

**Quarterly Securities Report**  
**for the Six-Month Period Ended September 30, 2018**

English translation of certain items disclosed in the Quarterly Securities Report for the six-month period ended September 30, 2018, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 9, 2018.

**Mitsui & Co., Ltd.**

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

## 1. Overview of Mitsui and Its Subsidiaries

### 1. Selected Financial Data

As of or for the periods ended September 30, 2018 and 2017 and as of or for the year ended March 31, 2018

	In millions of Yen, except amounts per share and other				
	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017	As of or for the year ended March 31, 2018
<b>Consolidated financial data</b>					
Revenue	¥ 3,213,342	¥ 2,394,033	¥ 1,657,143	¥ 1,212,373	¥ 4,892,149
Gross profit	¥ 423,715	¥ 403,941	¥ 205,266	¥ 204,549	¥ 790,705
Profit for the period attributable to owners of the parent	¥ 222,870	¥ 238,307	¥ 104,456	¥ 127,551	¥ 418,479
Comprehensive income for the period attributable to owners of the parent	¥ 377,809	¥ 286,566	¥ 223,388	¥ 169,169	¥ 416,113
Total equity attributable to owners of the parent	¥ -	¥ -	¥ 4,280,098	¥ 3,965,707	¥ 3,974,715
Total assets	¥ -	¥ -	¥ 11,847,422	¥ 11,493,702	¥ 11,306,660
Basic earnings per share attributable to owners of the parent (Yen)	¥ 128.24	¥ 135.10	¥ 60.10	¥ 72.31	¥ 237.67
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 128.14	¥ 135.01	¥ 60.06	¥ 72.26	¥ 237.50
Equity attributable to owners of the parent ratio	-	-	36.13%	34.50%	35.15%
Cash flows from operating activities	¥ 161,657	¥ 161,529	¥ -	¥ -	¥ 553,645
Cash flows from investing activities	¥ (262,190)	¥ (104,793)	¥ -	¥ -	¥ (248,211)
Cash flows from financing activities	¥ (53,054)	¥ (412,683)	¥ -	¥ -	¥ (652,292)
Cash and cash equivalents at end of period	¥ -	¥ -	¥ 996,094	¥ 1,160,130	¥ 1,131,380

(Notes) 1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS).

2. Revenue does not include consumption taxes.

## 2. Business Overview

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

There has been no significant change in our business for the six-month period ended September 30, 2018.

## **2. Operating and Financial Review and Prospects**

### 1. Risk Factors

For the six-month period ended September 30, 2018, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2018.

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

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

Forward-looking statements were made as of September 30, 2018, unless otherwise indicated.

### **(1) Operating Environment**

In the six-month period ended September 30, 2018, the global economy remained on solid footing, led particularly by the developed countries.

In the U.S., consumer spending continues to be resilient, supported by a favorable environment for employment and employee income, and tax reform is expected to drive capital investment. As such, economic recovery is expected to continue for the time being. Meanwhile in Europe, corporate business confidence has plateaued and weakening growth is expected in the future.

In Japan, although the damage from successive natural disasters this summer affected results, the country is expected to gradually return to a recovery track owing to a boost in consumer spending from the improved employment environment and because of increases in investment related to the Olympic and Paralympic Games and capital investment focused on labor-saving initiatives. As for emerging countries, concerns are emerging that China's economy is stagnating due to excess capacity and adjustments of debts and the impact of the trade friction between the U.S. and China, despite an expected boost to the economy from government measures. Brazil's economy is once again picking up now that the effect of the truck drivers' strike has run its course, and in Russia, a recovery in exports has stopped its economy's downward slide.

The global economy is expected to follow a trend of gentle recovery going forward. However, a careful watch is needed on a range of circumstances, including the future prospects for the European and U.S. economies, which have shown signs of maturity in some parts, the impact of the Federal Reserve Board's monetary tightening on the economies of emerging countries, and the growing intensity of trade friction as a result of U.S. trade policy.

## (2) Results of Operations

### 1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Period	Previous Period	Change
Revenue		3,213.3	2,394.0	+819.3
Gross profit		423.7	403.9	+19.8
Selling, general and administrative expenses		(274.4)	(271.6)	(2.8)
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments—Net	1.2	59.0	(57.8)
	Impairment Reversal (Loss) of Fixed Assets—Net	(1.4)	(8.7)	+7.3
	Gain (Loss) on Disposal or Sales of Fixed Assets—Net	5.3	11.9	(6.6)
	Other Income (Expense)—Net	(5.3)	8.3	(13.6)
	Provision Related to Multigrain Business	11.1	(31.5)	+42.6
Finance Income (Costs)	Interest Income	21.7	15.0	+6.7
	Dividend Income	49.1	31.9	+17.2
	Interest Expense	(39.6)	(33.4)	(6.2)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		124.7	127.2	(2.5)
Income Taxes		(80.5)	(63.3)	(17.2)
Profit for the Period		235.6	248.7	(13.1)
Profit for the Period Attributable to Owners of the Parent		222.9	238.3	(15.4)

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

### Revenue

Revenue for the six-month period ended September 30, 2018 (“current period”) was ¥3,213.3 billion, an increase of ¥819.3 billion (including ¥866.5 billion due to the adoption of the new accounting treatment) from the corresponding six-month period of the previous year (“previous period”).

### Gross Profit

Mainly the Energy Segment and the Innovation & Corporate Development Segment reported an increase, while the Mineral & Metal Resources Segment and the Iron & Steel Products Segment recorded a decline.

### Other Income (Expenses)

#### *Gain (Loss) on Securities and Other Investments—Net*

For the previous period, a gain on securities was recorded in the Mineral & Metal Resources Segment.

#### *Impairment Reversal (Loss) of Fixed Assets—Net*

For the previous period, an impairment loss on fixed assets was recorded in the Lifestyle Segment.

#### *Gain (Loss) on Disposal or Sales of Fixed Assets—Net*

For the current period, a gain on disposal of fixed assets was recorded in the Iron & Steel Products Segment. For the previous period, a gain on disposal of fixed assets was recorded in the Lifestyle Segment and the Innovation & Corporate Development Segment.

#### *Provision Related to Multigrain Business*

The Lifestyle Segment recorded a provision due to the deterioration of the business environment in the previous period, while it recorded a gain on the partial reversal of the provision in the current period.

#### **Finance Income (Costs)**

##### *Dividend Income*

Mainly the Mineral & Metal Resources Segment and the Energy Segment recorded an increase.

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

Mainly the Machinery & Infrastructure Segment and the Mineral & Metal Resources Segment recorded a decline, while the Energy Segment and the Iron & Steel Products Segment recorded an increase.

#### **Income Taxes**

Income taxes for the current period increased, reflecting, for the previous period, the decrease in income taxes that occurred as a result of deferred tax liability on the retained earnings of Valepar S.A. through the incorporation of Valepar S.A. by Vale S.A, which had been partially offset by the reversal of deferred tax assets on accumulated losses of equity accounted investees and on Multigrain Trading AG.

The effective tax rate for the current period was 25.5%, an increase of 5.2% from 20.3% for the previous period, mainly resulting from the aforementioned reversal of deferred taxes in the previous period.

#### **Profit for the Period Attributable to Owners of the Parent**

Profit for the period attributable to owners of the parent was ¥222.9 billion, a decline of ¥15.4 billion from the previous period.

## 2) Operating Results by Operating Segment

### *Iron & Steel Products Segment*

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	7.9	11.1	(3.2)
Gross profit	13.8	24.8	(11.0)
Profit (loss) of equity method investments	11.5	7.5	+4.0
Dividend income	1.1	1.3	(0.2)
Selling, general and administrative expenses	(15.0)	(17.8)	+2.8
Others	(3.5)	(4.7)	+1.2

- Gross profit declined mainly due to the following factors:
  - ▷ Mitsui & Co. Steel Ltd. reported a decline of ¥3.6 billion mainly due to transferring a part of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.
  - ▷ A decline in gross profit was recorded due to a sale of Champions Cinco Pipe & Supply in the previous year and a reversal effect of realization of pipe line project in the previous period.
- Profit (loss) of equity method investments increased mainly due to the following factor:
  - ▷ For the current period, following the classification of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION as an equity method investee, a profit of equity method investment was recorded.
- In addition to the above, the following factor also affected results:
  - ▷ For the current period, a one-time gain of ¥5.9 billion was recorded due to the sale of land of an affiliated company.

### *Mineral & Metal Resources Segment*

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	89.1	186.7	(97.6)
Gross profit	90.6	115.7	(25.1)
Profit (loss) of equity method investments	29.7	34.2	(4.5)
Dividend income	14.9	3.9	+11.0
Selling, general and administrative expenses	(16.6)	(16.6)	0.0
Others	(29.5)	49.5	(79.0)

- Gross profit declined mainly due to the following factors:
  - ▷ Iron ore mining operations in Australia reported a decline of ¥17.9 billion due to lower iron ore sales prices as well as the change in the mining operation controlled by joint ventures.
  - ▷ Coal mining operations in Australia reported a decline of ¥8.3 billion due to higher operational costs caused by the change in mining plans.
- Profit (loss) of equity method investments declined mainly due to the following factors:
  - ▷ Valepar S.A. declined by ¥9.4 billion due to the deconsolidation following the incorporation by Vale S.A. in the three month period ended September 30, 2017.

- ▷ An improvement of ¥3.1 billion was recorded for SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine, reflecting an impairment loss for the previous year.
- Dividend from Vale S.A. was ¥12.6 billion, an increase of ¥12.6 billion from the previous period.
- In addition to the above, the following factor also affected results:
  - ▷ For the previous period, following the incorporation of Valepar S.A. by Vale S.A., the Mineral & Metal Resources Business Unit reported a gain on securities of ¥56.3 billion and the reversal of deferred tax liability of ¥35.2 billion for the retained earnings of Valepar S.A.

### ***Machinery & Infrastructure Segment***

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	37.1	47.0	(9.9)
Gross profit	62.6	60.3	+2.3
Profit (loss) of equity method investments	43.6	56.1	(12.5)
Dividend income	3.0	2.2	+0.8
Selling, general and administrative expenses	(62.6)	(60.7)	(1.9)
Others	(9.5)	(10.9)	+1.4

- Profit (loss) of equity method investments declined mainly due to the following factors:
  - ▷ IPP business recorded a decline of ¥15.5 billion.
    - ◇ For the previous period, a ¥18.9 billion gain on the sales of the interest in a UK power asset was recorded.
    - ◇ For the previous period, a ¥3.9 billion gain was recorded because the IPP business in Indonesia was refinanced.
    - ◇ For the current period, deferred tax assets were recorded at an equity accounted investee due to the change of the investment structure in the IPP business.
    - ◇ Mark-to-market valuation losses, such as those on long-term derivative contracts, were improved by ¥1.6 billion to ¥0.1 billion loss from a ¥1.7 billion loss for the previous period.
- In addition to the above, the following factors also affected results:
  - ▷ For the current period, deferred tax assets were recorded at a holding company due to the change of the investment structure in the IPP business.
  - ▷ For the previous period, a ¥4.1 billion loss was recorded due to the refinancing of the IPP business in Indonesia.

### ***Chemicals Segment***

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	16.4	12.9	+3.5
Gross profit	72.0	68.3	+3.7
Profit (loss) of equity method investments	7.5	4.4	+3.1
Dividend income	1.7	1.2	+0.5
Selling, general and administrative expenses	(50.2)	(48.7)	(1.5)
Others	(14.6)	(12.3)	(2.3)

- Gross profit increased mainly due to the following factor:
  - ▷ MMTX Inc. reported an increase of ¥4.5 billion mainly due to higher methanol prices.

### **Energy Segment**

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	36.6	23.1	+13.5
Gross profit	71.1	45.3	+25.8
Profit (loss) of equity method investments	16.0	9.2	+6.8
Dividend income	23.0	17.7	+5.3
Selling, general and administrative expenses	(23.8)	(21.6)	(2.2)
Others	(49.7)	(27.5)	(22.2)

- Gross profit increased mainly due to the following factors:
  - ▷ Mitsui Oil Exploration Co., Ltd. recorded an increase of ¥17.1 billion mainly due to higher crude oil and gas prices and a decrease in costs.
  - ▷ Mitsui & Co. Energy Trading Singapore reported an increase of ¥3.8 billion mainly due to good performance in the oil trading business.
- Profit of equity method investment increased mainly due to the following factor:
  - ▷ Japan Australia LNG (MIMI) Pty. Ltd. reported an increase due to higher crude oil and gas prices.
- Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥22.5 billion in total, an increase of ¥5.6 billion from the previous period.
- In addition to the above, the following factor also affected results:
  - ▷ For the current period, exploration expenses of ¥2.0 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous period, exploration expenses of ¥3.9 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd.

### **Lifestyle Segment**

(Billions of Yen)	Current Period	Previous Period	Change
Profit (loss) for the period attributable to owners of the parent	19.5	(36.9)	+56.4
Gross profit	76.3	68.5	+7.8
Profit (loss) of equity method investments	13.0	11.9	+1.1
Dividend income	2.2	2.5	(0.3)
Selling, general and administrative expenses	(74.8)	(75.6)	+0.8
Others	2.8	(44.2)	+47.0

- Gross profit increased mainly due to the following factors:
  - ▷ Multigrain Trading AG reported an increase of ¥3.4 billion mainly due to the reversal effect of the poor performance for the previous period.
- In addition to the above, the following factors also affected results:

- ▷ Multigrain Trading AG recorded provision of ¥33.7 billion due to the deterioration of the business environment for the previous period, while it recorded a gain of ¥11.6 billion on reversal of the provision for the current period.
- ▷ For the previous period, Multigrain Trading AG recorded the tax expenses of ¥8.6 billion mainly resulting from the reversal of deferred tax assets.
- ▷ For the previous period, XINGU AGRI AG recorded an impairment loss on fixed assets of ¥5.8 billion due to a decline in the value of land.
- ▷ For the previous period, Mitsui & Co. Real Estate Ltd. recorded a gain on the sales of buildings in Japan.

***Innovation & Corporate Development Segment***

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	9.9	1.6	+8.3
Gross profit	36.4	19.8	+16.6
Profit (loss) of equity method investments	4.6	4.1	+0.5
Dividend income	2.5	2.4	+0.1
Selling, general and administrative expenses	(26.2)	(26.0)	(0.2)
Others	(7.4)	1.3	(8.7)

- Gross profit increased mainly due to the following factors:
  - ▷ For the previous period, a ¥6.5 billion loss was recorded due to the valuation losses of fair value on shares of the high speed mobile data network operator in developing countries.
  - ▷ For the current period, a ¥4.1 billion gain was recorded due to the valuation and sales of shares in Mercari, Inc.
- In addition to the above, the following factor also affected results:
  - ▷ For the previous period, a gain on the sales of warehouses in Japan was recorded.

### (3) Financial Condition and Cash Flows

#### 1) Financial Condition

(Billions of yen)	September 30, 2018	March 31, 2018	Change
Total Assets	11,847.4	11,306.7	+540.7
Current Assets	4,102.3	4,226.2	(123.9)
Non-current Assets	7,745.1	7,080.5	+664.6
Current Liabilities	2,739.5	2,698.8	+40.7
Non-current Liabilities	4,565.2	4,389.8	+175.4
<i>Net Interest-bearing Debt</i>	3,372.3	3,089.2	+283.1
Total Equity Attributable to Owners of the Parent	4,280.1	3,974.7	+305.4
Net Debt-to-Equity Ratio (times) (*)	0.79	0.78	0.01

(\*) 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

#### Assets

##### Current Assets:

- Cash and cash equivalents declined by ¥135.3 billion.
- Inventories increased by ¥76.7 billion, mainly because trading volume increased in the Machinery & Infrastructure Segment, the Innovation & Corporate Development Segment, and the Chemical Segment.
- Advance payments to suppliers declined by ¥41.8 billion, mainly due to netting against advances from customers.
- Assets held for sale, which were expected to be transferred from Mitsui and Mitsui & Co. Steel Ltd. to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and presented as a single line item as of March 31, 2018, declined by ¥108.9 billion due to completing the transfer in this period.

##### Non-current Assets:

- Investments accounted for using the equity method increased by ¥219.9 billion, mainly due to the following factors:
  - ▷ An increase of ¥47.1 billion resulting from foreign currency exchange fluctuations;
  - ▷ An increase of ¥38.0 billion due to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and reclassification to investments accounted for using the equity method corresponding to the additional acquisition;
  - ▷ An increase of ¥21.9 billion due to an investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa;

- ▷ An increase due to an investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);
- ▷ An increase due to an investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
- ▷ An increase of ¥10.1 billion due to an additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company for Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia; and
- ▷ An increase of ¥124.8 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥109.7 billion due to dividends received from equity accounted investees.
- Other investments increased by ¥181.4 billion, mainly due to the following factors:
  - ▷ Fair value on financial assets measured at FVTOCI increased by ¥174.4 billion mainly due to higher share prices;
  - ▷ An increase of ¥30.6 billion resulting from foreign currency exchange fluctuations;
  - ▷ An increase of ¥11.8 billion due to an investment in FKS Food & Agri Pte Ltd, which is an integrated food enterprise that operates in Southeast Asia;
  - ▷ A decline of ¥29.9 billion due to reclassification to investments accounted for using the equity method corresponding to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION; and
  - ▷ A decline of ¥12.0 billion due to a sale of shares in Synlait Milk, which is a dairy production and sales company.
- Trade and other receivables (Non-Current) increased by ¥51.0 billion, mainly due to an increase of ¥16.7 billion in the execution of loans to the IPP project in Morocco.
- Property, plant and equipment increased by ¥197.3 billion, mainly due to the following factors:
  - ▷ An increase of ¥97.9 billion (including the consolidation of AWE Limited, oil and gas company in Australia, of ¥57.2 billion and foreign exchange translation profit of ¥19.7 billion) at oil and gas operations other than U.S. shale gas and oil producing operations;
  - ▷ An increase of ¥42.8 billion (including foreign exchange translation profit of ¥1.9 billion) at real estate business in the U.S.; and
  - ▷ An increase of ¥11.8 billion (including foreign exchange translation profit of ¥6.0 billion) at the tank operation in the U.S.
- Investment property increased by ¥16.0 billion, mainly due to an increase of ¥10.8 billion for the redevelopment project and construction of a multipurpose building at Mitsui & Co., Real Estate Ltd.

## Liabilities

### Current Liabilities:

- Short-term debt increased by ¥32.9 billion. Furthermore, the current portion of long-term debt increased by ¥32.0 billion, mainly due to reclassification to current maturities, despite repayment of debt.
- Advances from customers declined by ¥45.6 billion, corresponding to netting against advance payments to suppliers.
- Liabilities directly associated with assets held for sale, which were expected to be transferred from Mitsui and Mitsui & Co. Steel Ltd. to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and presented as a single line item as of March 31, 2018, declined by ¥40.3 billion due to completing the transfer in the current period.

### Non-current Liabilities:

- Long-term debt, less the current portion, increased by ¥89.0 billion.
- Provisions (Non-Current) increased by ¥16.7 billion, mainly due to the following factors:

- ▷ An increase of ¥13.6 billion due to the transfer from other account items as a result of changing the consolidation accounting treatment accompanying the restructuring in the IPP business;
- ▷ An increase due to the consolidation of AWE Limited, an oil and gas company in Australia; and
- ▷ A decline due to the recognition of a reversal of a provision related to the Multigrain business.
- Deferred tax liabilities increased by ¥77.4 billion, mainly due to the increase in financial assets measured at FVTOCI corresponding to higher share prices.

#### Total Equity Attributable to Owners of the Parent

- Retained earnings increased by ¥64.6 billion.
- Other components of equity increased by ¥143.4 billion, mainly due to the following factors:
  - ▷ Financial assets measured at FVTOCI increased by ¥107.2 billion, mainly due to higher share prices; and
  - ▷ Foreign currency translation adjustments increased by ¥24.4 billion, mainly reflecting the appreciation of the U.S. dollar against the Japanese yen, despite the depreciation of the Brazilian real.
- Treasury stock which is a subtraction item in shareholders' equity declined by ¥96.7 billion, due to the cancellation of treasury stock.

#### 2) Cash Flows

(Billions of yen)	Current Period	Previous Period	Change
Cash flows from operating activities	161.7	161.5	+0.2
Cash flows from investing activities	(262.2)	(104.8)	(157.4)
Free cash flow	(100.5)	56.7	(157.2)
Cash flows from financing activities	(53.1)	(412.7)	+359.6
Effect of exchange rate changes on cash and cash equivalents etc.	18.3	12.3	+6.0
Change in cash and cash equivalents	(135.3)	(343.7)	+208.4

#### *Cash Flows from Operating Activities*

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	161.7	161.5	+0.2
Cash flows from change in working capital	b	(154.7)	(143.1)	(11.6)
Core operating cash flow	a-b	316.4	304.6	+11.8

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥154.7 billion of net cash outflow. 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 period amounted to ¥316.4 billion.
  - ▷ Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥164.5 billion, an increase of ¥29.9 billion from ¥134.6 billion for the previous period.
  - ▷ Depreciation and amortization for the current period was ¥87.8 billion, a decline of ¥9.4 billion from ¥97.2 billion for the previous period.

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

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	(2.4)	7.6	(10.0)
Mineral & Metal Resources	94.6	113.0	(18.4)
Machinery & Infrastructure	31.4	47.4	(16.0)
Chemicals	30.0	25.4	+4.6
Energy	108.0	81.4	+26.6
Lifestyle	13.6	4.5	+9.1
Innovation & Corporate Development	10.5	(6.4)	+16.9
All Other and Adjustments and Eliminations	30.7	31.7	(1.0)
Consolidated Total	316.4	304.6	+11.8

#### ***Cash Flows from Investing Activities***

- Net cash outflows that corresponded to investments in equity accounted investees (net of sales of investments in equity accounted investees) were ¥86.9 billion, mainly due to the following factors:
  - ▷ An investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa, for ¥21.9 billion;
  - ▷ An investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);
  - ▷ An investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
  - ▷ An additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company of Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia, for ¥10.1 billion; and
  - ▷ A sale of shares in Medica Asia (Holdco) Limited, the holding company of the MIMS Group which provides drug information to healthcare professionals in the Asia-Oceania region, for ¥11.5 billion.
- Net cash inflows that corresponded to other investments (net of sales and maturities of other investments) were ¥13.3 billion, mainly due to the following factors:
  - ▷ A transfer of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION for ¥64.4 billion;
  - ▷ A sale of shares in Synlait Milk which is a dairy production and sales company for ¥12.0 billion;
  - ▷ An acquisition of an oil and gas business in Australia for ¥48.2 billion; and
  - ▷ An investment in FKS Food & Agri Pte Ltd which is an integrated food enterprise that operates in Southeast Asia, for ¥11.8 billion.
- Net cash outflows that corresponded to increase in loan receivables (net of collections of loan receivables) were ¥23.6 billion, mainly due to the execution of loans to the IPP project in Morocco for ¥16.7 billion.
- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥147.4 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 ¥53.6 billion
  - ▷ An expenditure for the real estate business in the U.S. for a total of ¥41.4 billion; and
  - ▷ An expenditure for iron ore mining operations in Australia for ¥10.6 billion.

### ***Cash Flows from Financing Activities***

- Net cash inflows from net change in short-term debt were ¥16.7 billion and net cash inflows from net change in long-term debt were ¥0.9 billion.
- The cash outflow from payments of cash dividends was ¥69.5 billion.

### **(4) Management Issues**

#### 1) Result (\*) and Forecast for Investment and Loan Plan

We implemented investments and loans of approximately ¥250.0 billion for core areas (including the overlap with growth areas of ¥30.0 billion) and approximately ¥130.0 billion for growth areas (including the overlap with core areas of ¥30.0 billion). In addition, we made investment and loans of approximately ¥40.0 billion for other areas. The resulting sum of investments and loans for the current period was approximately ¥390.0 billion. On the other hand, we collected approximately ¥130.0 billion through disposal of assets and investments.

To realize “stronger focus on cash flow management; strengthen financial base,” which is one of the key initiatives of the Medium-term Management Plan, we will achieve positive free cash flow after shareholder returns during the Medium-term Management Plan by maintaining strict investment discipline based on our cash flow management policies.

\* Excludes changes in time deposits and cash flows of some lease transactions, which had previously been recorded as working capital.

2) Forecasts for the Year Ending March 31, 2019

i) Revised forecasts for the year ending March 31, 2019

<Assumption>	<u>1st Half</u> <u>(Actual)</u>	<u>Revised</u> <u>Forecast</u>	<u>Revised</u> <u>Forecast</u>	<u>Original</u> <u>Forecast</u>
Exchange rate (JPY/USD)	110.71	110	110.35	110
Crude oil (JCC)	\$74/bbl	\$69/bbl	\$71/bbl	\$59/bbl
Consolidated oil price	\$67/bbl	\$72/bbl	\$70/bbl	\$61/bbl

(Billions of yen)

	March 31, 2019 Revised forecast	March 31, 2019 Original forecast	Change	Description
Gross profit	850.0	830.0	20.0	Higher crude oil and gas prices
Selling, general and administrative expenses	(560.0)	(560.0)	0.0	Reversal of Multigrain provision
Gain on investments, fixed assets and other	10.0	0.0	10.0	
Interest expenses	(40.0)	(40.0)	0.0	
Dividend income	110.0	100.0	10.0	
Profit (loss) of equity method investments	260.0	260.0	0.0	
Profit before income taxes	630.0	590.0	40.0	
Income taxes	(160.0)	(150.0)	(10.0)	
Non-controlling Interests	(20.0)	(20.0)	0.0	
Profit for the year attributable to owners of the parent	450.0	420.0	30.0	
Depreciation and amortization	180.0	200.0	(20.0)	Decline in energy related depreciation
Core operating cash flow	600.0	570.0	30.0	Higher crude oil and gas prices

We assume foreign exchange rates for the six-month period ending March 31, 2019 (2nd half) will be ¥110/US\$, ¥80/AU\$ and ¥30/BRL, while average foreign exchange rates for the six-month period ended September 30, 2018 (1st half) were ¥110.71/US\$, ¥81.79/AU\$ and ¥29.02/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2019 will be US\$70/barrel, up US\$9 from the original assumption, based on the assumption that the crude oil price (JCC) will average US\$69/barrel throughout the six-month period ending March 31, 2019.

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

(Billions of Yen)	Year ending March 31, 2019 Revised Forecast	Year ending March 31, 2019 Original Forecast	Change	Description
Iron & Steel Products	15.0	15.0	0.0	
Mineral & Metal Resources	175.0	175.0	0.0	
Machinery & Infrastructure	75.0	85.0	(10.0)	Decline in rail and automobile business performance
Chemicals	40.0	40.0	0.0	
Energy	90.0	65.0	+25.0	Higher crude oil and gas prices, decline in costs
Lifestyle	35.0	25.0	+10.0	Reversal of Multigrain provision
Innovation & Corporate Development	20.0	15.0	+5.0	Increase in FVTPL profits
All Other and Adjustments and Eliminations	0	0.0	0.0	
Consolidated Total	450.0	420.0	+30.0	

The revised forecast for core operating cash flow by operating segment compared to the original forecast is as follows:

(Billions of Yen)	Year ending March 31, 2019 Revised Forecast	Year ending March 31, 2019 Original Forecast	Change	Description
Iron & Steel Products	10.0	10.0	0.0	
Mineral & Metal Resources	200.0	200.0	0.0	
Machinery & Infrastructure	75.0	85.0	(10.0)	Delay in infrastructure projects
Chemicals	60.0	55.0	+5.0	Increase in equity method investees dividends
Energy	200.0	180.0	+20.0	Higher crude oil and gas prices
Lifestyle	25.0	15.0	+10.0	Decline in Multigrain expenses, good performance of Xingu
Innovation & Corporate Development	20.0	15.0	+5.0	Increase in FVTPL profits
All Other and Adjustments and Eliminations	10.0	10.0	0.0	
Consolidated Total	600.0	570.0	+30.0	

ii) Key commodity prices and other parameters for the year ending March 31, 2019

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2019. 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, 2019 (Announced in May 2018)			Original Forecast (Announced in May 2018)	March 2019		Revised Forecast (Announced in October 2018)
				1 <sup>st</sup> Half (Result)	2 <sup>nd</sup> Half (Assumption)	
Commodity	Crude Oil/JCC		59	74	69	71
	Consolidated Oil Price(*1)	¥ 2.9 bn (US\$1/bbl)	61	67	72	70
	U.S. Natural Gas(*2)	¥ 0.5 bn (US\$0.1/mmBtu)	3.00	2.84(*3)	2.93(*4)	2.88
	Iron Ore	¥ 2.3 bn (US\$1/ton)	(*5)	66.0(*6)	(*5)	(*5)
	Copper	¥ 1.0 bn (US\$100/ton)	7,000	6,916(*7)	6,500	6,708
Forex (*8)	USD	¥ 2.6 bn (¥1/USD)	110	110.71	110	110.35
	AUD	¥ 1.7 bn (¥1/AUD)	85	81.79	80	80.90
	BRL	¥ 0.7 bn (¥1/BRL)	33	29.02	30	29.51

(\*1) The oil price trend is reflected in profit (loss) for the year attributable to owners of the parent with a 0-6 month time lag. For the year ending March 31, 2019, 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, 51%; 1-3 month time lag, 40%; no time lag, 9%. The above sensitivities show impact on annual figures resulting from changes in consolidated oil price.

(\*2) US natural 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 price.

(\*3) Daily average of settlement price for prompt month Henry Hub Natural Gas Futures contracts reported by NYMEX during January to June 2018.

(\*4) For natural gas sold in the US on HH linked prices, the assumed price used is US\$2.93/mmBtu.

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

(\*6) Daily average of representative reference prices (Fine, Fe 62% CFR North China) during April to September 2018.

(\*7) Average of LME cash settlement price during January to June 2018

(\*8) Impact of currency fluctuation on profit (loss) 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.

### iii) Profit Distribution 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.

For the period of the Medium-term Management Plan, we have established a target minimum annual dividend amount of ¥100 billion, based on our assessment of achievable stable core operating cash flow, with the aim of ensuring a certain level of return to shareholders regardless of changes in the external environment. While our principal intention 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.

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, for six-month period ended September 30, 2018, we have decided to pay an interim dividend of ¥40 per share, a ¥10 increase from the corresponding six-month period of the previous year. For the year ending March 31, 2019, we currently envisage an annual dividend of ¥80 per share (including the interim dividend of ¥40 per share), a ¥10 increase from the year ended March 31, 2018.

## **(5) Research & Development**

There are no contracts for which disclosure is required.

### 3. Material Contracts

There are no contracts for which disclosure is required.

### 3. Condensed Consolidated Financial Statements

**Condensed Consolidated Statements of Financial Position**  
**Mitsui & Co., Ltd. and subsidiaries**  
**September 30, 2018 and March 31, 2018**

	Millions of Yen	
	September 30, 2018	March 31, 2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents .....	¥ 996,094	¥ 1,131,380
Trade and other receivables .....	1,783,079	1,766,017
Other financial assets (Note 13) .....	308,836	243,915
Inventories (Note 13) .....	627,409	550,699
Advance payments to suppliers .....	265,539	307,339
Assets held for sale (Note 4) .....	-	108,920
Other current assets .....	121,322	117,886
Total current assets .....	4,102,279	4,226,156
<b>Non-current Assets:</b>		
Investments accounted for using the equity method .....	2,722,918	2,502,994
Other investments (Note 13) .....	2,006,440	1,825,026
Trade and other receivables(Note 13) .....	451,109	400,079
Other financial assets (Note 13) .....	142,078	153,149
Property, plant and equipment (Note 6) .....	1,927,161	1,729,897
Investment property .....	204,969	188,953
Intangible assets .....	172,991	173,207
Deferred tax assets .....	58,620	49,474
Other non-current assets .....	58,857	57,725
Total non-current assets .....	7,745,143	7,080,504
<b>Total assets</b> .....	¥ 11,847,422	¥ 11,306,660

**Condensed Consolidated Statements of Financial Position—(Continued)**

**Mitsui & Co., Ltd. and subsidiaries**  
**September 30, 2018 and March 31, 2018**

	Millions of Yen	
	September 30, 2018	March 31, 2018
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Short-term debt .....	¥ 234,532	¥ 201,556
Current portion of long-term debt (Note 8) .....	514,615	482,550
Trade and other payables .....	1,294,747	1,264,285
Other financial liabilities (Notes 12 and 13) .....	346,714	300,284
Income tax payables .....	54,995	62,546
Advances from customers .....	242,213	287,779
Provisions (Note 15).....	18,603	28,036
Liabilities directly associated with assets held for sale (Note 4)	-	40,344
Other current liabilities .....	33,035	31,392
Total current liabilities .....	<u>2,739,454</u>	<u>2,698,772</u>
<b>Non-current Liabilities:</b>		
Long-term debt, less current portion (Notes 8 and 13) .....	3,631,750	3,542,829
Other financial liabilities (Notes 12 and 13) .....	96,712	103,162
Retirement benefit liabilities .....	50,364	50,872
Provisions (Note 15) .....	217,288	200,649
Deferred tax liabilities .....	544,401	467,003
Other non-current liabilities .....	24,636	25,250
Total non-current liabilities .....	<u>4,565,151</u>	<u>4,389,765</u>
Total liabilities .....	<u>7,304,605</u>	<u>7,088,537</u>
<b>Equity:</b>		
Common stock .....	341,482	341,482
Capital surplus .....	386,894	386,165
Retained earnings .....	2,968,037	2,903,432
Other components of equity (Note 9) .....	591,369	448,035
Treasury stock .....	(7,684)	(104,399)
Total equity attributable to owners of the parent .....	<u>4,280,098</u>	<u>3,974,715</u>
Non-controlling interests .....	262,719	243,408
Total equity .....	<u>4,542,817</u>	<u>4,218,123</u>
<b>Total liabilities and equity</b> .....	<u>¥ 11,847,422</u>	<u>¥ 11,306,660</u>

## Condensed Consolidated Statements of Income and Comprehensive Income

### Condensed Consolidated Statements of Income Mitsui & Co., Ltd. and subsidiaries For the Six-Month Periods Ended September 30, 2018 and 2017

	Millions of Yen	
	Six-month Period Ended September 30, 2018	Six-month Period Ended September 30, 2017
<b>Revenue (Note 2, 5, 13 and 16):</b>		
Sale of products .....	¥ -	¥ 2,108,155
Rendering of services .....	-	220,537
Other revenue .....	-	65,341
Revenue .....	3,213,342	-
Total revenue .....	3,213,342	2,394,033
<b>Cost (Note 2):</b>		
Cost of products sold .....	-	(1,867,831)
Cost of services rendered .....	-	(92,218)
Cost of other revenue .....	-	(30,043)
Cost .....	(2,789,627)	-
Total cost .....	(2,789,627)	(1,990,092)
<b>Gross Profit</b> .....	423,715	403,941
<b>Other Income (Expenses):</b>		
Selling, general and administrative expenses .....	(274,353)	(271,587)
Gain (loss) on securities and other investments—net (Note 14).....	1,227	58,975
Impairment reversal (loss) of fixed assets—net .....	(1,392)	(8,698)
Gain (loss) on disposal or sales of fixed assets—net .....	5,262	11,913
Reversal (loss) of provision related to Multigrain business (Note 15).....	11,083	(31,526)
Other income (expense)—net .....	(5,330)	8,266
Total other income (expenses) .....	(263,503)	(232,657)
<b>Finance Income (Costs):</b>		
Interest income .....	21,716	15,021
Dividend income .....	49,115	31,926
Interest expense .....	(39,595)	(33,366)
Total finance income (costs) .....	31,236	13,581
<b>Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 5 and 14)</b>	124,657	127,166
<b>Profit before Income Taxes</b> .....	316,105	312,031
<b>Income Taxes (Note 14)</b> .....	(80,549)	(63,311)
<b>Profit for the Period</b> .....	¥ 235,556	¥ 248,720
<b>Profit for the Period Attributable to:</b>		
Owners of the parent .....	¥ 222,870	¥ 238,307
Non-controlling interests .....	12,686	10,413
	Yen	
<b>Earnings per Share Attributable to Owners of the Parent (Note 11):</b>		
Basic .....	¥ 128.24	¥ 135.10
Diluted .....	¥ 128.14	¥ 135.01

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

**Condensed Consolidated Statements of Comprehensive Income  
Mitsui & Co., Ltd. and subsidiaries  
For the Six-Month Periods Ended September 30, 2018 and 2017**

	Millions of Yen	
	Six-month Period Ended September 30, 2018	Six-month Period Ended September 30, 2017
<b>Comprehensive Income:</b>		
Profit for the period .....	¥ 235,556	¥ 248,720
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI .....	175,092	22,190
Remeasurements of defined benefit pension plans .....	1,030	88
Share of other comprehensive income of investments accounted for using the equity method .....	(185)	2,822
Income tax relating to items not reclassified .....	(56,850)	(6,756)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments .....	(25,126)	3,429
Cash flow hedges .....	(1,797)	2,180
Share of other comprehensive income of investments accounted for using the equity method .....	64,721	36,537
Income tax relating to items that may be reclassified .....	184	(9,879)
Total other comprehensive income .....	157,069	50,611
<b>Comprehensive Income for the Period .....</b>	<b>¥ 392,625</b>	<b>¥ 299,331</b>
<b>Comprehensive Income for the Period Attributable to:</b>		
Owners of the parent .....	¥ 377,809	¥ 286,566
Non-controlling interests .....	14,816	12,765

## Condensed Consolidated Statements of Income and Comprehensive Income

### Condensed Consolidated Statements of Income Mitsui & Co., Ltd. and subsidiaries For the Three-Month Periods Ended September 30, 2018 and 2017

	Millions of Yen	
	Three-month Period Ended September 30, 2018	Three-month Period Ended September 30, 2017
<b>Revenue (Note 2, 5, 13 and 16):</b>		
Sale of products .....	¥ -	¥ 1,065,808
Rendering of services .....	-	117,479
Other revenue .....	-	29,086
Revenue .....	1,657,143	-
Total revenue .....	1,657,143	1,212,373
<b>Cost (Note 2):</b>		
Cost of products sold .....	-	(944,500)
Cost of services rendered .....	-	(48,647)
Cost of other revenue .....	-	(14,677)
Cost .....	(1,451,877)	-
Total cost .....	(1,451,877)	(1,007,824)
<b>Gross Profit</b> .....	205,266	204,549
<b>Other Income (Expenses):</b>		
Selling, general and administrative expenses .....	(136,604)	(139,517)
Gain (loss) on securities and other investments—net (Note 14) .....	(118)	55,680
Impairment reversal (loss) of fixed assets—net .....	(408)	(7,416)
Gain (loss) on disposal or sales of fixed assets—net .....	(1,600)	5,452
Provision related to Multigrain business(Note 15) .....	-	(31,526)
Other income (expense)—net .....	(2,553)	3,508
Total other income (expenses) .....	(141,283)	(113,819)
<b>Finance Income (Costs):</b>		
Interest income .....	11,483	5,339
Dividend income .....	28,017	14,497
Interest expense .....	(20,635)	(17,313)
Total finance income (costs) .....	18,865	2,523
<b>Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 5 and 14)</b>	66,231	64,854
<b>Profit before Income Taxes</b> .....	149,079	158,107
<b>Income Taxes (Note 14)</b> .....	(39,538)	(25,920)
<b>Profit for the Period</b> .....	¥ 109,541	¥ 132,187
<b>Profit for the Period Attributable to:</b>		
Owners of the parent .....	¥ 104,456	¥ 127,551
Non-controlling interests .....	5,085	4,636
<b>Earnings per Share Attributable to Owners of the Parent (Note 11):</b>		
Basic .....	¥ 60.10	¥ 72.31
Diluted .....	¥ 60.06	¥ 72.26

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

**Condensed Consolidated Statements of Comprehensive Income  
Mitsui & Co., Ltd. and subsidiaries  
For the Three-Month Periods Ended September 30, 2018 and 2017**

	Millions of Yen	
	Three-month Period Ended September 30, 2018	Three-month Period Ended September 30, 2017
<b>Comprehensive Income:</b>		
Profit for the period .....	¥ 109,541	¥ 132,187
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI .....	124,159	(8,919)
Remeasurements of defined benefit pension plans .....	321	496
Share of other comprehensive income of investments accounted for using the equity method .....	(138)	564
Income tax relating to items not reclassified .....	(43,004)	3,923
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments .....	(1,215)	14,698
Cash flow hedges .....	(1,983)	4,178
Share of other comprehensive income of investments accounted for using the equity method .....	46,337	39,454
Income tax relating to items that may be reclassified .....	(1,453)	(10,005)
Total other comprehensive income .....	123,024	44,389
<b>Comprehensive Income for the Period .....</b>	<b>¥ 232,565</b>	<b>¥ 176,576</b>
<b>Comprehensive Income for the Period Attributable to:</b>		
Owners of the parent .....	¥ 223,388	¥ 169,169
Non-controlling interests .....	9,177	7,407

**Condensed Consolidated Statements of Changes in Equity**  
**Mitsui & Co., Ltd. and subsidiaries**  
**For the Six-Month Periods Ended September 30, 2018 and 2017**

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non- controlling Interests	Total Equity
<b>Balance as at April 1, 2017</b>	¥ 341,482	¥ 409,528	¥ 2,550,124	¥ 485,447	¥ (54,402)	¥ 3,732,179	¥ 257,983	¥ 3,990,162
Profit for the period .....			238,307			238,307	10,413	248,720
Other comprehensive income for the period .....				48,259		48,259	2,352	50,611
Comprehensive income for the period .....						286,566	12,765	299,331
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥30) .....			(52,922)			(52,922)		(52,922)
Dividends paid to non-controlling interest shareholders .....							(12,847)	(12,847)
Acquisition of treasury stock .....					(9)	(9)		(9)
Sales of treasury stock .....		(29)	(30)		59	0		0
Compensation costs related to stock options .....		247				247		247
Equity transactions with non-controlling interest shareholders .....		(624)		270		(354)	5,209	4,855
Transfer to retained earnings .....			3,424	(3,424)		-		-
<b>Balance as at September 30, 2017</b>	¥ 341,482	¥ 409,122	¥ 2,738,903	¥ 530,552	¥ (54,352)	¥ 3,965,707	¥ 263,110	¥ 4,228,817

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non- controlling Interests	Total Equity
<b>Balance as at April 1, 2018</b>	¥ 341,482	¥ 386,165	¥ 2,903,432	¥ 448,035	¥ (104,399)	¥ 3,974,715	¥ 243,408	¥ 4,218,123
Cumulative effect of changes in accounting policies (Note 2).....			(3,535)			(3,535)		(3,535)
<b>Balance as at April 1, 2018 after changes in accounting policies</b>	341,482	386,165	2,899,897	448,035	(104,399)	3,971,180	243,408	4,214,588
Profit for the period .....			222,870			222,870	12,686	235,556
Other comprehensive income for the period .....				154,939		154,939	2,130	157,069
Comprehensive income for the period .....						377,809	14,816	392,625
Transaction with owners:								
Dividends paid to owners of the parent (per share: ¥40) .....			(69,516)			(69,516)		(69,516)
Dividends paid to non-controlling interest shareholders .....							(10,005)	(10,005)
Acquisition of treasury stock .....					(8)	(8)		(8)
Sales of treasury stock .....		(100)	(141)		256	15		15
Cancellation of treasury stock.....			(96,467)		96,467	-		-
Compensation costs related to stock options .....		231				231		231
Equity transactions with non-controlling interest shareholders .....		598		(211)		387	14,500	14,887
Transfer to retained earnings .....			11,394	(11,394)		-		-
<b>Balance as at September 30, 2018</b>	¥ 341,482	¥ 386,894	¥ 2,968,037	¥ 591,369	¥ (7,684)	¥ 4,280,098	¥ 262,719	¥ 4,542,817

**Condensed Consolidated Statements of Cash Flows**  
**Mitsui & Co., Ltd. and subsidiaries**  
**For the Six-Month Periods Ended September 30, 2018 and 2017**

	Millions of Yen	
	Six-month Period Ended September 30, 2018	Six-month Period Ended September 30, 2017
<b>Operating Activities:</b>		
Profit for the period	¥ 235,556	¥ 248,720
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	87,830	97,168
Change in retirement benefit liabilities	924	2,346
Provision for doubtful receivables	4,816	3,817
(Reversal) loss of provision related to Multigrain business	(11,083)	31,526
(Gain) loss on securities and other investments—net	(1,227)	(58,975)
Impairment (reversal) loss of fixed assets—net	1,392	8,698
(Gain) loss on disposal or sales of fixed assets—net	(5,262)	(11,913)
Finance (income) costs	(29,376)	(9,744)
Income taxes	80,549	63,311
Share of (profit) loss of investments accounted for using the equity method	(124,657)	(127,166)
Valuation (gain) loss related to contingent considerations and others	5,802	-
Changes in operating assets and liabilities:		
Change in trade and other receivables	(53,714)	(115,560)
Change in inventories	(53,076)	(33,118)
Change in trade and other payables	32,367	40,475
Other—net	(80,322)	(34,847)
Interest received	17,379	16,683
Interest paid	(41,374)	(35,536)
Dividends received	164,505	134,568
Income taxes paid	(86,848)	(78,817)
Income taxes refunded	17,476	19,893
Cash flows from operating activities	<u>161,657</u>	<u>161,529</u>
<b>Investing Activities:</b>		
Change in time deposits	(5,940)	(6,940)
Investments in equity accounted investees	(108,555)	(149,346)
Proceeds from sales of investments in equity accounted investees	21,685	55,130
Purchases of other investments	(27,996)	(29,715)
Proceeds from sales and maturities of other investments	25,080	17,012
Increases in loan receivables	(36,041)	(11,404)
Collections of loan receivables	12,394	79,669
Purchases of property, plant and equipment	(183,947)	(88,011)
Proceeds from sales of property, plant and equipment	36,517	23,780
Purchases of investment property	(11,675)	(5,796)
Proceeds from sales of investment property	120	10,828
Acquisition of subsidiaries or other businesses (Note 3)	(48,240)	-
Proceeds from sales of subsidiaries or other businesses (Note 4)	64,408	-
Cash flows from investing activities	<u>(262,190)</u>	<u>(104,793)</u>
<b>Financing Activities:</b>		
Change in short-term debt	16,680	(67,573)
Proceeds from long-term debt	384,800	81,152
Repayments of long-term debt	(383,905)	(367,839)
Purchases and sales of treasury stock	(8)	20
Dividends paid	(69,516)	(52,922)
Transactions with non-controlling interests shareholders	(1,105)	(5,521)
Cash flows from financing activities	<u>(53,054)</u>	<u>(412,683)</u>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	18,301	12,257
<b>Change in Cash and Cash Equivalents</b>	(135,286)	(343,690)
<b>Cash and Cash Equivalents at Beginning of Period</b>	1,131,380	1,503,820
<b>Cash and Cash Equivalents at End of Period</b>	<u>¥ 996,094</u>	<u>¥ 1,160,130</u>

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

**1. REPORTING ENTITY**

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

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

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

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

**2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**I . BASIS OF PREPARATION**

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

**II . USE OF ESTIMATES AND JUDGMENTS**

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

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

- Note 15 “REVERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS”

### III. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the Condensed Consolidated Financial Statements for the period ended September 30, 2018 are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

The companies applied the following new standards for Condensed Consolidated Financial Statements from April 1, 2018.

IFRS	Title	Summaries
IFRS 9	Financial Instruments (amended in July 2014)	Implementation of expected credit loss model for the recognition of impairment losses of financial instruments
IFRS 15	Revenue from Contracts with Customers	Accounting for recognizing revenue from contracts with customers

#### IFRS 9 "Financial Instruments" (amended in July 2014)

Upon the adoption of this standard, the companies measure the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial asset has not increased significantly since initial recognition, and measure the loss allowance at an amount equal to lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition for financial assets that are measured at amortized costs. However, for trade receivables and contract assets, the loss allowance is measured at an amount equal to the lifetime expected credit loss without assessing whether the credit risk on a financial asset has increased significantly since initial recognition.

When determining significant increases in the credit risk and measuring expected credit losses, both quantitative and qualitative information are considered to provide reason and support. These information include reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings.

Information such as significant financial difficulty of the issuer or the borrower or a breach of contract such as payments past due are used as evidence that a financial asset is credit-impaired. As for credit-impaired financial assets as of the reporting date, if the debtor is under legal reorganization and in financial failure or has issues repaying debts due to financial difficulty, although it may not yet be in financial failure, the loss allowance for the financial asset is individually measured by the estimation of expected credit losses based on considering the latest information and events.

The retrospective restatement of prior periods has not been applied in accordance with the adoption of this standard. The impact of the application of this standard on the Condensed Consolidated Financial Statements are immaterial.

#### IFRS 15 "Revenue from contracts with customers"

Since the three-month period ended June 30, 2018, in accordance with IFRS15, revenue is recognized at the timing of the satisfaction of the performance obligations, based on the 5 step approach (1. Identifying the contract with a customer, 2. Identifying the performance obligations of the contract, 3. Determining the transaction price, 4. Allocating the transaction price to performance obligations in the contract and 5. Recognizing the revenue when the entity satisfied a performance obligation). Upon the identification of the performance obligations of the contract, a consideration of whether an entity is a principal or an agent is made, and if the nature of its promise is a performance obligation to provide the specified goods or services as a principal, the revenue is recognized in the

gross amount, and if the nature of its promise is a performance obligation to arrange for the provision of goods or services by another party, then the revenues received as an agent is recognized in the amount of any fee or commission to which it expects to be entitled or as a net amount.

In regards to the sale of goods, the companies recognize revenue based on the transfer, the acceptance of customer or the dispatch of goods for domestic transactions, and based the transfer of risks and rewards according to the condition of Incoterms for foreign trading transactions. For rendering of services, revenue is recognized at the timing of the satisfaction of performance obligations of services identified from the contract or as the performance obligations of the performance obligations are satisfied.

For transactions where the performance obligation is satisfied over time, and only if its progress towards complete satisfaction of the performance obligation can be reasonably measured, revenue is recognized by measuring the progress towards complete of satisfaction of the performance obligation. Even though the progress of satisfaction of a performance obligation may not be able to reasonably measured, if the cost incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized only to the extent of the costs incurred until such time that the progress can be reasonably measured.

The cumulative effects due to the application of this standard were recognized on the commencement date of adoption in accordance with the transitional arrangements, however, impacts of the application on the Condensed Consolidated Financial Statements are immaterial except for the followings.

From the revenues for transactions of agents originally recognized as a net amount since it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services in accordance with IAS 18 "Revenue", transactions in which the company controls the goods or services before the goods or services are transferred to the customer, are considered transactions as a principal based on the standard above, these revenues are recognized as a gross amount. As a result, revenue and cost respectively increased by ¥866,475 million in the Condensed Consolidated Financial Statement of Income for the six-month ended September 30, 2018 when compared to the figures under the former accounting standards.

The amounts of economic influence classified based on the characteristics of revenues and cash flows for revenues from contracts with customers during the six-month period ended September 30, 2018, are disclosed in note 16 "REVENUE". Therefore, "Sales of products", "Rendering of services" and "Other revenue", and "Cost of products sold", "Cost of service rendered" and "Cost of other revenue" were separately presented on prior Condensed Consolidated Financial Statement of Income. Since the three-month period ended June 30, 2018, their line of items are presented single line of items as "Revenue" and "Cost", respectively.

#### Breakdown of "Cumulative effect of changes in accounting policies" in the Condensed Consolidated Statements of Changes in Equity

As a result of the adoption of IFRS 9 and IFRS 15, the balance of retained earnings as at April 1, 2018 decreased by ¥2,857 million and ¥678 million, respectively. These impacts are included under "Cumulative effect of changes in accounting policies" in the Condensed Consolidated Statement of Changes in Equity for the six-month ended September 30, 2018.

### **3. BUSINESS COMBINATIONS**

#### **For the six-month period ended September 30, 2018**

##### **Oil and Gas Company in Australia**

The Company made a takeover bid for all of the issued shares of AWE Limited ("AWE"). On April 4, 2018, the bid was declared unconditional, as the Company satisfied the 50.1% minimum acceptance condition, and the bid completed on May 2, 2018. The number of Target Shares accepted was 610,500,574 shares (Percentage of total issued shares: 96.48%).

The Company has commenced the compulsory acquisition of all the remaining Target Shares to delist AWE from the Australian Securities Exchange ("ASX") by taking the necessary procedures in accordance with ASX rules and relevant regulations in Australia. Those procedures were completed on May 28, 2018, and the total consideration paid was ¥49,568 million (A\$601 million).

AWE belongs to the energy industry focusing on oil and gas. Mitsui acquired AWE to invest in high-quality oil and gas assets in Australia as well as to obtain an operational platform for extending its business in the Australia oil and gas sector.

The purchase price allocation has not been completed. The following table summarizes the provisional fair values of the assets acquired and liabilities assumed at the acquisition date:

	Millions of Yen	
Current assets.....	¥	2,686
Property, plant and equipment.....		56,586
Other non-current assets.....		8,046
Total assets acquired.....	¥	67,318
Current liabilities.....		(2,031)
Non-current liabilities.....		(15,719)
Total liabilities assumed.....	¥	(17,750)
Net assets acquired.....	¥	49,568

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements. A net cash outflow in cash flows from investing activities of ¥48,240 million arising from the above business combination is included in "Acquisition of subsidiaries or other businesses" in the Condensed Consolidated Statements of Cash Flows for the six-month period ended September 30, 2018.

#### **For the six-month period ended September 30, 2017**

No material business combinations were completed during the six-month period ended September 30, 2017.

#### **4. ASSETS HELD FOR SALE**

During the year ended March 31, 2018, Mitsui and Mitsui & Co. Steel Ltd. ("Mitsui Steel"), a 100% owned subsidiary of Mitsui, reached an agreement to transfer a part of the iron and steel products business of Mitsui and Mitsui Steel to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION ("NSSB") along with Mitsui's additional acquisition of shares in NSSB. This restructuring exercise will strengthen the revenue base and enhance the iron and steel business. Execution of this transfer was closed on April 1, 2018. Therefore, the related assets and liabilities transferred from Mitsui and Mitsui Steel are presented as single line items under "Assets held for sale" and "Liabilities directly associated with assets held for sale" within the Condensed Consolidated Statements of Financial Position as of the year ended March 31, 2018. These accounts mainly consist of accounts receivable-trade and notes receivable-trade, and accounts payable-trade. This transaction was included in the Iron & Steel Products Segment.

As of the six-month period ended September 30, 2018, "Assets held for sale" and "Liabilities directly associated with assets held for sale" are immaterial, and therefore, they are not presented separately as single line items within the Condensed Consolidated Statements of Financial Position as of six-month period ended September 30, 2018.

## 5. SEGMENT INFORMATION

Millions of Yen

Six-month period ended September 30, 2018:	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 98,516	¥ 501,040	¥ 340,210	¥ 835,704	¥ 335,725	¥ 1,019,318	¥ 80,426	¥ 3,210,939
Gross Profit.....	¥ 13,826	¥ 90,581	¥ 62,617	¥ 71,951	¥ 71,076	¥ 76,315	¥ 36,371	¥ 422,737
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 11,479	¥ 29,669	¥ 43,588	¥ 7,522	¥ 16,004	¥ 12,974	¥ 4,614	¥ 125,850
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 7,928	¥ 89,065	¥ 37,113	¥ 16,373	¥ 36,619	¥ 19,546	¥ 9,866	¥ 216,510
Core Operating Cash Flow.....	¥ (2,406)	¥ 94,596	¥ 31,384	¥ 29,966	¥ 107,992	¥ 13,607	¥ 10,492	¥ 285,631
Total Assets at September 30, 2018.....	¥ 618,309	¥ 2,362,618	¥ 2,448,145	¥ 1,284,213	¥ 2,382,166	¥ 2,128,015	¥ 712,839	¥ 11,936,305

Millions of Yen

Six-month period ended September 30, 2018:	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 2,426	¥ (23)	¥ 3,213,342
Gross Profit.....	¥ 1,375	¥ (397)	¥ 423,715
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 28	¥ (1,221)	¥ 124,657
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (6,689)	¥ 13,049	¥ 222,870
Core Operating Cash Flow.....	¥ 4,295	¥ 26,476	¥ 316,402
Total Assets at September 30, 2018.....	¥ 6,585,729	¥ (6,674,612)	¥ 11,847,422

Millions of Yen

Six-month period ended September 30, 2017 (As restated):	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 128,525	¥ 463,557	¥ 216,105	¥ 554,418	¥ 244,687	¥ 727,515	¥ 57,702	¥ 2,392,509
Gross Profit.....	¥ 24,814	¥ 115,713	¥ 60,252	¥ 68,328	¥ 45,287	¥ 68,465	¥ 19,828	¥ 402,687
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 7,467	¥ 34,198	¥ 56,060	¥ 4,449	¥ 9,246	¥ 11,907	¥ 4,085	¥ 127,412
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 11,083	¥ 186,698	¥ 46,968	¥ 12,890	¥ 23,115	¥ (36,940)	¥ 1,554	¥ 245,368
Core Operating Cash Flow.....	¥ 7,588	¥ 112,996	¥ 47,414	¥ 25,368	¥ 81,442	¥ 4,514	¥ (6,365)	¥ 272,957
Total Assets at March 31, 2018	¥ 680,257	¥ 2,260,050	¥ 2,364,616	¥ 1,228,773	¥ 2,083,766	¥ 1,987,306	¥ 662,192	¥ 11,266,960

Millions of Yen

Six-month period ended September 30, 2017 (As restated):	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 1,337	¥ 187	¥ 2,394,033
Gross Profit.....	¥ 1,067	¥ 187	¥ 403,941
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ (34)	¥ (212)	¥ 127,166
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (8,403)	¥ 1,342	¥ 238,307
Core Operating Cash Flow.....	¥ 3,481	¥ 28,141	¥ 304,579
Total Assets at March 31, 2018	¥ 6,506,907	¥ (6,467,207)	¥ 11,306,660

Millions of Yen

Three-month period ended September 30, 2018:	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 49,966	¥ 254,302	¥ 147,004	¥ 444,521	¥ 163,594	¥ 561,008	¥ 35,475	¥ 1,655,870
Gross Profit.....	¥ 7,021	¥ 44,820	¥ 30,839	¥ 35,695	¥ 35,727	¥ 37,329	¥ 13,143	¥ 204,574
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 4,311	¥ 15,689	¥ 24,933	¥ 3,542	¥ 8,865	¥ 6,866	¥ 2,794	¥ 67,000
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 1,149	¥ 49,343	¥ 21,664	¥ 6,638	¥ 19,561	¥ 2,045	¥ (1,020)	¥ 99,380
Core Operating Cash Flow.....	¥ (3,012)	¥ 46,271	¥ 10,202	¥ 14,791	¥ 55,064	¥ 4,763	¥ (3,089)	¥ 124,990

Millions of Yen

Three-month period ended September 30, 2018:	All Other	Adjustments and Eliminations	Consolidated Total
Revenue .....	¥ 1,296	¥ (23)	¥ 1,657,143
Gross Profit .....	¥ 705	¥ (13)	¥ 205,266
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 28	¥ (797)	¥ 66,231
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (2,732)	¥ 7,808	¥ 104,456
Core Operating Cash Flow.....	¥ 6,955	¥ 29,992	¥ 161,937

Millions of Yen

Three-month period ended September 30, 2017:	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 63,187	¥ 245,075	¥ 108,081	¥ 280,229	¥ 122,127	¥ 357,762	¥ 27,511	¥ 1,203,972
Gross Profit.....	¥ 12,164	¥ 58,816	¥ 29,016	¥ 34,776	¥ 17,765	¥ 34,115	¥ 7,232	¥ 193,884
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 3,344	¥ 7,169	¥ 41,174	¥ 2,437	¥ 3,640	¥ 5,074	¥ 2,050	¥ 64,888
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 4,213	¥ 132,320	¥ 31,494	¥ 6,632	¥ 6,791	¥ (43,350)	¥ (4,261)	¥ 133,839
Core Operating Cash Flow.....	¥ 1,394	¥ 42,636	¥ 27,306	¥ 13,581	¥ 37,420	¥ 2,778	¥ (7,340)	¥ 117,775

Millions of Yen

Three-month period ended September 30, 2017:	All Other	Adjustments and Eliminations	Consolidated Total
Revenue .....	¥ (4,722)	¥ 13,123	¥ 1,212,373
Gross Profit .....	¥ (2,458)	¥ 13,123	¥ 204,549
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ (15)	¥ (19)	¥ 64,854
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ (2,769)	¥ (3,519)	¥ 127,551
Core Operating Cash Flow.....	¥ (467)	¥ 31,871	¥ 149,179

Notes: (1)“All Other” includes of the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies. Total Assets of “All Other” at March 31, 2018 and September 30, 2018 includes cash, cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

- (2) Transfers between reportable segments are made at cost plus a markup.
- (3) Profit (Loss) for the Period Attributable to Owners of the parent of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
- (4) Core Operating Cash Flow is calculated by eliminating the sum of the "Changes in Operating Assets and Liabilities" from "Cash Flows from Operating Activities" as presented in the Condensed Consolidated Statements of Cash Flows.
- (5) Since the three-month period ended June 30, 2018, due to implementation of the new consolidated accounting system, the elimination method of intercompany receivables and payables, which was simplified, is refined and Total Assets at March 31, 2018 are more appropriately calculated as a measurement of the asset size and the asset efficiency. As a result of this change, Total Assets at March 31, 2018 are restated and increase in each operating segment and decrease in "Adjustments and Eliminations" as follows.

		Millions of Yen							
		Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Total Assets at March 31, 2018	¥	25,532	¥ 167,142	¥ 108,966	¥ 42,519	¥ 166,079	¥ 85,484	¥ 39,483	¥ 635,205

		Millions of Yen		
		All Other	Adjustments and Eliminations	Consolidated Total
Total Assets at March 31, 2018	¥	267,019	¥ (902,224)	¥ -

- (6) "Revenue" in each operating segment for six-month period ended September 30, 2018 includes the impact of the adoption of IFRS 15 which is disclosed in Note.2. The impacts are as follows.

		Millions of Yen							
Six-month period ended September 30, 2018:		Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥	8,910	¥ 9,984	¥ 138,752	¥ 131,177	¥ 56,701	¥ 520,684	¥ 267	¥ 866,475

		Millions of Yen		
Six-month period ended September 30, 2018:		All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥	-	¥ -	¥ 866,475

## 6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amounts of acquisitions and disposals of property, plant and equipment for the six-month period ended September 30, 2018 were ¥185,218 million and ¥32,356 million, respectively.

The amounts of acquisitions and disposals of property, plant and equipment for the six-month period ended September 30, 2017 were ¥101,407 million and ¥51,281 million, respectively.

## 7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amounts of impairment losses for assets for the six-month period ended September 30, 2018 and 2017 were not material.

The amounts of reversals of impairment losses for assets for the six-month period ended September 30, 2018 and 2017 were not material.

## 8. ISSUES AND REPAYMENTS OF BONDS

The total amount of repaid bonds for the six-month period ended September 30, 2018 was ¥30,990 million.

The total amount of issued bonds for the six-month period ended September 30, 2018 was ¥28,666 million.

The total amount of repaid bonds for the six-month period ended September 30, 2017 was none.

The total amount of issued bonds for the six-month period ended September 30, 2017 was none.

## 9. EQUITY

Changes in other components of equity for the six-month periods ended September 30, 2018 and 2017 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
<b>Financial Assets Measured at FVTOCI:</b>		
Balance at beginning of period .....	¥ 306,911	¥ 204,100
Increase (decrease) during the period .....	117,810	16,436
Transfer to retained earnings .....	(10,637)	(1,823)
Balance at end of period .....	¥ 414,084	¥ 218,713
<b>Remeasurements of Defined Benefit Pension Plans:</b>		
Balance at beginning of period .....	¥ -	¥ -
Increase (decrease) during the period .....	757	1,601
Transfer to retained earnings .....	(757)	(1,601)
Balance at end of period .....	¥ -	¥ -
<b>Foreign Currency Translation Adjustments:</b>		
Balance at beginning of period .....	¥ 161,488	¥ 308,054
Increase (decrease) during the period .....	24,373	33,567
Balance at end of period .....	¥ 185,861	¥ 341,621
<b>Cash Flow Hedges:</b>		
Balance at beginning of period .....	¥ (20,364)	¥ (26,707)
Increase (decrease) during the period .....	11,788	(3,075)
Balance at end of period .....	¥ (8,576)	¥ (29,782)
<b>Total:</b>		
Balance at beginning of period .....	¥ 448,035	¥ 485,447
Increase (decrease) during the period .....	154,728	48,529
Transfer to retained earnings .....	(11,394)	(3,424)
Balance at end of period .....	¥ 591,369	¥ 530,552



## 12. CONTINGENT LIABILITIES

### I. GUARANTEES

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

The table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of September 30, 2018 and March 31, 2018. The maximum potential amount of future payments represents the amount without consideration of possible recovery under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee through an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood of performing guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at September 30, 2018.

	Millions of Yen			
	Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
<b>September 30, 2018</b>				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties .....	¥ 172,639	¥ 56,703	¥ 9,019	¥ 47,684
Guarantees for investments accounted for using the equity method .....	925,604	623,834	65,462	558,372
Performance guarantees				
Guarantees for third parties .....	39,372	37,240	8,670	28,570
Guarantees for investments accounted for using the equity method .....	100,010	93,338	2,825	90,513
Total .....	<u>¥ 1,237,625</u>	<u>¥ 811,115</u>	<u>¥ 85,976</u>	<u>¥ 725,139</u>

**Millions of Yen**

	<b>Maximum potential amount of future payments</b>	<b>Amount outstanding (a)</b>	<b>Recourse provisions/ Collateral (b)</b>	<b>Net amount outstanding (a)-(b)</b>
<b>March 31, 2018</b>				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties .....	¥ 94,524	¥ 57,041	¥ 6,076	¥ 50,965
Guarantees for investments accounted for using the equity method .....	903,904	615,804	66,276	549,528
Performance guarantees				
Guarantees for third parties .....	47,924	45,023	6,983	38,040
Guarantees for investments accounted for using the equity method .....	87,040	81,489	2,986	78,503
Total .....	<u>¥ 1,133,392</u>	<u>¥ 799,357</u>	<u>¥ 82,321</u>	<u>¥ 717,036</u>

*Guarantees for third parties*

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of September 30, 2018 and March 31, 2018 will expire through 2027 and 2029, respectively.

*Guarantees for investments accounted for using the equity method*

The companies, severally or jointly with others, issue guarantees for investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of September 30, 2018 and March 31, 2018 will expire through 2031 and 2025, respectively.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of September 30, 2018 and March 31, 2018.

	<b>Millions of Yen</b>	
	<b>September 30, 2018</b>	<b>March 31, 2018</b>
Within 1 year .....	¥ 452,401	¥ 303,079
After 1 to 5 years .....	319,266	540,359
After 5 years .....	465,958	289,954
Total .....	<u>¥ 1,237,625</u>	<u>¥ 1,133,392</u>

## II. LITIGATION

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

### **13. FAIR VALUE MEASUREMENT**

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

#### Level 1:

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

#### Level 2:

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

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

#### Level 3:

Unobservable inputs for the assets or liabilities.

#### **(1) Valuation techniques**

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

##### Trades and other receivables

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

##### Other Investments

- Other investments other than measured at amortized cost are measured at fair value.
- Publicly-traded other investments are measured using the 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. They are classified as level 3, considering the degree to which these inputs are observable in the relevant markets.

#### Derivative Instruments

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

#### Inventories

- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of September 30, 2018 and March 31, 2018 were not material.

#### **(2) Valuation process**

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

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and March 31, 2018 were as follows. No assets or liabilities were transferred between level 1 and 2 for the six-month periods ended September 30, 2018 and 2017.

September 30, 2018	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
Trades and other receivables:					
Loan measured at FVTPL .....	—	—	¥ 22,855		
Total trades and other receivables	—	—	¥ 22,855	—	¥ 22,855
Other investments:					
Financial assets measured at FVTPL .....	¥ 34,396	—	¥ 111,415		
Financial assets measured at FVTOCI ...	1,156,777	—	699,589		
Total other investments	¥ 1,191,173	—	¥ 811,004	—	¥ 2,002,177
Derivative assets:					
Foreign exchange contracts .....	—	¥ 51,154	—		
Interest rate contracts .....	—	66,326	—		
Commodity contracts .....	¥ 18,356	800,648	¥ 1,510		
Others .....	—	—	14,337		
Total derivative assets	¥ 18,356	¥ 918,128	¥ 15,847	¥ (733,633)	¥ 218,698
Inventories .....	—	¥ 110,411	—	—	¥ 110,411
Total assets .....	¥ 1,209,529	¥ 1,028,539	¥ 849,706	¥ (733,633)	¥ 2,354,141
<b>Liabilities:</b>					
Derivative liabilities:					
Foreign exchange contracts .....	—	¥ 72,863	—		
Interest rate contracts .....	—	2,972	—		
Commodity contracts .....	¥ 21,687	807,621	¥ 866		
Others .....	—	—	16,475		
Total derivative liabilities	¥ 21,687	¥ 883,456	¥ 17,341	¥ (703,305)	¥ 219,179
Total liabilities .....	¥ 21,687	¥ 883,456	¥ 17,341	¥ (703,305)	¥ 219,179

Millions of Yen

March 31, 2018	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
<b>Assets:</b>					
Trades and other receivables:					
Loan measured at FVTPL .....	—	—	¥ 21,380		
Total trades and other receivables	—	—	¥ 21,380	—	¥ 21,380
Other investments:					
Financial assets measured at FVTPL .....	¥ 24,774	—	¥ 110,827		
Financial assets measured at FVTOCI ...	1,046,586	—	638,851		
Total other investments	¥ 1,071,360	—	¥ 749,678	—	¥ 1,821,038
Derivative assets:					
Foreign exchange contracts .....	—	¥ 54,191	—		
Interest rate contracts .....	—	70,121	—		
Commodity contracts .....	¥ 10,690	420,030	¥ 1,116		
Others .....	—	—	15,715		
Total derivative assets	¥ 10,690	¥ 544,342	¥ 16,831	¥ (364,135 )	¥ 207,728
Inventories .....	—	¥ 103,780	—	—	¥ 103,780
Total assets .....	¥ 1,082,050	¥ 648,122	¥ 787,889	¥ (364,135 )	¥ 2,153,926
<b>Liabilities:</b>					
Derivative liabilities:					
Foreign exchange contracts .....	—	¥ 55,633	—		
Interest rate contracts .....	—	3,058	—		
Commodity contracts .....	¥ 15,147	417,299	¥ 613		
Others .....	—	—	13,344		
Total derivative liabilities	¥ 15,147	¥ 475,990	¥ 13,957	¥ (354,496 )	¥ 150,598
Total liabilities .....	¥ 15,147	¥ 475,990	¥ 13,957	¥ (354,496 )	¥ 150,598

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

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

The balance at the beginning of period of the loan measured at FVTPL was ¥21,380 million and the balance at end of period was ¥22,855 million for the six-month period ended September 30, 2018.

The balance at the beginning of period of the loan measured at FVTPL was ¥32,710 million and the balance at end of period was ¥32,867 million for the six-month period ended September 30, 2017.

There was no material movement other than its exchange rate change during both periods.

The reconciliation of financial assets measured at FVTPL for the six-month period ended September 30, 2018 and 2017 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Balance at beginning of period .....	¥ 110,827	¥ 86,352
Gains (losses) .....	4,014	(5,546)
Purchases .....	12,614	19,154
Sales .....	(4,503)	(5,545)
Transfers into Level 3 .....	—	—
Transfers out of Level 3 .....	(7,033)	(250)
Others (Note) .....	(4,504)	994
Balance at end of period .....	¥ 111,415	¥ 95,159
Net change in unrealized gains (losses) still held at end of period	¥ 5,669	¥ (5,546)

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

Gains (losses) related to financial assets measured at FVTPL (“FVTPL gains(losses)”) for the six-month period ended September 30, 2018 were included in “Revenue” and FVTPL gains(losses) for the six-month period ended September 30, 2017 were included in “Other revenue” in the Condensed Consolidated Statements of Income respectively.

The reconciliation of financial assets measured at FVTOCI for the six-month period ended September 30, 2018 and 2017 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Balance at beginning of period .....	¥ 638,851	¥ 646,034
Other comprehensive income (Note1)	41,757	(58,002)
Purchases .....	23,839	8,564
Sales .....	(4,587)	(2,597)
Transfers into Level 3 .....	—	—
Transfers out of Level 3 .....	—	—
Others (Note2) .....	(271)	2,975
Balance at end of period .....	¥ 699,589	¥ 569,974

Note1: “Other comprehensive income” increased mainly due to the reaction to fair value decline in investments in LNG projects reflecting the drop in oil prices for the six-month period ended September 30, 2017 and the effect of changes in foreign exchange rates.

Note2: “Others” includes the effect of changes in scope of consolidation.

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

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of September 30, 2018 and March 31, 2018 were as follows:

September 30, 2018	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.5% ~ 17.5%

  

March 31, 2018	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.5% ~ 15.1%

Information about sensitivity to changes in significant unobservable inputs

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

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

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

The fair values of financial instruments as of September 30, 2018 and March 31, 2018 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			
	September 30, 2018		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and Other financial assets (*) .....	¥ 593,187	¥ 593,187	¥ 553,228	¥ 553,483
Non-current liabilities				
Long-term debts, less current portion and Other financial liabilities (*) .....	¥ 3,728,462	¥ 3,814,143	¥ 3,645,991	¥ 3,714,586

(\*)The fair values of Other financial assets and Other financial liabilities approximate their respective carrying amounts.

Trade and other receivables include loans receivable. Long-term debts include borrowings and bonds.

#### 14. THE INCORPORATION OF VALEPAR S.A.

The Company had 15% share in Valepar S.A. (“Valepar”), a holding company of Vale S.A. (“Vale”) and according to the incorporation of Valepar by Vale, the Company recognized ¥56,296 million of profit from the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and ¥35,204 million of the profit due to the reversal of deferred tax liabilities for the six-month period ended September 30, 2017. A loss of ¥2,169 million was included in Profit (Loss) of equity method investments for the three-month period ended September 30, 2017 and a gain of ¥9,444 million was included in Profit (Loss) of equity method investments for the six-month period ended September 30, 2017.

The profit (loss) belongs to the Mineral & Metal Resources segment for the three-month and the six-month periods ended September 30, 2017, please see Note 5 “SEGMENT INFORMATION”.

#### 15. REVERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS

Multigrain Trading AG (“Multigrain” a 100% owned subsidiary of the Company) has recognized losses of ¥31,526 million expected to arise from meeting the obligations under some of the long-term contracts for the six-month period ended September 30, 2017.

Regarding these provisions in the previous fiscal year, the contracts have been terminated and this resulted in gains of ¥11,083 million for the six-month period ended September 30, 2018, which was the deference between their termination costs and the provisions.

The gains and losses are presented as “Reversal (loss) of provision related to Multigrain business” within the Condensed Consolidated Statements of Income and included in the “Profit (Loss) for the Period Attributable to Owners of the parent” in the Lifestyle segment for the six-month period ended September 30, 2018 and 2017. Please see “5. SEGMENT INFORMATION”.

#### 16. REVENUE

Among "Revenue", the disaggregation of revenue recognized from contracts with customers by product segment is as follows. The following categories are same as in Note.5 "SEGMENT INFORMATION". Revenue other than revenue recognized from contracts with customers includes revenue related to lease and financial instruments, etc.

Six-month period ended September 30, 2018:	Millions of Yen								
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	All Others	Total
Revenue recognized from contracts with customers	¥ 98,507 ¥	211,289 ¥	301,570 ¥	827,356 ¥	116,130 ¥	752,419 ¥	56,115 ¥	1,750 ¥	2,365,136

#### 17. SUBSEQUENT EVENTS

##### Interim Dividend

On October 30, 2018, the Board of Directors approved the payment of cash dividend to shareholders of record on September 30, 2018 of ¥40 per share or a total of ¥69,522 million.

***18. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***

The issue of Condensed Consolidated Financial Statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Takakazu Uchida, Representative Director, Executive Managing Officer and CFO, on November 9, 2018.