and cost reductions.
The recoverable amount above represents 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 reversal of impairment loss is recognized in “Others” in the above Accumulated amortization and impairment losses.

Goodwill is allocated to each cash-generating unit (or group of units) for impairment testing of goodwill for the years ended March 31, 2017 and 2016. The goodwill allocated to Mitsui E&P Italia A S.r.l, whose carrying amounts were ¥22,081 million and ¥22,177 million as of March 31, 2017 and 2016, respectively, accounts for a main portion of the goodwill. The recoverable amount is calculated based on the value in use, and is the sum of the net present value of the future cash flow estimated from the production plan for the Tempa Rossa on shore oil field in the Gorgoglione concession in Italy during its useful life. A profit margin which is deemed to be the market average and reflects the risks inherent in the cash-generating unit is used as the discount rate to calculate the value in use.

The key assumptions with the most significant impact on the calculation of the value in use are the production plan and oil price.
The production plan used in the valuation has been developed by the operator, Total E&P Italia S.p.A. and approved by the management of Mitsui E&P Italia A S.r.l. The oil price based on the Crude Oil Brent Price is used for impairment testing.

The carrying amount of intangible assets with indefinite useful lives, allocated to cash-generating unit (or group of units) for impairment testing is immaterial in comparison with the companies’ total carrying amount of intangible assets with indefinite useful lives for the years ended March 31, 2017 and 2016.

14. EXPLORATION AND EVALUATION FOR MINERAL RESOURCES AND OIL & GAS

Exploration and evaluation assets for mineral resources and oil & gas for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Balance at beginning of year	¥	100,280	¥	86,356
Acquisitions / Additions		4,095		47,865
Charge for the year		(4,516)		(1,595)
Reclassification		(15,847)		(23,319)
Foreign currency translation		(225)		(4,374)
Others		(1,278)		(4,653)
Balance at end of year	¥	82,509	¥	100,280

Expenses, cash flows from operating activities and cash flows from investing activities in relation to exploration and evaluation for mineral resources and oil & gas for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Exploration and evaluation expenses	¥	(13,426)	¥	(26,341)
Cash flows from operating activities		(10,029)		(24,848)
Cash flows from investing activities		(3,953)		(31,203)

Exploration and evaluation expenses are included in other income (expense)-net in the Consolidated Statements of Income.

15. DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES

(1) Short-term debt

Short-term debt as of March 31, 2017 and 2016 was comprised of the following:

	Millions of Yen					
	2017			2016		
			Interest rate			Interest rate
Short-term bank loans and others	¥	272,449	2.8%	¥	323,262	2.4%
Commercial paper		32,114	0.9		29,941	0.6
Total	¥	304,563		¥	353,203	

The interest rates represent weighted average rates in effect as of March 31, 2017 and 2016 regardless of borrowing currencies, though the range of the interest rates varies by borrowing currency.

(2) Long-term debt

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen			
	2017		2016	
Long-term debt with collateral (Note 16):				
Banks and insurance companies, maturing serially through 2052—principally 1.1% to 13.1%	¥	31,897	¥	39,571
Government-owned banks and government agencies, maturing serially through 2030—principally 1.7% to 13.2%		38,919		38,939
Total		70,816		78,510

	Millions of Yen	
	2017	2016
Long-term debt without collateral:		
Banks and others (principally insurance companies):		
Principally 0.0% to 2.6%, maturing serially through 2076 ……	1,907,931	1,577,481
Principally 0.0% to 11.3%, maturing serially through 2032 (payable in foreign currencies) ………………………………	2,230,570	2,294,765
Bonds and notes:		
Japanese yen bonds (fixed rate 1.2% to 2.6%, due 2016–2033) …………………………………………………………	172,905	246,205
Japanese yen bonds (fixed and floating rate: floating rate 1.0% to 2.1%, due 2016–2024) ………………………………………	10,000	30,000
Japanese yen bonds (floating rate 0.3% to 1.4%, due 2016–2017) ……………………………………………………	15,000	30,000
Notes under euro medium-term note programme (fixed rate 4.3%, due 2017) ………………………………………………	-	8,695
Notes under euro medium-term note programme (fixed and floating rate: floating rate 1.0% to 1.7% due 2018–2019) ……	16,829	16,902
Finance lease obligations (0.2% to 5.7%, maturing serially through 2036) ………………………………………………………	72,970	74,759
Total ………………………………………………………………	4,426,205	4,278,807
Total …………………………………………………………	4,497,021	4,357,317
Less current portion ……………………………………………………	388,347	519,161
Long-term debt, less current portion …………………………………	¥ 4,108,674	¥ 3,838,156

The loans executed for the year ended March 31, 2017 include subordinated syndicated loans of ¥350.0 billion and ¥205.0 billion. The maturity dates are June 15, 2076 and August 15, 2076, respectively. The prepayments will be enabled from June 15, 2023 and August 15, 2028, respectively.

(3) Trade and other payables, and other financial liabilities

Trade and other payables, and other financial liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen	
	2017	2016
Current:		
Trade and other payables		
Notes payable-trade …………………………………………………	¥ 22,821	¥ 24,328
Accounts payable-trade ……………………………………………	1,026,264	955,950
Payables to equity accounted investees ……………………………	44,032	33,993
Accrued expenses ……………………………………………………	110,590	92,967
Other financial liabilities		
Accounts payable-other ……………………………………………	180,444	138,263
Derivative liabilities …………………………………………………	99,072	94,233
Other …………………………………………………………………	36,470	65,833
Total …………………………………………………………………	¥ 1,519,693	¥ 1,405,567
Non-current:		
Other financial liabilities		
Accounts payable-other ……………………………………………	¥ 35,777	¥ 32,616
Derivative liabilities …………………………………………………	44,525	40,136
Other …………………………………………………………………	30,987	36,768
Total …………………………………………………………………	¥ 111,289	¥ 109,520

All financial liabilities, except for derivative liabilities, presented above are measured at amortized cost and there are no financial liabilities measured at FVTPL.

(4) Liquidity risk analysis

Non-derivative financial liabilities

The contractual balances of non-derivative financial liabilities by maturity as of March 31, 2017 and 2016 were as follows:

March 31, 2017	**Millions of Yen**			
	Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Trade and other payables	¥ 1,198,498	¥ 4,775	¥ 434	¥ 1,203,707
Accounts payables-other	180,281	34,741	1,199	216,221
Long-term debt (including current portion)	388,347	1,659,071	2,449,603	4,497,021

March 31, 2016	**Millions of Yen**			
	Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Trade and other payables	¥ 1,106,130	¥ 1,108	¥ –	¥ 1,107,238
Accounts payables-other	138,247	30,288	2,344	170,879
Long-term debt (including current portion)	519,161	1,617,499	2,220,657	4,357,317

Derivative instruments

The following tables summarize the result of liquidity analysis of derivative instruments held by the companies. These tables are prepared based on future receipts and payments of derivative instruments. If amounts to be received or paid are not fixed, the disclosed amounts are calculated using interest rates estimated in reference to the yield curve as of March 31, 2017 and 2016.

March 31, 2017		**Millions of Yen**			
		Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Foreign exchange	Receipts	¥ 38,502	¥ 24,510	¥ 7,028	¥ 70,040
contracts	Payments	(26,269)	(19,862)	(4,816)	(50,947)
Interest rate	Receipts	9,347	30,954	46,195	86,496
contracts	Payments	(1,648)	(2,382)	(748)	(4,778)
Commodity	Receipts	344,884	33,019	–	377,903
contracts	Payments	(344,979)	(32,903)	(1,111)	(378,993)

March 31, 2016		**Millions of Yen**			
		Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Foreign exchange	Receipts	¥ 47,932	¥ 26,736	¥ 14,629	¥ 89,297
contracts	Payments	(39,571)	(17,886)	(12,690)	(70,147)
Interest rate	Receipts	10,153	34,435	56,535	101,123
contracts	Payments	(2,545)	(6,132)	(3,796)	(12,473)
Commodity	Receipts	535,845	31,614	1,503	568,962
contracts	Payments	(530,922)	(28,824)	–	(559,746)

The amounts of future payments of other derivative instruments not included in the table above were ¥7,391 within 1 year, ¥11,989 more than 1 year and not more than 5 years and ¥3,495 more than 5 years as of March 31, 2017. The amounts as of March 31, 2016 were immaterial.

16. PLEDGED ASSETS

The assets pledged as collateral for certain short-term debt, long-term debt and payment guarantees, etc. as of March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Trade and other receivables, etc. (current and non-current)	¥	147,176	¥	67,103
Investments		506,880		322,305
Property, plant and equipment		29,632		39,470
Others		5,913		8,086
Total	¥	689,601	¥	436,964

Trust receipts issued under customary import financing arrangements (short-term bank loans and bank acceptances) give banks a security interest in the merchandise imported and/or the accounts receivable resulting from the sale of such merchandise. Because of the companies' large volume of import transactions, it is not practicable to determine the total amount of assets covered by outstanding trust receipts. For this reason, it is not included in the amounts shown in the table above.
In addition to the above, the Company has bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, to immediately provide collateral, which is not originally identified in the loan agreements. The Company also has certain bank loan agreements in which default provisions grant sale or possession rights of the pledged assets to lenders.

17. PROVISIONS

The changes in provisions for the year ended March 31, 2017 were as follows:

	Millions of Yen					
	Asset retirement obligation		Other provisions		Total	
Balance at April 1, 2016	¥	210,886	¥	23,403	¥	234,289
Additional provisions recognized		2,412		5,937		8,349
Provisions used		(92)		(7,129)		(7,221)
Unwinding of discount		5,597		—		5,597
Others*		(29,587)		(836)		(30,423)
Balance at March 31, 2017	¥	189,216	¥	21,375	¥	210,591

* "Others" principally includes the decrease due to estimate change and the effect of changes in foreign currency exchange rates.

Asset retirement obligations are principally related to the costs of dismantling and removing oil and gas production facilities owned by a domestic subsidiary, which has interests in oil and gas operations in Southeast Asia and other areas, and subsidiaries in Australia and Europe, which are engaged in oil and gas producing activities. These expenses are expected to be paid after one year until fifty years; however, they may be affected by future business plans and other circumstances.
"Other provisions" includes provisions for product warranties and rebates of sales, etc.

18. EMPLOYEE BENEFITS

The Company and certain subsidiaries have non-contributory and contributory defined benefit pension plans covering substantially all employees other than directors.

The primary pension plan is the Company's contributory Corporate Pension Fund ("CPF") under the Defined Benefit Corporate Pension Law. The benefits from CPF are based on the length of service.

Effective April 1, 2006, the Company converted certain portions of CPF into a defined contribution plan and a cash balance plan. The cash balance plan calculates a participant's benefits using a percentage of the employee's annual salary and an interest crediting rate.

The Company and certain subsidiaries have unfunded severance indemnity plans. Benefits under the plans are based on the level of compensation at retirement, or earlier termination of employment, and the length of service.

Changes in the defined benefit obligation and the plan assets

The following table sets forth the changes in the companies' defined benefit obligation and plan assets:

	Millions of Yen			
	2017		2016	
Change in defined benefit obligation:				
Defined benefit obligation at beginning of year	¥	370,592	¥	358,305
Service cost		11,971		10,164
Interest cost		2,655		4,339
Actuarial gain (loss)		(6,604)		15,529
Benefits paid from plan assets		(14,762)		(14,268)
Others		(3,538)		(3,477)
Defined benefit obligation at end of year		360,314		370,592
Change in plan assets:				
Fair value of plan assets at beginning of year		292,519		312,407
Interest income		3,284		4,238
Return on plan assets (excluding interest income)		9,775		(19,258)
Contributions by the employer		11,017		11,242
Benefits paid from plan assets		(14,762)		(14,268)
Others		(1,417)		(1,842)
Fair value of plan assets at end of year		300,416		292,519
Net defined benefit liability at end of year	¥	(59,898)	¥	(78,073)

Components of net periodic pension costs

Net periodic pension costs of the companies' defined benefit pension plans for the years ended March 31, 2017 and 2016 included the following components:

	Millions of Yen			
	2017		2016	
Service cost – benefits earned during the period	¥	11,971	¥	10,164
Net interest expense (revenue)		(629)		101
Others		68		154
Net periodic pension costs	¥	11,410	¥	10,419

Assumptions

The weighted-average assumptions used to determine the companies' defined benefit obligations as of March 31, 2017 and 2016 are set forth as follows:

	2017	2016
Discount rate …………………………………………………………	0.9%	0.8%
Rate of increase in future compensation levels ………………………	1.0%	1.0%

The companies mainly determine the discount rates each year as of the measurement date based on a review of interest rates associated with high-quality fixed-income corporate bonds.

The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of CPF other than the cash balance plan because the benefit formulas of these plans do not contain factors relating to compensation levels.

The following table illustrates the sensitivity to changes in assumptions for pension plans:

	Impact of change in assumption on defined benefit obligation as of March 31, 2017
50 basis point decrease in discount rate ………………………………………………………	¥25,472 million increase
50 basis point increase in discount rate ………………………………………………………	¥22,541 million decrease

Plan assets

The Company's investment objective is to build a high quality portfolio of plan assets. The investment policy is targeted to ensure adequate returns available to provide future payments of pension benefits and severance indemnities. The basic strategy is diversified investment in various asset classes which have different risk return characteristics. The Company sometimes uses derivative instruments to hedge the exposure to changes in the fair value of debt and equity securities, but never uses them for speculation. The subsidiaries' investment strategies are mainly based on diversified investment, and are targeted to ensure stable and adequate returns to provide future payments of pension benefits over the long term.

The fair value of the companies' pension plan assets as of March 31, 2017 and 2016 by asset class are set forth as follows:

	Millions of Yen					
	2017			2016		
	Quoted market price in an active market			Quoted market price in an active market		
Asset Class	Available	Not available	TOTAL	Available	Not available	TOTAL
Equity financial instruments (Japan) ………………	¥ 63,924	¥ 46,543	¥ 110,467	¥ 67,579	¥ 45,920	¥ 113,499
Equity financial instrumefnts (non-Japan) ………	5,789	30,781	36,570	5,654	28,475	34,129
Debt securities (Japan) …………………………	1,539	31,666	33,205	1,086	31,690	32,776
Debt securities (non-Japan) ……………………	6,719	60,587	67,306	7,100	50,032	57,132
Life insurance company general accounts …………………	109	33,116	33,225	167	32,559	32,726
Cash and deposits ………………	17,917	-	17,917	21,942	-	21,942
Other ……………………………	-	1,726	1,726	-	315	315
Total …………………………	¥ 95,997	¥ 204,419	¥ 300,416	¥ 103,528	¥ 188,991	¥ 292,519

The equity financial instruments above include securities held in the Company's employee retirement benefit trust. Publicly-traded, equity financial instruments and debt securities are valued using quoted market prices and classified as assets of which a quoted market price in an active market is available. Other equity financial instruments and debt securities are mostly pooled investments managed by trust banks. They are valued using net asset values of the investments calculated by the trust banks based on the fair value of the underlying assets and classified as assets of which a quoted market price in an active market is not available. Life insurance company general accounts are pooled investment portfolios managed by insurance companies with a guaranteed minimum rate of return. They are valued based on the value of the accounts calculated by the insurance companies and classified as assets of which a quoted market price in an active market is not available.

Cash flows

Contributions

The companies expect to contribute ¥10,661 million to their defined benefit pension plans for the year ending March 31, 2018. When a funded amount of CPF is less than the minimum funding amount at the end of each annual period, the companies will contribute required amounts to CPF in accordance with the rules of CPF.

Information about the maturity profile

The weighted-average duration of the benefit payments for the defined benefit obligation as of March 31, 2017 is 16 years.

Multiemployer plan

Certain subsidiaries participate in a multiemployer defined benefit pension plan, Mitsui & Co. Group Pension Fund ("MGPF"). Employers other than the Company and subsidiaries also participate in MGPF, which is different from single-employer plans in the following respects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the multiemployer plan is wound up or a participating employer chooses to stop participating in the multiemployer plan, the participating employer may be required to pay the plan an amount based on the underfunded status of the plan when a wind-up or a withdrawal, referred to as a withdrawal liability.

By participating in MGPF, participating employees will receive the additional benefit stipulated by the plan.

In relation to this plan, the amount of contribution was recorded as a retirement benefit cost as though it is a defined contribution plan because sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

Based on the most recently available information, the funded status of MGPF as of March 31, 2016 and 2015 was as follows:

	Millions of Yen	
	2016	2015
Plan assets, net of current payables	¥ 23,154	¥ 57,696
Actuarial reserve under pension actuarial valuation	18,202	53,853
Net amount	4,952	3,843

The amount contributed to MGPF by the subsidiaries constituted a significant portion of the total contribution and included surcharge. MGPF was converted into a defined benefit corporate pension fund with the approval from the Ministry of Health, Labour and Welfare of the Japanese Government in April 2015.

The Company also provides an "Early Retirement Support Plan" to eligible employees, which guarantees, prior to normal retirement age, certain supplemental payments based on preretirement compensation levels.

19. EQUITY

(1) Common stock

The number of shares authorized and issued for the years ended March 31, 2017 and 2016 was as follows:

	Number of shares	
	2017	**2016**
Authorized:		
Common stock – no par value ………………………………………....	2,500,000,000	2,500,000,000
Issued:		
Balance at beginning of year ………………………………………....	1,796,514,127	1,796,514,127
Increase (decrease) during the year ………………………………...	—	—
Balance at end of year ………………………………………………...	1,796,514,127	1,796,514,127

The number of shares held as of March 31, 2017 and 2016 included in the number of shares issued shown above was 32,558,297 and 4,004,857 shares, respectively.

(2) Capital surplus and retained earnings

Capital surplus mainly consists of additional paid-in capital. There were no material changes in capital surplus for the years ended March 31, 2017 and 2016.

Retained earnings consist of legal reserve and other unappropriated retained earnings.

The Companies Act of Japan provides that an amount equal to 10% of distribution from surplus must be appropriated as additional paid-in capital or a legal reserve in retained earnings depending on the equity account charged upon the payment of such distribution until the total aggregate amount of additional paid-in capital and legal reserve in retained earnings equals 25% of the common stock.

Under the Companies Act, the amount available for distribution is calculated based on the amount of capital surplus and retained earnings, exclusive of additional paid-in capital and legal reserve, recorded in the general books of account in accordance with generally accepted accounting principles in Japan. The amount available for distributions from the Company is ¥793,106 million at March 31, 2017.

(3) Other components of equity

Changes in other components of equity for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Financial Assets Measured at FVTOCI:				
Balance at beginning of year	¥	80,427	¥	18,810
Increase (decrease) during the year		140,660		(230,350)
Transfer to retained earnings		(16,987)		(8,033)
Balance at end of year	¥	204,100	¥	80,427
Remeasurements of Defined Benefit Pension Plans:				
Balance at beginning of year	¥	—	¥	—
Increase (decrease) during the year		15,003		(33,531)
Transfer to retained earnings		(15,003)		33,531
Balance at end of year	¥	—	¥	—
Foreign Currency Translation Adjustments:				
Balance at beginning of year	¥	279,858	¥	538,728
Increase (decrease) during the year		28,196		(258,870)
Balance at end of year	¥	308,054	¥	279,858
Cash Flow Hedges:				
Balance at beginning of year	¥	(42,330)	¥	(42,975)
Increase (decrease) during the year		15,623		645
Balance at end of year	¥	(26,707)	¥	(42,330)
Total:				
Balance at beginning of year	¥	317,955	¥	814,563
Increase (decrease) during the year		199,482		(522,106)
Transfer to retained earnings		(31,990)		25,498
Balance at end of year	¥	485,447	¥	317,955

(4) Income tax relating to other comprehensive income

Income tax included in each component of other comprehensive income for the years ended March 31, 2017 and 2016 was as follows:

	Millions of Yen			
	2017		2016	
Items that will not be reclassified to profit or loss:				
Financial assets measured at FVTOCI.	¥	(55,873)	¥	80,146
Remeasurements of defined benefit pension plans		226		326
Share of other comprehensive income of investments accounted for using the equity method		1,098		844
Total	¥	(54,549)	¥	81,316
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	¥	8,231	¥	(30,364)
Cash flow hedges		(4,035)		1,175
Share of other comprehensive income of investments accounted for using the equity method		2,898		23,699
Total	¥	7,094	¥	(5,490)

(5) Other comprehensive income included in non-controlling interests

Each component of other comprehensive income included in non-controlling interests for the years ended March 31, 2017 and 2016 was as follows:

	Millions of Yen	
	2017	2016
Financial assets measured at FVTOCI.	¥ 1,993	¥ (4,822)
Remeasurements of defined benefit pension plans	8	(140)
Foreign currency translation adjustments	207	(15,986)
Cash flow hedges	(90)	(159)
Total	¥ 2,118	¥ (21,107)

20. 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 years ended March 31, 2017 and 2016:

	2017			2016		
	Profit (Loss) (numerator)	Shares (denominator)	Per share amount	Profit (Loss) (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:	¥ 306,136	1,788,166	¥ 171.20	¥ (83,410)	1,792,514	¥ (46.53)
Effect of dilutive securities:						
Adjustment of effect of: Dilutive securities of associated companies…	(43)	-		(8)	-	
Stock options	-	759		-	-	
Diluted earnings per share attributable to owners of the parent:	¥ 306,093	1,788,925	¥ 171.10	¥ (83,418)	1,792,514	¥ (46.54)

Note: Diluted earnings per share does not include stock options due to the anti-dilutive effect caused by the loss during the year ended March 31, 2016.

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of Yen	
	2017	2016
Personnel expenses	¥ 283,755	¥ 287,232
Welfare expenses	13,035	15,038
Communication expenses	47,412	48,525
Traveling expenses	28,109	32,941
Other	166,664	182,278
Total	¥ 538,975	¥ 566,014

Remuneration of the Company’s Directors and Corporate Auditors for the years ended March 31, 2017 and 2016 was ¥1,345 million and ¥1,043 million, respectively.

22. INCOME TAXES

Income Taxes in the consolidated statements of income for the year ended March 31, 2016 includes the gain on the change in the balance of the deferred tax assets and liabilities-net of ¥4,797 million recorded to reflect the decrease in normal effective statutory tax rates to approximately 31% based on the new laws which were enacted on March 29, 2016.

The reconciliation between the applicable income tax rate in Japan and the effective income tax rate in the consolidated statements of income and comprehensive income for the years ended March 31, 2017 and 2016 was summarized as follows:

	%	
	2017	**2016**
Applicable income tax rate in Japan	31.0%	32.0%
Increases (decreases) in tax rate resulting from:		
Expenses not deductible for tax purposes and income not taxable-net	1.4	(9.3)
Differences of tax rates to certain taxable income	(0.4)	(6.4)
Changes in tax rate	0.0	(33.9)
Tax effects on dividends	(0.1)	(42.8)
Changes in assessment for recoverability of deferred tax assets	0.6	150.1
Higher tax rates for resource related taxes	3.3	75.6
Tax effects on investments accounted for using the equity method	(7.1)	205.7
Other	0.5	4.0
Effective income tax rate	29.2%	375.0%

The tax effects of significant temporary differences and carryforwards which result in deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Deferred Tax Assets:		
Retirement benefit liabilities	¥ 9,968	¥ 9,513
Estimated losses	15,043	15,629
Fixed assets	67,252	82,373
Loss carryforwards	113,443	63,721
Foreign currency translation	42,131	32,293
Derivatives	9,664	12,381
Other	8,152	6,371
Total deferred tax assets	265,653	222,281
Deferred Tax Liabilities:		
Fixed assets	182,281	176,506
Investments	203,013	155,116
Undistributed earnings	224,373	165,030
Foreign currency translation	40,783	38,706
Other	3,968	4,387
Total deferred tax liabilities	¥ 654,418	¥ 539,745

Deferred tax assets recognized by taxable entities that have suffered a loss in either the current or preceding period were ¥58,152 million and ¥49,319 million, as of March 31, 2017 and 2016, respectively. Mainly based on expected resource prices, reserve estimation by external institutions and the estimation in consideration of long-term sales agreements, the companies recognize deferred tax assets within a sufficient taxable income during the expiry period of net operating loss carried forward for each country.

The unused tax loss carryforwards and deductible temporary differences for which deferred tax assets were not recognized were ¥1,687,313 million and ¥1,581,890 million as of March 31, 2017 and 2016, respectively.

Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were ¥1,729,085 million and ¥1,618,510 million as of March 31, 2017 and 2016, respectively.

The increase and decrease in deferred tax assets and deferred tax liabilities recognized as deferred tax expenses in the consolidated statements of income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Retirement benefit liabilities	¥ (813)	¥ 58
Estimated losses	1,400	(4,691)
Fixed assets	(20,896)	3,004
Loss carryforwards	49,363	(5,777)
Investments	(3,757)	(1,499)
Undistributed earnings	(59,343)	10,326
Other	(3,077)	928
Total	¥ (37,123)	¥ 2,349

The unused tax loss carryforwards for which no deferred tax assets have been recognized as of March 31, 2017 and 2016 were ¥675,148 million and ¥583,623 million, respectively. If not utilized, such tax loss carryforwards will expire as follows:

	Millions of Yen			
	2017		2016	
Within 5 years	¥	130,879	¥	49,166
After 5 to 10 years		230,484		247,549
After 10 to 15 years		154,244		-
After 15 years		159,541		286,908
Total	¥	675,148	¥	583,623

Income tax expenses in the consolidated statements of income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Current	¥	(97,518)	¥	(93,592)
Deferred	¥	(37,123)	¥	2,349
Total	¥	(134,641)	¥	(91,243)

Deferred tax expenses or income arising from the write-down and reversal of a previous write-down of deferred tax assets for tax loss carryforwards and temporary differences of the companies where it is probable that a tax benefit or expense will not be realized were immaterial for the years ended March 31, 2017 and 2016.

23. FAIR VALUE MEASUREMENT

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

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

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

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

Level 3:
Unobservable inputs for the assets or liabilities.

(1) Valuation techniques

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

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

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

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 the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. 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 adjustments and classified as level 2. The amounts of costs to sell as of March 31, 2017 and 2016 were immaterial.

(2) Valuation process

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

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and 2016 were as follows. No assets or liabilities were transferred between level 1 and 2 for the years ended March 31, 2017 and 2016.

March 31, 2017	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Trade and other receivables:					
Loans measured at FVTPL	-	-	¥ 32,710		
Total trade and other receivables	-	-	¥ 32,710	-	¥ 32,710
Other investments:					
Financial assets measured at FVTPL	¥ 21,432	-	¥ 86,352		
Financial assets measured at FVTOCI	579,133	-	646,034		
Total other investments	¥ 600,565	-	¥ 732,386	-	¥ 1,332,951
Derivative assets:					
Foreign exchange contracts	-	¥ 69,128	-		
Interest rate contracts	-	68,066	-		
Commodity contracts	¥ 19,920	356,547	¥ 546		
Others	-	-	¥ 3,306		
Total derivative assets	¥ 19,920	¥ 493,741	¥ 3,852	¥ (317,426)	¥ 200,087
Inventories	-	¥ 133,120	-	-	¥ 133,120
Total assets	¥ 620,485	¥ 626,861	¥ 768,948	¥ (317,426)	¥ 1,698,868
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	-	¥ 50,976	-		
Interest rate contracts	-	6,138	-		
Commodity contracts	¥ 13,161	363,296	¥ 649		
Others	-	-	22,875		
Total derivative liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597
Total liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597

March 31, 2016	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Other investments:					
Financial assets measured at FVTPL	¥ 13,460	-	¥ 67,567		
Financial assets measured at FVTOCI	533,428	-	561,011		
Total other investments	¥ 546,888	-	¥ 628,578	-	¥ 1,175,466
Derivative assets:					
Foreign exchange contracts	-	¥ 88,518	-		
Interest rate contracts	-	71,879	-		
Commodity contracts	¥ 25,327	542,293	¥ 550		
Others	-	-	3,392		
Total derivative assets	¥ 25,327	¥ 702,690	¥ 3,942	¥ (488,212)	¥ 243,747
Inventories	-	¥ 100,348	-	-	¥ 100,348
Total assets	¥ 572,215	¥ 803,038	¥ 632,520	¥ (488,212)	¥ 1,519,561
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	-	¥ 70,096	-		
Interest rate contracts	-	12,101	-		
Commodity contracts	¥ 23,370	535,701	¥ 668		
Others	-	-	1,009		
Total derivative liabilities	¥ 23,370	¥ 617,898	¥ 1,677	¥ (508,576)	¥ 134,369
Total liabilities	¥ 23,370	¥ 617,898	¥ 1,677	¥ (508,576)	¥ 134,369

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

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

The purchase amount and the balance of the loan measured at FVTPL for the year ended March 31, 2017 is ¥32,710 million. There is no movement other than its purchase nor net change in unrealized gains (losses) still held at end of year. The company did not have any loans measured at FVTPL for the year ended March 31,2016.

The reconciliation of financial assets measured at FVTPL for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Balance at beginning of year	¥	67,567	¥	36,446
Gains (losses)		(6,739)		5,626
Purchases		24,147		36,247
Sales		(5,631)		(3,058)
Transfers into Level 3		-		-
Transfers out of Level 3		-		(10,221)
Others (Note1)		7,008		2,527
Balance at end of year	¥	86,352	¥	67,567
Net change in unrealized gains (losses) still held at end of year	¥	(6,666)	¥	(4,086)

Note 1: "Others" includes the effect of changes in foreign exchange rates (including in the foreign currency translation adjustments) and in scope of consolidation.

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

The reconciliation of financial assets measured at FVTOCI for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	2017		2016	
Balance at beginning of year	¥	561,011	¥	850,880
Other comprehensive income (Note 1)		104,125		(256,311)
Purchases		22,943		22,149
Sales		(19,363)		(12,692)
Transfers into Level 3		-		-
Transfers out of Level 3		-		-
Others (Note 2)		(22,682)		(43,015)
Balance at end of year	¥	646,034	¥	561,011

Note 1: For "Other comprehensive income" for the years ended March 31, 2016, fair value in investments in LNG projects declined reflecting the drop in oil prices. For "Other comprehensive income" for the years ended March 31, 2017, fair value in investments in LNG projects increased reflecting the costs reduction and updates in the discount rate.

Note 2: "Others" includes the effect of changes in foreign exchange rates (including in the foreign currency translation adjustments) and in scope of consolidation.

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

Quantitative information about Level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of March 31, 2017 and 2016 were as follows:

March 31, 2017	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6%~14.3%

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

Information about sensitivity to changes in significant unobservable inputs

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

24. CONTINGENT LIABILITIES

Ⅰ. GUARANTEES

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

The table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of March 31, 2017 and 2016. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.
The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at March 31, 2017.

	Millions of Yen			
	Maximum potential amount of future payments	**Amount outstanding (a)**	**Recourse provisions/ Collateral (b)**	**Net amount outstanding (a)-(b)**
March 31, 2017				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties……	¥ 113,305	¥ 66,313	¥ 5,966	¥ 60,347
Guarantees for the investments accounted for using the equity method……	825,871	557,606	128,966	428,640
Performance guarantees				
Guarantees for third parties……	57,308	45,702	4,836	40,866
Guarantees for the investments accounted for using the equity method……	36,171	31,361	3,866	27,495
Total……	¥ 1,032,655	¥ 700,982	¥ 143,634	¥ 557,348

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

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of March 31, 2017 and 2016 will expire through 2022 and 2033, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of March 31, 2017 and 2016 will expire through 2025 and 2019, respectively.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of March 31, 2017 and 2016.

	Millions of Yen			
	2017		2016	
Within 1 year	¥	433,318	¥	294,292
After 1 to 5 years		357,070		481,755
After 5 years		242,267		255,733
Total	¥	1,032,655	¥	1,031,780

Ⅱ. LITIGATION

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

25. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the consolidated statements of cash flows for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	2016
Non-cash investing and financing activities:		
Investment in kind to equity accounted investees	-	11,354
Acquisition of assets related to finance leases	4,333	29,458
Acquisitions of subsidiaries or other businesses (Note 3):		
The total consideration paid	-	46,723
The portion of the consideration consisting of cash and cash equivalents	-	45,851
Cash and cash equivalents in the subsidiaries or other businesses acquired	-	-
Total assets in the subsidiaries or other businesses acquired (including cash and cash equivalents)	-	48,856
Total liabilities in the subsidiaries or other businesses acquired	-	2,133

26. SUBSEQUENT EVENTS

Dividend

On June 21, 2017, the shareholders approved the payment of a cash dividend to shareholders as of March 31, 2017 of ¥30 per share or a total of ¥52,922 million at the Company's Ordinary General Meeting of Shareholders.

27.AUTHORIZATION OF THE ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the consolidated financial statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Keigo Matsubara, Representative Director, Senior Executive Managing Officer and CFO, on June 21, 2017.

2. Others

Quarterly data for the year ended March 31, 2017

	Millions of Yen, Except Amounts per Share			
	Year ended March 31, 2017	**Nine-month period ended December 31, 2016**	**Six-month period ended September 30, 2016**	**Three-month period ended June 30, 2016**
Revenue..	¥4,363,969	¥3,175,776	¥2,032,136	¥1,019,971
Profit before Income Taxes..	460,791	341,706	186,022	85,714
Profit for the Period (Year) Attributable to Owners of the Parent..	306,136	230,333	121,977	61,145
Basic Earnings per Share Attributable to Owners of the Parent (Yen).....................................	¥171.20	¥128.50	¥68.05	¥34.11

	Three-month period ended March 31, 2017	**Three-month period ended December 31, 2016**	**Three-month period ended September 30, 2016**	**Three-month period ended June 30, 2016**
Basic Earnings per Share Attributable to Owners of the Parent (Yen).....................................	¥42.70	¥60.45	¥33.94	¥34.11

Significant litigation

See Note 24, "CONTINGENT LIABILITIES."

6. Outline Regarding the Administration of Mitsui's Stock

Fiscal Year	From April 1 to March 31
Ordinary general meeting of shareholders	During June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares in one trading unit	100 shares
Buyback and increase in holdings of shares less than one unit	
Place of handling	(Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Dept. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	------
Fees for buyback and increase in holdings	Amount equivalent to fees for entrusting sale or purchase of stock
Method of giving public notice	Mitsui carries out its public notifications by means of electronic public notice. http://www.mitsui.com/jp/ja/koukoku/ However, in the event of an accident which makes electronic notice not possible, or the occurrence of similar circumstances which cannot be controlled, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper).
Shareholder privileges	Not applicable

(Note) Public notice of book closing is not included in the public notices shown in "Method of giving public notice."

7. Reference Information on Mitsui

1. Information on the Parent Company

Mitsui does not have a parent company.

2. Other Reference Information

Mitsui filed the following reports, originally written in Japanese, between the beginning of the fiscal year ended March 31, 2017 and the issuance date (June 21, 2017) of the original Japanese version of this Annual Securities Report.

(1) Annual Securities Report

Fiscal year (the 97th) From April 1, 2015 to March 31, 2016 Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 21, 2016

(2) Related to Quarterly Securities Reports

Quarterly Securities Reports and Confirmation Notes

(The 1st quarter of 98th period) (From April 1, 2016 to June 30, 2016) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on August 12, 2016

(The 2nd quarter of 98th period) (From July 1, 2016 to September 30, 2016) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on November 11, 2016

(The 3rd quarter of 98th period) (From October 1, 2016 to December 31, 2016) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on February 13, 2017

(3) Internal Control Report

Fiscal Year (the 97th) (From April 1, 2015 to March 31, 2016) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 21, 2016

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 22, 2016
Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (resolutions of matters resolved at the General Meeting of Shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on August 3, 2016
Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (transfer of specified subsidiary), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on March 23, 2017
Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9 (change in Representative Directors), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on May 9, 2017
Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 3 (transfer of specified subsidiary), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Shelf Registration Statement (corporate bonds)

1) Shelf Registration Statement and Attached Documents

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on August 17, 2016

2) Amended Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on March 23, 2017
Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on May 9, 2017

(6) Related to Share Buyback Report

1) Share Buyback Report

(From February 1, 2017 to February 28, 2017) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 14, 2017

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha):

We have audited the accompanying consolidated financial statements of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and its consolidated subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (all expressed in Japanese yen), and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui & Co., Ltd. and its consolidated subsidiaries as of March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Securities Report as information for readers.

Deloitte Touche Tohmatsu LLC

June 21, 2017

Management's Annual Report on Internal Control over Financial Reporting (Translation)

NOTE TO READERS

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Tatsuo Yasunaga, Representative Director, President and CEO, and Keigo Matsubara, Representative Director, Senior Executive Managing Officer and CFO, are responsible for designing and operating effective internal control over financial reporting of Mitsui & Co., Ltd. ("the Company"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting(Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of March 31, 2017. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of its internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliated companies. We did not include those consolidated subsidiaries and equity-method affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total asset (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany accounts) for the prior fiscal year, and those business units whose combined amount of total assets reaches approximately 70% of total assets on a consolidated basis and those business units whose combined amount of income before income taxes reaches approximately 70% of consolidated income before income taxes on a consolidated basis were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, (1) those business processes leading to sales or revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of us, and (2) those business processes leading to other quantitatively material accounts. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (1) those business processes relating to greater likelihood of material misstatements and significant account involving estimates and the management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Relating to the Results of the Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2017.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.

Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:
Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

(filed under the Financial Instruments and Exchange Act of Japan)

June 21, 2017

To the Board of Directors of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha):

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant:	Yoshio Sato
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant:	Takashi Kitamura
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant:	Michiyuki Yamamoto
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant:	Takenao Ohashi

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2017 of Mitsui & Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2016 to March 31, 2017, including notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2017.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2017 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.