

Annual Securities Report
for the fiscal year ended March 31, 2019

mitsui & co., ltd.

Certain References and Information

This report is prepared for overseas investors and compiled based on contents of the Annual Securities Report (“Yukashoken Hokokusho”) of Mitsui & Co., Ltd. filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on June 20, 2019.

As used in this report, “Mitsui” is used to refer to Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha), “we,” “us,” and “our” are used to indicate Mitsui & Co., Ltd. and subsidiaries, unless otherwise indicated. “Share” means one share of Mitsui’s common stock, “ADS” means an American Depositary Share representing 20 shares, and “ADR” means an American Depositary Receipt evidencing one or more ADSs. Also, “dollar” or “\$” means the lawful currency of the United States of America, and “yen” or “¥” means the lawful currency of Japan.

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

A Cautionary Note on Forward-Looking Statements

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

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

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

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

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Independent Auditor's Report

Management's Annual Report on Internal Control over Financial Reporting (Translation)

Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

Fiscal year		100th	99th	98th	97th	96th
Year ended		March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Consolidated financial data						
Revenue	(Millions of Yen)	6,957,524	4,892,149	4,363,969	4,759,694	5,404,930
Gross profit	(Millions of Yen)	838,467	790,705	719,295	726,622	845,840
Profit (loss) for the year attributable to owners of the parent	(Millions of Yen)	414,215	418,479	306,136	(83,410)	306,490
Comprehensive income for the year attributable to owners of the parent	(Millions of Yen)	429,917	416,113	503,025	(607,490)	406,583
Total equity attributable to owners of the parent	(Millions of Yen)	4,263,166	3,974,715	3,732,179	3,379,725	4,099,795
Total assets	(Millions of Yen)	11,945,779	11,306,660	11,501,013	10,910,511	12,202,921
Equity attributable to owners of the parent per share	(Yen)	2,452.81	2,287.10	2,115.80	1,885.47	2,287.17
Basic earnings per share attributable to owners of the parent	(Yen)	238.33	237.67	171.20	(46.53)	170.98
Diluted earnings per share attributable to owners of the parent	(Yen)	238.15	237.50	171.10	(46.54)	170.95
Equity attributable to owners of the parent ratio	(%)	35.69	35.15	32.45	30.98	33.60
Return on Equity (ROE)	(%)	10.06	10.86	8.61	(2.23)	7.74
Price Earnings Ratio (PER)	(Times)	7.21	7.67	9.42	-	9.43
Cash flows from operating activities	(Millions of Yen)	410,670	553,645	404,171	586,991	639,967
Cash flows from investing activities	(Millions of Yen)	(719,036)	(248,211)	(353,299)	(408,059)	(386,397)
Cash flows from financing activities	(Millions of Yen)	127,376	(652,292)	(50,265)	(50,548)	(126,193)
Cash and cash equivalents at end of year	(Millions of Yen)	956,107	1,131,380	1,503,820	1,490,775	1,400,770
Number of employees (excluding average number of part-time employees)	(Number of persons)	43,993 (10,354)	42,304 (11,984)	42,316 (9,988)	43,611 (10,784)	47,118 (11,139)
Total Shareholder Return (Comparative index: TOPIX)	(%) (%)	140.6 (132.3)	142.3 (142.7)	123.1 (125.7)	97.5 (112.0)	114.9 (128.3)
Highest price of Mitsui's shares	(Yen)	2,120	2,042	1,753	1,759	1,820
Lowest price of Mitsui's shares	(Yen)	1,553	1,476	1,156	1,164	1,402

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

2. Revenue do not include consumption taxes.

3. Price Earnings Ratio (PER) in the 97th fiscal year is not disclosed as earnings per share is a loss.

4. The Total Shareholder Return are the ratio obtained by dividing the sum of the stock price at the end of each fiscal year and the cumulative dividends per share from the previous four fiscal years by the stock price at the end of the previous fifth fiscal year.
5. The Highest and Lowest price of Mitsui's shares are quoted on the first section of the Tokyo Stock Exchange.

2. History

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

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

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

Jul. 1947	Daiichi Bussan Kabushiki Kaisha established with common stock of ¥195,000
May 1949	Listed on Tokyo Stock Exchange
Nov. 1954	Listed on Sapporo Securities Exchange, Nagoya Stock Exchange and Osaka Securities Exchange
Apr. 1956	Established Daiichi Bussan Kabushiki Kaisha Australia (currently Mitsui & Co. (Australia), Ltd.)
Feb. 1959	Changed the name to Mitsui Bussan Kabushiki Kaisha (Mitsui & Co., Ltd.)
Feb. 1959	Listed on Fukuoka Stock Exchange
Jan. 1963	Participated in the development of the Moura Coal Mine in Australia (currently the Dawson Coal Mine)
May 1963	Issued American Depositary Receipts (ADR) in the U.S. (registered on NASDAQ in U.S. in 1971)
Feb. 1965	Decided to participate in Robe River iron mine in Australia
Apr. 1966	Established Mitsui & Co. (U.S.A.), Inc.
Oct. 1966	Concluded long-term purchase agreement of iron ore from Mount Newman in Australia
Mar. 1971	Split off lease business and established Mitsui Leasing, Ltd. (currently JA Mitsui Leasing, Ltd.)
Sept. 1971	Signed basic agreement on development of Liquefied Natural Gas (LNG) in Das Island, Abu Dhabi
Oct. 1971	Signed basic agreement on Iran Petrochemical Project
May 1976	Established Aim Services Co., Ltd. with ARA (currently ARAMARK Corporation)
Nov. 1976	Moved head office to Otemachi, Chiyoda-ku, Tokyo
Jul. 1985	Participated in North West Shelf LNG project in Western Australia
Apr. 1988	Established Mitsui & Co. UK PLC (currently Mitsui & Co. Europe PLC)
Dec. 1990	Concluded Iran Petrochemical Project due to winding up of Iran Chemical Development Co. Ltd.
Oct. 1991	Introduced Chief Operating Officer system
Feb. 1994	Established P.T. Paiton Energy, an electric power company in Indonesia
Jun. 1994	Signed development contracts (production sharing contract) for the Sakhalin II petroleum and natural gas projects
Apr. 2002	Introduced Managing Officer system
Mar. 2003	Participated in ownership interest in International Methanol Company of Saudi Arabia
Jun. 2003	First appointment of external director
Sept. 2003	Purchased ownership interest in Valepar S.A., the holding company of Vale S.A., the Brazilian diversified resource company
Apr. 2004	Abolished Domestic Branches and Offices Segment and included them in each business unit by product
Apr. 2006	Introduced overseas regional business unit system (currently three overseas regional business unit system)
Jun. 2007	Acquired Steel Technologies, Inc., a U.S. steel processing service center
Feb. 2010	Decided to participate in the Marcellus Shale Gas production development project in the U.S.
Apr. 2011	Delisted from NASDAQ (deregistered from the U.S. Securities and Exchange Commission (the “SEC”) in July 2011)
Aug. 2012	Established a strategic alliance with Codelco and participated in a joint venture to jointly hold shares of Anglo American Sur S.A.
Nov. 2014	Moved head office to Marunouchi, Chiyoda-ku, Tokyo due to reconstruction of the head office building
Aug. 2017	Incorporated Valepar S.A., the holding company, by Vale S.A., the Brazilian diversified resource company
Mar. 2019	Became IHH Healthcare Berhad's largest shareholder through an additional investment

3. Business Overview

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

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

For the disclosure pursuant to IFRS 8 "Operating Segments," these headquarters business units and regional business units are organized into seven product segments based on the properties and characteristics of the products they handle, factoring in managerial decisions relating to allocation of resources and assessment of such operating performance.

We have 491 affiliated companies for consolidation, which consist of 208 overseas subsidiaries, 70 domestic subsidiaries, 168 overseas equity accounted investees and 45 domestic equity accounted investees.

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

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

Segment	Products or Services	Major Subsidiaries	Major Equity Accounted Investees
Lifestyle	Foods, Fashion, Housing and industrial materials, Real estate, Healthcare, Outsourcing services, and others	PRIFOODS CO., LTD., TOHO BUSSAN KAISHA, LTD., Paul Stuart, Inc., MITSUI & CO. REAL ESTATE LTD., United Grain Corporation of Oregon, XINGU AGRI AG, Mitsui Norin Co., Ltd., MITSUI ALIMENTOS LTDA., Mit-Salmon Chile SpA, Mitsui Foods, Inc., MITSUI FOODS CO., LTD., Bussan Logistics Solutions Co., Ltd., MITSUI BUSSAN I-FASHION LTD., VENDOR SERVICE CO., LTD., MBK Real Estate LLC, RETAIL SYSTEM SERVICE CO., LTD., WILSEY FOODS, INC., Mitsui & Co. Foresight Ltd., UHS Partners, Inc., MicroBiopharm Japan Co., Ltd., MAX MARA JAPAN CO., LTD., Mitsui Bussan Woodchip Oceania Pty. Ltd., The Kumphawapi Sugar Co., Ltd., MBK Real Estate Asia	FEED ONE CO., LTD., Starzen Co., Ltd., Mitsui Sugar Co., Ltd., AIM SERVICES CO., LTD., ARAMARK Uniform Services Japan Corporation, Panasonic Healthcare Holdings Corporation, Fuji Pharma Co., Ltd., SMB KENZAI CO., LTD., BIGI HOLDINGS, Sogo Medical Holdings, IHH Healthcare Berhad
Innovation & Corporate Development	Asset management, Leasing, Insurance, Buyout investment, Venture investment, Commodity derivatives, Logistics center, Information system, and others	mitsui knowledge industry co., ltd., Mitsui Bussan Electronics Ltd., Mitsui Bussan Secure Directions, Inc., Mitsuibussan Insurance Co., Ltd., Mitsui & Co., Principal Investments Ltd., Mitsui & Co. Asset Management Holdings LTD., Mitsui Bussan Commodities Ltd., Mitsui & Co. Global Logistics, Ltd. Mitsui & Co. Alternative Investments Ltd., SABRE INVESTMENTS, LLC, World Hi-Vision Channel, MITSUI & CO. Global Investment	Relia Inc., QVC JAPAN INC., CCTV Shopping Co., Ltd., JA Mitsui Leasing, Ltd.

4. Affiliated Companies

(1) Parent Company

Mitsui does not have a parent company.

(2) Major Subsidiaries

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Iron & Steel Products	Mitsui & Co. Steel Ltd.	Domestic sales, export, import of steel products	Japan	100.0
	Bangkok Coil Center Co., Ltd.	Steel processing	Thailand	99.6
	Regency Steel Asia Pte Ltd.	Wholesale and retail of steel products	Singapore	92.5
	Game Changer Holdings Inc.	Investment in steel processing company	U.S.A.	100.0
	EURO-MIT STAAL B.V.	Steel processing	Netherlands	90.0
Mineral & Metal Resources	Mitsui-Itochu Iron Pty. Ltd.	Mining and sales of Australian iron ore	Australia	70.0
	Mitsui Iron Ore Development Pty. Ltd.	Mining and sales of Australian iron ore	Australia	100.0
	Mitsui Iron Ore Corporation Pty. Ltd.	Mining and sales of Australia iron ore	Australia	100.0
	Mitsui & Co. Iron Ore Exploration & Mining Pty. Ltd.	Mining and sales of Australian iron ore	Australia	100.0
	Oriente Copper Netherlands B.V.	Investment in and loan to copper business in Chile through Inversiones Mineras Becrux SpA	Netherlands	100.0
	Japan Collahuasi Resources B.V.	Investment in Collahuasi copper mine in Chile	Netherlands	91.9
	Mitsui Bussan Copper Investment & Co., Ltd.	Investment in Caserones copper mine in Chile	Japan	100.0
	MITSUI BUSSAN METALS CO., LTD.	Sales and trading of non-ferrous scrap, alloy and products	Japan	100.0
	Mitsui & Co. Mineral Resources Development (Asia) Corp.	Investments in nickel and cobalt smelting business in Philippines	Philippines	100.0
	Mitsui Coal Holdings Pty. Ltd.	Investments in Australian coal business	Australia	100.0
	Mitsui & Co. Mozambique Coal Investment B.V.	Investment in Mozambique coal business	Netherlands	100.0
	Mitsui & Co. Mozambique Coal Finance Limited	Investment in Mozambique coal business	United Arab Emirates	100.0
	Mitsui & Co. Nacala Infrastructure Investment B.V.	Investment in Mozambique rail and port infrastructure business	Netherlands	100.0
Mitsui & Co. Nacala Infrastructure Finance Limited	Investment in Mozambique rail and port infrastructure business	United Arab Emirates	100.0	

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Machinery & Infrastructure	Mitsui & Co. Plant Systems, Ltd.	Sales of various plants, electric power facilities and transportation equipments	Japan	100.0
	KARUGAMO ENERGY MANAGEMENT PTY. LIMITED	Investments in power generation business	Australia	100.0
	MIT POWER CANADA LP INC.	Investment in Greenfield Power Generation Project in Ontario	Canada	100.0
	MITSUI GAS E ENERGIA DO BRASIL LTDA.	Investments in gas distribution companies in Brazil	Brazil	100.0
	Mit Investment Manzanillo B.V.	Investment in LNG terminal in Mexico	Netherlands	100.0
	Drillship Investment B.V.	Investment in deepwater drilling service business	Netherlands	100.0
	Ecogen Brasil Solucoes Energeticas S.A.	Cogeneration service business in Brazil	Brazil	100.0
	Mit-Power Capitals (Thailand) Limited	Investment in cogeneration service business in Thailand	Thailand	99.9
	ATLATEC, S.A. de C.V.	Designing, building and operation of wastewater treatment plants	Mexico	95.7
	MyPower Corp.	Investment and management of power projects in the United States	U.S.A.	100.0
	MIZHA ENERGIA PARTICIPACOES S.A.	Investment in power producing business in Brazil	Brazil	100.0
	Portek International Private Limited	Development and operation of container terminal	Singapore	100.0
	Tokyo International Air Cargo Terminal Ltd.	Operation of air cargo terminal at Tokyo International Airport	Japan	100.0
	Mitsui Water Holdings (Thailand) Ltd.	Investment in water supply business	Thailand	100.0
	Toyota Chile S.A.	Import and sales of automobiles and auto parts in Chile	Chile	100.0
	Mitsui Automotriz S.A.	Retail sales of automobiles and auto parts	Peru	100.0
	MITSUI AUTO FINANCE CHILE LTDA.	Automobile retail finance	Chile	100.0
	Veloce Logistica SA	Auto parts logistics	Brazil	100.0
	MBK USA Commercial Vehicles Inc.	Investment in full-service truck leasing, rental and logistics business	U.S.A.	100.0
	HINO MOTORS SALES MEXICO, S.A. DE C.V.	Sales of truck, bus of HINO brand	Mexico	65.0
	PT. Bussan Auto Finance	Motorcycle retail finance	Indonesia	70.0
	Bussan Auto Finance India Pvt.Ltd.	Motorcycle retail finance	India	80.0
	Komatsu-Mitsui Maquinarias Peru S.A.	Sales of construction and mining equipment	Peru	60.0
	Road Machinery, LLC	Sales of construction and mining equipment	U.S.A.	100.0
	Ellison Technologies Inc.	Sales of machine tools	U.S.A.	100.0
	MITSUI & CO. MACHINE TECH LTD.	Sale of machine tools and peripheral equipment	Japan	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Machinery & Infrastructure	Guarana Urban Mobility Incorporated	Investment in passenger transportation business in Brazil	Japan	50.1
	ORIENT MARINE CO., LTD.	Shipping business	Japan	100.0
	OMC SHIPPING PTE. LTD.	Shipping business	Singapore	100.0
	Mitsui Bussan Aerospace Co., Ltd.	Import and sales of helicopters and defense and aerospace products	Japan	100.0
	Mitsui Rail Capital Holdings, Inc.	Freightcar leasing and management in North America	U.S.A.	100.0
	Mitsui Rail Capital Europe B.V.	Locomotive leasing and management in Europe	Netherlands	100.0
	Mitsui Rail Capital Participacoes	Brazil Rolling Stock Leasing	Brazil	100.0
Chemicals	Japan-Arabia Methanol Company Ltd.	Investments in methanol producing business in Saudi Arabia and sales of products	Japan	55.0
	MMTX Inc.	Investment in methanol producing business in the United States and sale of products	U.S.A.	100.0
	Shark Bay Salt Pty. Ltd.	Production of salt	Australia	100.0
	Mitsui Bussan Chemicals Co., Ltd.	Domestic and foreign trade of solvents, coating chemicals, etc.	Japan	100.0
	MITSUI & CO. PLASTICS LTD.	Sales of plastics and chemicals	Japan	100.0
	Daito Chemical Co., Ltd.	Manufacture and sales of industrial chemicals	Japan	70.0
	Diana Elastomers, Inc.	Investment in synthetic rubbers producing and marketing business	U.S.A.	100.0
	DAIICHI TANKER CO., LTD.	Operation of chemical tankers	Japan	100.0
	Mitsui AgriScience International SA/NV	Investments in crop protection businesses in Europe	Belgium	100.0
	San-ei Surochemical Co., Ltd.	Manufacture and sales of saccharified products, pharmaceuticals, feedstuffs and other products	Japan	70.0
	Mitsui Bussan Agro Business Co., Ltd.	Development and sales of fertilizers and agricultural products	Japan	100.0
	Mitsui Agro Business S.A.	Investment in fertilizer producing business and sales of products in South America	Chile	100.0
	MITSUI PLASTICS INC.	Sales of Chemicals	U.S.A.	100.0
	Novus International, Inc.	Manufacturing and sales of feed additives	U.S.A.	80.0
	Intercontinental Terminals Company LLC	Chemical tank leasing	U.S.A.	100.0
	B Food Science	Manufacturing and sale, functional food, pharmaceutical, and chemical product materials.	Japan	100.0
Mitsui Plastics Trading (Shanghai)	Sales and marketing of plastics and chemicals	China	100.0	

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Energy	Mitsui Oil Exploration Co., Ltd.	Exploration, development and production of oil and natural gas	Japan	74.3
	Mitsui E&P Middle East B.V.	Exploration, development and production of oil and natural gas	Netherlands	100.0
	Mitsui E&P Australia Pty Limited	Exploration, development and production of oil and natural gas	Australia	100.0
	Mitsui E&P UK Limited	Exploration, development and production of oil and natural gas in Europe & Africa	United Kingdom	100.0
	Mitsui E&P USA LLC	Exploration, development and production of oil and gas	U.S.A.	100.0
	MEP Texas Holdings LLC	Investment in Oil and Gas Business	U.S.A.	100.0
	Mitsui E&P Italia A S.r.l.	Exploration, development and production of oil and natural gas based in Italy	Italy	100.0
	Mitsui & Co. LNG Investment USA LLC	Investment in natural gas liquefaction business in the U.S.A. and sales of LNG	U.S.A.	100.0
	Mitsui & Co. Energy Trading Singapore Pte. Ltd.	International trading of petroleum products and crude oil	Singapore	100.0
	Mitsui Sakhalin Holdings B.V.	Investments in Sakhalin Energy Investment Company Ltd.	Netherlands	100.0
	Mitsui E&P Mozambique Area 1 Limited	Exploration, development and production of oil and natural gas in Mozambique	United Kingdom	50.0
	AWE	Exploration, development and production of oil and natural gas in Oceania	Australia	100.0
Lifestyle	PRIFOODS CO.,LTD	Production, processing and sales of broilers	Japan	46.4
	TOHO BUSSAN KAISHA, LTD.	Import and sales of agricultural and marine products	Japan	100.0
	Paul Stuart, Inc.	Luxury clothing retailer	U.S.A.	100.0
	MITSUI & CO. REAL ESTATE LTD.	Real estate sales, leasing and brokerage	Japan	100.0
	United Grain Corporation of Oregon	Grain merchandising	U.S.A.	100.0
	XINGU AGRI AG	Production and merchandising of agriproducts	Switzerland	100.0
	Mitsui Norin Co., Ltd.	Manufacture and sales of food products	Japan	100.0
	MITSUI ALIMENTOS LTDA.	Export of coffee beans and domestic sales of roasted coffee	Brazil	100.0
	Mit-Salmon Chile SpA	Investment in salmon farming, processing and sales company	Chile	100.0
	Mitsui Foods, Inc.	Trading canned foods, chilled foods, juice ingredient and coffee	U.S.A.	100.0
	MITSUI FOODS CO., LTD.	Wholesale of foods and beverages	Japan	100.0
	Bussan Logistics Solutions Co., Ltd.	Operation and management of logistics centers	Japan	100.0
	MITSUI BUSSAN I-FASHION LTD.	Planning and management for production and procurement of apparel	Japan	100.0
	VENDOR SERVICE CO., LTD.	Sales and distribution of food and packaging materials	Japan	100.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Lifestyle	MBK Real Estate LLC	Real estate-related business	U.S.A.	100.0
	RETAIL SYSTEM SERVICE CO.,LTD	Sales of foods, groceries and services for retailers	Japan	100.0
	WILSEY FOODS, INC.	Investments in processed oil food company	U.S.A.	90.0
	Mitsui & Co. Foresight Ltd.	Property management	Japan	100.0
	UHS Partners, Inc.	Investment in healthcare staffing business	U.S.A.	100.0
	MicroBiopharm Japan Co., Ltd.	Manufacture and sales of medicines and chemicals	Japan	80.0
	MAX MARA JAPAN CO., LTD.	Exclusive Distribution in Japan for Ladies' ready-to-wears produced by MAX MARA Italy	Japan	65.5
	Mitsui Bussan Woodchip Oceania Pty. Ltd.	Plantation, processing and sales of woodchip	Australia	100.0
	The Kumphawapi Sugar Co., Ltd.	Production and sales of sugar	Thailand	50.9
	MBK Real Estate Asia	Real estate development, sales, leasing and brokerage	Singapore	100.0
Innovation & Corporate Development	MITSUI KNOWLEDGE INDUSTRY CO.,LTD.	Planning, development and sales of information and communication systems	Japan	100.0
	Mitsui Bussan Electronics Ltd.	Sales and development of IoT solutions, Sales of electronics device and equipment	Japan	100.0
	Mitsui Bussan Secure Directions, Inc.	Cyber security business	Japan	100.0
	Mitsuibussan Insurance Co., Ltd.	Non life and life insurance agency services	Japan	100.0
	Mitsui & Co., Principal Investments Ltd.	Investment in private equity	Japan	100.0
	Mitsui & Co. Asset Management Holdings LTD.	Real estate asset management	Japan	100.0
	Mitsui Bussan Commodities Ltd	Trading of energy and basemetal derivatives	United Kingdom	100.0
	Mitsui & Co. Global Logistics, Ltd.	Domestic warehousing businesses and international integrated transportation services	Japan	100.0
	Mitsui & Co. Alternative Investments Ltd.	Securities and investment management firm specializing in the alternative investments.	Japan	100.0
	SABRE INVESTMENTS, LLC	Vehicle for the investment in a real asset owner and operator in US.	U.S.A.	100.0
	World Hi-Vision Channel	Operating a Broadcasting Satellites channel	Japan	100.0
MITSUI & CO. Global Investment	Operation of Venture Capital Fund	U.S.A.	100.0	

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
All Other	Mitsui & Co. (U.S.A.), Inc.	Trading	U.S.A.	100.0
	Mitsui & Co. (Canada) Ltd.	Trading	Canada	100.0
	MITSUI & CO. (BRASIL) S.A.	Trading	Brazil	100.0
	Mitsui & Co. Europe PLC	Trading	United Kingdom	100.0
	Mitsui & Co. Deutschland GmbH	Trading	Germany	100.0
	Mitsui & Co. Benelux S.A./N.V.	Trading	Belgium	100.0
	Mitsui & Co. Italia S.p.A.	Trading	Italy	100.0
	Mitsui & Co., Middle East Limited	Trading	United Arab Emirates	100.0
	Mitsui & Co. (Asia Pacific) Pte. Ltd.	Trading	Singapore	100.0
	Mitsui & Co. (Thailand) Ltd.	Trading	Thailand	100.0
	Mitsiam International Ltd.	Trading	Thailand	75.1
	Mitsui & Co. (Australia) Ltd.	Trading	Australia	100.0
	Mitsui & Co. (Hong Kong) Ltd.	Trading	China	100.0
	Mitsui & Co. (China) Ltd.	Trading	China	100.0
	Mitsui & Co. (Shanghai) Ltd.	Trading	China	100.0
	Mitsui & Co. (Taiwan) Ltd.	Trading	Taiwan	100.0
	Mitsui & Co. Korea Ltd.	Trading	Korea	100.0
	Mitsui & Co. Financial Services Ltd.	Financing services within the Group	Japan	100.0
	Mitsui & Co. Financial Services (Asia) Ltd.	Financing services within the Group	Singapore	100.0
	Mitsui & Co. Financial Services (U.S.A.) Inc.	Financing services within the Group	U.S.A.	100.0
	Mitsui & Co. Financial Services (Europe) Plc	Financing services within the Group	United Kingdom	100.0
	Mitsui & Co. Financial Services (Australia) Ltd.	Financing services within the Group	Australia	100.0
	MITSUI BUSSAN BUSINESS PARTNERS CO.,LTD.	Provision of HR & GA services to Mitsui and its subsidiaries	Japan	100.0
Mitsui & Co. Trade Services Ltd.	Provision of logistics-related services to Mitsui and its subsidiaries	Japan	100.0	
Mitsui & Co. Financial Management, Ltd.	Provision of accounting and treasury-related services to Mitsui	Japan	100.0	

* Mitsui & Co. Mineral Resources Development (Latin America) Ltd. and Tokyo International Air Cargo Terminal Ltd. were in a financial condition with liabilities in excess of assets. The amount of negative net worth as of March 31, 2019 were ¥133,866 million and ¥16,378 million, respectively.

(3) Major Equity Accounted Investees

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Iron & Steel Products	*Shanghai Bao-Mit Steel Distribution Co., Ltd.	Processing and sales of steel products	China	35.0
	SIAM YAMATO STEEL COMPANY LIMITED	Manufacture and sales of steel products	Thailand	20.0
	NIPPON STEEL & SUMIKIN BUSSAN	Sales, export and import of steel products	Japan	20.0
	*Gestamp North America, Inc.	Manufacture of automotive components	U.S.A.	30.0
	*Gestamp Holding Mexico, S.L.	Manufacture of automotive components	Spain	30.0
	*Gestamp Brasil Industria De Autopecas S.A.	Manufacture of automotive components	Brazil	30.0
	*Gestamp Holding Argentina, S.L.	Manufacture of automotive components	Spain	30.0
	GESTAMP 2020, S.L.	Investment in Manufacture of automotive components	Spain	25.0
	*GRI Renewable Industries, S.L.	Manufacture of wind turbine towers and flanges	Spain	25.0
	GEG (Holdings) Limited	Fabrication, upgrading, inspection and maintenance of welded structures	United Kingdom	25.0
Mineral & Metal Resources	*Inner Mongolia Erdos Electrical Power & Metallurgical Group Limited By Shares	Coal mining, power generation, ferrous alloy and chemical production and water pumping	China	20.2
	NIPPON AMAZON ALUMINIUM CO., LTD.	Investments in aluminum smelting business in Brazil	Japan	20.9
	BHP Billiton Mitsui Coal Pty Ltd	Mining and sales of Australian coal	Australia	16.8

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Machinery & Infrastructure	P.T. PAITON ENERGY	Power generation in Indonesia	Indonesia	45.5
	*IPM Eagle LLP	Investments in power generation business	United Kingdom	30.0
	MT Falcon Holdings Company, S.A.P.I. de C.V.	Investment in power generation business in Mexico	Mexico	40.0
	*3B POWER SDN. BHD.	Power Generation in Malaysia	Malaysia	50.0
	*SAFI ENERGY COMPANY	Energy Company of SAFI Project in Morocco	Morocco	30.0
	*MAP Inland Holding Company Limited	Investment in power generation business in Oman	United Arab Emirates	52.7
	*MAP Coastal Holding Company Limited	Investment in power generation business in Oman	United Arab Emirates	52.7
	*Caitan SpA	Chile desalination and conveyance service business	Chile	50.0
	Fukushima Gas Power	Gas-fired Power Generation Business	Japan	28.7
	VLI S.A.	Integrated freight transportation business	Brazil	20.0
	Penske Automotive Group, Inc.	Automotive retailer	U.S.A.	15.8
	*HINO MOTORS SALES (THAILAND) LTD.	Wholesale of Hino vehicles and parts in Thailand	Thailand	43.0
	*TOYOTA MANILA BAY CORPORATION	Retail sales of Toyota cars	Philippines	40.0
	*PT. Yamaha Indonesia Motor Manufacturing	Manufacture and sales of motorcycles	Indonesia	15.0
	India Yamaha Motor Pvt. Ltd.	Manufacture and sales of motorcycles	India	15.0
	TAIYOKENKI RENTAL CO.,LTD	Rental of construction machinery	Japan	25.9
KOMATSU MARKETING SUPPORT AUSTRALIA PTY LTD	Sales of construction and mining equipment	Australia	40.0	
Chemicals	*ITC RUBIS TERMINAL ANTWERP NV	Chemical tank leasing	Belgium	50.0
	HEXAGON COMPOSITES ASA	Manufacturer of fiber reinforced pressure cylinders	Norway	25.0
	LABIX Company Limited	Manufacture and sales of Linear Alkyl Benzene	Thailand	25.0
	*PT Kingsford Holdings	Investment to PT Champion Pacific Indonesia.	Indonesia	40.0
	MVM Resources International B.V.	Investment in a phosphate rock mining project in Peru	Netherlands	25.0
Energy	*ENEOS GLOBE Corporation	LPG imports and marketing, fuel cell and photovoltaic systems marketing	Japan	30.0
	*Japan Australia LNG (MIMI) Pty. Ltd.	Exploration, development and sales of crude oil and natural gas	Australia	50.0

Operating Segment	Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of Voting Shares (%)
Lifestyle	FEED ONE CO., LTD.	Manufactureing and sales of compound feedstuffs	Japan	25.0
	Starzen Co., Ltd.	Processing and sale of meat, manufacture and sale of meat products	Japan	16.6
	Mitsui Sugar Co., Ltd.	Manufacturing and sales of refined sugar, sugar products and food ingredients	Japan	32.3
	*AIM SERVICES CO., LTD.	Contract food services	Japan	50.0
	*ARAMARK Uniform Services Japan Corporation	Rental and sales of uniforms	Japan	39.2
	Panasonic Healthcare Holdings Corporation	Development, manufacture and sale of various health care equipment and services	Japan	22.0
	Fuji Pharma Co., Ltd.	Manufacture and sale of pharmaceutical products	Japan	22.9
	*SMB KENZAI CO.,LTD.	Sales of building materials ,contract of construction work and import of various building materials	Japan	36.3
	BIGI HOLDINGS	Clothing manufacturing and sales business	Japan	33.4
	Sogo Medical Holdings	Investment in hospital/clinic support, pharmacy, and other business.	Japan	25.5
	IHH Healthcare Berhad	Provider of healthcare services	Malaysia	32.9
Innovation & Corporate Development	Relia Inc.	Comprehensive telemarketing and direct marketing operations	Japan	34.4
	QVC JAPAN INC.	Direct Marketing Business which is mainly composed of TV shopping	Japan	40.0
	CCTV Shopping Co., Ltd.	Service for TV shopping business in China	China	25.0
	JA Mitsui Leasing, Ltd.	Leasing and financing business	Japan	31.4

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

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION has changed its company name to NIPPON STEEL TRADING CORPORATION from April 1, 2019.

(4) Other Affiliated Companies

Not applicable.

5. Employees

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

As of March 31, 2019

Operating Segment	Number of Employees	
Iron & Steel Products	1,518	(154)
Mineral & Metal Resources	619	(42)
Machinery & Infrastructure	15,264	(2,334)
Chemicals	5,276	(469)
Energy	843	(66)
Lifestyle	13,298	(5,601)
Innovation & Corporate Development	3,694	(1,375)
All Other	3,481	(313)
Total	43,993	(10,354)

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

(2) Mitsui & Co., Ltd.

As of March 31, 2019

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary (Thousands of Yen)
5,772	42.2	18 years 6 months	14,300

Operating Segment	Number of Employees
Iron & Steel Products	328
Mineral & Metal Resources	291
Machinery & Infrastructure	844
Chemicals	676
Energy	392
Lifestyle	971
Innovation & Corporate Development	419
All Other	1,851
Total	5,772

(Notes) 1. The number of employees includes 1,227 seconded employees. However, 403 contract workers (including 144 workers seconded to Mitsui from outside Mitsui) and 175 employees hired in overseas offices are not included.

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

(3) Trade Union

No material items to report.

2. Operating and Financial Review and Prospects

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

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

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

1. Management Policies, Operating Environment, and Management Issues

This Management Policies, Operating Environment, and Management Issues section contains forward-looking statements about Mitsui and its consolidated subsidiaries. These forward-looking statements involve assumptions, risks, uncertainties and other factors, including, but not limited to, those described in “2. Risk Factors.” Such risks, uncertainties and other factors may cause Mitsui’s actual results to be materially different from any future results expressed or implied by these forward-looking statements.

(1) Progress of the Medium-term Management Plan

The following section details progress made during the fiscal year ended March 31, 2019, the second fiscal year of the Medium-term Management Plan “Driving Value Creation”(*).

(*) The notion of “Driving Value Creation” involves a diverse pool of talented professionals putting effort into proactive business creation and sustainably creating new value by leveraging Mitsui Group’s comprehensive strengths and networks.

1) Four key initiatives regarding the Medium-term Management Plan

- (a) Build robust profit base and thoroughly strengthen existing businesses
- (b) Establish selected new growth areas
- (c) Cash flow focused management; Strengthen financial base
- (d) Enhance Governance, Personnel and Innovation functions

2) Progress of the Medium-term Management Plan

Key Initiative (a) : Build robust profit base and thoroughly strengthen existing businesses

In Minerals & Metal Resources, there were major developments in the maintenance and expansion of the business base with the decision to develop new deposits at our Australian iron ore business, Mitsui’s largest revenue source. As part of our efforts to adjust our portfolio, we sold our equity interest in a thermal coal mine. In Energy, we made steady progress in LNG pipeline projects in Cameron (U.S.) and in Mozambique, and agreed a contract extension in the Abu Dhabi LNG business. Furthermore, through the purchase of AWE Limited, an oil and gas company in Australia, we acquired not only quality oil and gas assets but also operational capabilities. In Lifestyle, we made steady progress in adjusting and enhancing the business base, completing our withdrawal from Brazilian grain origination business operator Multigrain Trading AG and making an additional investment in IHH Healthcare, one of Asia’s largest private hospital groups, to become the company’s largest shareholder. We also made notable progress in Innovation & Corporate Development, strengthening ICT-related businesses in Japan while achieving significant profit recovery from the previous fiscal year. These and other specific achievements towards strengthening the profit base in each operating segment are shown in the table below.

Segment	Specific achievements
Mineral & Metal Resources	<ul style="list-style-type: none"> ■ Maintained and expanded iron ore business base in Australia (FID of South Flank, Robe River JV deposit) ■ Sold its equity interest in Bengalla coal mine in Australia (thermal coal)
Energy	<ul style="list-style-type: none"> ■ Steady promotion of LNG projects (Cameron in the U.S., Mozambique, agreed business contract extensions in Abu Dhabi LNG) ■ Acquired Australian company AWE through takeover bid
Machinery & Infrastructure	<ul style="list-style-type: none"> ■ Participated in new power generation business (Taiwan offshore wind power) ■ Expanded FPSO business
Chemicals	<ul style="list-style-type: none"> ■ Participated in European paint manufacturing business ■ Strengthened methanol business base
Iron & Steel Products	<ul style="list-style-type: none"> ■ Pursued business transformation (strengthened competitiveness of Nippon Steel & Sumikin Bussan*)
Lifestyle	<ul style="list-style-type: none"> ■ Completed withdrawal from Multigrain ■ Made additional investment in IHH to become largest shareholder
Innovation & Corporate Development	<ul style="list-style-type: none"> ■ Expanded domestic ICT-related businesses (MKI, etc.) ■ Built up assets of buyout fund (expanded portfolio in MSD Investments Ltd. etc)

*Company name was changed to Nippon Steel Trading on April 1, 2019

Key Initiative (b) : Establish selected new growth areas

In the year ended March 31, 2019, we accelerated initiatives towards establishing a future profit base with a focus on Healthcare, one of the four growth areas (Mobility, Healthcare, Nutrition & Agriculture and Retail & Services). We made an additional investment in IHH Healthcare and became its largest shareholder. There remains a large shortage in the number of hospital beds in emerging Asian economies and most ancillary functions, such as dialysis treatment, are still carried out within the hospital environment. As a result, the growth potential of these markets is considerably greater than in developed economies and we will continue to put priority on allocating resources to this area and further strengthen the business base. We also invested in Thorne Research, a high-quality supplements business in the U.S. The global market for supplements is forecast to grow at a rate of 8 – 9% annually and we aim to raise the value of Thorne’s U.S. business and expand into Japan and other regions by leveraging our broad network of business assets and partners.

Key Initiative (c) : Cash flow focused management: Strengthen financial base

Core operating cash flow for the fiscal year ended March 31, 2019 was ¥570 billion. Combined with ¥230 billion obtained from progress in asset recycling, this produced cash-in of ¥800 billion.

Investment and Loans totaled ¥930 billion due to carry over of some projects from the previous fiscal year and additional investment in IHH Healthcare. With the addition of ¥140 billion in shareholder returns, free cash flow (*) after shareholder returns was negative ¥270 billion. In the fiscal year ended March 31, 2018, free cash flow after shareholder returns was positive ¥240 billion, bringing the two-year total to negative ¥30 billion. There is no change to our policy to achieve three-year cumulative positive free cash flow after shareholder returns and we will continue to strengthen our financial base.

(*) Free cash flow that excludes the effects of changes in working capital and time deposits

Key Initiative (d) : Enhance Governance, Personnel and Innovation functions

In the fiscal year ended March 31, 2019, we took steps to improve the effectiveness of the Board of Directors, holding an off-site meeting for intensive discussion of corporate strategy and increasing opportunities to discuss important themes which affect the entire company, such as sustainability. In addition, at our shareholders meeting on June 20, 2019, we approved the resolutions on the appointment of Takeshi Uchiyamada, who has considerable business experience, as a candidate for director, and on a structure of remuneration that includes share performance-linked restricted stock.

With respect to strengthening the individual personnel, we have taken steps to enhance our global HR management, introducing the Change Leader Program to identify and foster talented personnel globally, and proactively including employees hired outside Japan in managerial appointments.

To strengthen our innovation functions, we established Moon Creative Lab Inc. as a subsidiary to “create” new businesses from the ground up, and we are accelerating Digital Transformation initiatives.

(2) Operating Environment

1) General

Note: The following describes the understanding of the economic environments as of April 2019.

Descriptions included herein may differ from our current understanding.

In the year ended March 31, 2019, the global economy slowed its pace of growth due to the weakening momentum of economic recovery in Europe, Japan and China despite an overall firmness in the U.S. economy.

In the U.S., although consumer spending continues to be resilient on account of a favorable environment for employment and employee income, the pace of economic expansion is projected to slow due to the prediction that the stimulus effect from lower taxation will dwindle. Also, in Europe, stagnating exports are anticipated to prolong the weakening trend in growth. In Japan, concerns over stagnation in business activity have arisen from a prognosis of weaker capital expenditure as exports to China exhibit a slowing trend, particularly in the information field. Among the emerging economies, China's economy is still expected to continue slowing partly due to the impact of trade friction with the U.S., although policy by its government is expected to provide certain underlying support. In contrast, Brazil's economy is picking up under its new administration while Russia's economy has stopped dipping as a result of a recovery in exports.

Overall, one can see growing signs of stagnation throughout the global economy, and careful attention should be given to future developments of such issues as the direction of the U.S.-China trade negotiations and the policy trends of major countries.

2) Iron & Steel Products

Global steel output for the 2018 increased by 4.6% year-on-year to approximately 1.8 billion tons, reflecting steel demand not only in emerging markets such as China and India but also in the North America and the EU. On the other hand, due to continued excessive steel supply mainly from Chinese steel manufacturers, which account for almost half of the global steel output, the difficult business environment is expected to persist. Under this situation, amid the integration in the steel industry even more intensified reorganization could occur among steel distributors. Also, the influence caused by the trade conflict between U.S. and China needs to be watched carefully.

Over the medium to long term, the domestic iron and steel market is expected to shrink gradually due to population decline, among other factors. However, we anticipate that the Americas and Asia will drive a global economic recovery, resulting in increased demand overseas for iron and steel products. Many business opportunities are expected to arise from this development.

3) Mineral & Metal Resources

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

4) Machinery & Infrastructure

In emerging countries, where economics and populations continue growing markedly, demand is rising for the development of basic infrastructure, including electrical, water-related and logistical infrastructure. As for industrialized countries, aging infrastructure is leading to increased demand for repairs. The efforts to create a low-carbon society, with the growing interest in ESG, are also boosting demand for related infrastructure investment, such as a rapid expansion of environmentally friendly renewable energy. It is also led by new entrants from different industries in next-generation power.

There are also strong local demands for infrastructure business in Asian countries and rising investment interest in the infrastructure projects which can expect stable revenue. Therefore, it continues to be an important business.

In mobility business area, the traffic volume of goods and people are increasing and especially the demand for the transportation services and its infrastructure which contributes the protection of the global environment is growing.

External business environment is shifting rapidly due to more strict regulations related to global warming, operational efficiency using IT and big data, structural changes caused by the disappearance of industrial borders.

We can see a new business opportunity in services in outer space for long term. While in short term, the sales of new automobile are softening and the market for the construction machinery and shipbuilding contains uncertainty, the mobility industry, together with energy and electricity industries, who are competing to establish the service platform for the end-users, are expected to grow strongly.

5) Chemicals

Due to the shale revolution, the petrochemical industry in North America has regained its competitiveness. Also due to restriction of capital and environment in China and geographical risk in Middle East, more volatility in the petrochemicals market could occur. The impact towards petrochemicals industry given by the movement of the fossil fuel demand due to the climate change issue is also drawing attention. In the areas of performance materials, growth areas are garnering in a higher awareness toward the environmental issues, improvement of the quality of life, and advances in digitalization. These growth areas are in the drastic change of mobility for both people and goods; consumer products, such as housing materials, packaging, and personal care products; and the electronics and new industries, which include upcoming new generation communication related business, in addition to robotics and healthcare.

In the agricultural chemicals and food and nutrition science areas, the need for increased food production and the demand for high-value-added food are increasing significantly with population and economic growth in global and the increase in middle income earners and an improved awareness towards health, which has led to market expansion.

6) Energy

Energy demand is expected to increase along with population and economic growth around the world, and oil, natural gas, coal, and nuclear fuel are expected to continue as main sources of primary energy over the medium to long term. However, due to the introduction of new policies to tackle climate change, there are analysis and scenarios that show a plateau in the energy demand for fossil fuel from around 2030 to 2040, and it is important for us to build a strong portfolio of cost competitive assets that can thrive under that environment.

As oil demand is expected to increase in the medium to long term, the crude oil market is expected to follow a gentle uptrend mainly due to the effect of slowed-down development by restrained new upstream investment and the necessity to develop higher cost fields. On the other hand, we are aware of the rapid growth in sales of EVs and compounded with the effect of environmental regulations, the potential decrease in the demand for oil needs to be carefully monitored.

The LNG market is expected to remain as an oversupply situation for the time being, because the pace of LNG demand increase will not match with the supply increase by start-up of new large-scale LNG projects in Australia, the U.S., and so on. However, in the medium and long term, the oversupply situation is expected to be resolved around the early 2020s due to the firm demand increase mainly resulting from market expansion in emerging countries and an environmental consideration.

In the upstream and midstream business, including E&P and LNG projects, we are promoting the development of undeveloped reserves and acquisition of good quality assets, which will establish a solid portfolio with a strong resilience to commodity prices, contributing to stable profit even in decreasing prices. .

In addition, by capturing new demand arising in emerging countries we will enhance our presence in the trading network, and we will develop business through our energy value chain from upstream to midstream to downstream, further enhancing our earnings base and improving the sustainable value-creating capabilities of our business portfolio.

As a response to climate change, there has been a need for a shift to cleaner energy and action taken toward contributing to a low-carbon society, and thus our focus on natural gas/LNG and new energy businesses that have a relatively low environmental impact. The growth rate of renewable energies, centered primarily on solar power and wind power, is high due to cost reduction by rapid technological innovation. Depending on the growth rate, it could significantly affect the composition of primary energy sources.

By assessing the trends in energy business from a long-term perspective, we intend to promote the establishment of a well-balanced energy portfolio for the future, and to contribute to the sustainable growth of society through comprehensive stable energy supply.

7) Lifestyle

As the global population and economy grow, food demand is expected to increase constantly. Meanwhile, against a background of decreasing agricultural population primarily in industrialized countries and changes to suitable agricultural land due to climate change, the uneven distribution of food-producing regions is progressing and the need to secure food resources and stable food supplies is expected to become more pressing. The global increase of the middle-income class leads to the sophistication of food

demand, such as preferences for taste, animal protein, and so on. Additionally, the aging of society led food demand to diversify in areas such as health improvement, disease prevention, safety, security, and so on. The segment believes that it is also necessary to address the demand for high-value-added food.

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

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

8) Innovation & Corporate Development

Tremendous changes are occurring in the ICT business area. We are seeing a widespread uptake of IoT/AI and robotics, and the establishment of infrastructure for 5G communication. Innovative business models that utilize the cloud are emerging, media is being consumed in diversifying ways and the shapes of consumer services are transforming. Going forward, in order to operate in this environment, there is a need to engage in activities that integrate advanced technology with data, and then tie that in with services.

In the Corporate Development business area, the real estate asset management business, which combines the knowledge of the real estate and finance businesses, is expanding in both developed and emerging economies around the world. However, it will be necessary to pay attention to the macro economy and stock market, the trend of asset prices in the future. Furthermore, buyout funds and other private equity funds, which provide management know-how and funding, are playing an increasingly important role in supporting corporate growth.

(3) Revision of Materiality

Mega-trends with the potential to impact our business activities are rapidly changing and the importance of sustainability has been increasing globally, as expressed in the environmental, social, and governance (ESG) aspects and the United Nations Sustainable Development Goals (SDGs). In response to these, we have now revised Mitsui's Materiality, which was originally defined in March 2015 as important management priorities for the achievement of sustainability growth, and newly identified the following five material issues.

- Secure sustainable supply of essential products

Ensure the sustainable and stable supply of resources, materials, food and manufactured products that are vital for the development of society.

- Enhance quality of life

Contribute to the betterment of living standards and the development of local industries to realize sustainable societies globally.

- Create an eco-friendly society

Accelerate initiatives towards environmental issues, such as responding to climate change and water resource problems, and contributing to a circular economy.

- Develop talent leading to value creation

Respect diversity and develop human resources with the competence to create innovation and new value.

- Build an organization with integrity

Strengthen our governance and compliance as a corporate group trusted by society.

Mitsui will continue to pursue sustainable management, seeking to make a balanced and long-term contribution through our business activities to the sustainable economic and social development of countries and regions around the world and to addressing global scale issues, such as climate change.

(4) Business Plan for the Year Ending March 31, 2020

For the fiscal year ending March 31, 2020, the final fiscal year of the current Medium-term Management Plan, we are targeting profit for the year of ¥450 billion and core operating cash flow of ¥640 billion. Both of these represent an increase to the original targets for the final year of the Plan, announced two years ago. Our return on equity (ROE) target of 10% is unchanged.

1) Action Plan for the Year Ending March 31, 2020

We have seen steady progress in the 3 core areas (Resources & Energy, Machinery & Infrastructure, and Chemicals) and the 4 growth areas (Mobility, Healthcare, Nutrition & Agriculture, and Retail & Services). While the framework remains unchanged, we believe that businesses operating in areas concerning the ‘environment’ and ‘health’ have particularly high potential for solid and meaningful growth, and looking ahead we remain focused on strengthening our foundations in these businesses and on expanding to adjacent businesses.

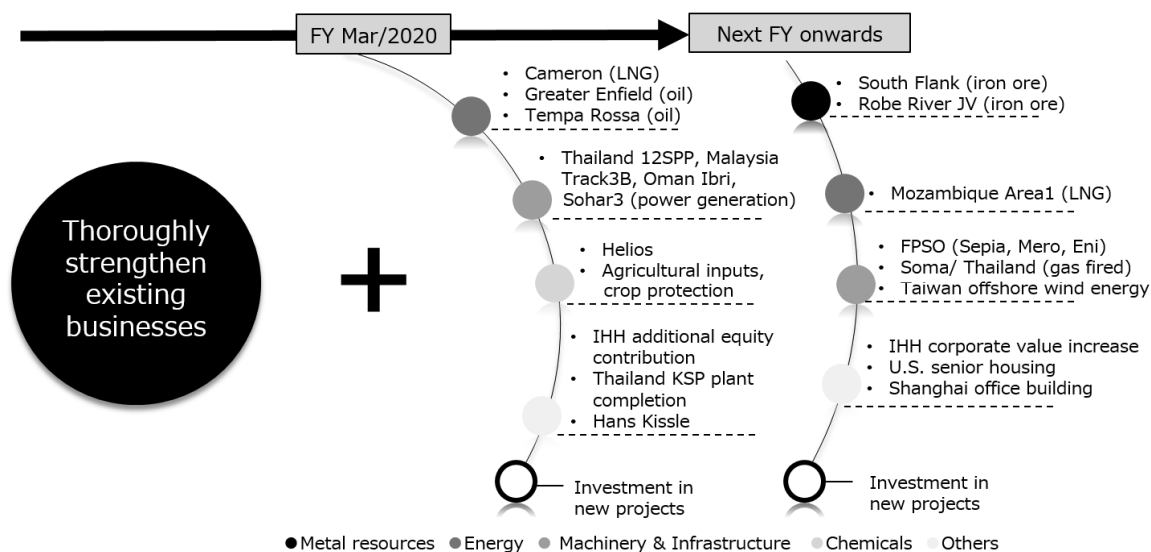
Tackling climate change is a growing global concern and we intend to further accelerate our efforts in the area of the environment, addressing the increasing demand in Asia for LNG, an energy source with comparatively low environmental impact, and trends for electrification and ride sharing in Mobility. In health, with Asia in particular experiencing high middle-class growth, the supply of health services to address the increase in chronic diseases associated with higher standards of living and the supply of quality food and medical products is essential to improving wellbeing and developing local industry.

Addressing these environment and health issues requires a cross-sectional approach, leveraging strengths across multiple different business segments. Mitsui is well positioned to create new value through the implementation of an action plan that brings out the comprehensive strength in which we excel.

Looking beyond environment and health, across all segments in which we operate, we will continue to improve the quality of our business and investment portfolio, pursuing initiatives to strengthen existing businesses, raising the profitability of existing assets, and through strategic recycling.

2) Business Assets: Contribution to Profit and Cash Generation

The fiscal year ending March 31 2020 will see the launch of a number of important projects in Energy, and we expect these together with power generation businesses in Machinery & Infrastructure and coating manufacturing and the expansion of agricultural inputs and crop protections business in Chemicals to contribute to the enhancement of our profit base. In Lifestyle, we forecast contribution to profit from the completion of the construction of production facilities for high-quality sugar and from our additional investment in IHH Healthcare, one of Asia’s largest private hospital groups. Ensuring the steady launch of these projects and enhancing our profitability while thoroughly strengthening existing businesses will enable us to achieve the goals of the business plan for the current fiscal year.



3) Cash Flow Allocation Results and Latest Forecast (over the three-year period of the Medium-term Management Plan on a cumulative basis)

We have updated the cumulative cash flow allocations for the three years of the Medium-term Management Plan upon taking into account financial results for the previous two fiscal years and targets for the fiscal year ending March 31, 2020. We forecast core operating cash flow of ¥1.88 trillion, while investment and loans will increase by ¥200 billion to ¥2.1 trillion due to the additional investment in IHH Healthcare. The forecast for asset recycling is ¥800 billion, an increase of ¥100 billion. Based on the Profit Distribution Policy described below, we forecast total shareholder returns of ¥140 billion for the fiscal year ending March 31, 2020, for a three-year cumulative total of ¥450 billion.

As a result, we forecast three-year cumulative free cash flow after shareholder returns of ¥130 billion, which will be distributed as additional shareholder returns, to pay down net interest bearing debt, and/or for additional investments as appropriate in consideration of the business situation.

(Unit: ¥billion)

		Medium-term management plan two-year cumulative results	Annual plan for FY Mar/2020	3-year cumulative (current revision) (FY Mar/2018 - FY Mar/2020)
Cash-In	Core Operating Cash Flow*1...①	1,240	640*2	1,880*2
	Asset Recycling...②	530	270	800
Cash-Out	Investment and Loans...③	-1,490	-610	-2,100
	Shareholder Returns*2...④	-310	-140	-450
Free cash flow*3 after shareholder returns...① + ② + ③ + ④		-30	160*2	130*2

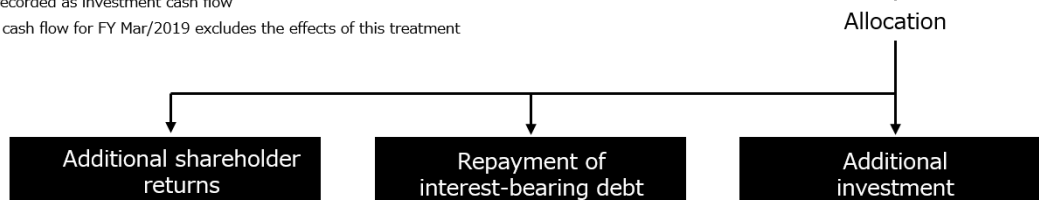
*1. Cash flow from operating activities minus cash flow from changes in working capital

*2. Includes ¥50bn increase in operating cash flow associated with application of IFRS 16 "Leases"

*3. Free cash flow that excludes the effects of changes in working capital and time deposits

From FY Mar/2019, cash flows of some lease transactions, which had previously been recorded as changes in working capital, are recorded as investment cash flow

Free cash flow for FY Mar/2019 excludes the effects of this treatment



4) Profit Distribution Policy

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

(5) Forecasts for the Year Ending March 31, 2020**1) Forecasts for the Year Ending March 31, 2020**

[Assumption]	Forecast	Result
Exchange rate (JPY/USD)	110.00	111.07
Crude oil (JCC)	\$67/bbl	\$72/bbl
Consolidated oil price	\$67/bbl	\$71/bbl

(Billions of yen)	March 31, 2020 Forecast	March 31, 2019 Result	Change	Description
Gross profit	890.0	838.5	+51.5	Iron Ore and coal operation in Australia, newly consolidated subsidiaries
Selling, general and administrative expenses	(580.0)	(566.3)	(13.7)	Newly consolidated subsidiaries
Gain (loss) on investments, fixed assets and other	30.0	(12.5)	+42.5	Reversal effects of losses on ITC, Novus and Eagle Ford
Interest expenses	(50.0)	(36.7)	(13.3)	Effects of IFRS 16
Dividend income	80.0	105.9	(25.9)	Decline in LNG and Vale dividend
Profit (loss) of equity method investments	260.0	255.4	+4.6	
Profit before income taxes	630.0	584.3	+45.7	
Income taxes	(140.0)	(152.6)	+12.6	
Non-controlling interests	(40.0)	(17.5)	(22.5)	
Profit for the year attributable to owners of the parent	450.0	414.2	+35.8	

Depreciation and amortization	250.0	186.3	+63.7	Effects of IFRS 16
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Core operating cash flow	640.0	570.5	+69.5	
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We assume foreign exchange rates for the year ending March 31, 2020 will be ¥110/US\$, ¥77/AU\$ and ¥28/BRL, while average foreign exchange rates for the year ended March 31, 2019 were ¥111.07/US\$, ¥80.77/AU\$ and ¥29.22/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2020 will be US\$67/barrel, down US\$4 from the previous year, based on the assumption that the crude oil price (JCC) will average US\$67/barrel throughout the year ending March 31, 2020.

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

Effective April 1, 2019, in order to further strengthen non-resource areas, Mitsui removed the boundaries between traditional product-based business areas, and regrouped and transformed its business organizations according to functional capabilities with a focus on consumers and customers. In accordance with the aforementioned changes, the operating segment information for the year ended March 31, 2019 has been restated to conform to the operating segments as of April 2019.

(Billions of yen)	Year ending March 31, 2020	Year ended March 31, 2019	Change	Description
Iron & Steel Products	15.0	9.9	+5.1	
Mineral & Metal Resources	165.0	167.2	(2.2)	
Machinery & Infrastructure	90.0	78.4	+11.6	Increase in base profits
Chemicals	30.0	5.2	+24.8	Reversal effects of losses on ITC and Novus
Energy	90.0	95.7	(5.7)	
Lifestyle	40.0	36.3	+3.7	
Innovation & Corporate Development	20.0	22.0	(2.0)	
All Other and Adjustments and Eliminations	0.0	(0.5)	+0.5	
Consolidated Total	450.0	414.2	+35.8	

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

(Billions of yen)	Year ending March 31, 2020	Year ended March 31, 2019	Change	Description
Iron & Steel Products	10.0	5.9	+4.1	
Mineral & Metal Resources	190.0	181.5	+8.5	
Machinery & Infrastructure	105.0	74.0	+31.0	Increase in dividend from equity method investees, effects of IFRS 16
Chemicals	50.0	31.0	+19.0	Reversal effects of losses on ITC
Energy	210.0	219.1	(9.1)	
Lifestyle	40.0	24.7	+15.3	Effects of IFRS 16
Innovation & Corporate Development	15.0	19.8	(4.8)	
All Other and Adjustments and Eliminations	20.0	14.5	+5.5	
Consolidated Total	640.0	570.5	+69.5	

2) Key commodity prices and other parameters for the year ending March 31, 2020

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2020. 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, 2020			March 2020 Assumption	March 2019 Result	
Commodity	Crude Oil/JCC		-	67	72
	Consolidated Oil Price (*1)		¥3.1bn (US\$1/bbl)	67	71
	U.S. Natural Gas (*2)		¥0.7bn (US\$0.1/mmBtu)	3.00 (*3)	3.07 (*4)
	Iron Ore(*5)		¥2.1bn (US\$1/ton)	(*6)	72 (*7)
	Coal	Coking	¥0.5bn (US\$1/ton)	(*6)	202 (*8)
		Thermal	¥0.1bn (US\$1/ton)	(*6)	110 (*8)
	Copper (*9)		¥0.7bn (US\$100/ton)	6,600	6,525 (*10)
Forex (*11)	USD		¥2.7bn (¥1/USD)	110	111.07
	AUD		¥1.9bn (¥1/AUD)	77	80.77
	BRL		¥0.3bn (¥1/BRL)	28	29.22

(*1) As the crude oil price affects our consolidated results with a 0-6 month time lag, the effect of crude oil prices on consolidated results is estimated as the Consolidated Oil Price, which reflects this lag. For the year ending Mar/2020 we have assumed that there is a 4-6 month lag for approx. 50%, a 1-3 month lag for approx. 40%, and no lag for approx. 10%. The above sensitivities show annual impact of changes in consolidated oil price.

(*2) As Mitsui has very limited exposure to U.S. natural gas sold at Henry Hub (HH), the above sensitivities show annual impact of changes in the weighted average sale price.

(*3) HH price of US\$3.00/mmBtu is assumed for sales prices linked to the HH price.

(*4) U.S. gas figures for FY Mar/2019 are the Henry Hub Natural Gas Futures average daily prompt month closing prices traded on NYMEX during January to December 2018.

(*5) The effect of dividends received from Vale has not been included.

(*6) Iron ore and coal price assumptions are not disclosed.

(*7) Iron ore results figures for FY Mar/2019 are the daily average (reference price) spot indicated price (Fe 62% CFR North China) recorded in several industry trade magazines from April 2018 to March 2019.

(*8) Coal results figures for FY Mar/2019 are the quarterly average prices of representative coal brands (US\$/MT)

(*9) As the copper price affects our consolidated results with a 3 month time lag, the above sensitivities show the annual impact of US\$100/ton change in averages of the LME monthly average cash settlement prices for the period March to December 2019.

(*10) Copper results figures for FY Mar/2019 are the averages of the LME monthly average cash settlement prices for the period January to December 2018.

(*11) Impact of currency fluctuations on reported profit for the year of overseas subsidiaries and equity accounted investees denominated in functional currencies. Depreciation of the yen has the effect of increasing profit for the year through the conversion of profit for the year of overseas subsidiaries and associated companies (denominated in functional currencies) into yen. In the Metal Resources and Energy business where the sales contract is in US\$ the impact of currency fluctuations between the US\$ and the functional currencies (Australian \$ and Brazilian Real) and the impact of currency hedging are not included.

Note: Impact of Foreign Currency Exchange Fluctuation on Operating Results

The total sums for profit for the year attributable to owners of the parent for the years ended March 31, 2019 and 2018 reported by overseas subsidiaries and equity accounted investees were ¥368.8 billion and ¥312.1 billion, respectively. These companies principally use the U.S. dollar, the Australian dollar and the Brazilian real as functional currencies in their reporting.

We conducted a simplified estimation for the effect of foreign currency exchange fluctuations on profit for the year attributable to owners of the parent for the year ending March 31, 2020.

(a) We aggregated a total projected profit for the year attributable to owners of the parent in the business plans of these companies covering the year ending March 31, 2020, according to their functional currencies. Firstly, we aggregated Australian dollar- and Brazilian real-denominated projected profit for the year attributable to owners of the parent of those companies using two currencies as functional currencies. Secondly, we aggregated the rest of the projected profit for the year attributable to owners of the parent from overseas subsidiaries and equity accounted investees as a US dollar-equivalent amount. We conducted a sensitivity analysis on foreign currency fluctuation for three categories of aggregated profit for the year attributable to owners of the parent.

For example, yen appreciation of ¥1 against US\$1 would have the net effect of reducing profit for the year attributable to owners of the parent by approximately ¥2.7 billion. Specifically, for the profit for the year attributable to owners of the parent from those companies using Australian dollar and Brazilian real as functional currencies, appreciation of ¥1 against AUD1 and BRL1 would have the net effect of reducing profit for the year attributable to owners of the parent by approximately ¥1.9 billion and ¥0.3 billion, respectively.

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

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

2. Risk Factors

(1) Risks of Changes in Global Macroeconomic Factors

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

(2) Market Risk

1) Commodity Market Risk

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

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

For further information about the impact of commodity price fluctuations on our operating results for the year ended March 31, 2019 and possible effects in the future, see “1. Management Policies, Operating Environment, and Management Issues, (5) Forecasts for the Year Ending March 31, 2020” and “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (4) Discussion and Analysis of Operating Results for the Years Ended March 31, 2019 and 2018.”

2) Foreign Currency Risk

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

For further information about the impact of exchange rate fluctuations on our operating results for the year ended March 31, 2019 and in the future, see “1. Management Policies, Operating Environment, and Management Issues, (5) Forecasts for the Year Ending March 31, 2020” and “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (5) Liquidity and Capital Resources.”

3) Interest Rate Risk

We are exposed to risks associated with interest rate fluctuations, which may affect our overall operational costs and the value of our financial assets and liabilities, particularly our debt obligations from the capital markets and borrowings from financial institutions, including ¥337.0 billion short-term debt and ¥4,288.5 billion long-term debt as of March 31, 2019. An increase in interest rates, especially in Japan and the United States, may adversely affect our operating results.

For information on the status of our funding, see “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (5) Liquidity and Capital Resources” and Note 9, “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS.”

4) Stock Price Risk

A significant portion of our investment portfolio consists of marketable equity financial assets. At March 31, 2019, our marketable equity financial assets recognized to designate as FVTOCI were carried at a fair value of ¥1,008.7 billion, representing 8.4% of our total assets. While we periodically review our investment portfolio, a decline in the equity securities market could negatively impact the value of our investment portfolio and operating results and financial condition due to the decline of other comprehensive income.

5) Risks Regarding Pension Cost and Defined Benefit Obligations

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

For information on our defined benefit cost, see “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (6) Critical Accounting Policies and Estimates” and Note 19, “EMPLOYEE BENEFITS.”

(3) Credit Risks

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

- While many of our customers purchase products and services from us on credit, we may also provide financing programs or debt guarantees for customers associated with sales contracts. At March 31, 2019, our current trade receivables (less loss allowance — current) were ¥1,804.2 billion, representing 15.1% of our total assets. The balance of the loss allowance — current for the year ended March 31, 2019 was ¥12.5 billion.
- We engage in significant project financing activities as a lender or guarantor whereby we assume repayment risk.
- We have counterparty payment risk from various derivative transactions we enter into as part of our hedging activities.

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

(4) Risks Regarding Impairment Loss on Fixed Assets

Assets for our own use and/or rental to third parties, such as equipment and fixtures, land and buildings are exposed to potential significant impairment losses due to the decline in the value of these assets. The total of the carrying amounts of property, plant and equipment, investment property and intangible assets was ¥2,322.6 billion, as of March 31, 2019. The carrying amounts of assets for our own use and/or rental to third parties are affected by certain factors, which are beyond our control such as changes in price, sales volume, production volume and cost based on global or local supply and demand. When impairment losses on these assets occur, impairment losses may have an adverse effect on our operating results and financial condition.

For information on our accounting policies and estimates with respect to impairment on non-financial assets, see “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (6) Critical Accounting Policies and Estimates.”

(5) Risks Regarding Fund Procurement

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

For information on our funding sources and credit ratings, see “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (5) Liquidity and Capital Resources.”

(6) Risks Regarding Deferred Tax Assets

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

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

(7) Concentrated Risk Exposures

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

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

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

(8) Business Investment Risk

As of March 31, 2019, we had 278 consolidated subsidiaries and 213 equity accounted investees. We have been continuously restructuring underperforming businesses of our consolidated subsidiaries and associated companies using a process we have introduced to assess their profitability. If we fail to successfully restructure or eliminate our underperforming subsidiaries and associated companies in a timely manner, or if these efforts fail to improve our business operations as contemplated, our business operations may become less efficient and our operating results and financial condition may be adversely affected.

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

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

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

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

Exploration, development and production activities of mineral resources and oil and gas projects are becoming more significant to our operating results and financial condition. Mining and oil and gas projects involve risks, as follows:

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

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

(10) Risks Due to Competition

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

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

(11) Risk Regarding Limitation of Resources on Business

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

(12) Environmental Risks

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

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

(13) Risks Associated with Laws and Regulations

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

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

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

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

(15) Risks Regarding Internal Control

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

(16) Risks Regarding Climate Changes and Natural Disasters

Initiatives to reduce greenhouse gases, which are said to be the root cause of climate change and global warming, are undertaken globally, such as adoption and ratification of "Paris Agreement" at the 21st Conference of Parties (COP21) in United Nations U.N. Framework Convention on Climate Change.

We recognize the significance of Climate Change. Transition risks related to transition to low carbon emission economy (Policy and Legal Risks, Technology Risk, Market Risk, or other risk) and physical risks resulting from climate change could adversely affect the operating results of our businesses.

As transition risks related to policy and legal risk, introduction of government-imposed greenhouse gas emission restrictions including imposition of carbon tax, and cap and trade schemes of emission credit could adversely affect the operating results of our businesses that use fossil fuel and emit a large amount of greenhouse gasses, such as overseas power producing businesses, and that produce coal, oil, and gas, where we have minority share holdings.

As physical risks, among extreme weather conditions which have been increasing recently due to climate change, intense storms, especially hurricanes and cyclones, which are strong tropical depressions in the Atlantic and South Pacific oceans, respectively, may have an adverse impact on production and shipments of our mineral resources, oil and gas, and salt production operations, leading to increased costs and/or decreased revenues. In the case that production sites, production facilities, and infrastructure used for shipments such as roads, railways and ports, are seriously damaged by extreme weather conditions, operations and shipments could stop for indeterminate periods until restoration work is completed. Extreme weather conditions such as drought could also adversely affect foods raw material producing activities in which we have investments.

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

(17) Risks Regarding Information Systems and Information Securities

As for the worldwide operation of our global communication network, it is important to properly operate the IT system, grasp the information value and handle it properly. We enhance the safety and security of information systems by internal control through development of related regulations to secure properly confidentiality, integrity, and availability on information and information systems for us and our consolidated subsidiaries. We reduce risks on data breaches by improved guidelines for better risk management, conduct internal training regularly, and tackle external threats with various measures, including the security monitoring of our IT networks.

However, we cannot eliminate all the possibilities of distraction or leakages of confidential business information triggered by unexpected serious IT system troubles, and unforeseeable threats against our IT system infrastructure or communications networks. Such situations could seriously reduce our operational efficiency or jeopardize our ability to maintain or expand our business activities, which may have an adverse impact on our business, operating results and financial condition.

(18) Risks Relating to Terrorists and Violent Groups

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

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

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

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

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

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

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

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

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

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

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

Please take note that our management's discussion and analysis of financial position, operating results and cash flow contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ significantly from those anticipated in these forward-looking statements as a result of the items mentioned in "2. Risk Factors" or other factors. For further information regarding the progress of our plan, see "2. Operating and Financial Review and Prospects, 1. Management Policies, Operating Environment, and Management Issues, (1) Progress of the Medium-term Management Plan."

(1) Overview of Business Results

1) Operating Results

See "(4) Discussion and Analysis of Operating Results for the Years Ended March 31, 2019 and 2018, 2) Operating Results by Operating Segment."

2) Cash Flows

See "(5) Liquidity and Capital Resources, 6) Cash Flows."

(2) Purchases, Sales Contracts and Trading Transactions

1) Purchases

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

2) Sales Contracts

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

3) Trading Transactions

See "(4) Discussion and Analysis of Operating Results for the Years Ended March 31, 2019 and 2018," and Consolidated financial statements Note 7, "SEGMENT INFORMATION."

(3) Key Performance Measures under Management's Discussion

Although our operating results and financial position are affected by various factors including the items stated in "2. Risk Factors," management believes that as of the end of the fiscal year under review, the following indicators can be usefully employed to discuss trends in our performance and financial condition.

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

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

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

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

For further information regarding trends and prospects in this field, see the sections relating to the Mineral & Metal Resources Segment and the Energy Segment in "1. Management Policies, Operating Environment, and Management Issues, (2) Operating Environment" and "(4) Discussion and Analysis of Operating Results for the Years Ended March 31, 2019 and 2018, 2) Operating Results by Operating Segment."

3) Cash Flows, Capital Efficiency, and Financial Leverage

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

Mitsui decides the policies on levels of shareholders' equity ^(**), return on equity (ROE), and also debt and equity balances, and examines the status of execution in terms of stability for capital efficiency as well as financing. Mitsui also examines the scale of shareholders' equity in terms of risk buffer to maximum exposure to potential losses due to a deterioration of the respective business and is monitoring and managing group-wide financial leverage seeking to secure an efficient return on equity as well as maintaining and improving credit ratings and financial stability in order to refinance our interest-bearing debt. For further information regarding our capital management, see Note 9, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS, (6) Risk-related matters." For further information regarding our financial policy, see "(5) Liquidity and Capital Resources."

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

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

(4) Discussion and Analysis of Operating Results for the Years Ended March 31, 2019 and 2018

1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Year	Previous Year	Change
Revenue		6,957.5	4,892.1	+2,065.4
Gross Profit		838.5	790.7	+47.8
Selling, general and administrative expenses		(566.3)	(571.7)	+5.4
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments—Net	4.4	55.1	(50.7)
	Impairment Reversal (Loss) of Fixed Assets—Net	(27.0)	(25.5)	(1.5)
	Gain (Loss) on Disposal or Sales of Fixed Assets—Net	17.9	15.1	+2.8
	Other Income (Expense)—Net	(18.8)	15.8	(34.6)
	Provision Related to Multigrain Business	11.1	(25.0)	+36.1
Finance Income (Costs)	Interest Income	43.4	36.5	+6.9
	Dividend Income	105.9	84.8	+21.1
	Interest Expense	(80.1)	(66.5)	(13.6)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		255.4	234.9	+20.5
Income Taxes		(152.6)	(103.1)	(49.5)
Profit for the Year		431.8	441.3	(9.5)
Profit for the Year Attributable to Owners of the Parent		414.2	418.5	(4.3)

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

Revenue

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.

Previously under IAS18, "Revenue," revenues of agents that are not exposed to significant risks and rewards were recognized on a net basis. Upon adoption of IFRS 15 "Revenue from contracts with customers", any such revenue from transactions where the Company controls the goods or services before transfer to the customer, therefore acting as the principal, are recognized on a gross basis. As a result, revenue and cost respectively increased by ¥2,054.7 billion in the Consolidated Financial Statement of Income for the year ended March 31, 2019 when compared to the figures under the former accounting standards.

Gross Profit

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

Other Income (Expenses)

Selling, general and administrative expenses

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

	Billions of Yen		
	Current Year	Previous Year	Change
Personnel	¥299.5	¥297.1	¥2.4
Welfare	11.9	12.2	(0.3)
Travel	30.9	29.8	1.1
Entertainment	6.6	7.0	(0.4)
Communication	43.8	45.8	(2.0)
Rent	30.2	27.5	2.7
Depreciation	16.5	14.4	2.1
Fees and Taxes	12.4	16.9	(4.5)
Loss Allowance	13.3	20.3	(7.0)
Others	101.2	100.7	0.5
Total	¥566.3	¥571.7	¥(5.4)

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

	Billions of Yen		
	Current Year	Previous Year	Change
Iron & Steel Products	¥27.8	¥32.1	¥(4.3)
Mineral & Metal Resources	32.3	44.4	(12.1)
Machinery & Infrastructure	123.4	121.5	1.9
Chemicals	99.2	96.6	2.6
Energy	45.1	42.1	3.0
Lifestyle	155.4	153.0	2.4
Innovation & Corporate Development	51.5	50.8	0.7
All Other and Adjustments and Eliminations	31.6	31.2	0.4
Consolidated Total	¥566.3	¥571.7	¥(5.4)

Gain (loss) on securities and other investments—net

For the current year, a gain on securities was recorded in the Lifestyle Segment. For the previous year, a gain on securities was recorded in the Mineral & Metal Resources Segment, while a gain and a loss on securities were recorded in the Machinery & Infrastructure Segment. Furthermore, losses on securities were recorded in the Lifestyle Segment and the Innovation & Corporate Development Segment.

Impairment reversal (loss) of fixed assets—net

For the current year, a loss on fixed assets was recorded in the Energy Segment, and a loss on fixed assets was recorded in the Chemical Segment. For the previous year, a loss on fixed assets was recorded in the Lifestyle Segment and the Machinery & Infrastructure Segment.

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

For the current year, gains on disposal of fixed assets were recorded in the Mineral & Metal Resources Segment, the Iron & Steel Products Segment and the Lifestyle Segment, while a loss was recorded in the Chemical Segment. For the previous year, a gain on disposal of fixed assets was recorded in the Lifestyle Segment and the Innovation & Corporate Development Segment.

Other income (expense)—net

For the current year, the Chemical Segment recorded a loss on the fire incident. For the previous year, the Iron & Steel Products Segment recorded a valuation profit on the derivative in relation to a price adjustment clause for an investment in an equity accounted investee.

Provision Related to Multigrain Business

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

Finance Income (Costs)

Dividend Income

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

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

Mainly the Energy Segment, the Innovation & Corporate Development Segment and the Lifestyle Segment recorded an increase, while the Machinery & Infrastructure Segment recorded a decline.

Income Taxes

- For the previous year, deferred tax liabilities on the investment into Valepar S.A. were reversed. Furthermore, deferred tax liabilities on equity accounted investments were reversed upon receiving dividends from those investees, and deferred tax liabilities were reversed due to the U.S. tax reform. On the other hand, deferred tax assets on equity accounted investments as well as Multigrain Trading AG were reversed.
- The effective tax rate for the current year was 26.1%, an increase of 7.2 points from 18.9 % for the previous year. The aforementioned reversal of deferred tax liabilities for the previous year resulted in the increase, while the reversal of deferred tax assets caused the decline.

Profit for the Year Attributable to Owners of the Parent

Profit for the year attributable to owners of the parent was ¥414.2 billion, a decline of ¥4.3 billion from the previous year.

2) Operating Results by Operating Segment

Iron & Steel Products Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit for the year attributable to owners of the parent	9.9	24.7	(14.8)
Gross profit	27.2	41.9	(14.7)
Profit (loss) of equity method investments	16.2	13.3	+2.9
Dividend income	1.7	2.5	(0.8)
Selling, general and administrative expenses	(27.8)	(32.1)	+4.3
Others	(7.4)	(0.9)	(6.5)

- Gross profit declined mainly due to the following factors:
 - Mitsui & Co. Steel Ltd. reported a decline of ¥7.0 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 year.
- Profit (loss) of equity method investments increased mainly due to the following factor:
 - For the current year, following the classification of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION as an equity method investee, a profit of equity method investment was recorded.
- Selling, general and administrative expenses decreased mainly due to the following factor:
 - Mitsui & Co. Steel Ltd. reported a decline of ¥5.5 billion mainly due to transferring a part of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.
- In addition to the above, the following factors also affected results:
 - For the previous year, a valuation profit on the derivative of ¥4.8 billion was recorded in relation to a price adjustment clause for the investment in Gestamp Automoción S.A.
 - For the previous year, Game Changer Holdings reported a gain of ¥3.5 billion due to a reversal of deferred tax liability upon the U.S. tax reform.
 - For the current year, 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 Year	Previous Year	Change
Profit for the year attributable to owners of the parent	167.2	257.6	(90.4)
Gross profit	175.6	206.8	(31.2)
Profit (loss) of equity method investments	59.3	61.8	(2.5)
Dividend income	20.9	16.4	+4.5
Selling, general and administrative expenses	(32.3)	(44.4)	+12.1
Others	(56.3)	17.0	(73.3)

- Gross profit declined mainly due to the following factors:
 - Iron ore mining operations in Australia reported a decline of ¥20.2 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 ¥12.4 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:
 - Profit from 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.
 - Inversiones Mineras Acrux SpA, a copper mining company in Chile, reported a decline of ¥4.1 billion mainly due to a reversal effect of impairment reversal for the previous year.

- An improvement of ¥7.8 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.
- Coal mining operations in Australia reported an increase of profit mainly due to higher sales price.
- Dividend income increased by ¥4.5 billion from the previous year due to higher dividends from Vale S.A. and iron ore mining operations in Australia.
- Selling, general and administrative expenses decreased mainly due to the following factor:
 - For the previous year, a provision of ¥14.7 billion for debt were posted, reflecting the revisions to our various assumptions regarding SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine.
- In addition to the above, the following factors also affected results:
 - For the current year, coal mining operations in Australia reported a gain on the sales of fixed asset of Bengalla Joint Venture.
 - For the previous year, 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.
 - For the previous year, following the dividend received from Inner Mongolia Erdos Electric Power & Metallurgical Ltd, the reversal of deferred tax liability for the retained earnings of the equity accounted investment was reported.

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

Fluctuations in iron ore prices directly affect revenues from the equity share of production at our iron ore subsidiaries and equity accounted investees. For the year ending March 31, 2020, we estimate that the impact of a change of US\$1 per ton in the iron ore price on profit for the year attributable to owners of the parent would be approximately ¥2.1 billion.

For the year ended March 31, 2019, the equity share of production amounted to 59.7 million tons of iron ore (including 21.2 million tons of Vale which is non-consolidated related company). The above-mentioned effect of a change of US\$1 per ton is calculated based on the assumptions of an estimated increase or decrease in shipments in the year ending March 31, 2020, in line with our holdings through subsidiaries and equity accounted investees after the year ended March 31, 2019, and a specific range of foreign exchange rates for the U.S. dollar and other related currencies. As the value of natural resource producing countries' currencies, such as the Australian dollar, generally trends to be highly correlated to the market prices of those countries' products, the change in the currencies may impact the local currency denominated revenues of our overseas subsidiaries and equity accounted investees.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit for the year attributable to owners of the parent	78.4	89.6	(11.2)
Gross profit	130.7	121.9	+8.8
Profit (loss) of equity method investments	87.5	96.5	(9.0)
Dividend income	5.8	3.4	+2.4
Selling, general and administrative expenses	(123.4)	(121.5)	(1.9)
Others	(22.2)	(10.7)	(11.5)

- Gross profit increased mainly due to the following factors:
 - Increased the deliveries on ship purchase and sale business.
- Profit (loss) of equity method investments declined mainly due to the following factors:
 - IPP business recorded a decline of ¥21.3 billion.
 - ◇ For the previous year, a ¥20.3 billion gain on the sales of the interest in a UK power asset was recorded.
 - ◇ For the previous year, a ¥3.9 billion gain was recorded because the IPP business in Indonesia was refinanced.
 - ◇ For the current year, 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 deteriorated by ¥2.3 billion to a ¥1.7 billion loss from a ¥0.6 billion profit for the previous year.
 - For the current year, a loss was recorded at an equity accounted investee due to its overseas rail project.
 - For the previous year, a loss was recorded at an equity accounted investee due to a deterioration of overseas project.
 - For the previous year, reserves of ¥5.1 billion for financing projects in Latin America were recorded.

- In addition to the above, the following factors also affected results:
 - For the previous year, an impairment loss of ¥5.4 billion on fixed assets was recorded in relation to container terminal development and operation.
 - For the current year, deferred tax assets were recorded at a holding company due to the change of the investment structure in the IPP business.
 - For the previous year, a ¥4.1 billion loss was recorded due to the refinancing of the IPP business in Indonesia.
 - For the previous year, a holding company for UK IPP business recorded a valuation loss of ¥3.5 billion on securities, following the sales of the interests.
 - For the previous year, following the dividend received from the IPP project, the reversal of deferred tax liability for the retained earnings of the equity accounted investment was reported.
 - For the previous year, a gain on a partial sale of an equity accounted investment was recorded.

Chemicals Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit for the year attributable to owners of the parent	4.5	34.2	(29.7)
Gross profit	142.8	136.6	+6.2
Profit (loss) of equity method investments	12.8	11.3	+1.5
Dividend income	2.7	2.3	+0.4
Selling, general and administrative expenses	(99.2)	(96.6)	(2.6)
Others	(54.6)	(19.4)	(35.2)

- Gross profit increased mainly due to the following factors:
 - MMTX Inc. reported an increase of ¥6.2 billion mainly due to higher methanol prices.
 - Novus International, Inc. reported a decline of ¥5.8 billion mainly due to lower methionine prices.
- In addition to the above, the following factors also affected results:
 - For the current year, Intercontinental Terminals Company LLC reported an other expense of ¥20.6 billion due to the fire.
 - For the current year, Novus International, Inc. reported a loss of ¥14.0 billion as a result of reassessing projects to increase production capacity of methionine due to the increase of the project cost.
 - For the previous year, Intercontinental Terminals Company LLC reported a gain of ¥8.4 billion due to a reversal of deferred tax liabilities upon the U.S. tax reform.

Energy Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit for the year attributable to owners of the parent	95.7	48.6	+47.1
Gross profit	134.0	96.8	+37.2
Profit (loss) of equity method investments	40.3	24.5	+15.8
Dividend income	65.2	51.9	+13.3
Selling, general and administrative expenses	(45.1)	(42.1)	(3.0)
Others	(98.7)	(82.5)	(16.2)

- Gross profit increased mainly due to the following factors:
 - Mitsui Oil Exploration Co., Ltd. recorded an increase of ¥24.3 billion mainly due to higher crude oil and gas prices and a decrease in costs.
 - Westport Petroleum LLC reported an increase of ¥5.3 billion mainly as a mark-to-market valuation gain related to its derivative contract for the hedging transaction.
 - Mitsui E&P USA LLC reported an increase of ¥5.1 billion mainly due to higher gas prices and a decrease in costs.
 - Mitsui E&P Middle East B.V. reported an increase of ¥4.2 billion mainly due to higher crude oil prices.
 - Mitsui & Co. Energy Trading Singapore reported an increase of ¥3.4 billion mainly due to good performance in the LNG and 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 and an increase in production.
- Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥63.4 billion in total, an increase of ¥13.3 billion from the previous year.
- In addition to the above, the following factors also affected results:
 - For the current year, mainly due to changes in the development plan, MEP Texas Holdings LLC recorded an impairment loss of ¥11.6 billion for its Eagle Ford shale oil and gas business.
 - For the current year, exploration expenses of ¥6.3 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous year, exploration expenses of ¥7.0 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd.
 - For the previous year, MEPUS Holdings LLC, a holding company of U.S. shale gas and oil production business, reported a loss of ¥14.9 billion due to a reversal of deferred tax assets following the U.S. tax reform.

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

Our equity share of production amount of oil and gas for the year ended March 31, 2018 was 244 million barrels (gas is converted to barrels of oil at the ratio of 5,800 cubic feet of natural gas to 1 barrel of crude oil, includes equity share of interests of consolidated subsidiaries, equity accounted investees and non-consolidated interests), and the latest estimate of the equity share of production for the year ended March 31, 2019 was 251 million barrels (same as above).

For the year ending March 31, 2020, a change of US\$1 per barrel in crude oil prices is estimated to have an effect of ¥3.1 billion on profit for the year attributable to owners of the parent as a result of changes in revenues of our oil and gas related subsidiaries and associated companies. We have ceased to disclose our equity share of production amount in accordance with the U.S. Securities and Exchange Commission standards.

Similar to the discussion regarding mineral and metal resources, actual results of operations are also influenced by production, costs, trends in foreign exchange rates and other factors surrounding those subsidiaries and equity accounted investees.

Lifestyle Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit (loss) for the year attributable to owners of the parent	42.4	(26.3)	+68.7
Gross profit	158.9	139.5	+19.4
Profit (loss) of equity method investments	29.3	22.8	+6.5
Dividend income	5.4	4.3	+1.1
Selling, general and administrative expenses	(155.4)	(153.0)	(2.4)
Others	4.2	(39.9)	+44.1

- Gross profit increased mainly due to the following factors:
 - There was an increase of ¥5.8 billion due to new consolidations of fashion & textile businesses in Asia.
 - Multigrain Trading AG reported an increase of ¥5.0 billion mainly due to the reversal effect of the poor performance for the previous year.
- In addition to the above, the following factors also affected results:
 - Multigrain Trading AG recorded a provision of ¥25.5 billion due to the deterioration of the business environment, tax expenses of ¥8.6 billion mainly resulting from the reversal of deferred tax assets and losses of ¥4.1 billion mainly related to asset impairments for the previous year, while it recorded a gain of ¥11.6 billion on reversal of the provision for the current year.
 - For the previous year, XINGU AGRI AG recorded an impairment loss on fixed assets of ¥11.3 billion due to a decline in the value of land.
 - For the current year, a ¥7.5 billion profit was recorded due to the change in the profit share in IHH Healthcare Berhad following the increase in the number of outstanding shares.
 - For the previous year, MBK Healthcare Network Ltd. recorded an impairment loss on securities of ¥5.9 billion due to the revision of the future business plan for DaVita Care Pte. Ltd., in which MBK Healthcare Network Ltd. invested.
 - For the current and previous years, gains on the sales of buildings in Japan were recorded.

- For the previous year, the Lifestyle Segment recorded a gain on the reversal of deferred tax liability of ¥8.3 billion due to the liquidation of MBK Healthcare Partners Limited, which held IHH Healthcare Berhad.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Year	Previous Year	Change
Profit (loss) for the year attributable to owners of the parent	16.6	(4.6)	+21.2
Gross profit	66.7	45.1	+21.6
Profit (loss) of equity method investments	11.7	5.0	+6.7
Dividend income	2.9	2.7	+0.2
Selling, general and administrative expenses	(51.5)	(50.8)	(0.7)
Others	(13.2)	(6.6)	(6.6)

- Gross profit increased mainly due to the following factors:
 - For the previous year, a ¥6.0 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.
 - Mitsui Bussan Commodities Ltd. reported an increase of ¥3.2 billion mainly due to strong trading business under the favorable market environment.
 - For the previous year, a ¥4.5 billion gain was recorded due to the valuation of fair value on shares in Hutchison China MediTech Ltd., while for the current year a ¥3.0 billion gain was recorded due to the valuation of fair value on shares.
- Profit of equity method investment increased mainly due to the following factor:
 - An improvement of ¥3.4 billion was recorded at an equity accounted investee due to a loss on the anticipated deterioration for the previous year.
- In addition to the above, the following factor also affected results:
 - For the previous year, a loss of ¥3.1 billion on securities of Naaptol Online Shopping Pvt. Ltd. was recorded.
 - For the previous year, a gain on the sales of warehouses in Japan was recorded.

(5) Liquidity and Capital Resources

Use of Non-GAAP Financial Measures

Net Debt-to-Equity Ratio

We refer to “Net Debt-to-Equity Ratio” (“Net DER”) in this “Liquidity and Capital Resources” and elsewhere in this report. Net DER is comprised of “net interest-bearing debt” divided by total equity attributable to owners of the parent.

We define “net interest-bearing debt” as follows:

- calculate interest-bearing debt by adding up short-term debt and long-term debt
- calculate net interest-bearing debt by subtracting cash and cash equivalents and time deposits with maturities within one year after three months from interest-bearing debt

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

“Net interest-bearing debt” and “Net DER” are presented in the table below.

	As of March 31, 2019	As of March 31, 2018
	(Billions of Yen)	(Billions of Yen)
Short-term debt	337.0	201.6
Long-term debt	4,288.4	4,025.4
Interest bearing debt	4,625.5	4,226.9
Less cash and cash equivalents and time deposits	(966.3)	(1,137.7)
Net interest bearing debt	3,659.2	3,089.2
Total equity attributable to owners of the parent	4,263.2	3,974.7
Net DER (times)	0.86	0.78

Free Cash Flow

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

The following table shows how we calculated free cash flow.

	Year ended March 31, 2019 (Billions of Yen)	Year ended March 31, 2018 (Billions of Yen)	Increase/(Decrease) (Billions of Yen)
Cash flows from operating activities	410.7	553.6	(142.9)
Cash flows from investing activities	(719.0)	(248.2)	(470.8)
Free cash flow	(308.3)	305.4	(613.7)

1) Funding and Treasury Policies

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

In principle, wholly owned subsidiaries procure funds not from financial institutions, but by utilizing the internal Cash Management Service, in which they can procure financing from financing subsidiaries and overseas offices of the Company. Through this service, centralization of fund raising, the efficient use of fund and securement of liquidity are promoted. As a result, approximately three fourths of total interest-bearing debt on a consolidated basis as of March 31, 2019 was raised by Mitsui and the above-mentioned financing subsidiaries.

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

2) Funding Sources

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

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

In addition to these funding sources, Mitsui maintains various means of procuring direct financing, such as a ¥200 billion debt shelf-registration, a ¥2,400 billion commercial paper program in Japan, and Euro medium-term note ("MTN") program of US\$5 billion, and utilizes the method among these that is favorable depending on the financial situation. Outstanding domestic bonds under shelf-registration and notes under the MTN program as of March 31, 2019 were ¥135 billion and ¥14.8 billion, respectively. For raising short-term funds overseas, Mitsui & Co. (U.S.A.), Inc. has a US\$1.5 billion U.S. domestic commercial paper program, Mitsui & Co. Financial Services (Europe) Ltd. also has a US\$1.5 billion Euro commercial paper program, and there are similar commercial paper programs in certain other overseas markets and these programs are utilized where appropriate. However, we maintain the principal strategy of carrying out long-term and stable fund procurement, and we do not rely on fund procurement means such as commercial paper or short-term loans. As a result, the proportion of short-term debt to total interest-bearing debt on a consolidated basis was 7.3% as of March 31, 2019.

Mitsui and certain subsidiaries set lines of credit by paying commitment fees to financial institutions. For unused lines of credit for borrowing, including these lines of credit with fees, see Note 9, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS (6) Risk-related matters."

A vast majority of interest-bearing debt is denominated in Japanese yen and U.S. dollars. Considering the type of interest and currency of the asset-side, we employ certain derivative financial instruments, which include interest rate swaps, currency swaps and foreign currency exchange forward contracts to convert the interest or currency of our liabilities. We believe that the proportion of interest-bearing debt with fixed interest rate after taking into account interest rate swaps is appropriate considering the condition of our current financial position. See Note 9, "DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS" for further description of our derivative financial instruments. Additionally, regarding liquidity analysis related to derivative instruments, see Note 16, "DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES."

Credit Ratings

To facilitate smooth fund raising from capital markets, Mitsui has obtained ratings from Rating and Investment Information, Inc. (“R&I”), Moody’s Japan K.K. (“Moody’s”) and Standard & Poor’s Ratings Japan K.K. (“S&P”). The ratings as of May 31, 2019 were as follows:

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

(*) The terminology used at Moody’s is “Long-Term Obligation Ratings (senior unsecured).”

(**) The terminology used at S&P is “Short-Term Issuer Credit Ratings.”

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

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

3) Liquidity Management

Cash and cash equivalents were ¥956.1 billion as of March 31, 2019. Approximately half of cash and cash equivalents are denominated in Japanese yen and our management recognizes that cash and cash equivalents as of March 31, 2019 satisfy the liquidity requirements for the repayment of short-term debt (¥337.0 billion) and current maturities of long-term debt (¥479.4 billion).

During the year ended March 31, 2019 under review, the global economy slowed its pace of growth due to the weakening momentum of economic recovery in Europe, Japan and China despite an overall firmness in the U.S. economy. Federal Reserve Board raised Federal Funds target rate three times after April, 2018, and was forced to pause their tightening monetary policy thereafter. Under such circumstances, we steadily procured necessary funds in accordance with our basic funding policy by utilizing our good long-term relationship with financial institutions and various measures implemented by public financing agencies. There are uncertainties in the financial landscape, such as U.S.-China trade negotiations and the policy trends of major countries, which have shown signs of stagnation throughout the global economy. Thus, we consider it necessary to continue to closely monitor the prospects for liquidity.

As a result, our interest-bearing debt outstanding as of March 31, 2019, totaled ¥4,625.5 billion, an increase of ¥398.6 billion from the previous fiscal year-end, and the proportion of long-term debt to total interest-bearing debt on a consolidated basis was 92.7%. Subordinated syndicated loans accounted for ¥555.0 billion of the interest-bearing debt. Rating agencies treat 50% of this balance, or ¥277.5 billion, as equity. The maturity profile of our outstanding debt as of March 31, 2019 was as follows. For the details of the long-term debt and interest rate structure of our outstanding debt as of March 31, 2019, see Note 16, “DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES.”

Year ending March 31:	2020	2021	2022	2023	2024	Thereafter	Total
Billions of Yen	479.4	468.2	372.7	276.9	428.1	2,263.0	4,288.4

Total equity attributable to owners of the parent as of March 31, 2019 was ¥4,263.2 billion, an increase of ¥288.5 billion from March 31, 2018. Also, net interest-bearing debt was ¥3,659.2 billion, an increase of ¥570.0 billion, and as a result, the Net DER increased to 0.86 times as of March 31, 2019 from 0.78 times as of March 31, 2018.

The ratio of current assets to current liabilities, which was 156.6% as of March 31, 2018, was 145.8% as of March 31, 2019.

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

Although we provide payment guarantees to third parties and related parties, these guarantees do not include those that have substantial impacts on our liquidity. For details on guarantees issued by us and future obligations, see Note 26, “CONTINGENT LIABILITIES.”

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

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

We plan to contribute ¥14.0 billion to our defined-benefit pension plans for the year ending March 31, 2020.

4) Investments and Loans, Financial Policies

Core operating cash flow for the fiscal year ended March 31, 2019 was approximately ¥570.0 billion. Combined with approximately ¥230.0 billion obtained from progress in asset recycling, this produced cash-in of approximately ¥800.0 billion. Investment and Loans (*) totaled approximately ¥930.0 billion due to carry over of some projects from the previous fiscal year and additional investment in IHH Healthcare. With the addition of approximately ¥140.0 billion in shareholder returns, free cash flow (**) after shareholder returns was approximately negative ¥270.0 billion. In the fiscal year ended March 31, 2018, free cash flow after shareholder returns was approximately positive ¥240.0 billion, bringing the two-year total to approximately negative ¥30.0 billion. There is no change to our policy to achieve three-year cumulative positive free cash flow after shareholder returns and we will continue to strengthen our financial base. See “(6) Cash Flows,” for further description of cash flows for the year ended March 31, 2019.

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

(**) Free cash flow excluding the effect of changes in working capital and time deposits.

From fiscal year ended March 2019, cash flow of some lease transactions, which had previously been recorded as changes in working capital, are recorded as investment cash flow. Free cash flow for fiscal year ended March 2019 excludes the effects of this treatment.

(Unit: ¥billion)

		FY Mar/2018 Full-year results	FY Mar/2019 Full-year results
Cash-In	Core Operating Cash Flow*1...①	670.0	570.0
	Asset Recycling...②	300.0	230.0
Cash-Out	Investment and Loans...③	-560.0	-930.0
	Of which, core areas (includes overlaps with growth areas)	-380.0 (-80.0)	-490.0 (-90.0)
	Of which, growth areas (includes overlaps with core areas)	-200.0 (-80.0)	-470.0 (-90.0)
	Of which, Others	-60.0	-60.0
	Shareholder Returns (incl. additional returns) ...④	-172.5	-140.0
Free cash flow*2 after shareholder returns ...①+②+③+④		237.5	-270.0

*1. Cash flow from operating activities minus cash flow from changes in working capital

*2. Free cash flow excludes the effects of changes in working capital and time deposits

From FY Mar/2019, cash flows of some lease transactions, which had previously been recorded as changes in working capital, are recorded as investment cash flow

Free cash flow for FY Mar/2019 excludes the effects of this treatment

We have updated the cumulative total of cash flow allocations for the three years of the Medium-term Management Plan, upon taking into account financial results for the fiscal year ended March 31, 2019, and targets for the fiscal year ending March 31, 2020. For the details of the updated cash flow allocations, see “1. Management Policies, Operating Environment, and Management Issues, (4) Business Plan for the Year Ending March 31, 2020, 3) Cash Flow Allocation Results and Latest Forecast (over the three-year period of the Medium-term Management Plan on a cumulative basis)” and for the details of refinancing, see “1) Funding and Treasury Policies” and “2) Funding Sources.”

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

5) Assets, Liabilities and Shareholders' Equity

(Billions of yen)	March 31, 2019	March 31, 2018	Change
Total Assets	11,945.8	11,306.7	+639.1
Current Assets	3,996.3	4,226.2	(229.9)
Non-current Assets	7,949.5	7,080.5	+869.0
Current Liabilities	2,740.3	2,698.8	+41.5
Non-current Liabilities	4,675.2	4,389.8	+285.4
Total Equity Attributable to Owners of the Parent	4,263.2	3,974.7	+288.5

Assets

Current Assets:

- Cash and cash equivalents declined by ¥175.3 billion.
- Trade and other receivables increased by ¥38.2 billion, mainly due to increases in trading volume in the Energy Segment.
- Inventories increased by ¥57.0 billion, mainly due to increases in trading volume in the Energy Segment.
- Advance payments to suppliers declined by ¥87.5 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 the current year.

Non-current Assets:

- Investments accounted for using the equity method increased by ¥472.7 billion, mainly due to the following factors:

- An increase of ¥224.6 billion due to an additional acquisition of shares in IHH Healthcare Berhad, which is one of Asia's largest private hospital groups;
- 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 of ¥15.2 billion due to an investment in ACCF3 Trustee Pte. Ltd, which engages in office building renovation project in Shanghai, China;
- An increase of ¥12.3 billion due to an investment in Kansai Helios Coatings GmbH, which engages in coating manufacturing business in Europe;
- An increase due to an investment in Ouro Fino Quimica S.A., a Brazilian agrochemical company;
- 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 ¥11.3 billion due to an investment in Cameron LNG Holdings, LLC, which engages in the natural gas liquefaction business in the U.S.;
- 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;
- An increase of ¥255.4 billion corresponding to the profit of equity method investments for the current year, despite a decline of ¥219.9 billion due to dividends received from equity accounted investees;
- An increase of ¥12.0 billion resulting from foreign currency exchange fluctuations; and
- A decline of ¥11.5 billion due to 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.

The following table shows the details of Investments accounted for using the equity method as of March 31, 2019 and 2018 by operating segment.

	Billions of Yen		
	As of March 31,		Change
	2019	2018	
Iron & Steel Products	255.1	217.8	+37.3
Mineral & Metal Resources	428.7	431.7	(3.0)
Machinery & Infrastructure	975.9	880.2	+95.7
Chemicals	156.8	117.4	+39.4
Energy	272.8	254.3	+18.5
Lifestyle	709.2	452.9	+256.3
Innovation & Corporate Development	171.2	151.4	+19.8
All Other and Adjustments and Eliminations	6.0	(2.7)	+8.7
Consolidated Total	2,975.7	2,503.0	+472.7

- Other investments increased by ¥122.6 billion, mainly due to the following factors:
 - Fair value on financial assets measured at FVTOCI increased by ¥89.7 billion mainly in investments in LNG projects due to the extension of the project period;
 - An increase of ¥33.0 billion due to subscribing the bonds issued by PT. CT Corpora which engages in consumer related business in Indonesia
 - An increase of ¥19.1 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.

- Property, plant and equipment increased by ¥215.5 billion, mainly due to the following factors:
 - An increase of ¥98.0 billion (including the consolidation of AWE Limited, oil and gas company in Australia, of ¥50.7 billion and foreign exchange translation profit of ¥8.2 billion) at oil and gas operations other than U.S. shale gas and oil producing operations;
 - An increase of ¥41.0 billion (including foreign exchange translation profit of ¥0.5 billion) at real estate business in the U.S.;
 - An increase of ¥22.6 billion (including foreign exchange translation profit of ¥0.3 billion) at sugar manufacturing business in Thailand;
 - An increase of ¥20.5 billion (including foreign exchange translation profit of ¥0.8 billion) at aviation-related leasing business;
 - An increase of ¥17.0 billion (including foreign exchange translation profit of ¥3.8 billion) at tank operation in the U.S.;
 - An increase of ¥12.3 billion (including foreign exchange translation profit of ¥0.1 billion) at the IPP Project in the U.S.; and
 - A decline of ¥11.2 billion (including foreign exchange translation loss of ¥11.8 billion) at iron ore mining operations in Australia.

The following table shows the details of property, plant and equipment as of March 31, 2019 and 2018 by operating segment.

	Billions of Yen		
	As of March 31,		Change
	2019	2018	
Iron & Steel Products	9.2	10.9	(1.7)
Mineral & Metal Resources	365.8	381.7	(15.9)
Machinery & Infrastructure	246.8	199.4	+47.4
Chemicals	213.4	201.5	+11.9
Energy	731.5	628.4	+103.1
Lifestyle	233.9	170.0	+63.9
Innovation & Corporate Development	36.3	36.4	(0.1)
All Other and Adjustments and Eliminations	108.5	101.6	+6.9
Consolidated Total	1,945.4	1,729.9	+215.5

The following table shows the details for the categories of property, plant and equipment leased to others as of March 31, 2019 and 2018.

	Billions of Yen	
	As of March 31,	
	2019	2018
Real estate	133.9	87.6
Ships and aircraft	95.0	75.6
Rolling stock, equipment and others	73.0	62.5
Consolidated Total	301.9	225.7

- Investment property increased by ¥14.1 billion, mainly due to an increase of ¥9.0 billion for the redevelopment project and construction of a multipurpose building etc. at Mitsui & Co., Real Estate Ltd.

Liabilities

Current Liabilities:

- Short-term debt increased by ¥135.4 billion. Furthermore, the current portion of long-term debt kept same level as on March 31, 2018, mainly due to an increase caused by reclassification to current maturities and a decline caused by repayment of debt.
- Trade and other payables increased by ¥58.0 billion, corresponding to the increase in trade and other receivables.

- Advances from customers declined by ¥86.4 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 year.

Non-current Liabilities:

- Long-term debt, less the current portion, increased by ¥266.3 billion.
- Other financial liabilities (Non-Current) declined by ¥31.1 billion, mainly due to execution of payments for accounts payable related to an acquisition of a stake in Penske Truck Leasing Co., L.P., which engages in truck leasing and rental business in North America.
- Provisions (Non-Current) increased by ¥11.8 billion, mainly due to the following factors:
 - An increase of ¥13.7 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 ¥32.8 billion, mainly due to the increase in financial assets measured at FVTOCI.

Total Equity Attributable to Owners of the Parent

- Retained earnings increased by ¥175.3 billion.
- Other components of equity increased by ¥15.3 billion, mainly due to the following factors:
 - Financial assets measured at FVTOCI increased by ¥49.6 billion, mainly in investments in LNG projects due to the extension of the project period; and
 - Foreign currency translation adjustments declined by ¥37.0 billion, mainly reflecting the depreciation of the Australian dollar and the Brazilian real, despite the appreciation of the U.S. dollar against the Japanese yen.
- Treasury stock which is a subtraction item in shareholders' equity declined by ¥96.8 billion, due to the cancellation of treasury stock.

6) Cash Flows

(Billions of yen)	Current Year	Previous Year	Change
Cash flows from operating activities	410.7	553.6	(142.9)
Cash flows from investing activities	(719.0)	(248.2)	(470.8)
Free cash flow	(308.3)	305.4	(613.7)
Cash flows from financing activities	127.4	(652.3)	+779.7
Effect of exchange rate changes on cash and cash equivalents etc.	5.6	(25.5)	+31.1
Change in cash and cash equivalents	(175.3)	(372.4)	+197.1

Cash Flows from Operating Activities

(Billions of Yen)		Current Year	Previous Year	Change
Cash flows from operating activities	a	410.7	553.6	(142.9)
Cash flows from change in working capital	b	(159.8)	(112.9)	(46.9)
Core operating cash flow	a-b	570.5	666.5	(96.0)

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥159.8 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 year amounted to ¥570.5 billion.
 - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current year totaled ¥318.7 billion, a decline of ¥57.7 billion from ¥376.4 billion for the previous year.
 - Depreciation and amortization for the current year was ¥186.3 billion, a decline of ¥6.3 billion from ¥192.6 billion for the previous year.

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

(Billions of Yen)	Current Year	Previous Year	Change
Iron & Steel Products	5.9	14.2	(8.3)
Mineral & Metal Resources	181.5	240.8	(59.3)
Machinery & Infrastructure	74.0	158.8	(84.8)
Chemicals	29.9	50.2	(20.3)
Energy	219.1	175.3	+43.8
Lifestyle	24.8	7.1	+17.7
Innovation & Corporate Development	20.8	3.1	+17.7
All Other and Adjustments and Eliminations	14.5	17.0	(2.5)
Consolidated Total	570.5	666.5	(96.0)

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 ¥377.1 billion, mainly due to the following factors (Operating Segments are shown in parentheses):
 - An additional acquisition of a stake in IHH Healthcare Berhad, which is one of Asia's largest private hospital groups, for ¥223.2 billion (Lifestyle);
 - 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 (All Other, Chemical, Machinery & Infrastructure, Lifestyle);
 - An execution of payments for accounts payable related to an acquisition of a stake in Penske Truck Leasing Co., L.P., which engages in truck leasing and rental business in North America (Machinery & Infrastructure);
 - An investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning) (Machinery & Infrastructure);
 - An investment in ACCF3 Trustee Pte. Ltd, which engages in office building renovation project in Shanghai, China, for ¥15.2 billion (Lifestyle);
 - An investment in Kansai Helios Coatings GmbH, which engages in coating manufacturing business in Europe, for ¥12.3 billion (Chemical);
 - An investment in Ouro Fino Quimica S.A., a Brazilian agrochemical company (Chemical);
 - An investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business (Machinery & Infrastructure);
 - An investment in Cameron LNG Holdings, LLC, which is engaged in the natural gas liquefaction business in the U.S., for ¥11.3 billion (Energy, Machinery & Infrastructure);
 - 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 (Innovation & Corporate Development); 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 (Lifestyle).
- Net cash outflows that corresponded to other investments (net of sales and maturities of other investments) were ¥35.9 billion, mainly due to the following factors:
 - An acquisition of an oil and gas business in Australia for ¥48.2 billion (Energy);
 - Subscribing the bonds issued by PT. CT Corpora which engages in consumer related business in Indonesia, for ¥33.0 billion (All Other);
 - An acquisition of the real estate business in the U.S. for a total of ¥26.3 billion (Lifestyle);
 - An investment in FKS Food & Agri Pte Ltd which is an integrated food enterprise that operates in Southeast Asia, for ¥11.8 billion (Lifestyle);
 - A transfer of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION for ¥64.4 billion (Iron & Steel Products);
 - A sale of Bengalla coal business in Australia for ¥15.3 billion (Mineral & Metal Resources);
 - A sale of the power generation business in Japan for ¥14.6 billion (Machinery & Infrastructure); and

- A sale of shares in Synlait Milk which is a dairy production and sales company for ¥12.0 billion (Lifestyle).
- Net cash outflows that corresponded to increase in loan receivables (net of collections of loan receivables) were ¥40.3 billion, mainly due to the following factors:
 - The execution of loans to the IPP project in Morocco for ¥16.7 billion (Machinery & Infrastructure);
 - The execution of loans to the IPP project in Middle East for ¥15.8 billion (Machinery & Infrastructure); and
 - The collection of loan to the nickel business in Philippines corresponding to providing the guarantee (Mineral & Metal Resources).
- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥255.6 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 ¥103.9 billion (Energy);
 - An expenditure for iron ore mining operations in Australia for ¥21.8 billion (Mineral & Metal Resources);
 - An expenditure for the aviation-related leasing business for a total of ¥18.8 billion (Machinery & Infrastructure);
 - An expenditure for tank operation in the U.S. for ¥17.0 billion (Chemical);
 - An expenditure for sugar manufacturing business in Thailand for ¥15.6 billion (Lifestyle);
 - An expenditure for coal mining operations in Australia for ¥14.8 billion (Mineral & Metal Resources); and
 - An expenditure for the IPP Project in the U.S for ¥11.2 billion (Machinery & Infrastructure).
- Net cash outflows that corresponded to purchases of investment property (net of sales of those assets) were ¥6.9 billion, mainly due to the following factors:
 - An expenditure for redevelopment projects at Mitsui & Co., Real Estate Ltd for ¥10.8 billion (Lifestyle); and
 - A sale of buildings in Japan by Mitsui & Co., Real Estate Ltd for ¥11.0 billion (Lifestyle).

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

	Billions of Yen	
	Current Year	Previous Year
Iron & Steel Products	62.0	(22.5)
Mineral & Metal Resources	2.3	(2.4)
Machinery & Infrastructure	(157.2)	(38.1)
Chemicals	(81.2)	(35.4)
Energy	(171.7)	(57.2)
Lifestyle	(302.5)	(69.1)
Innovation & Corporate Development	(20.2)	(3.3)
All Other and Adjustments and Eliminations	(50.5)	(20.2)
Consolidated Total	(719.0)	(248.2)

Cash Flows from Financing Activities

- Net cash inflows from net change in short-term debt were ¥103.3 billion and net cash inflows from net change in long-term debt were ¥161.5 billion.
- The cash outflow from payments of cash dividends was ¥139.0 billion.

See “2) Funding Sources” for funding during the year ended March 31, 2019.

(6) Critical Accounting Policies and Estimates

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

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

The following items require significant management judgments and estimates.

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

Impairment losses of tangible fixed assets and intangible assets other than goodwill and intangible assets with infinite estimated useful lives, for the years ended March 31, 2019 and 2018, were ¥27.3 billion and ¥20.5 billion, respectively. Reversal of impairment losses of the assets for the year ended March 31, 2019 and 2018, were ¥2.7 billion and ¥1.4 billion, respectively. The carrying amounts of these assets, net of accumulated depreciation and impairment losses, as of March 31, 2019 and 2018, were ¥2,236.5 billion and ¥2,011.9 billion, respectively.

The amount of impairment losses of investments in equity accounted investees for the years ended March 31, 2019 and 2018, were ¥4.5 billion and ¥14.4 billion, respectively. There were no reversal of impairment losses of the assets for the year ended March 31, 2019. The amount of reversal of impairment losses of the assets for the year ended March 31, 2018 were ¥1.0 billion. The carrying amounts of investments in equity accounted investees as of March 31, 2019 and 2018, were ¥2,975.7 billion and ¥2,503.0 billion, respectively.

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

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

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

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

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

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

- that the level of most recent selling prices and rents of real estate in the surrounding areas will remain unchanged for a reasonable period in the future;
- that the estimate of the sales prices of the products from facilities and equipment for the certain future period is based on the average price of the equivalent length of period in the past or on the analysts' reports;
- that for the development equipment and mining rights involved in resource businesses such as coal and oil, the most updated reserve will be produced in accordance with a production plan by using the non-financial assets, and that such materials to be produced will be sold on the assumption of prices based on futures prices as of the time of the review for impairment, prices estimated by third parties, or sales prices under long-term sales contracts; and
- that the estimate of the revenues from an operation derived from customer relationship for the certain future period is based on the degree of contribution to revenues in the past, on the past ratio of cancellation of contracts, and on analysts' market forecasts.

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

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

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

Impairment of Goodwill

Impairment losses on goodwill for the year ended March 31, 2019 and 2018 were ¥3.5 billion and ¥6.4 billion, respectively. The carrying amounts as of March 31, 2019 and 2018 were ¥78.6 billion and ¥75.8 billion, respectively.

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

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

Non-marketable equity financial assets measured at fair value

Non-marketable equity securities measured at fair value are generally elected to be designated as FVTOCI. The carrying amounts of non-marketable securities which are the fair value as of the year ended March 31, 2019 and 2018 were ¥762.9 billion and ¥638.9 billion, respectively.

The company performs internal valuation analyses using the discounted cash flow method or by utilizing external valuation performed by independent external experts when management believes the amounts are material.

Similar to impairment of non-financial assets and investments in equity accounted investee, cash flow projections used in the fair value calculations are based on business plans authorized by investee's management. Estimates and assumptions for fair value calculations could significantly impact other comprehensive income.

Tax Asset Valuation

Decrease in deferred tax assets due to the changes in assessment for their recoverability has had a significant impact on our profit and other comprehensive income for the year.

Our management determines the recoverability of deferred tax assets based on all available evidence including tax deductibility on future years and forecast of future taxable incomes of Mitsui and its subsidiaries. Deferred tax assets are recognized to the extent that they are recoverable, and the amount of recoverable deferred tax assets may fluctuate due to the change in estimates of future taxable incomes or statutory tax rates.

Reserve estimates for oil and gas producing and mining activities

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

- Asset carrying values may be impaired due to changes in estimated future cash flows.
- Depreciation and amortization charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Defined benefit costs and obligations

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

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

See Note 19, "EMPLOYEE BENEFITS," for further discussion about the estimates and assumptions on the defined benefit costs and obligations.

4. Material Contracts

There are no contracts for which disclosure is required.

5. Research & Development

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

3. Equipment and Facilities

1. Overview of Capital Expenditures

For a breakdown of the amounts of capital expenditures for property and equipment in the year ended March 31, 2019, see “3. Management’s Discussion and Analysis of Financial Position, Operating Results and Cash Flows, (5) Liquidity and Capital Resources, 5) Assets, Liabilities and Shareholders’ Equity and 6) Cash Flows.” Also see Note 7, “SEGMENT INFORMATION.”

Expenditures for property, plant, equipment and investment property for the year ended March, 31, 2019 mainly included expenditures for the oil and gas projects of ¥103.9 billion in the Energy Segment, and expenditures for the iron ore mining operations in Australia of ¥21.8 billion and for the coal mining operations in Australia of ¥14.8 billion in the Mineral & Metal Resources Segment.

2. Major Equipment and Facilities

(1) Mitsui & Co., Ltd.

Operating Segment	Office Name	Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Other	Head Office	Office building	Chiyoda-ku, Tokyo	3,445	-	-	1,596	-	57	Rent:¥6,677 mil/year
		Multi-purpose office complex	Chiyoda-ku, Tokyo	-	14,105	58,279	-	-	53,720	Including investment property
	Kansai Office	Office building	Kita-ku, Osaka-shi, Osaka	97	3,038	2,161	6,459	-	1	Partially leased
	Chubu Office	Office building	Nakamura-ku, Nagoya-shi, Aichi	46	1,525	548	772	-	20	Partially leased
		Human Resource Development Center	Atami-shi, Shizuoka	-	15,655	2,045	864	-	4	
		Global Human Resource Development Center	Tsuzuki-ku, Yokohama-shi, Kanagawa	-	15,000	2,417	930	-	2	

(2) Domestic Subsidiaries

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (㎡)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Machinery & Infrastructure	Mitsui & Co.Plant Systems, Ltd.	Solar power plant and others	Takasaki-shi, Gunma	230	-	-	24	50	6,644	
Chemicals	DAIICHI TANKER CO., LTD.	Ships	Chiyoda-ku, Tokyo	83	-	-	5	15	7,197	
	San-ei Surochemical Co., Ltd.	Main Factory / Second Factory and others	Chita-shi, Aichi and others	236	103,449	2,126	2,075	2,067	137	
Energy	Mitsui Oil Exploration Co., Ltd.	Crude oil / gas manufacturing facility and others	Thailand, Gulf of Thailand and others	173	-	-	2,246	82,174	54,118	Including mineral rights
	KG Wiriagar Petroleum Ltd.	Mineral rights	West Papua, Indonesia	-	-	-	-	-	13,960	
Lifestyle	MITSUI FOODS CO., LTD.	Tokyo Metropolitan West Distribution Center	Midori-ku, Sagami-hara-shi, Kanagawa	1,171	28,146	11,414	9,618	2,840	3,212	Including investment property
	PRIFOODS CO., LTD.	Hosoya Factory and others	Misawa-shi, Aomori and others	1,673	110,975	3,242	9,111	7,200	405	
	Mitsui Norin Co., Ltd.	Fujieda Plant	Fujieda-shi, Shizuoka	456	21,719	1,495	3,553	1,733	385	
	Bussan Logistics Solutions Co., Ltd.	Saitama Daiichi Center and others	Asaka-shi, Saitama and others	659	9,540	564	5,667	1,928	-	
	MITSUI & CO. REAL ESTATE LTD.	Hibiya Central Building and others	Minato-ku, Tokyo	44	-	-	52	46	44,569	Including investment property
	MicroBiopharm Japan Co., Ltd.	Yatsushiro Factory	Yatsushiro-shi, Kumamoto	231	74,753	1,872	3,369	3,663	1,054	
Innovation & Corporate Development	Mitsui & Co. Global Logistics, Ltd..	Higashihama Logistic Center and others	Ichikawa-shi, Chiba	616	60,364	15,724	9,709	1,055	2,907	Including investment property

(Note) For those companies who own more than one type of equipment or facility, only the information of the most notable one is presented.

For the number of employees and the carrying amount, the total number and amount in each company are presented.

For movables such as ships and aircraft, the location of each company's head office is presented.

(3) Overseas Subsidiaries

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (m ²)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Mineral & Metal Resources	Mitsui Iron Ore Development Pty. Ltd.	Mining equipment for iron ore	Pilbara, Western Australia, Australia	7	-	-	95,896	52,343	3,144	
	Mitsui Iron Ore Corporation Pty. Ltd.	Mining equipment for iron ore	Pilbara, Western Australia, Australia	8	-	-	7,503	27,366	9,998	Including mineral rights
	Mitsui-Itochu Iron Pty. Ltd.	Mining equipment for iron ore	Pilbara, Western Australia, Australia	-	-	-	21,869	78,470	11,469	
	Mitsui Coal Holdings Pty. Ltd.	Mining equipment for coal	Emerald, Queensland, Australia and others	15	-	-	4,257	43,918	8,757	Including mineral rights
Machinery & Infrastructure	Mitsui Rail Capital Europe B.V.	Rolling stock	Amsterdam, Netherlands	110	-	-	-	64,568	6,760	Including property leased to others
	Ecogen Brasil Soluções Energéticas S.A.	Equipment for energy services	Sao Paulo, Brazil	276	-	-	-	10,809	219	
	Portek International Pte. Limited.	Port terminal facility and others	Singapore and others	951	-	6	2,650	5,604	757	
	Komatsu-Mitsui Maquinarias Peru S.A.	Construction equipment	Callao, Peru	1,845	38,000	2,992	3,216	8,275	871	Including property leased to others
	M&T Aviation Finance (Ireland) Limited	Aircraft	Dublin, Ireland	-	-	-	-	-	50,424	Including property leased to others
	OMC SHIPPING PTE. LTD.	Ships	Singapore	11	-	-	277	6	38,500	Including property leased to others
	Mitsui Automotriz S.A.	Automobiles	Lima, Peru	628	28,104	935	2,680	1,779	9	Including property leased to others
	Road Machinery, LLC	Construction equipment	Phoenix, Arizona, U.S.A.	208	87,800	569	1,352	3,199	-	Including property leased to others
	MyPower Corp.	Solar power plant, gas fired power plant and others	New York, U.S.A.	56	-	-	-	4,911	9,950	

Operating Segment	Company Name	Office Name and Type of Equipment and Facilities	Location	Number of Employees (Persons)	Land, Land Improvements and Timberlands		Buildings	Equipment and Fixtures	Other (Millions of Yen)	Use of Property
					Acreage (m ²)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)	Carrying Amount (Millions of Yen)		
Chemicals	Shark Bay Salt Pty. Ltd.	Salt manufacturing facility	Shark Bay, Western Australia, Australia and others	146	-	538	16,025	6,982	260	
	MMTX Inc.	Methanol production facility	Houston, Texas, U.S.A.	2	-	-	1,288	35,708	159	
	Inter-continental Terminals Company LLC	Chemical tank terminal	Deer Park, Texas, U.S.A.	387	1,067,953	3,603	79,314	317	17,898	Including property leased to others
	Novus International, Inc.	Feed additive manufacturing plant	Alvin, Texas, U.S.A. and others	878	-	716	2,422	9,370	247	
Energy	Mitsui E&P Australia Pty Limited	Crude oil / gas manufacturing facility and others	Indian Ocean, Australia and others	18	-	-	-	22,306	113,969	Including mineral rights
	Mitsui E&P Middle East B.V.	Crude oil / gas manufacturing facility and others	Oman and others	19	-	-	16	23,583	2,355	Including mineral rights
	Mitsui E&P USA LLC	Gas manufacturing plant and others	Pennsylvania, U.S.A.	31	-	-	-	78,374	9,667	Including mineral rights
	MEP Texas Holdings LLC	Crude oil / gas manufacturing facility and others	Texas, U.S.A.	-	-	-	-	44,586	1,480	Including mineral rights
	Mitsui E&P Mozambique Area 1 Limited	Crude oil / gas exploration facility and others	Northern offshore, Mozambique	1	-	-	-	-	38,488	
	Mitsui E&P Italia A S.r.l.	Crude oil / gas manufacturing facility and others	Basilicata, Italy	8	-	112	-	5	179,804	Including mineral rights
	AWE Pty Ltd.	Crude oil / gas manufacturing facility and others	Perth, Western Australia, Australia	23	46,690,500	779	-	5,180	44,786	Including mineral rights
Lifestyle	Xingu Agri AG	Tabuleiro farm	Bahia, Brazil	469	970,725 (thousand m ²)	37,602	2,405	3,681	22,806	Including investment property
	MBK Real Estate LLC	Senior living and multi-family properties	Tucson, Arizona, U.S.A. and others	2,292	-	8,942	51,192	139	24,142	Including investment property
	United Grain Corporation of Oregon	Grain exporting facility	Vancouver, Washington, U.S.A.	95	3,831,079	416	12,669	5,247	546	
	Kaset Phol Sugar Ltd.	Sugar production equipment	Udon Thani Province, Thailand	392	-	644	1,730	625	19,645	

(Note) For those companies who own more than one type of equipment or facility, only the information of the most notable one is presented.

For the number of employees and the carrying amount, the total number and amount in each company are presented.

For movables such as ships and aircraft, the location of each company's head office is presented.

3. Plans for New Additions or Disposals

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

4. Corporate Information

1. Status on the Mitsui's Shares

(1) Total Number of Shares and Other Related Information

1) Total Number of Shares

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

2) Number of Shares Issued

Class	Number of shares outstanding (as of March 31, 2019)	Number of shares outstanding as of issuance date of this report (June 20, 2019)	Names of stock exchanges on which Mitsui is listed or names of authorized financial instruments firms association	Description
Common stock	1,742,345,627	1,742,345,627	Securities Exchanges in Tokyo, Nagoya, (both listed on the first section), Sapporo, Fukuoka	The number of shares constituting a unit is 100.
Total	1,742,345,627	1,742,345,627	—	—

(2) Status of the Share Subscription Rights

1) Stock Option Plans

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

i) Stock Option based on the resolution of the Board of Directors on July 4, 2014

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

	As of March 31, 2019	As of May 31, 2019
Date of resolution	July 4, 2014	
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 24 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan)	
Number of subscription rights to shares	1,142	1,142
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	114,200 (Note 1)	114,200 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 28, 2017 to July 27, 2044	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

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

$$\begin{aligned} &\text{Number of shares granted after adjustment} \\ &= \text{Number of shares granted before adjustment} \times \text{Ratio of share split or share consolidation} \end{aligned}$$

2. Exercise of right by an heir

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

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

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

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

(5) Exercise period of subscription rights to shares

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

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

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

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

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

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

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

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

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

Details of stock price conditions

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

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

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

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

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

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

$$\text{Mitsui's stock price growth rate} = (A + B) / C$$

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

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

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

$$\text{TOPIX growth rate} = D / E$$

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

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

	As of March 31, 2019	As of May 31, 2019
Date of resolution	May 8, 2015	
Class and number of person for subscription rights to shares	1 Executive Officer who is not serving concurrently as a Mitsui's Director	
Number of subscription rights to shares	68	68
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	6,800 (Note 1)	6,800 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From May 28, 2018 to May 27, 2045	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

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

	As of March 31, 2019	As of May 31, 2019
Date of resolution	July 8, 2015	
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 24 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan)	
Number of subscription rights to shares	1,257	1,257
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	125,700 (Note 1)	125,700 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 28, 2018 to July 27, 2045	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

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

	As of March 31, 2019	As of May 31, 2019
Date of resolution	July 13, 2016	
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 28 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan, including retired Executive Officers to whom granting Stock options were withheld during their assignment outside Japan)	
Number of subscription rights to shares	3,627	3,627
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	362,700 (Note 1)	362,700 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 29, 2019 to July 28, 2046	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

v) **Stock Option based on the resolution of the Board of Directors on July 5, 2017**
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2019	As of May 31, 2019
Date of resolution	July 5, 2017	
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 29 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan, including retired Executive Officers to whom granting Stock options were withheld during their assignment outside Japan)	
Number of subscription rights to shares	3,252	3,252
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	325,200 (Note 1)	325,200 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 20, 2020 to July 19, 2047	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

vi) Stock Option based on the resolution of the Board of Directors on July 4, 2018
(Stock option scheme as stock-based compensation with stock price conditions)

	As of March 31, 2019	As of May 31, 2019
Date of resolution	July 4, 2018	
Class and number of person for subscription rights to shares	9 Directors (excluding External Directors) 29 Executive Officers who are not serving concurrently as Mitsui's Directors (excluding Executive Officers residing outside Japan, including retired Executive Officers to whom granting Stock options were withheld during their assignment outside Japan)	
Number of subscription rights to shares	2,491	2,491
Class of shares to be issued upon exercise of subscription rights to shares	Common stock The number of shares constituting a unit is 100.	Same as on the left
Number of shares to be issued upon exercise of subscription rights to shares	249,100 (Note 1)	249,100 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares (Exercise price)	¥1	Same as on the left
Exercise period of subscription rights to shares	From July 25, 2021 to July 24, 2048	Same as on the left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	Price of issuing shares: ¥1 Amount of capitalization shall be one half of the upper limit of an increase in capital stock, etc., to be increased calculated in accordance with the Corporate Accounting Regulations of Japan, and a fraction of less than ¥1 arising as a result of the calculation shall be rounded up to the nearest ¥1.	Same as on the left
Conditions for the exercise of subscription rights to shares	(Notes 2, 3)	Same as on the left
Matters regarding acquisition of subscription rights to shares through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors	Same as on the left
Matters regarding the grant of subscription rights to shares upon organizational restructuring	(Note 4)	Same as on the left

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

2) Right Plans

Not applicable.

3) Other Information about Share Subscription Rights

Not applicable.

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

Not applicable.

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

Period	Changes in the number of shares issued (Thousands)	Balance of the number of shares issued (Thousands)	Changes in common stock (Millions of Yen)	Balance of common stock (Millions of Yen)	Changes in additional paid-in capital (Millions of Yen)	Balance of additional paid-in capital (Millions of Yen)
From April 1, 2014 to March 31, 2015 (Note 1.)	(32,639)	1,796,514	—	341,481	—	367,758
From April 1, 2015 to March 31, 2016	—	1,796,514	—	341,481	—	367,758
From April 1, 2016 to March 31, 2017	—	1,796,514	—	341,481	—	367,758
From April 1, 2017 to March 31, 2018	—	1,796,514	—	341,481	—	367,758
From April 1, 2018 to March 31, 2019 (Note 2.)	(54,168)	1,742,345	—	341,481	—	367,758

(Notes) 1. The number of shares issued was decreased by 32,639,400 dated April 18, 2014 due to cancellation of such number of treasury stock based on the resolution of the meeting of the Board of Directors held on March 26, 2014.

2. The number of shares issued was decreased by 54,168,500 dated April 20, 2018 due to cancellation of such number of treasury stock based on the resolution of the meeting of the Board of Directors held on February 2, 2018.

(5) Status of Shareholders

As of March 31, 2019

Classification	Status of shares (1 unit = 100 shares)								Shares under one unit
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Foreign shareholders other than individuals	Individuals			
Number of shareholders (persons)	—	266	68	2,428	926	309	304,855	308,852	—
Number of shares held (units)	—	6,612,615	827,143	848,138	5,111,452	6,296	4,007,442	17,413,086	1,037,027
Ratio (%)	—	37.97	4.75	4.87	29.35	0.03	23.01	100	—

(Notes) 1. Of treasury stock of 4,241,441 shares, 42,414 units (4,241,400 shares) are included in “Individuals and other,” and 41 shares are included in “Shares under one unit.”

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

(6) Status of Major Shareholders

As of March 31, 2019

Name of shareholders	Location	Number of shares held (Thousands)	Percentage of common stock issued (%)
The Master Trust Bank of Japan, Ltd. (trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	149,001	8.57
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	94,512	5.43
Japan Trustee Services Bank, Ltd. (trust account 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	36,404	2.09
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	35,070	2.01
Japan Trustee Services Bank, Ltd. (trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	31,841	1.83
JP MORGAN CHASE BANK 385151 (Standing agent: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	26,234	1.50
STATE STREET BANK WEST CLIENT — TREATY 505234 (Standing agent: Mizuho Bank, Ltd.)	1776, HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	25,717	1.47
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	25,667	1.47
Japan Trustee Services Bank, Ltd. (trust account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	23,520	1.35
Japan Trustee Services Bank, Ltd. (trust account 1)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	21,175	1.21
Total	—	469,145	26.99

(Notes) 1. The number of shares is rounded down to the nearest thousand.

2. Percentage of common stock issued is rounded down to two decimal places.

3. The status of major shareholders shown above does not include the following reports on possession of large volume and change reports pertaining to reports on possession of large volume that were filed with the Director-General of the Kanto Local Finance Bureau in the past three fiscal years, as it is not possible for us to confirm the actual status of the shareholding ratio as of March 31, 2019. Reports by large volume shareholders include portions held by joint holders.

Name of shareholders	Ownership as of	Number of shares owned	Holding ratio (%)
BlackRock Japan Co., Ltd.	July 29, 2016	93,768,268	5.22
Mizuho Bank, Ltd.	October 14, 2016	103,960,540	5.79
Mizuho Bank, Ltd.	June 15, 2017	84,546,818	4.71
Mitsubishi UFJ Financial Group, Inc.	September 25, 2017	144,322,236	8.03
Mizuho Bank, Ltd.	September 29, 2017	92,121,763	5.13
Mitsubishi UFJ Financial Group, Inc.	December 11, 2017	126,340,243	7.03
BlackRock Japan Co., Ltd.	February 28, 2018	111,861,699	6.23
Sumitomo Mitsui Trust Bank, Ltd.	October 15, 2018	84,529,900	4.85
Mizuho Bank, Ltd.	November 15, 2018	74,431,118	4.27

(7) Status of Voting Rights**1) Shares Issued**

As of March 31, 2019

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 4,241,400	—	—
Shares with full voting rights (Others)	Common stock 1,737,067,200	17,370,672	—
Shares under one unit	Common stock 1,037,027	—	Shares under one unit (100 shares)
Total shares issued	1,742,345,627	—	—
Total voting rights held by all shareholders	—	17,370,672	—

- (Notes) 1. In the column “Shares with full voting rights (Others),” “1,737,067,200 shares in common stock” and “17,370,672 units of voting rights” include 17 units (1,700 shares) and 17 units of voting rights within those shares, all of which are registered in the name of Japan Securities Depository Center, Inc.
2. In the column “Shares under one unit,” “1,037,027 shares in common stock” include 41 shares of treasury stock (under one unit) held by Mitsui and 15 shares (under one unit) that are registered in the name of Japan Securities Depository Center, Inc.

2) Treasury Stock, etc.

As of March 31, 2019

Name of shareholders	Addresses of shareholders	Number of shares held under own name	Number of shares held under the name of others	Total	Percentage of interest (%)
Mitsui & Co., Ltd. (Treasury stock)	1-3, Marunouchi, 1-chome, Chiyoda-ku, Tokyo	4,241,400	—	4,241,400	0.24
Total	—	4,241,400	—	4,241,400	0.24

2. Acquisition of Treasury Stock and Other Related Status

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

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

Not applicable.

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

Not applicable.

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

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

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the current fiscal year	9,263	16,920,160
Treasury stock acquired during the current period for acquisition (Note)	1,468	2,566,662

(Note) "Treasury stock acquired during the current period for acquisition" does not include shares constituting less than one full unit purchased during the period from June 1, 2019, to the issuance date of this report.

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

Classification	Current fiscal year		Current period for acquisition	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	54,168,500	96,467,365,957	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger/stock exchange/corporate separation	—	—	—	—
Others (Sold due to demand for sale of shares constituting less than one full unit etc.) (Note 1)	201,834	151,993,794	—	—
Number of shares of treasury stock held (Note 2)	4,241,441	—	4,242,909	—

(Notes) 1. The items listed in the "Others" row for the Current fiscal year column are classified into (i) Exercise of the stock options (Number of shares: 201,500 / Total disposition amount: ¥151,405,500) and (ii) Sold due to demand for sale of shares constituting less than one full unit (Number of shares: 334 / Total disposition amount: ¥588,294). Treasury stock disposed of during the current period for acquisition does not include shares constituting less than one full unit sold during the period from June 1, 2019, to the issuance date of this report.

2. Number of shares of treasury stock held during the current period for acquisition does not include shares constituting less than one full unit purchased or sold during the period from June 1, 2019, to the issuance date of this report.

3. Shareholder Return Policy

Our profit distribution policy has been resolved as follows at the board of directors through discussion in which external directors were also involved:

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

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

It was resolved that the year-end dividend for the year ended March 31, 2019 was ¥40 per share. The annual dividend for the year ended March 31, 2019 was ¥80, including the interim dividend of ¥40 per share.

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.

For the year ending March 31, 2020, we currently envisage an annual dividend of ¥80 per share, the same amount as the year ended March 31, 2019, 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.

Dividends for the year ended March 31, 2019 were as follows:

- (a) The interim dividend which the Board of Directors resolved on October 30, 2018
Total dividend amount of ¥69,522 million; ¥40 per share
- (b) The year-end dividend which Ordinary General Meeting of Shareholders resolved on June 20, 2019
Total dividend amount of ¥69,524 million; ¥40 per share

4. Corporate Governance

(1) Overview of corporate governance

1) Basic Corporate Governance Policy

In structuring the corporate governance framework, Mitsui places emphasis on “improved transparency and accountability” and “clarification of the division of roles between management oversight and execution.”

For the “improved transparency and accountability,” Mitsui ensures sound supervision and monitoring of management with the view point of External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the “external members”). Mitsui has also established an internal control system for disclosure so that all executives and employees fulfill their accountability to stakeholders under the principle of fair disclosure. For “clarification of the division of roles between management oversight and execution,” Mitsui delegates execution of business to Managing Officers substantially while the Board of Directors retains a supervisory role over Managing Officers’ business activities. Chief Operating Officers of 15 business units within headquarters and 3 regional business units serve concurrently as Managing Officers and engage in business operation for the consolidated group in a responsive and flexible manner.

While increasing the effectiveness of supervisory functions by having Audit & Supervisory Board Members, Mitsui implements corporate governance by maintaining an Audit & Supervisory Board system because it believes that having internal Directors who are familiar with our business practices and operations is essential to the business of a general trading company. By adopting a Committee System in which External Directors and External Audit & Supervisory Board Members participate, Mitsui achieves highly effective corporate governance to secure “improved transparency and accountability” and “clarification of the division of roles between management oversight and execution.” In order to realize effective corporate governance for shareholders and other stakeholders, Mitsui has established, and maintains, the following structures:

- i) The Board of Directors is the highest authority for execution of business and supervision, and in order to secure this function, Mitsui has set the number of Directors to the maximum number that permits substantial discussions. As advisory committees to the Board of Directors, Mitsui also has in place the Governance Committee, the Nomination Committee and the Remuneration Committee, in which External Directors and/or External Audit & Supervisory Board Members participate as members.
- ii) The Audit & Supervisory Board Members supervise the Directors’ execution of duties as an independent institution with the mandate of the shareholders. For this purpose, Audit & Supervisory Board Members carry out multi-faceted, effective audit activities such as attending important internal meetings, verifying reports and investigating our business, and take necessary measures in a timely manner.

Regarding Mitsui’s basic views and policies on Corporate Governance, we published “Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles” on Mitsui’s website as follows

(https://www.mitsui.com/jp/en/company/outline/governance/system/pdf/corp_gov.pdf)

Mitsui complies with all Principles of the revised Corporate Governance Code published in June 2018. Please see the “Corporate Governance Report” which we presented to the Tokyo Stock Exchange and other stock exchanges..

2) Corporate Governance Structure of Mitsui

i) Status of the Board of Directors

- Upon the introduction of the Managing Officer System in April 2002, the number of Directors was reduced from 38 to 11 in June 2002. In June 2003, the first External Director was appointed, and since the Ordinary General Meeting of Shareholders held in June 2015, five External Directors have been appointed. As of the date of the issuance of this report, 14 Directors (including 2 female External Directors, and the percentage of female Directors is 14.3%) are appointed, 8 of whom also serve as Managing Officers.
- Mitsui has limited the number of Directors to the maximum to enable substantial discussions and gives priority to the appointment of new External Directors in the case of increasing the number of board members in order to enhance the division of roles between management oversight and execution. The tenure of Directors is one year, and Directors can be reappointed.

- The Chairman is a director and is authorized to call for a meeting of the Board of Directors and to serve as a chairman of the meeting. The role as the Chairman chiefly involves carrying out supervision of management. He does not concurrently serve as an executive officer and he is not involved in the execution of day-to-day business operations.
- In accordance with the Rules of the Board of Directors Regarding Resolutions and Matters to be Reported, the Board of Directors passes resolutions of fundamental policies on management of Mitsui, matters of important business operation, matters mandated by a resolution of the General Meeting of Shareholders and issues prescribed in laws and regulations and in the Articles of Incorporation. The Board of Directors also receives reports on issues prescribed in laws and regulations and the status of important business operations.
- A regular meeting of the Board of Directors is held once every month, and extraordinary meetings are held from time to time, whenever necessary. During the year ended March 31, 2019, 16 meetings were held.
- Further, the meeting composed of all external members is held for the purpose of exchanging information and opinions regarding important matters in management among external members, or among external members, Internal Directors, Fulltime Audit & Supervisory Board Members, Independent Auditors and/or Managing Officers. The meeting was held nine times in the year ended March 31, 2019, where external members, Internal Directors, Full-time Audit & Supervisory Board Members, Independent Auditors and Managing Officers exchanged information and opinions regarding matters such as the corporate management policy, audits and the operation of operating segments.
- Mitsui has established the three committees shown below as advisory bodies to the Board of Directors. Mitsui has reviewed the composition of members in order to strengthen the corporate governance structure of Mitsui in June, 2015. As a result, external members compose a majority of the Governance Committee, and an External Director serves as the committee chair of the Nomination Committee as well as the Remuneration Committee. Further, from June 2018, external members compose a majority of the Nomination Committee, and from June 2019, external members compose a majority of the Remuneration Committee.
- Mitsui has entered into agreements with each External Directors respectively pursuant to Article 427, Paragraph 1 of the Companies Act of Japan, to limit their liability to the minimum amount of liability as stipulated in Article 425, Paragraph 1 of the Companies Act. .
- The compositions of members of the Board of Directors and the Audit & Supervisory Board as of the date of issuance of this report are as follows:
 - Board of Directors:
Masami Iijima (Chairman of the Board of Directors), Tatsuo Yasunaga, Shinsuke Fujii, Nobuaki Kitamori, Yukio Takebe , Takakazu Uchida, Kenichi Hori, Hirotsu Fujiwara, Yoshio Kometani, Toshiro Muto (External Director), Izumi Kobayashi (External Director), Jenifer Rogers (External Director), Samuel Walsh (External Director), Takeshi Uchiyamada (External Director)
 - Audit & Supervisory Board:
Makoto Suzuki, Kimiro Shiotani, Haruka Matsuyama (External Audit & Supervisory Board Member), Hiroshi Ozu (External Audit & Supervisory Board Member), Kimitaka Mori (External Audit & Supervisory Board Member)
- Mitsui has established the three committees below as advisory bodies to the Board of Directors. The compositions of members as of the date of issuance of this report are as follows:
 - Governance Committee
Composition: Committee Chair Chairman of the Board of Directors (Masami Iijima)
Members President and Chief Executive Officer (Tatsuo Yasunaga), three External Directors (Toshiro Muto; Jenifer Rogers; Samuel Walsh), one Internal Director (Shinsuke Fujii), one External Audit & Supervisory Board Member (Haruka Matsuyama)
Objectives: To study the state and future vision of Mitsui’s corporate governance with the viewpoints of External Directors and External Audit & Supervisory Board Members

- Nomination Committee
 - Composition: Committee Chair External Director (Izumi Kobayashi),
Members Chairman of the Board of Directors (Masami Iijima), President and Chief Executive Officer (Tatsuo Yasunaga), one External Director (Takeshi Uchiyamada), one External Audit & Supervisory Board Member (Hiroshi Ozu)
 - Objectives: To establish the standards and processes used in nominating and dismissing Directors and Managing Officers (including the CEO), set succession planning for CEO and other top executives, and to evaluate the Director nomination proposals. It also deliberates on the dismissal of Directors and Managing Officers.

- Remuneration Committee
 - Composition: Committee Chair External Director (Toshiro Muto),
Members one External Director (Izumi Kobayashi), two Internal Directors (Takakazu Uchida; Hirotatsu Fujiwara), one External Audit & Supervisory Board Member (Kimitaka Mori)
 - Objectives: To study the system and decision-making process related to remuneration and bonuses for Directors and Managing Officers as well as to evaluate the remuneration proposals for the Directors.

- Each year the Board of Directors analyzes and evaluates its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each Director, and discloses a summary of the results. A summary of this evaluation for the year ended March 31, 2019 is as described in 4.4.(1).4.i.(a).

ii) Framework for internal control and execution of business activities

- Ultimate responsibility for execution of business operations lies with the President and Chief Executive Officer. The President and Chief Executive Officer delegates authority to the Chief Operating Officers of the business units and regional business units, who, in turn, report to the President and Chief Executive Officer. The Corporate Management Committee is organized for deliberating the basic policies and important matters relating to the overall management. The Committee consists of the Chairman of the Board of Directors, President and Chief Executive Officer (the committee chair), the Directors in charge of Corporate Staff Units, and Representative Directors or Managing Officers nominated by the President and Chief Executive Officer. The Corporate Management Committee is held weekly in principle. Matters referred to the Corporate Management Committee meeting are determined by the President and Chief Executive Officer, taking into consideration discussions among the Committee members.

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

- Mitsui has established major committees pertaining to the execution of business and implementation of internal control as follows, and is taking measures to respond to a wide range of risks and forms of businesses, which continue to increase and diversify. After reviewing the group companies’ internal control frameworks, Mitsui decided that from April 2019 onwards, the Corporate Management Committee assume the roles and responsibilities hitherto performed by the Internal Control Committee, such as the formulation of basic policies on internal controls, the integrated development of internal control frameworks, and the maintenance and improvement of their effectiveness. Moreover, the Internal Control Committee is abolished, and its subordinate organizations (Compliance Committee, Disclosure Committee and J-SOX Committee) report

directly to the Corporate Management Committee. Also, considering the penetration of innovation activities in the company, Mitsui decided to dissolve the Business Innovation Committee and its roles and functions will be performed by the Information Strategy Committee from April 2019 onwards.

- Compliance Committee

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

- Disclosure Committee

As an organization under the Corporate Management Committee, this committee develops principles and basic policy for statutory disclosure, timely disclosure and other important disclosure materials and disclosing acts as well as the internal structure, and discusses and determines the materiality and appropriateness of information to be disclosed.

- J-SOX Committee

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

- Portfolio Management Committee

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

- Information Strategy Committee

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

- Sustainability Committee

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

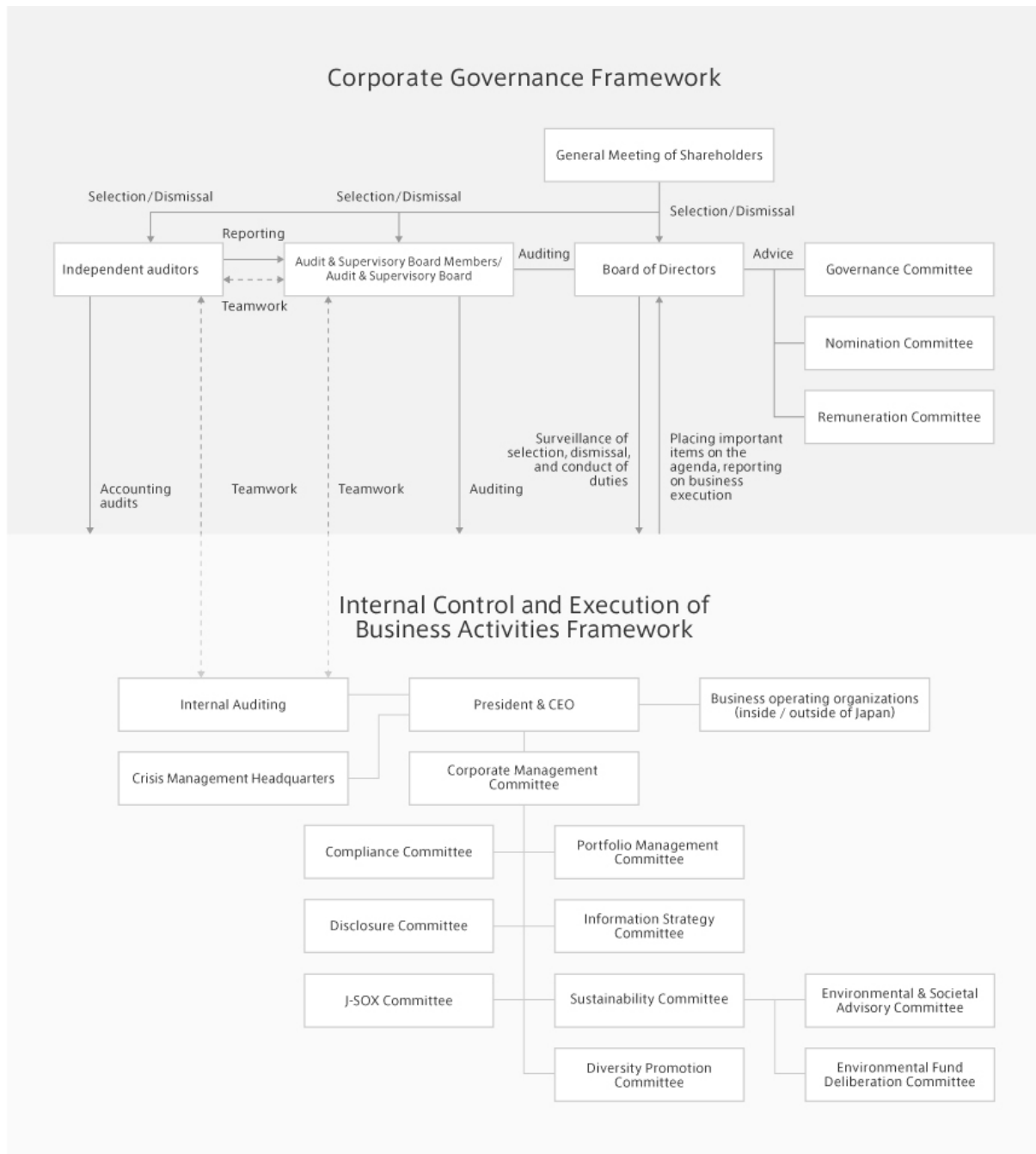
- Diversity Promotion Committee

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

- Crisis Management Headquarters

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

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



3) Status of Internal Control System

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

i) Risk management system

As a general trading company engaging in a wide variety of businesses, risks arising from business activities are monitored and managed by Chief Operating Officers of business units and regional business units within their authorization delegated from the management. Risks associated with our business include quantitative risks such as credit risk, market risk, business risk arising from subsidiaries’ businesses, and country risk, as well as qualitative risks such as compliance risk and operational risk.

Measures taken by each business unit to manage quantitative risks include setting of position limits and loss-cut limits as well as monitoring of positions by divisions with relevant expertise. For the management of qualitative risks, the business units are obligated to observe related internal regulations. When a business unit or a regional business unit takes risks greater than the scope of authority granted to the Chief Operating Officers, it is necessary to obtain approval of the Corporate Management Committee or a Representative Director in charge, or a Senior Managing Officer in charge, depending on the importance of the case, in accordance with the standards of the internal approval system.

Furthermore, as stated in “2) Corporate Governance Structure of Mitsui,” as committees responsible for business execution and the internal control system, organizations such as the Portfolio Management Committee, Compliance Committee, Disclosure Committee and J-SOX Committee, the Sustainability Committee, and the Crisis Management Headquarters establish and develop the risk management structures and handle significant risks. These committees consist of Managing Officers and the General Managers of Corporate Staff Units.

With respect to the risks in the fields they are in charge of, each division of the Corporate Staff Units is responsible for surveillance of the whole Company’s positions, control within the prescribed range of their authority, and supporting the relevant Directors and Managing Officers.

ii) Internal control over financial reporting

As a result of the termination of the SEC registration, Mitsui has implemented the internal control framework as stipulated in the Financial Instruments and Exchange Act of Japan from the year ended March 2012. In addition to the Company-wide discipline, Mitsui has been conducting self-assessment by units subject to evaluation and testing by an independent division concerning the effectiveness of accounting and financial closing controls, IT controls, and business process level controls. After comprehensively assessing the above, Mitsui management confirmed that internal control over financial reporting is effective for the year ended March 31, 2019.

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

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

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

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

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

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

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

iv) Compliance structure

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

Mitsui has set forth the “Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.” (“Guidelines”) and equivalent business conduct guidelines are in place at its subsidiaries as well. Mitsui is striving to improve observance of the Guidelines through continuous monitoring and reviewing. Additionally, to further clarify our basic approach toward integrity and compliance on a global group basis, in November 2018, we have put together the “Mitsui & Co. Group Conduct

Guidelines” to be shared by Mitsui & Co. Group companies. Please refer to the “Business Conduct Guidelines for Employees and Officers of Mitsui & Co., Ltd.” or “Mitsui & Co. Group Conduct Guidelines” released on the Mitsui’s website.

Mitsui has a total of eight whistle-blowing routes in place, including those involving an external attorney at law and a third-party providing hotline services. Mitsui makes sure that its domestic affiliated companies are also able to use the whistle-blowing routes (external attorneys at law and a third-party providing hotline services) designated by Mitsui in order to (i) maintain a high standard of confidentiality and (ii) enable their employees to use these routes without uneasiness. Mitsui’s overseas offices and overseas affiliated companies also have whistle-blowing systems that have been put in place after considering applicable local laws and regional characteristics. Furthermore, Mitsui prohibits treating a whistleblower disadvantageously for using the whistleblowing system under internal rules and regulations. Any instances of a compliance violation are handled strictly, including disciplinary actions in accordance with the Employment Regulations of Mitsui & Co., Ltd.

v) Specially Designated Business Management System

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

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

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

4) Enhancements of Corporate Governance in the year ended March 31, 2019

i) Implementation for strengthening corporate governance

Implementation for strengthening corporate governance during the year ended March 31, 2019 is as follows:

(a) Evaluation of effectiveness of the Board of Directors

The methods and results of the evaluation of effectiveness of the Board of Directors for the year ended March 31, 2019 are summarized as follows:

<Evaluation method>

- (1) In January 2019, questionnaires pertaining to matters such as the composition of the Board of Directors, its operational status, and topics for deliberations, were distributed to fourteen Directors and five Audit & Supervisory Board Members (hereinafter referred to as the “2019 questionnaire”).
- (2) Moreover, opinions were exchanged regarding the effectiveness of the Board of Directors in meetings attended by all External Directors and External Audit & Supervisory Board Members (hereinafter referred to as the “External member meetings”) held on February 1, 2019.
- (3) In its meeting held on February 12, 2019, the Governance Committee engaged in discussions on the basis of the results of the 2019 questionnaire and External member meetings.

(4) The Board of Directors, after discussing such matters while taking the Governance Committee's report into account, decided on the matter of evaluating its effectiveness for the year ended March 31, 2019 in its meeting held on March 20, 2019.

With respect to the carrying out of the above evaluation method, at a Governance Committee meeting held in November 2018, the decision was made, as the current format's effectiveness was recognized previously, to persist with the current self-evaluation format involving the evaluation of the effectiveness of the Board of Directors for the year ended March 31, 2019, upon having verified the adequacy of processes that encompass methods of evaluating the effectiveness of the Board of Directors carried out by a third party.

<Questionnaire items>

Major categories of questionnaire items of the 2019 questionnaire are listed below. The 2019 questionnaire contains fields for free comments related to such categories, and has been evaluated using methodology that involves assigning one of five grades to each question. Furthermore, evaluation also encompasses the extent to which effectiveness of the Board of Directors has improved in comparison with the previous year by assigning one of three grades, in order to gain an understanding of progress achieved in that regard.

- I. Composition of the Board of Directors
- II. Operational status of the Board of Directors
- III. Deliberations of the Board of Directors
- IV. Roles and duties of the Board of Directors
- V. Advisory Committees.
- VI. Execution of duties of the Directors and Audit & Supervisory Board Members themselves
- VII. Support, etc. for Directors and Audit & Supervisory Board Members
- VIII. Overall comments

<Initiatives in the year ended March 31, 2019 geared to achieving greater effectiveness>

During the year ended March 31, 2019, the Board of Directors and the Board of Directors Secretariat have engaged in the following initiatives taking into account results of the evaluation of effectiveness of the Board of Directors for the previous year. The Governance Committee also held meetings in September and December 2018, where committee members confirmed, reported and otherwise took action with respect to challenges of improving effectiveness and the status of initiatives geared to resolving issues.

- Composition of the Board of Directors

In November 2018, a free discussion session at the Company's training institute (hereinafter referred to as the "free discussion") was held, during which discussions were held on the design of the Company's governance and organizational structure, and more detailed discussions were held on what would be the most optimal composition of the Board of Directors in accordance with the design of the organizational structure to be chosen for the Company. In addition, the Company had appointed Mr. Uchiyama (Chairman of Toyota Motor Corporation), who has significant business experience, as a candidate for the External Director for the Ordinary General Meeting of Shareholders held on June 20, 2019. Mr. Uchiyama was appointed at the General Meeting of the Shareholders as proposed.

A significant majority of the External Directors and External Audit & Supervisory Board Member (hereinafter referred to as the "External members") responding to the 2019 questionnaire provided favorable assessment concerning the composition of the Board of Directors. However, opinions were also raised that, in order to make future improvements, the total number of Directors should be reduced, or that the ratio of External Directors should be increased, favorable opinions were raised that the number of people with business experience has increased, and opinions were also raised that there will be an expectation to discuss the knowledge, experience, and attributes required of External Directors in the Nomination Committee.

- Topics for the Board of Directors to deliberate

In addition to formulating agenda items which would be suitable topics for discussion with External members, the Board of Directors also held meetings to discuss company-wide themes such as internal controls, risk management, sustainability, and cybersecurity, as well as issues based on trends and current social circumstances.* In addition, a discussion on the responses and concerns in the capital markets took place in an External member meeting. Furthermore, discussions also took place regarding the Company's policies with respect to the coal business through deliberations on individual business projects, as well as the Company's policies with respect to businesses in the non-resources sectors.*

A significant majority of the External members responding to the 2019 questionnaire provided favorable assessment concerning the items deliberated at meetings of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year.

*With respect to (i) Board and other meetings held in the year ended March 2019, (ii) Attendances for such meetings, (iii) Summary of topics for the Board of Directors Meetings held in FY ended March 2019, please see the following websites:

(i) https://www.mitsui.com/jp/en/company/outline/governance/outlook/files/record_e.pdf

(ii) https://www.mitsui.com/jp/en/company/outline/governance/outlook/files/attendance_e.pdf

(iii) https://www.mitsui.com/jp/en/company/outline/governance/outlook/files/reports_e.pdf

*With respect to Topics for External member meetings, please see the following website:

https://www.mitsui.com/jp/en/company/outline/governance/outlook/files/theme_e.pdf

- Methods of deliberation by the Board of Directors

As opinions were raised in the previous year's evaluation of the effectiveness of the Board of Directors that the Board of Directors should have an opportunity for free discussion with respect to the methods of deliberation in meetings of the Board of Directors, the free discussion was held in which all Directors and Audit & Supervisory Board Members discussed the following topics:

- The Company's governance and organizational structure
- Themes, current situation, and issues for realizing sustainable growth
- The Company's human resources to support sustainable growth

A significant majority of External members responding to the 2019 questionnaire provided favorable assessment concerning the methods of deliberation in meetings of the Board of Directors, and a majority of the respondents overall feel the situation has improved in comparison with the previous year. On the other hand, as a matter for further improvements, opinions were raised that it was necessary to accurately communicate discussions and nuances at Corporate management Committee in order to ensure that External Directors are well aware of the importance of individual matters.

- Matters concerning the Advisory Committee

For the fiscal year ended March 31, 2019, there was an expansion of the reporting of the topics of deliberation and results of such deliberations for each Advisory Committee to the Board of Directors, and initiatives were implemented to establish the frequency of meetings and enhance discussions of each Advisory Committee.

A significant majority of External members responding to the 2019 questionnaire provided favorable assessment, and a majority of the respondents overall feel the situation has improved in comparison with the previous year. On the other hand, opinions were raised that while the number of deliberations being reported by each Advisory Committee to the Board of Directors have increased as well as there being an increase in transparency, expectations are being placed on discussions being conducted at future meetings of the Board of Directors, and as a result, the matters requiring further improvement were able to identified.

<Summary of evaluation results>

Taking the aforementioned initiatives into account, the Company has reviewed the results of the 2019 questionnaire, and outcomes of exchanges of opinion at the External member meetings and deliberations of the Governance Committee and the Board of Directors. Accordingly, with respect to effectiveness of the Board of Directors during the year ended March 31, 2019, the findings made by the Board of Directors are as follows:

- Many commented that improvements have been achieved in addressing the challenges stated last year of (i) composition of Directors, (ii) matters for deliberation by the Board of Directors, (iii) methods of deliberation by the Board of Directors, and (iv) Advisory Committees.
- The Board of Directors has a wealth of diversity, and has prepared a system structure to secure in place to ensure effective management oversight.
- Meetings of the Board of Directors have been operating smoothly, underpinned by adequate support of the Board of Directors Secretariat in areas such as preparing materials for meetings of the Board of Directors, provision of information, and scheduling.
- The Board of Directors has been securing sufficient time for deliberations and engaging in constructive discussions and exchanges of opinions.

- The direction and business strategies of the Company are actively being discussed by the Board of Directors. In addition, by taking advantage of the opportunities for free discussions between Directors and Audit & Supervisory Board Members including External members, a wide range of discussions concerning the realization of the Company's sustainable growth were able to take place.
- At meetings of the Board of Directors, reports are given on results of risk analysis from Company-wide and multiple angles, based on which the Board of Directors discusses and reviews such risks drawing on knowledge furnished by respective Directors and Audit & Supervisory Board Members.
- The Board of Directors appropriately supervises the development and operation of internal control systems and risk management systems.
- The respective Directors and Audit & Supervisory Board Members, upon understanding the Board of Directors' duty to carry out oversight and auditing of the management, have all been devoting sufficient time and effort in fulfilling their responsibilities as Directors or Audit & Supervisory Board Members from an objective standpoint separate from business execution.
- The Company adequately ensures the availability of opportunities and funds for enabling Directors and Audit & Supervisory Board Members to acquire knowledge necessary to fulfill their roles and duties, and also on the whole the Company has ensured availability of frameworks for collaboration involving External members, the management, the Independent Auditor, and the Internal Auditing Division.

Based on the details summarized above, the Company's Board of Directors concludes that it has adequately maintained its effectiveness during the year ending March 31, 2019. On the other hand, the following issues were recognized as issues that are required to be addressed in order to achieve greater effectiveness of the Board of Directors.

<Future Initiatives geared to achieving greater effectiveness>

More detailed deliberations on individual business project

With respect to the relationship between individual business projects and company-wide strategies to be discussed at meetings of the Board of Directors, as well as company-wide strategies and business plans, the Company has implemented the following measures based on the opinions and recognition of issues from past evaluations of effectiveness.

Year Ended March 31, 2017

A review was undertaken on the explanatory materials for individual business projects and by putting forward the Company's strategies and positioning in the asset portfolio, efforts were made to discuss the major direction of the Company through discussions on individual sales projects.

Year Ended March 31, 2018

In order to create more opportunities to discuss the major direction of the Company, such as the Company's corporate strategy and medium-term management plan, discussions with respect to the business plan and the new medium-term management plan were held at a meeting of the Board of Directors following the same discussions at an External member meeting. In addition, the issues of 'Key issues in the capital markets and the Company's IR activities' and the 'Company's Digital Transformation' were discussed at External member meetings.

However, several opinions were raised such as that in the current fiscal year, there was difficulty in gaining an overall picture by analyzing individual business projects.

Based on these opinions, efforts will be made to have more detailed deliberations on individual business projects by creating materials that provide easy-to-understand explanations of the positioning of individual business projects as part of the segment strategies.

- About the free discussion

With respect to the free discussion, opinions were raised that "we were able to discuss the direction of the Company and business strategies", "more active discussions were able to take place" and "the format of the training camp was good", and all Directors and Audit & Supervisory Board Members responded that the same concept should continue to be held in the next fiscal year. On the other hand, as matters for improvement, the participants expressed their expectations for further improvement by devising ways to implement themes and methods of the free discussions.

Based on these opinions, it is intended that the free discussion will continued to be held by continuing to devise and improve methodologies for the free discussion and selecting themes

- Further improvement of the operation of the Board of Directors

With respect to the operation of the Board of Directors, there were opinions calling for (i) further acceleration of the distribution of materials which are intended to be pre-distributed; (ii) enhancing deliberations on important individual businesses projects; (iii) further use of written resolutions; and (iv) more accurate, objective, and clear sharing of discussions at the Corporate Management Committee.

Based on these opinions, the Board of Directors is committed to further improving the operations of the Board of Directors by (i) sharing materials at the draft stage; (ii) with respect to important business projects, enhancing the provision of information to External members in multiple angles and in an objective manner, including by providing more detailed written reports, allocating more time, and the provision of explanations by the Business Division in charge of the business project, as well as the General Manager of the Investment Administrative Division; (iii) further utilizing written resolutions; and (iv) further improvement of the accuracy, objectivity, and clarity of discussions at the Corporate Management Committee.

- About the Advisory Committee

With respect to the Advisory Committee of the Board of Directors, opinions were raised that "the deliberation and discussion by the Advisory Committee has been enriched, but the extent to which there is a understanding by Directors other than those who are committee members, is unknown" and opinions were raised that there were expectations to further enhance the reporting of discussions at the Advisory Committee meetings to the Board of Directors.

The Advisory Committee is committed to enhancing deliberations by the Board of Directors concerning the direction and action policies of each Advisory Committee, as well as continuing to regularly report the activities of the Advisory Committee to the Board of Directors.

- Method of evaluation of effectiveness

Regarding the method of evaluating the effectiveness of the Board of Directors, opinions were raised that it would be preferable to conduct a third-party evaluation periodically, and that advice and evaluation should be sought from third parties regarding the ways in which self-evaluation are being conducted, as well as the contents of the questionnaire.

Based on these opinions, the Board of Directors will consider using a third-party evaluation to evaluate the effectiveness of the Board of Directors for the next fiscal year.

The Company's Board of Directors will continue to work to maintain and improve the effectiveness of the Board of Directors, including the matters described above, to ensure thorough supervision of management by the Board of Directors, and to aim for sustainable improvement of corporate value.

(b) Other initiatives

- The status of meetings held in the year ended March 31, 2019 by the three Committees that are advisory bodies to the Board of Directors is as follows:

- The Governance Committee was held three times in the year ended March 31, 2019 and carried out studying the state and future vision of Mitsui's corporate governance while taking into consideration the viewpoint of the External members.
- The Nomination Committee was held four times in the year ended March 31, 2019 and responded to the revision of the Corporate Governance Code, carried out a review of the standards and the process for nominating and dismissing Directors and Managing Officers. The Committee confirmed that the candidates met the selection criteria of the Directors, and discussed the succession planning of Chief Executive Officer and the composition of the Directors and balance.
- The Remuneration Committee was held five times in the year ended March 31, 2019 and responded to the revision of the Corporate Governance Code, carried out a review of the remuneration structure for Directors and Managing Officers, and evaluated remuneration proposals.

- The External Members Meetings:

- The External Members Meetings were held nine times in the year ended March 31, 2019, where External Directors, External Audit & Supervisory Board Members, Internal Directors, Full-time Audit & Supervisory Board Members, Independent Auditors and Managing Officers exchanged information and opinions regarding matters such as the corporate management policy, audits and the operation of operating segments.

ii) Measures for strengthening internal controls

The efforts made by the committees regarding execution of business activities and internal controls in the year ended March 31, 2019 are as follows:

- The Internal Controls Committee met twice. The three sub-committees to the Internal Controls Committee, which are the Compliance Committee, the Disclosure Committee and the J-SOX Committee, each made reports to the Internal Controls Committee regarding matters including the discussions they held.
- At the meeting of the Compliance Committee, the Corporate Management Committee, and the Board of Directors, compliance-related matters are reported twice a year, and active discussion are held to review Mitsui's responses to compliance issues and the compliance policies, for the purpose of maintaining and improving the effectiveness of the compliance structure. In order to improve the awareness and knowledge of compliance issues among its officers and employees and instill integrity, Mitsui distributed a handbook to all the employees, and conducted various compliance e-learning and training sessions. Further, Mitsui established the Compliance Review Month with the theme of "thinking about integrity", carried out various activities such as seminars, exchanges of opinions and information, and so on. The compliance awareness survey was also conducted at Mitsui and its major affiliated companies located in Japan, in order to assess the awareness level of the group. Mitsui has also assisted compliance officers of these affiliated companies by holding seminars and distributing the "Compliance Handbook for Mitsui Group companies". Furthermore, in order to further strengthen the detective and control, Mitsui encourages the use of the whistle-blowing system through continuous messaging from the CCO and other officers, displaying posters in office spaces, and releasing a video introducing the whistle-blowing system on the intranet. In addition, Mitsui started the operation of the Global Group Hotline, a special whistleblowing hotline for reporting and seeking advice for incidents that breach the laws of Japan or other countries regarding anti-trust (monopoly) laws or anti-corruption laws, or cases that give rise to the suspicion of such breaches. Whistleblowing reports from officers and employees of overseas offices and other subsidiaries in Japan and overseas received via this hotline are handled in an integrated manner by the Compliance Department belonging to Mitsui's head office Legal Division.
- The Disclosure Committee met four times. The Committee established a disclosure policy for various disclosure materials and carried out evaluations of the appropriateness of the contents of such materials.
- The J-SOX Committee met twice. The Committee understood the company-wide status of internal control over financial reporting for the year ended March 31, 2019 and studied company-wide measures to keep and improve the effectiveness of internal control.
- The Portfolio Management Committee met nine times. The Committee reported to the Corporate Management Committee regarding the results of examinations into business portfolio strategy, investments, loans and recycling plans, and individual large-scale investments, and carried out monitoring and analysis of important indices such as cash flows and risk assets.
- The Information Strategy Committee met five times. The Committee reviewed and discussed various initiatives such as Digital Transformation, work style innovations toward office building relocation, current business process and next generation of core systems, etc.
- The Sustainability Committee met four times. The Committee conducted proposals to the Corporate Management Committee regarding sustainability-related management policies and business activities, and reported the results and the plans of sustainability promotion activities and the Mitsui & Co., Ltd. Environment Fund.
- The Business Innovation Committee met four times. It not only focused on new technology trends and potential business innovations, but also promoted innovation such as reformation of business models, researched and identified company-wide priority items, shared such information internally, conducted awareness campaigns, and studied and deliberated on potential new business opportunities and theme.

- The Diversity Promotion Committee met in September, 2018. The Committee discussed and analyzed the progress and the current issues to realize our diversity management aims and made decisions on focusing on Diversity and Inclusion strategy on global and group basis.

6) Other regulations in Mitsui's Articles of Incorporation

i) Resolution requirements for appointment of Directors

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

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

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

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

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

iv) Interim dividend

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

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

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

(2) Information about directors (and other officers)

1) List of directors

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

Directors

Name *Masami Iijima (1)*

Date of Birth September 23, 1950

Shareholdings as of March 31, 2019 102,250

Prior Positions

- 1974/4 Joined Mitsui & Co., Ltd.
- 2006/4 Managing Officer, Chief Operating Officer of Iron & Steel Raw Materials and Non-Ferrous Metals Business Unit
- 2007/4 Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit
- 2008/4 Executive Managing Officer
- 2008/6 Representative Director, Executive Managing Officer
- 2008/10 Representative Director, Senior Executive Managing Officer
- 2009/4 Representative Director, President and Chief Executive Officer
- 2015/4 Representative Director, Chairman of the Board of Directors (current position)
- 2016/6 External Director, Ricoh Company, Ltd. (current position)
- 2018/6 External Director, SoftBank Group Corp. (current position)
- 2019/6 Counsellor, Bank of Japan (current position)
- 2019/6 External Director, Isetan Mitsukoshi Holdings Ltd. (current position)

Name *Tatsuo Yasunaga (1)*

Date of Birth December 13, 1960

Shareholdings as of March 31, 2019 85,716

Prior Positions

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

Name *Shinsuke Fujii (1)*

Date of Birth December 8, 1958

Shareholdings as of March 31, 2019 34,429

Prior Positions

- 1981/4 Joined Mitsui & Co., Ltd.
- 2013/4 Managing Officer, President of Mitsui & Co. (Brasil) S.A.
- 2015/4 Executive Managing Officer, General Manager of Investment Administrative Division
- 2016/4 Executive Managing Officer
- 2016/6 Representative Director, Executive Managing Officer
- 2017/4 Representative Director, Senior Executive Managing Officer
- 2018/4 Representative Director, Executive Vice President
- 2019/4 Representative Director, Executive Vice President, Chief Administrative Officer, Chief Information Officer, Chief Privacy Officer (current position)

Name *Nobuaki Kitamori (1)*

Date of Birth October 8, 1958

Shareholdings as of March 31, 2019 27,076

Prior Positions

- 1983/4 Joined Mitsui & Co., Ltd.
- 2013/4 Managing Officer, General Manager of Human Resources & General Affairs Division
- 2015/4 Managing Officer, Chief Operating Officer of IT & Communication Business Unit
- 2016/4 Executive Managing Officer, Chief Operating Officer of IT & Communication Business Unit
- 2017/4 Executive Managing Officer
- 2017/5 Executive Managing Officer, Chief Digital Officer
- 2017/6 Representative Director, Executive Managing Officer, Chief Digital Officer
- 2018/4 Representative Director, Senior Executive Managing Officer, Chief Digital Officer
- 2019/4 Representative Director, Executive Vice President, Chief Digital Officer (current position)

Name *Yukio Takebe (1)*

Date of Birth April 8, 1960

Shareholdings as of March 31, 2019 20,152

Prior Positions

- 1983/4 Joined Mitsui & Co., Ltd.
- 2013/4 Managing Officer, Chief Operating Officer of Mineral & Metal Resources Business Unit
- 2015/4 Managing Officer, President & Chief Executive Officer of P.T. Mitsui Indonesia
- 2016/4 Executive Managing Officer, Chairman & CEO of Mitsui & Co. (Australia) Ltd. and Chairman of Mitsui & Co. (N.Z.) Ltd.
- 2018/4 Senior Executive Managing Officer
- 2018/6 Representative Director, Senior Executive Managing Officer
- 2019/4 Representative Director, Executive Vice President (current position)

Name *Takakazu Uchida (1)*

Date of Birth September 24, 1960

Shareholdings as of March 31, 2019 22,717

Prior Positions

- 1983/4 Joined Mitsui & Co., Ltd.
- 2014/4 Managing Officer, General Manager of Finance Division
- 2017/4 Executive Managing Officer, General Manager of Finance Division
- 2018/4 Executive Managing Officer, Chief Financial Officer
- 2018/6 Representative Director, Executive Managing Officer, Chief Financial Officer
- 2019/4 Representative Director, Senior Executive Managing Officer, Chief Financial Officer (current position)

Name *Kenichi Hori (1)*

Date of Birth January 2, 1962

Shareholdings as of March 31, 2019 14,544

Prior Positions

- 1984/4 Joined Mitsui & Co., Ltd.
- 2014/4 Managing Officer, General Manager of Corporate Planning & Strategy Division
- 2016/4 Managing Officer, Chief Operating Officer of Nutrition & Agriculture Business Unit
- 2017/4 Executive Managing Officer, Chief Operating Officer of Nutrition & Agriculture Business Unit
- 2018/4 Executive Managing Officer
- 2018/6 Representative Director, Executive Managing Officer
- 2019/4 Representative Director, Senior Executive Managing Officer (current position)

Name *Hirotsu Fujiwara (1)*

Date of Birth January 10, 1961

Shareholdings as of March 31, 2019 27,145

Prior Positions

- 1984/4 Joined Mitsui & Co., Ltd.
- 2014/4 Managing Officer, General Manager, Energy Planning and Administrative Division
- 2015/4 Managing Officer, Chief Operating Officer of Energy Business Unit II
- 2017/4 Executive Managing Officer, Chief Operating Officer of Energy Business Unit II
- 2019/4 Senior Executive Managing Officer, Chief Compliance Officer
- 2019/6 Representative Director, Senior Executive Managing Officer, Chief Compliance Officer (current position)

Name *Yoshio Kometani (1)*

Date of Birth April 11, 1962

Shareholdings as of March 31, 2019 13,522

Prior Positions

- 1985/4 Joined Mitsui & Co., Ltd.
- 2015/4 Managing Officer, Deputy Chief Operating Officer of Asia Pacific Business Unit
- 2016/4 Managing Officer, Chief Operating Officer of Infrastructure Projects Business Unit
- 2019/4 Executive Managing Officer
- 2019/6 Representative Director, Executive Managing Officer (current position)

Name *Toshiro Muto (1)*

Date of Birth July 2, 1943

Shareholdings as of March 31, 2019 14,225

Prior Positions

- 1966/4 Entered the Ministry of Finance
- 1999/7 Director-General of the Budget Bureau, Ministry of Finance
- 2000/6 Administrative Vice Minister, Ministry of Finance
- 2003/1 Special Advisor, Ministry of Finance
- 2003/3 Deputy Governor, Bank of Japan
- 2008/7 Chairman, Daiwa Institute of Research Ltd.
- 2010/6 External Director, Mitsui & Co., Ltd. (current position)
- 2018/7 Honorary Chairman, Daiwa Institute of Research Ltd. (current position)

Name *Izumi Kobayashi (1)*

Date of Birth January 18, 1959

Shareholdings as of March 31, 2019 3,468

Prior Positions

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

Name *Jenifer Rogers (1)*
Date of Birth June 22, 1963
Shareholdings as of March 31, 2019 4,668

Prior Positions

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

Name *Samuel Walsh (1)*
Date of Birth December 27, 1949
Shareholdings as of March 31, 2019 4,800

Prior Positions

- 1972/2 Joined General Motors Holden's Limited
- 1987/6 Joined Nissan Motor Australia
- 1991/9 Joined Rio Tinto Limited
- 2013/1 Chief Executive Officer, Rio Tinto Limited
- 2017/6 External Director, Mitsui & Co., Ltd. (current position)

Name *Takeshi Uchiyamada (1)*
Date of Birth August 17, 1946
Shareholdings as of March 31, 2019 0

Prior Positions

- 1969/4 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- 1998/6 Member of the Board of Directors, Toyota Motor Corporation
- 2001/6 Managing Director, Toyota Motor Corporation
- 2003/6 Senior Managing Director, Toyota Motor Corporation
- 2005/6 Executive Vice President, Toyota Motor Corporation
- 2012/6 Vice Chairman of the Board of Directors, Toyota Motor Corporation
- 2013/6 Chairman of the Board of Directors, Toyota Motor Corporation (current position)
- 2019/6 External Director, Mitsui & Co., Ltd. (current position)

Audit & Supervisory Board Members

Name *Makoto Suzuki (4)*
Date of Birth April 13, 1958
Shareholdings as of March 31, 2019 76,466

Prior Positions

- 1981/4 Joined Mitsui & Co., Ltd.
- 2011/4 Managing Officer, Chief Representative of Mitsui & Co., Ltd. in South West Asia
- 2013/4 Executive Managing Officer, Chief Representative of Mitsui & Co., Ltd. in South West Asia
- 2015/4 Senior Executive Managing Officer, Chief Compliance Officer
- 2015/6 Representative Director, Senior Executive Managing Officer, Chief Compliance Officer
- 2017/4 Representative Director, Executive Vice President, Chief Compliance Officer
- 2019/4 Director
- 2019/6 Full-time Audit & Supervisory Board Member (current position)

Name *Kimiro Shiotani (4)*

Date of Birth October 14, 1960

Shareholdings as of March 31, 2019 8,183

Prior Positions

- 1984/4 Joined Mitsui & Co., Ltd.
- 2015/4 Managing Officer, General Manager, Global Controller Division
- 2019/4 Managing Officer, Audit & Supervisory Board Member Division
- 2019/6 Full-time Audit & Supervisory Board Member (current position)

Name *Haruka Matsuyama (3)*

Date of Birth August 22, 1967

Shareholdings as of March 31, 2019 1,736

Prior Positions

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

Name *Hiroshi Ozu (4)*

Date of Birth July 21, 1949

Shareholdings as of March 31, 2019 1,376

Prior Positions

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

Name *Kimitaka Mori (2)*

Date of Birth June 30, 1957

Shareholdings as of March 31, 2019 3,109

Prior Positions

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

(1) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2020.

(2) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2021.

(3) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2022.

(4) Current term of office will expire at the close of the Ordinary General Meeting of Shareholders in June 2023.

(5) Mr. Toshiro Muto, Ms. Izumi Kobayashi, Ms. Jenifer Rogers, Mr. Samuel Walsh and Mr. Takeshi Uchiyamada are External Directors.

Ms. Haruka Matsuyama, Mr. Hiroshi Ozu and Mr. Kimitaka Mori are External Audit & Supervisory Board Members.

Mr. Makoto Suzuki and Mr. Kimiro Shiotani are full-time Audit & Supervisory Board Members.

(6) Ms. Matsuyama's name as it appears in her family registry is Haruka Kato.

Mitsui introduced the Managing Officer System in April 2002. Managing Officers as of June 20, 2019 are as follows: (* Serves concurrently as Director)

Managing Officers

Name	Title and Principal Positions
Tatsuo Yasunaga*	President and Chief Executive Officer; Head of Crisis Management Headquarters
Shinsuke Fujii*	Executive Vice President; Chief Administrative Officer; Chief Information Officer; Chief Privacy Officer; Corporate Staff Unit (Corporate Planning & Strategy Division, Investment Administrative Division, Information Technology Promotion Division, Regional Business Promotion Division, Corporate Communications Division, Corporate Sustainability Division, Business Supporting Unit (Each Planning & Administrative Division)); Domestic Offices and Branches; HQ Overseen Region; Chairman, Information Strategy Committee; Chairman, Sustainability Committee
Nobuaki Kitamori*	Executive Vice President; Chief Digital Officer; Healthcare & Service Business Unit; IT & Communication Business Unit; Corporate Development Business Unit; Digital Transformation
Yukio Takebe*	Executive Vice President; Iron & Steel Products Business Unit; Mineral & Metal Resources Business Unit; Energy Business Unit I; Energy Business Unit II
Taku Morimoto	Executive Vice President; Chief Operating Officer of Asia Pacific Business Unit
Takakazu Uchida*	Senior Executive Managing Officer; Chief Financial Officer; Corporate Staff Unit (CFO Planning & Administrative Division, Global Controller Division, Finance Division, Risk Management Division, Investor Relations Division, Business Supporting Unit (Each Financial Management & Advisory Division)); Chairman, Disclosure Committee; Chairman, J-SOX Committee
Kenichi Hori*	Senior Executive Managing Officer, Basic Materials Business Unit; Performance Materials Business Unit; Nutrition & Agriculture Business Unit; Food Business Unit; Retail Business Unit; Chairman, Portfolio Management Committee
Hirotsu Fujiwara *	Senior Executive Managing Officer; Chief Compliance Officer; Corporate Staff Unit (Secretariat, Audit & Supervisory Board Member Division, Human Resources & General Affairs Division, Legal Division, Corporate Logistics Division, New Head Office Building Development Department); Business Continuity Plan Management; New Headquarter Project; Chairman, Compliance Committee; Chairman, Diversity Promotion Committee; Head of Emergency Management Headquarter
Yasuyuki Fujitani	Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit
Motoo Ono	Senior Executive Managing Officer; Chief Representative of East Asia Bloc
Shinsuke Kitagawa	Senior Executive Managing Officer, General Manager of Osaka Office
Shinichiro Omachi	Senior Executive Managing Officer; Country Chairperson in India; Managing Director, Mitsui & Co., India Pvt. Ltd.
Katsurao Yoshimori	Senior Executive Managing Officer; Chief Operating Officer of Americas Business Unit
Yoshio Kometani*	Executive Managing Officer; Infrastructure Projects Business Unit; Mobility Business Unit I; Mobility Business Unit II; Digital Transformation (Deputy)
Noboru Katsu	Executive Managing Officer; Chairman & CEO of Mitsui & Co. (Australia) Ltd.
Hiroyuki Tsurugi	Executive Managing Officer; Representative Director, President & CEO of Mitsui Oil Exploration Co., Ltd.
Shingo Sato	Executive Managing Officer; President of Mitsui & Co. (Brasil) S.A.
Osamu Toriumi	Executive Managing Officer; General Manager of Internal Auditing Division
Miki Yoshikawa	Executive Managing Officer; Chief Operating Officer of Food Business Unit
Motoaki Uno	Executive Managing Officer; President & CEO of P.T. Mitsui Indonesia
Hiroshi Meguro	Managing Officer; Chief Representative of Mitsui & Co., Ltd. in CIS; General Director of Mitsui & Co. Moscow LLC
Koji Nagatomi	Managing Officer; Chief Operating Officer of Healthcare & Service Business Unit
Kohei Takata	Managing Officer; Chief Operating Officer of Nutrition & Agriculture Business Unit
Sayu Ueno	Managing Officer; Chief Operating Officer of Basic Materials Business Unit
Yumi Yamaguchi	Managing Officer; President & CEO of Mitsui Global Strategic Studies Institute
Takeshi Setozaki	Managing Officer; General Manager of Chubu Office (Nagoya)
Reiji Fujita	Managing Officer; President of Mitsui & Co. (Thailand) Ltd.

Name	Title and Principal Positions
Takeo Kato	Managing Officer; Chief Operating Officer of Performance Materials Business Unit
Yuki Kodera	Managing Officer; Chief Operating Officer of Mineral & Metal Resources Business Unit
Hirohiko Miyata	Managing Officer; General Manager of Investment Administrative Division
Yoshiki Hirabayashi	Managing Officer; Chief Operating Officer of Retail Business Unit
Yoshiaki Takemasu	Managing Officer; General Manager of Human Resources & General Affairs Division
Yoshimitsu Gushiken	Managing Officer; General Manager of Finance Division
Shinichi Hori	Managing Officer; Chief Operating Officer of Iron & Steel Products Business Unit
Shinichi Kikuchihara	Managing Officer; Chief Operating Officer of Corporate Development Business Unit
Masaharu Okubo	Managing Officer; Chief Operating Officer of Energy Business Unit I
Motoyasu Nozaki	Managing Officer; Chief Operating Officer of Energy Business Unit II
Masahiro Moriyasu	Managing Officer; Chief Operation Officer of IT & Communication Business Unit
Tetsuya Daikoku	Managing Officer; Chief Operating Officer of Mobility Business Unit I
Tatsuya Okamoto	Managing Officer; Chief Operating Officer of Mobility Business Unit II
Yuji Mano	Managing Officer; General Manager of Information Technology Promotion Division
Masato Sugahara	Managing Officer; Deputy Chief Operating Officer of Asia Pacific Business Unit
Kazumasa Nakai	Managing Officer; Chief Operating Officer of Infrastructure Projects Business Unit
Tetsuya Shigeta	Managing Officer; General Manager of Global Controller Division

2) Status of external officers

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

- The prospective person's extensive business experience and knowledge is required to deliberate on such board meeting proposals as investments and loans, and knowledge of his or her particular area of business should be used.
- Mitsui puts great value on ensuring independence of the External Directors from Mitsui in the pursuit of their management oversight functions. Also, with a view to overseeing business operations in a way that reflects the standpoint of our diverse stakeholders, in selecting External Directors, Mitsui shall take into consideration the fields from which candidates originate, along with their gender.
- Given that Mitsui is a general trading company with extensive business dealings, it has been decided to make appropriate efforts by the Board of Directors to handle likely conflicts of interest involving the prospective External Directors in individual transactions with external parties.

The five External Directors that were appointed at the Ordinary General Meeting of Shareholders held on June 20, 2019, their relationships with Mitsui, and the reasons for their appointment are as follows. Regarding shareholdings of External Audit & Supervisory Board Members, see “(2) Information about directors (and other officers) 1) List of directors”

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Director at Mitsui
Toshiro Muto (Since June 2010)	There is no special interest between Mr. Muto and Mitsui, therefore, Mr. Muto is deemed to appropriately carry out his duties as the independent and neutral External Director.	Mr. Muto has deep insight into fiscal and monetary affairs, as well as in economics in general, gained at the Ministry of Finance and the Bank of Japan. At the Board of Directors meetings, he uses his specialist knowledge to speak out actively, making a significant contribution to deepening the discussion. In the year ended March 31, 2019, as chair of the Remuneration Committee and as a member of the Governance Committee, he exercised strong leadership in conducting discussions and revision related to a remuneration system for Directors and Officers and response to the revision of the Corporate Governance Code. Although Mr. Muto has no direct experience participating in corporate management, he has deep insight into fiscal and monetary affairs as well as knowledge of corporate governance. We appointed him as External Director so that he may continue to advise and supervise the Mitsui's management.
Izumi Kobayashi (Since June 2014)	Mitsui paid membership fees and made donations to the Japan Association of Corporate Executives, where Ms. Kobayashi had served as Vice Chairperson until April 2019, but the yearly amount paid in each of the last three (3) fiscal years was below the standard amount for donations and aid funds (¥10 million) established by Mitsui's Criteria of Independence for External Officers. From the above, Mitsui has determined that there is nothing that would affect the independence of Ms. Kobayashi as External Director. Other than the above, there is no special interest between Ms. Kobayashi and Mitsui, therefore, Ms. Kobayashi is deemed to appropriately carry out her duties as the independent and neutral External Director.	Ms. Kobayashi has deep insight in organizational management and risk management for generating innovation, which she has accumulated through her experience working as the representative of private sector financial institutions and a multilateral development bank. She speaks out actively from diverse perspectives at the Board of Directors meetings, making a significant contribution to deepening the discussion. In the year ended March 31, 2019, she served as a member of the Remuneration Committee, and contributed to the discussions and revision related to a remuneration system for Directors and Officers. In addition, as chair of the Nomination Committee, she exercised strong leadership in conducting discussions related to the policy and procedures for the dismissal of executives, including the CEO, and to the design and consideration of succession plans, in response to the revision of the Corporate Governance Code. In view of these points we appointed her as External Director so that she may continue to advise and supervise Mitsui's management.

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Director at Mitsui
<p>Jenifer Rogers (Since June 2015)</p>	<p>There is no special interest between Ms. Rogers and Mitsui, therefore, Ms. Rogers is deemed to appropriately carry out her duties as the independent and neutral External Director.</p>	<p>Ms. Rogers has a global perspective and deep insight in risk management cultivated through her experience working for international financial institutions and her experience in legal work as an in-house counsel. She makes many useful comments concerning risk control at the Board of Directors meetings, making a significant contribution to enhancing the supervision function of the Board of Directors. In the year ended March 31, 2019, she served as a member of the Governance Committee, actively provided her opinions with the aim of creating a highly transparent governance system, and contributed significantly to our response to the revision of the Corporate Governance Code. In view of these points we appointed her as External Director so that she may continue to advise and supervise Mitsui's management.</p>
<p>Samuel Walsh (Since June 2017)</p>	<p>Mitsui's consolidated subsidiary sells iron and steel products to Rio Tinto Limited, at which Mr. Walsh served as CEO until July 2016; however, the yearly amount of sales in each of the last three fiscal years is less than 0.1% of Mitsui's annual consolidated transaction volume. From the above, Mitsui has determined that there is nothing that would affect the independence of Mr. Walsh as External Director. Other than the above, there is no special interest between Mr. Walsh and Mitsui, therefore, Mr. Walsh is deemed to appropriately carry out his duties as the independent and neutral External Director.</p>	<p>Mr. Walsh has global expertise and excellent management skills cultivated through his long years working in upper management within the automobile industry and as chief executive officer of an international natural resources company. At the Board of Directors meetings, he makes many proposals and suggestions from a broad-minded standpoint based on his abundant business management experience, and makes significant contributions to active discussions at the meetings of the Board of Directors, and to improving the effectiveness of said meetings. In the year ended March 31, 2019, he served as a member of the Governance Committee, actively provided his opinions with the aim of creating a highly transparent governance system, and contributed significantly to our response to the revision of the Corporate Governance Code. He has diverse perspectives based on global corporate management experience and expertise and knowledge related to capital policy and business investment. We appointed him as External Director so that he may continue to advise and supervise Mitsui's management.</p>

Name (Date of assumption of office)	Relationship with Mitsui	Reasons for appointment as External Director at Mitsui
Takeshi Uchiyamada (Since June 2019)	Mitsui and its consolidated subsidiaries sell metal products to Toyota Motor Corporation, at which Mr. Uchiyamada has served as Director; however, the yearly amount of sales in each of the last three (3) fiscal years is less than 0.1% of the Mitsui's annual consolidated transaction volume. In addition, Mitsui and its consolidated subsidiaries purchase automobile components from Toyota Motor Corporation, but the yearly amount paid in each of the last three (3) fiscal years is less than 1.5% of the annual non-consolidated transaction volume of Toyota Motor Corporation. From the above, Mitsui has determined that there is nothing that would affect the independence of Mr. Uchiyamada as External Director. Other than the above, there is no special interest between Mr. Uchiyamada and Mitsui, therefore, Mr. Uchiyamada is deemed to appropriately carry out his duties as the independent and neutral External Director.	Mr. Uchiyamada has long been involved in research on environmental and safety technologies at Toyota Motor Corporation that could realize a smart mobility society called for by today's society, as well as in the development of products demanded by consumers. He has been exercising his excellent managerial skill as an executive officer of Toyota Motor Corporation. He has also contributed to the public interest in a wide range of areas through his duties as a vice chair of the Keidanren (Japan Business Federation) and as a member of the Council for Science, Technology and Innovation, Cabinet Office. We appointed him as External Director so that he may advise and supervise Mitsui's business management from a diverse perspective, capitalizing on his management experience at a global company and his in-depth knowledge of society in general. In our Medium-term Management Plan, we have positioned "establishing a new growth area" as one of our priorities, for which Mobility and Retail & Services are included. We expect Mr. Uchiyamada to offer an advice based on his expertise and experience toward establishing the next profit pillars through the creation of new value in these areas.

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

Name	Concurrent positions in other organizations held by External Directors
Toshiro Muto	Honorary Chairman, Daiwa Institute of Research Ltd. Director General / CEO, The Tokyo Organising Committee of the Olympic and Paralympic Games
Izumi Kobayashi	External Director, ANA HOLDINGS INC. External Director, Mizuho Financial Group, Inc.
Jenifer Rogers	General Counsel Asia, Asurion Japan Holdings G.K. External Director, Kawasaki Heavy Industries, Ltd.
Samuel Walsh	Chairman of the Board, Gold Corporation (Australia)
Takeshi Uchiyamada	Chairman of the Board of Directors, Toyota Motor Corporation External Director, JTEKT CORPORATION External Audit & Supervisory Board Member, TOKAI RIKA CO., LTD. External Audit & Supervisory Board Member, Toyoda Gosei Co., Ltd. JTEKT CORPORATION, TOKAI RIKA CO., LTD., and Toyoda Gosei Co., Ltd. are all equity accounted associated companies of Toyota Motor Corporation.

ii) Activities of External Directors in the year ended March 31, 2019

The activities of External Directors in the year ended March 31, 2019 were as follows:

Name	Major activities
Toshiro Muto	Mr. Muto participated in 15 of the 16 Board of Directors meetings held during the year ended March 31, 2019, and used his deep insight into fiscal and monetary affairs, as well as in economics in general, gained at the Ministry of Finance and the Bank of Japan, to speak out actively, making a significant contribution to deepening the discussion. In the year ended March 31, 2019, as chair of the Remuneration Committee (attending all 5 such meetings) and as a member of the Governance Committee (attending 2 of 3 such meetings), he exercised strong leadership in conducting discussions and revision related to a remuneration system for Directors and Officers and response to the revision of the Corporate Governance Code.
Izumi Kobayashi	Ms. Kobayashi participated in all 16 Board of Directors meetings held during the year ended March 31, 2019, and used her deep insight related to organization management that produces innovation, and risk management, gained from her experience serving as a representative of private sector financial institutions and a multilateral development bank, to speak out actively from a diverse perspective, making a significant contribution to deepening the discussion. In the year ended March 31, 2019, she served as a member of the Remuneration Committee (attending all 5 such meetings), and contributed to the discussions and revision related to a remuneration system for Directors and Officers. In addition, as chair of the Nomination Committee (attending all 4 such meetings), she exercised strong leadership in conducting discussions related to the policy and procedures for the dismissal of executives, including the CEO, in response to the revision of the Corporate Governance Code, and to the design and consideration of succession plans.
Jenifer Rogers	Ms. Rogers participated in all 16 Board of Directors meetings held during the year ended March 31, 2019, and made many useful comments concerning risk control from her global perspective based on her deep insight related to risk management gained from her work experience at international financial institutions and in legal work as an in-house counsel, making a significant contribution to enhancing the supervision function of the Board of Directors. In the year ended March 31, 2019, she served as a member of the Governance Committee (attending all 3 such meetings), actively provided her opinions with the aim of creating a highly transparent governance system, and contributed significantly to our response to the revision of the Corporate Governance Code.
Hirotaka Takeuchi	Mr. Takeuchi participated in 15 of the 16 Board of Directors meetings held during the year ended March 31, 2019, and made thought-provoking proposals about Mitsui's management strategies from the perspective of his deep insight related to management gained as an expert in international corporate strategy, making a significant contribution to enhancing the supervision function of the Board of Directors. In the year ended March 31, 2019, he served as a member of the Nomination Committee (attending 1 of 4 such meetings).
Samuel Walsh	Mr. Walsh participated in all 16 Board of Directors meetings held during the year ended March 31, 2019, and offered proposals and suggestions from a broad-minded standpoint based on his global expertise, excellent managerial skill, and abundant business management experience cultivated through his long years working in upper management within the automobile industry and as chief executive officer of an international natural resources company, making significant contributions to active discussions at the meetings of the Board of Directors, and to improving effectiveness of said meetings. In the year ended March 31, 2019, he served as a member of the Governance Committee (attending all 3 such meetings), actively provided his opinions with the aim of creating a highly transparent governance system, and contributed significantly to our response to the revision of the Corporate Governance Code.

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

The External Audit & Supervisory Board Members shall be elected with the objective of further heightening the neutrality and independence of the auditing system and further improving the effectiveness of the auditing with their deep knowledge and insight gained as experts, and, in particular, it is expected that the External Audit & Supervisory Board Members will give an objective voice to their auditing opinions from the standpoint of neutrality, building on such factors as independence. When selecting candidates for External Audit & Supervisory Board Members, the Audit & Supervisory Board has confirmed that no issues with independence arose by taking into consideration such factors as relations with the company, management and important staff members.

As to the three External Audit & Supervisory Board Members as of the issuance of this report, the reasons for their appointment are as follows. Regarding shareholdings of External Audit & Supervisory Board Members, see “(2) Information about directors (and other officers) 1) List of directors.”

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

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

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

iv) Activities of External Audit & Supervisory Board Members in the year ended March 31, 2019

The activities of External Audit & Supervisory Board Members in the year ended March 31, 2019 were as follows:

Name	Major activities
Haruka Matsuyama	Ms. Matsuyama participated in 15 of the 16 Board of Directors meetings, and all 24 Audit & Supervisory Board meetings, held during the year ended March 31, 2019. She offered advice and expressed opinions from the perspective of her knowledge and experience gained as a judge and an attorney at law. Also, as a member of the Governance Committee (participated in all 3 meetings), she actively provided opinions that contributed to developing transparent and objective governance.
Hiroshi Ozu	Mr. Ozu participated in 15 of the 16 Board of Directors meetings, and all 24 Audit & Supervisory Board meetings, held during the year ended March 31, 2019. He offered advice and expressed opinions from the perspective of his knowledge and experience gained as a public prosecutor and an attorney at law. Also, as a member of the Nomination Committee (participated in all 4 meetings), he contributed to enhancement in the transparency of the Company's nomination of officers.
Kimitaka Mori	Mr. Mori participated in 15 of the 16 Board of Directors meetings, and all 24 Audit & Supervisory Board meetings, held during the year ended March 31, 2019. He offered advice and expressed opinions from the perspective of his knowledge and experience gained as a certified public accountant. Also, as a member of the Remuneration Committee (participated in all 5 meetings), he contributed to the discussions related to an objective remuneration system for officers and its revision.

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

External members of Mitsui who do not fall under any of the following items are to be judged to have independence.

- 1) Person who is currently or was in the past ten years an Executive Director, Executive Officer, Managing Officer, manager, employee, administrative officer, etc. (hereinafter referred to as "executing person") of Mitsui or Mitsui's consolidated subsidiaries.
- 2) Person or the executing person of a corporation holding either directly or indirectly 10% or more of total number of the voting rights of Mitsui
- 3) Person whose major business partner is Mitsui or Mitsui's consolidated subsidiaries (*1) or the executing person of the same

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

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

*2 If Mitsui or Mitsui's consolidated subsidiary received from the relevant business partner the payment equivalent to 2% or more of Mitsui's annual consolidated transaction volume in the most recent business year or the relevant business partner provided Mitsui or Mitsui's consolidated subsidiary with the money loans equivalent to 2% or more of Mitsui's

consolidated total assets, the relevant business partner is deemed to be the major business partner of Mitsui or Mitsui's consolidated subsidiary.

- 5) Independent Auditor of Mitsui or Mitsui's consolidated subsidiary or employee, etc. of the same
- 6) Person providing professional services such as consultant, lawyer and certified public accountant who received from Mitsui monetary payment or other property benefits exceeding ¥10 million in total other than officer remuneration in the most recent business year (referring to the person belonging to the organization if the one who received the relevant property is an organization such as corporation and association)
- 7) Person or the executing person of a corporation who received the annual total of ¥10 million or more of donations or aid funds from Mitsui or Mitsui's consolidated subsidiary in the most recent business year
- 8) Person who has fallen under any of 2) to 7) above in the past three years
- 9) Spouse or relative within the second degree of kinship (hereinafter referred to as "close relatives") of the person who is currently or has been recently the important executing person of Mitsui or Mitsui's consolidated subsidiary (including Director who is not the executing person in the case of External Audit & Supervisory Board Member)
- 10) Close relatives of the person who currently falls or has fallen recently under any of 2) to 7) above (excluding the one who is not important)

v i) Support for external members

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

For External Audit & Supervisory Board Members, company information which contributes their auditing, including summaries of regular meetings between Full-time Audit & Supervisory Board Members and staff in the Audit & Supervisory Board Member Division, are timely provided by the Full-time Audit & Supervisory Board Members and the staff. Advance distribution of materials and advance explanations are conducted regarding regular and extraordinary meetings of the Audit & Supervisory Board and of the Board of Directors.

For external members, Mitsui provides personal computers and tablets (hereinafter referred to as the "officer PCs") and distributes materials for meetings of the Board of Directors in a timely manner, thereby ensuring the time to review agendas. Mitsui sets up a Board of Directors' database for use in storing information such as minutes and other materials of past meetings of the Board of Directors, and maintains a platform that enables access to such database from the officer PCs.

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

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

3) Coordination between supervision by the External Directors or auditing by External Audit & Supervisory Board Members, the auditing by the Internal Auditing Division, Audit & Supervisory Board Members and the Independent Auditors, and relationship with divisions involved in internal control

- The External Directors and External Audit & Supervisory Board Members, through the meetings of the Board of Directors, the meetings of the Audit & Supervisory Board and the External members meetings respectively, exchange information and opinions on auditing by the Internal Auditing Division, auditing by Audit & Supervisory Board Members and accounting audits by the Independent Auditors as well as mutually coordinate with them to supervise and audit the internal control system. Specifically, they periodically receive reports on the following at the meetings of the Board of Directors, respectively; results and plans of the internal audits, results and plans of auditing by the Audit & Supervisory Board, summary of the management letter by the Independent Auditors, results of the internal control system assessment in accordance with the Financial Instruments and Exchange Act of Japan, the operational status of compliance programs, and other matters regarding the management and improvement of the internal control systems. At the External members meetings, External Directors, Audit & Supervisory Board Members and the Independent Auditors mutually exchange information and opinions regarding the policy of audits.
- Fulltime Audit & Supervisory Board Members, at their discretion, hold a meeting to exchange opinions beforehand among the External Directors and Audit & Supervisory Board Members on certain important matters to be discussed at meetings of the Board of Directors, in order to provide External Board Members with sufficient information for effective discussion at meetings of the Board of Directors.

(3) Information about audits

1) Status of the Audit & Supervisory Board

- As of the issuance of this report, there are five Audit & Supervisory Board Members, including two Full-time Audit & Supervisory Board Members and three External Audit & Supervisory Board Members (including one female External Audit & Supervisory Board Member, and the percentage of female Audit & Supervisory Board Member is 20%). A meeting of the Audit & Supervisory Board Members is regularly held prior to a meeting of the Board of Directors and whenever necessary. Audit & Supervisory Board Members attend the meeting of the Board of Directors and audit the procedure of the meeting and the contents of resolutions as well as other issues, and proactively express their opinions. The Audit & Supervisory Board has designated Mr. Kimiro Shiotani and Mr. Kimitaka Mori as Audit & Supervisory Board Members who have considerable expertise in finance and accounting. Mr. Kimiro Shiotani joined Mitsui in 1984. Before being elected as Audit & Supervisory Board Member in 2019, he had worked in the field of accounting and was appointed as General Manager of Segment Controller Division, in 2012, and as Managing Officer, General Manager of Accounting Division in 2015. Mr. Kimitaka Mori had been working in the field of corporate accounting over the years as a certified public accountant, and holding important positions in that field such as the former Chairman and President of Japanese Institute of Certified Public Accountants.
- The Guidelines of Auditing by Audit & Supervisory Board Members define the responsibility of Audit & Supervisory Board Members, the frame of mind necessary for them, the framework of audits, audit standards, and codes of conduct. Pursuant to laws and regulations, the Articles of Incorporation and the provision of the Rules of the Audit & Supervisory Board, the Audit & Supervisory Board receives relevant reports, deliberates and/or makes resolutions as to important matters in auditing.
- The Audit & Supervisory Board establishes audit policies and makes audit plans taking into consideration materiality, timeliness and other necessary elements. To conduct effective and efficient audits, the Audit & Supervisory Board

coordinates closely with the Independent Auditors and the Internal Auditing Division. In the year ended March 31, 2019, 24 meetings were held. The Audit & Supervisory Board carries out a full exchange of opinions, review and discussion on major issues and due process relating to matters to be discussed at the Board of Directors meetings, major issues and resolutions relating to the internal control system on global group basis, and major amendments of laws and regulations which would affect the auditing including the introduction of “Key Audit Matters”.

- Each Audit & Supervisory Board Member has a duty to audit the following issues; (i) in the area of business auditing, execution of duties by Directors, decision-making processes at the Board of Directors and others, and the status of operation and improvement of the internal control systems, and (ii) in the area of financial audit, the independence of the Independent Auditors, system of financial reporting, accounting policies and processing of financial information, audit of financial statements, reviews and reports from the Independent Auditors, and the system of disclosure.
- Full-time Audit & Supervisory Board Members attend important internal meetings and committees, including the Corporate Management Committee. All Audit & Supervisory Board Members have discussions with the Chairman of the Board of Directors and the President & Chief Executive Officer, respectively, on a periodic basis. Full-time Audit & Supervisory Board Members receive reports and exchange opinions at individual meetings with Directors and Managing Officers, as well as regular meetings with the Directors in charge of Corporate Staff Units and general managers in Corporate Staff Units. Full-time Audit & Supervisory Board Members receive reports relating to regular internal audits from the Internal Auditing Division, in principle attend all of the feedback sessions on regular internal audits by the Internal Auditing Division, and deliver their opinions and advices to audited organizations.
- The Audit & Supervisory Board has designated some of the affiliated companies both domestic and overseas as “Affiliated Companies to be Monitored Designated by the Audit & Supervisory Board”. The Audit & Supervisory Board Members conduct auditing on the management status of Mitsui’s subsidiaries through visits to these designated affiliate companies and major subsidiaries as well as through cooperation with audit & supervisory board members at subsidiaries. In addition to the above, The Audit & Supervisory Board Members receive reports relating to the status of audits and other matters, including the status of quarterly review, at the monthly meetings with the Independent Auditors. At the meetings, the participants exchange opinions about audit environment and other matters, including cooperative framework for the accounting audit within Mitsui.
- Mitsui has entered into agreements with each Audit & Supervisory Board Member respectively limiting their liability as Audit & Supervisory Board Members to legally designated limits, pursuant to Article 427, Paragraph 1 of the Companies Act of Japan.
- We set up the Audit & Supervisory Board Member Division to assist in the performance of the duties of the Audit & Supervisory Board Members, and assign to the Division at least three full-time employees with the appropriate knowledge and abilities necessary for this work.

2) Status of the Internal auditing

- Based on the order or approval of the President and Chief Executive Officer, for the purpose of contributing to the effective achievement of management goals, the Internal Auditing Division evaluates how internal control is present and functioning with an emphasis on the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations, as well as safeguarding of Company assets. The adequacy and effectiveness of each process in risk management, control (any action taken by the management toward the achievement of the established goals) and governance (processes and structures implemented by the management to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives) within each organizational unit shall also be evaluated, and suggestions and proposals shall be made for their improvement.
- In order to ensure the independence and objectivity of internal audits, we have the Internal Auditing Division directly under the rule of the President and Chief Executive Officer. The composition of the personnel in the division as of March 31, 2019, is as follows: of a total of 73 people, which includes one General Manager, 37 internal auditors, 25 members in charge of audits, and 10 staff members; 56 people are stationed in the Internal Auditing Division in the Head Office, 6 people are stationed in Internal Auditing Offices overseas, 4 people are stationed in the Internal Auditing Department within Business Supporting Units, and 7 people are stationed in subsidiaries.

- In the regular audits which cover Mitsui, Overseas Offices, Overseas Trading Subsidiaries, and other subsidiaries, internal auditors carry out independent and objective evaluations, pursuant to the rules on internal audits, etc., with an emphasis on risk management, effectiveness of management and operations, compliance, and appropriate financial reporting. In addition, the following audits are implemented as internal audits: cross-organizational and cross-functional audits by target and item, such as issues involving multiple organizations and business processes or security trade control systems, and extraordinary examinations to get a whole picture of such events that caused or could cause irregular economic losses or that jeopardized or could jeopardize the corporate trust, in order to identify the responsibility and recommend measures to clarify the causes as well as to prevent recurrence. The Internal Auditing Division as an independent department compiles and checks the assessment of the entity-wide internal control regarding the credibility of financial reports, pursuant to the Financial Instruments and Exchange Act of Japan. The final results are reported to the below-mentioned J-SOX Committee.
- For each fiscal year, the internal auditing policy and the internal auditing plan go through the approval process by the President and Chief Executive Officer. Internal audits are implemented either with or without advance notice to the target organization. The internal auditors provide feedback on the results of the internal audit to the organization before preparing the internal audit report and carry out a full exchange of opinions on their suggestions. The audit results are reported to the President and Chief Executive Officer. The reports from the organization on the implementation status of improvements regarding the issues identified are requested and are reevaluated.

3) Auditing of financial statements

- Name of auditing firm

Deloitte Touche Tohmatsu LLC

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

- The period successively involved in the audit

46 years

Rotations of the partners were conducted properly. A partner does not serve our company for more than seven consecutive fiscal years.

In addition, a lead audit engagement partner does not serve our company for more than five consecutive fiscal years.

- The certified public accountants executing audits

Yoshio Sato

Takashi Kitamura

Takenao Ohashi

- The members of assistants involved in auditing work

The number of assistants involved in auditing work is 111 people as of March 31, 2019, and this number is comprised of 39 certified public accountants, 19 members of the Japanese Institute of Junior Accountants, and 53 others.

- Policy and reason on the Independent Auditor appointment

The Company has the following policy on reappointment, dismissal of, decisions not to reappoint, and election of the Independent Auditor:

- i) The tenure of the Independent Auditor is one year, and they may be reappointed.
- ii) As for dismissal, non-reappointment, and election of the Independent Auditor, the Audit & Supervisory Board resolves whether to refer the dismissal, non-reappointment, or election for discussion and resolution at the General Meeting of Shareholders. In relation to the reappointment and appointment for election of the Independent Auditor, the Audit & Supervisory Board assesses and confirms whether the Independent Auditor has maintained an independent stance and has established a structure for continuously implementing proper audit, and makes a resolution on such appointment or reappointment.
- iii) Other than for the Company's convenience, where the Independent Auditor has breached or contravened any laws or regulations, such as the Companies Act of Japan or the Certified Public Accountants Act, or has conducted itself in breach of public policy or breached its contract of engagement, the Audit & Supervisory Board shall deliberate whether

or not it is appropriate to refer the dismissal or non-reappointment of the Independent Auditor to the General Meeting of Shareholders for discussion and resolution.

iv) The Audit & Supervisory Board may dismiss the Independent Auditor with the approval of each Audit & Supervisory Board member if the circumstances stipulated in each of the provisions of Article 340, Paragraph 1 of the Companies Act of Japan apply.

The Audit & Supervisory Board conducted the assessment of the accounting audit for the fiscal year ended March 31, 2019, in accordance with the items and process below, confirmed the appropriateness of the accounting audit, and made a resolution on the reappointment of the Independent Auditor for the fiscal year ending March 31, 2020.

- Assessment of Independent Auditor by the Audit & Supervisory Board

The Audit & Supervisory Board conducts assessment of the Independent Auditor with a focus on the following items:

- Appropriateness as an independent auditor
- Audit activities of the audit team at the start of, during, and at the end of the period
- Audit fee setting process

Furthermore, the Audit & Supervisory Board conducts the assessment of the above three items through the following process:

- Confirmation of the self-assessment of the Independent Auditor, and interviews with managements, audit partners, chief manager, managers, and other related persons of the Independent Auditor
- Confirmation of the assessment of the Independent Auditor by the executing bodies (such as the Global Controller Div. and Internal Auditing Div.), and interviews with managers, persons in charge, and other related persons of the executing bodies

For making the resolution on the reappointment, the Audit & Supervisory Board had discussions with the Independent Auditor with regard to the following measure for further improving the quality of the audit:

In response to needs of readiness for advanced issues on accounting audit brought by our diversified and increasingly complex businesses, opinion exchange meetings shall be implemented timely on a succession plan for a longer period of time, in relation to the positions at partner and manager levels.

4) Information about audits

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

The table below shows the amount of fees paid to Deloitte Touche Tohmatsu LLC by Mitsui and its consolidated subsidiaries, for the years ended March 31, 2019 and 2018.

Classification	Year ended March 31, 2019		Year ended March 31, 2018	
	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)
Mitsui	750	6	704	6
Consolidated subsidiaries	697	3	690	8
Total	1,447	9	1,394	14

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

The non-auditing work for which Mitsui and its consolidated subsidiaries pay a fee to Deloitte Touche Tohmatsu LLC includes tax-related services and so on.

ii) Details of fees paid to the member firms of Deloitte Touche Tohmatsu Limited, which belong to the same network to which Deloitte Touche Tohmatsu LLC belongs.

The table below shows the amount of fees paid to member firms of Deloitte Touche Tohmatsu Limited (excluding Deloitte Touche Tohmatsu LLC) by Mitsui and its consolidated subsidiaries, for the years ended March 31, 2019 and 2018.

Classification	Year ended March 31, 2019		Year ended March 31, 2018	
	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)	Audit Fees (Millions of Yen)	Non Audit Fees (Millions of Yen)
Mitsui	3	37	8	72
Consolidated subsidiaries	2,227	273	2,321	181
Total	2,230	310	2,329	253

The non-auditing work for which Mitsui and its consolidated subsidiaries pay a fee to member firms of Deloitte Touche Tohmatsu Limited (excluding Deloitte Touche Tohmatsu LLC) includes tax-related services and so on.

iii) Policy for determining audit fees

In determining audit fees, factors such as the auditing plan and the status of execution of duties by the Independent Auditor in the previous fiscal year are taken into account. In order to maintain and improve audit quality and efficient execution of audit, we check the audit process and divide roles between the auditor and the executive department as well as organizing the issues of the individual projects, which promotes transparency of the auditing hours and optimizes the amount of audit fees.

In addition, comparison of budget and actual results, analysis of fluctuation factors, studying further efficiency of audit and confirmation of its progress are carried out quarterly, all of which are discussed with the Independent Auditor in a timely manner.

The adequacy of audit fees is confirmed in accordance with the above policy, and the final approval is made with the consent of the Audit & Supervisory Board.

iv) Reason for the Audit & Supervisory Board's consent to audit fees

The Audit & Supervisory Board also confirmed the audit fee setting process in the assessment of the Independent Auditor. And based on such confirmation, having obtained necessary materials and received reports from Directors, related departments, and Independent Auditor, and having reviewed the auditing plans, the status of execution of duties by the Independent Auditor, the grounds for calculation of remuneration estimates and other matters in the previous fiscal year, the Audit & Supervisory Board gives consent to remunerations for the Independent Auditor in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.

5) Coordination among Audit & Supervisory Board Members, the Internal Auditing Division and the Independent Auditors, and relationship with divisions involved in internal control

- The Audit & Supervisory Board holds regular meetings with the Internal Auditing division and the Independent Auditors. At the beginning of the fiscal year, the participants exchange information and opinions about their auditing policies and plans, the items of focus in audits, the status of audits and other matters, and have discussions on the execution of effective and efficient accounting audits and internal control audits.
- Fulltime Audit & Supervisory Board Members in principle attend all of the feedback sessions on regular internal audits by the Internal Auditing Division, in addition to the exchange of information with the Internal Auditing Division for implementing efficient audits. The General Manager of the Internal Auditing Division periodically reports on the plans and results of internal audits to the Audit & Supervisory Board. The Audit & Supervisory Board Members, as necessary, request reports on the internal control system, risk evaluation and other matters from the Internal Auditing Division and other divisions responsible for internal controls, and also ask for their cooperation on a wide range of matters in audits.
- At the end of the fiscal year, the Audit & Supervisory Board receive reports on the audit procedures and results of audits on accounting and internal controls respectively from the Independent Auditors, and exchange opinions on these.

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

(4) Remuneration of Directors and Audit & Supervisory Board Members

1) Remuneration for directors (excluding External Directors) is determined by a resolution of the Board of Directors on the basis of deliberations by the Remuneration Committee, which is chaired by an External Director. It consists of basic fixed remuneration, performance-related bonus based on Mitsui's key performance indicators, and stock-based compensation linked to the stock price as medium to long-term incentive compensation. In the year ended March 31, 2019, stock-based compensation linked to the stock price is provided in the form of stock options, but from the year ending March 31, 2020 onwards, it will be provided as remuneration of share performance-linked restricted stock. Also, each Director (excluding External Directors) is required to purchase Mitsui's shares in an amount equivalent to at least 10% of his or her monthly remuneration but less than ¥1 million through the Mitsui Executives' Shareholding Association.

The appropriateness of percentages of basic fixed remuneration, performance-related bonus, and stock-based compensation is verified each year by the Remuneration Committee, taking trends at other companies and other factors into consideration. The findings are reported to the Board of Directors.

The method used to determine the amount of performance-related remuneration is as follows. (The word "Directors" in i) and ii) below refers to Directors excluding External Directors.)

i) Performance-related bonus

(a) Total amount paid in bonuses for Directors

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

For fiscal year ended March 31, 2019, total amount of bonus is calculated as follows:

$$\begin{aligned} \text{Total amount of bonus} = & (\text{Consolidated profit for the period attributable to owners of the parent} \times 50\% \times 0.1\%) \\ & + (\text{Core operating cash flow} \times 50\% \times 0.1\%) \end{aligned}$$

However, the total amount shall not exceed ¥700 million. If the consolidated profit for the period attributable to owners of the parent is minus, i.e. "net loss", and/or core operating cash flow is minus, i.e. "cash outflow", then such item is set as 0 for the calculation.

Consolidated profit for the period attributable to owners of the parent and core operating cash flow are important indicators for Mitsui, and they are taken into consideration when determining the dividend policy.

(b) Amount paid as individual bonuses

The total amount calculated by the method shown in (a) above is distributed to each Director in proportion to the following points, which are assigned for each position. Amounts will be rounded to the nearest ¥10,000, however, if the total amount of the individual bonuses paid exceeds ¥700 million, each amount less than ¥10,000 will be rounded down.

(Amount individually paid = total amount of bonus × position points / sum of position points)

Points by position

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

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

Chairman/President	= ¥700 million × 10 points / (10 points × 2 persons + 7 points × 3 persons + 6 points × 3 persons + 5 points × 1 person = 64 points)	= ¥109.37 million
Executive Vice President	= ¥700 million × 7 / 64 points	= ¥76.56 million
Senior Executive Managing Officer	= ¥700 million × 6 / 64 points	= ¥65.62 million
Executive Managing Officer	= ¥700 million × 5 / 64 points	= ¥54.68 million

ii) Remuneration system of share performance-linked restricted stock

The purpose of the remuneration system of share performance-linked restricted stock (hereinafter referred to as the "System") is to provide an additional incentive to Directors to achieve sustaining growth in Mitsui's medium to long-term performance and corporate value, and to foster a heightened sense of shared value with shareholders, by paying remuneration consisting of Mitsui's ordinary shares, with a certain transfer restriction period, to Directors (shares allocated under the System will be referred to below as the "Shares") in addition to basic fixed remuneration and performance-related bonus. This new compensation system is a share performance-linked remuneration system, since the number of Shares held by Directors at the end of a certain period (hereinafter referred to as the "number of Shares after valuation") would vary based on a comparison of the growth rates of Mitsui's stock price and the Tokyo Stock Price Index (TOPIX) over a specified period. By taking into account not only movements in Mitsui's stock price, but also the performance of Mitsui's stock compared with the stock market as a whole, the System is intended to give Directors a heightened awareness of the need to improve Mitsui's corporate value by amounts greater than the growth of the stock market.

(a) Payment method

Under the System, Directors would be granted an entitlement to receive monetary remuneration and will be issued Shares, whether newly issued as ordinary shares or disposed of, in exchange for the in-kind investment of their full entitlement. The amount of entitlements to be paid to each Director under the System will be determined by the Board of Directors based on deliberations by the Remuneration Committee, within the maximum limit approved at the General Meeting of Shareholders.

(b) Total number of shares to be issued or disposed of, paid-in amount per share

The total number of ordinary shares that would be newly issued or disposed of by Mitsui under the System would be no more than 500,000 per year (however, this number may be changed within reasonable limits if Mitsui's ordinary shares are affected by a stock split (including a free allotment of new ordinary shares in Mitsui) or a reverse stock split, or if other circumstances arise that require adjustments to the total number of Mitsui's ordinary shares that are issued or disposed of as restricted shares). The paid-in amount per Share will be decided by the Board of Directors based on the average daily closing price for Mitsui's ordinary shares on the Tokyo Stock Exchange (excluding days on which there is no closing price, the price will be rounded up to the nearest whole yen) in the three months immediately prior to the month containing the date on which the Board of Directors made a resolution concerning issuance or disposal of the shares (hereinafter referred to as the "date of the Board of Directors' resolution"), within a range that is not especially advantageous to the Directors.

(c) Details of share performance linkage conditions

The number of shares after valuation would be determined as follows in linkage with the share performance, etc.

If the growth rate of Mitsui's share price (*1) is equal to or greater than 150% of the growth rate of the Tokyo Stock Price Index (TOPIX) (*2), the number after valuation will be deemed to be the entire number of Shares issued (*3).

If the growth rate of Mitsui's share price is lower than 150% of the TOPIX growth rate, the number of Shares after valuation will be a number calculated using the following formula, and the remainder of the Shares will be acquired by Mitsui without compensation at the end of the valuation period.

$$\begin{aligned} \text{Number of shares after valuation} &= \text{Number of Shares} \times \frac{\text{Mitsui's share price growth rate}}{\text{TOPIX growth rate} \times 150\%} \\ &= \text{Number of Shares} \times \frac{(A + B) \div C}{(D \div E) \times 150\%} \end{aligned}$$

(*1) This is the growth rate of Mitsui's share price during a valuation period defined as three years from the date of the Board of Directors' resolution (or the period to the date of retirement if a Director retires from their role as a director or managing officer of Mitsui before the elapse of three years. The same applies to (*2)). The growth rate will be specifically calculated as follows:

A: The average closing price of Mitsui's stock on the Tokyo Stock Exchange during the three months immediately prior to the month in which the final day of the valuation period falls

B: The total dividend per share for Mitsui's ordinary shares during the valuation period

C: The average closing price of Mitsui's stock on the Tokyo Stock Exchange during the three months immediately

prior to the month in which the date of the Board of Directors' resolution falls

Growth rate of Mitsui's share price = $(A+B) / C$

(*2) This is the growth rate of the TOPIX during a period of three years from the date of the Board of Directors' resolution.

It will be specifically calculated using the following formula.

D: The average TOPIX closing price on the Tokyo Stock Exchange during the three months immediately prior to the month in which the final day of the valuation period falls

E: The average TOPIX closing price on the Tokyo Stock Exchange during the three months immediately prior to the month in which the date of the Board of Directors' resolution falls

TOPIX growth rate = D/E

(*3) Number of Shares = Entitlement to monetary compensation determined according to rank / Paid-in amount per Share

(d) Restriction on transfer

Directors would be unable to transfer, pawn, or otherwise dispose of the Shares (hereinafter referred to as "Restriction on Disposal") for a period of 30 years from the pay-in date (hereinafter referred to as "Restriction on Transfer Period").

During the Restriction on Transfer Period, the Shares would be managed in dedicated accounts established with a securities company nominated by Mitsui.

(e) Lifting of the Restriction on Disposal

Irrespective of the provisions of (d) above, the Restriction on Disposal will be lifted if a Director retires as a director or managing officer of Mitsui before the end of the Restriction on Transfer Period.

(f) Grounds for acquisition without compensation

In addition to the condition that there will be an acquisition without compensation under the conditions for linkage to the share performance in (c) above, Mitsui will acquire without compensation all or part of the Shares during the Restriction on Transfer Period if a Director engages in actions that contravene laws and regulations, or on other grounds as stipulated in the agreement concluded between Mitsui and the Director.

(g) Procedures in the event of organizational restructuring, etc.

Mitsui would make reasonable adjustments to the number of Shares to be acquired without compensation or the time when the Restriction on Disposal will be lifted, by resolution of the Board of Directors, if Mitsui enters into a merger agreement resulting in the absorption of Mitsui, or a share swap agreement or share transfer plan under which Mitsui becomes a wholly owned subsidiary, or otherwise undertakes organizational restructuring, etc., during the Restriction on Transfer Period, pursuant to a resolution of a General Meeting of Shareholders (or a resolution of the Board of Directors in the case of a matter for which a resolution of a General Meeting of Shareholders is not required).

External Directors, who are separated from business execution, would receive only basic remuneration and would not be paid or given bonus or stock-based compensation linked to the stock price.

Directors are not paid retirement compensation.

As stated below, approval has been given through a resolution at a General Meeting of Shareholders that decisions about the maximum amount of Directors' remuneration and the maximum amounts for individual payments are taken within that limit by the Board of Directors. However, following a resolution at the Ordinary General Meeting of Shareholders held on June 20, 2019 to introduce a share performance-linked restricted stock remuneration system, stock-based compensation stock options with stock price conditions will be abolished (excluding options already granted). Thereafter, no subscription rights to shares will be issued as remuneration for Directors.

	Basic remuneration	Bonus	Share Performance-linked restricted stock remuneration (from the year after the year ended March 31, 2019 (the year ending March 31, 2020))	Stock-based compensation stock options with stock price conditions (up to the year ended March 31, 2019)
Resolution of General Meeting of Shareholders	Ordinary General Meeting of Shareholders on June 21, 2017	Ordinary General Meeting of Shareholders on June 21, 2017	Ordinary General Meeting of Shareholders on June 20, 2019	Ordinary General Meeting of Shareholders on June 20, 2014
Maximum (per year)	¥1 billion	¥700 million	¥500 million	¥500 million
Eligibility for payment	Directors	Directors (excluding External Directors)	Directors (excluding External Directors)	Directors (excluding External Directors)
Number of the recipients at the time of the resolution	14	9	9	9

2) The remuneration of Directors and Audit & Supervisory Board Members for the year ended March 31, 2019 was as follows:

Category of position	Number of recipients	Basic remuneration	Bonus	Stock option	Total remuneration
Directors (Excluding External Directors)	12	¥719 million	¥492 million	¥116 million	¥1,328 million
Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	2	¥132 million	—	—	¥132 million
External Directors	5	¥104 million	—	—	¥104 million
External Audit & Supervisory Board Members	3	¥60 million	—	—	¥60 million
Total	22	¥1,015 million	¥492 million	¥116 million	¥1,624 million

(Notes) 1. Bonuses shown above are not paid yet on the date of the issuance of this report.

2. In addition to the amounts shown above, Mitsui paid pensions (resolution for payments made prior to the abolition of such program) of ¥490 million to 109 retired Directors, and a total of ¥44 million to 13 retired Audit & Supervisory Board Members in the year ended March 31, 2019.

3. The amounts have been rounded to the nearest million yen.

3) The following table contains information about remuneration earned by the named directors who earned more than a total of ¥100 million for the year ended March 31, 2019.

Name	Category of position	Payer	Basic remuneration	Bonus	Stock option	Total remuneration
Masami Iijima	Director	Mitsui	¥114 million	¥78 million	¥27 million	¥219 million
Tatsuo Yasunaga	Director	Mitsui	¥131 million	¥78 million	¥32 million	¥241 million
Makoto Suzuki	Director	Mitsui	¥76 million	¥55 million	¥7 million	¥138 million
Satoshi Tanaka	Director	Mitsui	¥76 million	¥55 million	¥7 million	¥138 million
Shinsuke Fujii	Director	Mitsui	¥76 million	¥55 million	¥7 million	¥138 million
Nobuaki Kitamori	Director	Mitsui	¥62 million	¥47 million	¥6 million	¥115 million
Yukio Takebe	Director	Mitsui	¥47 million	¥47 million	¥18 million	¥112 million

4) The targets and results for indicators relating to performance-related remuneration in the year ended March 31, 2019 are as follows.

i) Performance-related bonus

Performance-related bonus is calculated according to the formula in (a) (i). The indicators used are consolidated profit for the period attributable to owners of the parent and core operating cash flow. The initial targets and results for the indicators in the year ended March 31, 2019 were as follows.

Initial plan: ¥420.0 billion for consolidated profit for the period attributable to owners of the parent, ¥570.0 billion for core operating cash flow

Results: ¥414.2 billion for consolidated profit for the period attributable to owners of the parent, ¥570.5 billion for core operating cash flow.

ii) Stock option (stock-based compensation stock options with stock price conditions)

As is described in the section 4.1. (2) 1) Stock Option Plans, holders of stock-based compensation stock options with stock price conditions provided by Mitsui can exercise all of their options if the growth rate of Mitsui's stock price is equal to or greater than the TOPIX growth rate during a three-year valuation period from the date on which the options were allocated. If Mitsui's stock price growth rate is below that level, the percentage of offered options that can be exercised will be adjusted proportionately. The stock price conditions of the stock options for which the number that can be exercised in the year ended March 31, 2019 has been finalized are achieved as stated below.

Stock options (stock-based compensation stock options with stock price conditions) for which the valuation period was completed in the year ended March 31, 2019

Eligible stock options	Stock options based on a resolution of the Board of Directors on July 8, 2015
Stock price conditions achieved	Mitsui's stock price growth rate (including dividends): 125.46% TOPIX growth: 108.50% Exercisable stock options: 100% of the options granted

5) Mitsui's policy on the method used to calculate remuneration for Directors is decided by the Board of Directors within limits approved by resolutions at General Meetings of Shareholders. Before taking decisions, the Board of Directors receives a report from the Remuneration Committee, which is chaired by an External Director, to the effect that the amounts are appropriate, based on prior deliberations by the Committee. The amounts for the year ended March 31, 2019 were determined through the following processes.

i) The basic remuneration for Directors excluding External Directors has been decided according to a specific formula based on the resolution of the Board of Directors on April 12, 2017 delegating authority to decide individual payment amounts to the Representative Director, President and Chief Executive Officer. The formula was approved as appropriate by the Remuneration Committee, and it was reported at the meeting of the Board of Directors held on December 19, 2018 that individual remuneration was being paid on the basis of said formula.

The individual amounts of basic remuneration paid to the External Directors were decided at the meeting of the Board of Directors held on April 12, 2017, based on the report of the Remuneration Committee stating that these amounts were appropriate.

ii) The amounts of performance-related bonus were decided according to a formula adopted at the meeting of the Board of Directors held on April 12, 2017 (see 1) i) above). After deliberating on this formula, the Remuneration Committee reported to the meeting of the Board of Directors held on April 12, 2017 that the formula was appropriate.

iii) The number of stock options allocated was decided by a resolution of the Board of Directors at a meeting held on July 4, 2018. The Remuneration Committee reported to that meeting of the Board of Directors that the number of stock options to be allocated was appropriate.

6) Audit & Supervisory Board Members receive only basic fixed remuneration which does not include a performance-related portion. The total amount of basic remuneration shall not exceed ¥240 million per year (Resolved at the General Meeting of Shareholders on June 21, 2017. The number of the recipients at the time is 5.). The basic remuneration for each Audit & Supervisory Board Member is determined within that limit by discussions among the Audit & Supervisory Board Members. Retirement compensation is not paid to the Audit & Supervisory Board Members.

(5) Equity securities held

1) Policy and concept of the classification of stocks for investment

As for the classification of stocks for investment held for pure investment purposes and held for purposes other than pure investment purposes, the Company does not possess pure fund management stocks (stocks for investment held for pure investment purposes), as it shall conduct a prior stringent assessment of the probability of the investment creating business opportunities, or building, maintaining, or strengthening business and collaborative relationships.

2) Stocks for investment held for purposes other than pure investment purposes

i) Method to verify the policy and rational of stock holdings and details of reviews by the Board of Directors

When acquiring stocks for investment held for purposes other than pure investment purposes, the Company shall conduct a prior stringent assessment of the probability of the investment creating business opportunities, or building, maintaining, or strengthening business and collaborative relationships. At the same time, each year, the Board of Directors shall review the meaning of and policy on holding stocks for investment held for purposes other than pure investment purposes by verifying the economic rationale based on the status of dividends, business-related profits, and other related profits, in comparison to our cost of capital, and verification of qualitative aspects based on the status of and outlook for the creation of business opportunities, as well as business and collaborative relationship with each cross-shareholding investee. If as a result of this review the meaning of holding these assets has significantly declined, our policy is sell such assets thereby reducing the cross-shareholdings.

ii) Number of issues and amount on balance sheet

	Number of Issues (Issue)	Total amount on balance sheet (Millions of Yen)
Unlisted stocks	288	138,040
Stocks other than unlisted stocks	144	973,948

(Issues which number of shares increased in the year ended March 31, 2019)

	Number of Issues (Issue)	Acquisition costs associated to the increase in shares (Millions of Yen)	Reason for increase in number of shares
Unlisted stocks	20	6,868	Acquired based on prior stringent assessments of the probability of the investment creating business opportunities, or building, maintaining, or strengthening business and collaborative relationships
Stocks other than unlisted stocks	2	1,035	Same as above

(Issues which number of shares decreased in the year ended March 31, 2019)

	Number of Issues (Issue)	Sales proceed associated to the decrease in shares (Millions of Yen)
Unlisted stocks	16	3,347
Stocks excluding unlisted stocks	11	26,365

(Note) Issues whose number of shares increased or decreased do not include changes due to stock merger, stock split, stock transfer, stock exchange and merger, etc.

iii) Number of shares and amount on balance sheet of each Specifies Investment Shares and Deemed Stockholdings
Specified Investment Shares

Issue	2019	2018	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of Mitsui's stock
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
VALE S.A.	286,347,055	286,347,055	Voting rights are held by Mitsui. The Company shall hold for the purpose of creating business opportunities, or building, maintaining, or strengthening business and collaborative relationship. Although description for quantitative effect for each issue is not practicable, we review the meaning of and policy on holding stocks by verifying the economic rationale based on the status of dividends, business-related profits, and other related profits, in comparison to our cost of capital, and verification of qualitative aspects based on the status of and outlook for the creation of business opportunities, as well as business and collaborative relationship with each cross-shareholding investee.	no
	414,823	388,377		
Recruit Holdings Co., Ltd.	27,000,000	27,000,000	same as above	no
	85,347	71,401		
Seven & i Holdings Co., Ltd.	16,222,480	16,222,480	same as above	no
	67,745	74,039		
GOLDWIN INC.	2,183,752	1,091,876	same as above, increased due to stock split	yes
	35,202	13,932		
Sims Metal Management Ltd.	33,450,338	33,450,338	same as above	no
	28,173	39,443		
MODEC, INC.	8,387,300	8,387,300	same as above	no
	26,419	22,301		
Yamaha Motor Co., Ltd.	8,586,000	8,586,000	same as above	yes
	18,640	27,303		
HUTCHISON CHINA MEDITECH LIMITED	3,394,402	3,214,404	same as above, increased due to stock split	no
	16,889	19,137		
Yamato Kogyo Co., Ltd.	4,573,000	4,573,000	same as above	no
	13,810	13,499		
KATO SANGYO Co., Ltd.	3,153,000	3,153,000	same as above	yes
	11,508	11,744		
TPV Technology Limited	426,802,590	426,802,590	same as above	no
	10,985	5,604		
Toray Industries, Inc.	13,776,000	13,776,000	same as above	yes
	9,738	13,865		
TOYOTA MOTOR CORPORATION	1,500,000	1,500,000	same as above	yes
	9,730	10,237		
Mitsui Chemicals, Inc.	3,474,078	3,474,078	same as above	yes
	9,279	11,655		

Issue	2019	2018	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of Mitsui's stock
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	4,288,000	5,746,000	same as above	no
	8,687	12,968		
J-OIL MILLS, INC.	2,087,711	2,087,711	same as above	yes
	8,601	7,578		
Mitsui Fudosan Co., Ltd.	3,000,000	3,000,000	same as above	yes
	8,347	7,744		
Nihon Unisys, Ltd.	2,448,509	2,448,509	same as above	no
	7,179	5,616		
Mercari, Inc.	1,962,620	-	same as above, increased due to IPO	no
	6,672	-		
Nippon Flour Mills Co., Ltd.	3,349,110	3,349,110	same as above	yes
	6,363	5,522		
PT Pelat Timah Nusantara Tbk	252,335,000	252,335,000	same as above	no
	5,629	9,447		
TOYO ENGINEERING CORPORATION	8,754,000	-	same as above, increased due to reclassification	yes
	5,339	-		
Nippon Steel & Sumitomo Metal Corporation	2,459,954	2,459,954	same as above	yes
	4,806	5,747		
MS & AD Insurance Group Holdings, Inc.	1,422,900	1,422,900	same as above	no
	4,795	4,773		
Sumitomo Metal Mining Co., Ltd.	1,454,000	1,454,000	same as above	no
	4,754	6,513		
Showa Sangyo Co., Ltd.	1,540,000	1,540,000	same as above	no
	4,616	4,259		
Kaneka Corporation	1,108,691	5,543,459	same as above	yes
	4,595	5,848		
Tayca Corporation	1,784,094	1,784,094	same as above	no
	4,551	5,024		
Lion Corporation	1,759,000	1,759,000	same as above	yes
	4,098	3,769		
NSK Ltd.	3,838,000	3,838,000	same as above	yes
	3,980	5,472		
TOSOH CORPORATION	2,246,500	2,246,500	same as above	yes
	3,866	4,690		
Denka Company Limited	1,087,400	1,087,400	same as above	yes
	3,468	3,876		
Hankuk Carbon Co., Ltd.	4,234,100	4,234,100	same as above	no
	3,381	2,647		
Morinaga & Co., Ltd.	686,200	686,200	same as above	no
	3,297	3,214		
DaikyoNishikawa Corporation	3,222,720	3,222,720	same as above	no
	3,274	5,620		
Taiwan High Speed Rail Corporation	24,000,000	*	same as above	no
	3,108	*		

Issue	2019	2018	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of Mitsui's stock
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
Japan Airlines Co., Ltd.	791,500	791,500	same as above	no
	3,086	3,389		
Nippon Soda Co., Ltd.	1,015,000	5,075,000	same as above	yes
	2,967	3,055		
MORIROKU HOLDINGS COMPANY, LTD.	1,128,000	1,128,000	same as above	yes
	2,939	3,306		
S Foods Inc.	705,500	705,500	same as above	yes
	2,857	3,135		
AIR WATER INC.	1,754,000	1,754,000	same as above	no
	2,813	3,641		
QIWI plc	1,715,403	1,715,403	same as above	no
	2,739	3,482		
Mitsui E&S Holdings Co., Ltd.	2,550,000	2,550,000	same as above	yes
	2,662	4,411		
ZEON CORPORATION	2,352,000	2,352,000	same as above	yes
	2,634	3,617		
TAKARA HOLDINGS INC.	2,000,000	*	same as above	yes
	2,618	*		
Mitsubishi UFJ Financial Group, Inc.	4,652,000	4,652,000	same as above	no
	2,558	3,242		
JFE Holdings, Inc.	1,354,360	1,354,360	same as above	no
	2,544	2,903		
IHI Corporation	939,500	939,500	same as above	yes
	2,498	3,105		
Shin Nippon Air Technologies Co., Ltd.	1,266,252	*	same as above	no
	2,448	*		
Dai-ichi Life Holdings, Inc.	1,581,900	2,372,900	same as above	no
	2,432	4,609		
AUSTEVOLL SEAFOOD ASA	1,782,236	*	same as above	no
	2,335	*		
TV TOKYO Holdings Corporation	1,002,050	1,002,050	same as above	no
	2,331	2,801		
NIPPON STEEL & SUMIKIN BUSSAN CORPORATION	-	5,078,770	same as above	no
	-	29,913		
Synlait Milk Ltd	*	9,011,849	same as above	no
	*	5,807		
JK Holdings Co., Ltd.	*	3,179,454	same as above	yes
	*	2,934		
KYOEI STEEL LTD.	*	1,470,000	same as above	no
	*	2,695		
Sumitomo Mitsui Financial Group, Inc.	*	593,100	same as above	no
	*	2,644		
ISHIHARA SANGYO KAISHA, LTD.	*	2,019,200	same as above	no
	*	2,628		

(Note) “-” represents not possessed as specified investment shares. “*” means omission due to 1% or less than Mitsui’s capital and out of high ranking of 60.

Holding of Mitsui’s stock is described based solely on the register of shareholders as of March 31, 2019. The shares not held as of March 31, 2019 are based on the register of shareholders as of March 31, 2018.

Nippon Steel & Sumitomo Metal Corporation has changed its company name to NIPPON STEEL CORPORATION from April 1, 2019.

NIPPON STEEL & SUMIKIN BUSSAN CORPORATION has changed its company name to NIPPON STEEL TRADING CORPORATION from April 1, 2019.

Deemed Stockholdings

Issue	2019	2018	Purpose of holding, quantitative effect of holding and reason for increase in number of shares	Holding of Mitsui’s stock
	Number of shares (Shares)	Number of shares (Shares)		
	Amount on balance sheet (Millions of Yen)	Amount on balance sheet (Millions of Yen)		
TOYOTA MOTOR CORPORATION	2,246,200	2,246,200	The Company shall hold for the purpose of creating business opportunities, or building, maintaining, or strengthening business and collaborative relationship. Although description for quantitative effect for each issue is not practicable, we review the meaning of and policy on holding stocks by verifying the economic rationale based on the status of dividends, business-related profits, and other related profits, in comparison to our cost of capital, and verification of qualitative aspects based on the status of and outlook for the creation of business opportunities, as well as business and collaborative relationship with each cross-shareholding investee.	yes
	14,571	15,330		
Mitsui Chemicals, Inc.	3,474,000	3,474,000	same as above	yes
	9,279	11,655		
Mitsui Fudosan Co., Ltd.	2,801,000	2,801,000	same as above	yes
	7,793	7,230		
MS & AD Insurance Group Holdings, Inc.	2,030,100	2,030,100	same as above	no
	6,841	6,810		
SKY Perfect JSAT Holdings Inc.	13,405,200	13,405,200	same as above	no
	6,166	6,407		
Toyo Suisan Kaisha, Ltd.	994,000	994,000	same as above	no
	4,189	4,100		
TAKARA HOLDINGS INC.	2,170,000	2,170,000	same as above	yes
	2,841	2,562		
Katakura Industries Co., Ltd.	2,200,000	2,200,000	same as above	no
	2,776	3,038		

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

3) There are no stocks for investment held for pure investment purposes.

5. Financial Information

1. Consolidated Financial Statements

Consolidated Statements of Financial Position Mitsui & Co., Ltd. and subsidiaries March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2018	2019
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2 and 17)	¥ 956,107	¥ 1,131,380	\$ 8,614
Trade and other receivables (Notes 2, 8, 9, 10, 17 and 22)	1,804,227	1,766,017	16,254
Other financial assets (Notes 2, 9 and 25).....	254,507	243,915	2,293
Inventories (Notes 2, 9, 11 and 25)	607,675	550,699	5,475
Advance payments to suppliers	219,849	307,339	1,981
Assets held for sale (Note 4)	-	108,920	-
Other current assets	153,957	117,886	1,386
Total current assets	<u>3,996,322</u>	<u>4,226,156</u>	<u>36,003</u>
Non-current Assets:			
Investments accounted for using the equity method (Notes 2, 6, 7, 17 and 28)	2,975,674	2,502,994	26,808
Other investments (Notes 2, 9, 17, 25 and 28)	1,947,565	1,825,026	17,546
Trade and other receivables (Notes 2, 8, 9, 10, 17, 22, and 25)	458,809	400,079	4,133
Other financial assets (Notes 2, 9 and 25)	154,886	153,149	1,395
Property, plant and equipment (Notes 2, 10, 12, 15 and 17)	1,945,381	1,729,897	17,526
Investment property (Notes 2, 10 and 13)	203,102	188,953	1,830
Intangible assets (Notes 2 and 14)	174,085	173,207	1,568
Deferred tax assets (Notes 2 and 24).....	40,763	49,474	367
Other non-current assets	49,192	57,725	444
Total non-current assets	<u>7,949,457</u>	<u>7,080,504</u>	<u>71,617</u>
Total assets	<u>¥ 11,945,779</u>	<u>¥ 11,306,660</u>	<u>\$ 107,620</u>

Consolidated Statements of Financial Position—(Continued)

Mitsui & Co., Ltd. and subsidiaries

March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2018	2019
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term debt (Notes 16, 17 and 27)	¥ 337,028	¥ 201,556	\$ 3,036
Current portion of long-term debt (Notes 9, 10, 16, 17 and 27)	479,390	482,550	4,319
Trade and other payables (Notes 2, 10 and 16)	1,322,274	1,264,285	11,912
Other financial liabilities (Notes 2, 9, 16, 25 and 26)	278,472	300,284	2,509
Income tax payables (Notes 2 and 24)	47,197	62,546	425
Advances from customers (Note 22)	201,444	287,779	1,815
Provisions (Notes 2, 18, 29 and 30)	34,458	28,036	310
Liabilities directly associated with assets held for sale (Note 4)	-	40,344	-
Other current liabilities	40,012	31,392	361
Total current liabilities	<u>2,740,275</u>	<u>2,698,772</u>	<u>24,687</u>
Non-current Liabilities:			
Long-term debt, less current portion (Notes 9, 10, 16, 17 and 27)	3,809,057	3,542,829	34,316
Other financial liabilities (Notes 2, 9, 16, 25 and 26)	72,095	103,162	650
Retirement benefit liabilities (Notes 2 and 19)	57,203	50,872	515
Provisions (Notes 2, 18 and 29)	212,396	200,649	1,913
Deferred tax liabilities (Notes 2 and 24)	499,756	467,003	4,502
Other non-current liabilities	24,689	25,250	223
Total non-current liabilities	<u>4,675,196</u>	<u>4,389,765</u>	<u>42,119</u>
Total liabilities	<u>7,415,471</u>	<u>7,088,537</u>	<u>66,806</u>
Equity: (Note 20)			
Common stock	341,482	341,482	3,076
Capital surplus	387,335	386,165	3,490
Retained earnings	3,078,655	2,903,432	27,736
Other components of equity (Notes 2 and 9)	463,270	448,035	4,173
Treasury stock	(7,576)	(104,399)	(68)
Total equity attributable to owners of the parent	<u>4,263,166</u>	<u>3,974,715</u>	<u>38,407</u>
Non-controlling interests (Note 2)	267,142	243,408	2,407
Total equity	<u>4,530,308</u>	<u>4,218,123</u>	<u>40,814</u>
Total liabilities and equity	<u>¥ 11,945,779</u>	<u>¥ 11,306,660</u>	<u>\$ 107,620</u>

Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2018	2019
Revenue (Notes 2, 6, 7, 9, 22 and 25):			
Sale of products	¥ -	¥ 4,330,823	\$ -
Rendering of services	-	436,606	-
Other revenue	-	124,720	-
Revenue	6,957,524	-	62,681
Total revenue	6,957,524	4,892,149	62,681
Cost (Notes 2, 6 and 9):			
Cost of products sold	-	(3,856,008)	-
Cost of services rendered	-	(186,093)	-
Cost of other revenue	-	(59,343)	-
Cost	(6,119,057)	-	(55,127)
Total cost	(6,119,057)	(4,101,444)	(55,127)
Gross Profit (Notes 7).....	838,467	790,705	7,554
Other Income (Expenses):			
Selling, general and administrative expenses (Notes 2, 8, 14, 19 and 23)	(566,291)	(571,703)	(5,102)
Gain (loss) on securities and other investments-net (Notes 2, 6, 9, and 28)	4,409	55,146	40
Impairment reversal (loss) of fixed assets-net (Notes 2, 12, 14 and 15)	(27,033)	(25,454)	(244)
Gain (loss) on disposal or sales of fixed assets-net (Notes 12 and 14)	17,940	15,108	162
Reversal (loss) of provision related to Multigrain business (Note 2 and 29)	11,083	(25,006)	100
Other income (expense)-net (Notes 2, 15 and 30).....	(18,786)	15,826	(169)
Total other income (expenses)	(578,678)	(536,083)	(5,213)
Finance Income (Costs) (Notes 2 and 9):			
Interest income	43,376	36,516	391
Dividend income	105,922	84,793	954
Interest expense (Note 18)	(80,116)	(66,488)	(722)
Total finance income (costs)	69,182	54,821	623
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Notes 2, 6, 7 and 28)			
	255,367	234,941	2,301
Profit before Income Taxes	584,338	544,384	5,265
Income Taxes (Notes 2, 24 and 28)	(152,575)	(103,082)	(1,375)
Profit for the Year	¥ 431,763	¥ 441,302	\$ 3,890
Profit for the Year Attributable to:			
Owners of the parent (Notes 7).....	¥ 414,215	¥ 418,479	\$ 3,732
Non-controlling interests	17,548	22,823	158
Yen			
U.S. Dollars (Note 2)			
Earnings per Share Attributable to Owners of the Parent (Notes 2 and 21):			
Basic	¥ 238.33	¥ 237.67	\$ 2.15
Diluted	¥ 238.15	¥ 237.50	\$ 2.15

Consolidated Statements of Income and Comprehensive Income—(Continued)
Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2018	2019
Comprehensive Income:			
Profit for the year	¥ 431,763	¥ 441,302	\$ 3,890
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Financial assets measured at FVTOCI (Notes 2 and 9)	95,161	174,983	857
Remeasurements of defined benefit pension plans (Notes 2 and 19)	(11,075)	14,242	(100)
Share of other comprehensive income of investments accounted for using the equity method (Note 6).....	(5,859)	4,372	(53)
Income tax relating to items not reclassified (Note 20)	(30,397)	(48,857)	(274)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments (Notes 2 and 9)	(44,653)	(77,310)	(402)
Cash flow hedges (Notes 2 and 9)	(4,860)	5,551	(44)
Share of other comprehensive income of investments accounted for using the equity method (Note 6)	10,852	(51,979)	98
Reclassification adjustments	(480)	4,942	(4)
Income tax relating to items that may be reclassified (Note 20)	4,222	(32,649)	38
Total other comprehensive income	12,911	(6,705)	116
Comprehensive Income for the Year	¥ 444,674	¥ 434,597	\$ 4,006
Comprehensive Income for the Year Attributable to:			
Owners of the parent	¥ 429,917	¥ 416,113	\$ 3,873
Non-controlling interests (Note 20)	14,757	18,484	133

Consolidated Statements of Changes in Equity
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2019 and 2018

Attributable to owners of the parent

Millions of Yen	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Treasury Stock	Total	Non- controlling Interests	Total Equity
Balance as at April 1, 2017	¥ 341,482	¥ 409,528	¥ 2,550,124	¥ 485,447	¥ (54,402)	¥ 3,732,179	¥ 257,983	¥ 3,990,162
Profit for the year			418,479			418,479	22,823	441,302
Other comprehensive income for the year (Notes 2, 9 and 20) ...				(2,366)		(2,366)	(4,339)	(6,705)
Comprehensive income for the year ...						416,113	18,484	434,597
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥60)			(105,844)			(105,844)		(105,844)
Dividends paid to non-controlling interest shareholders							(24,098)	(24,098)
Acquisition of treasury stock					(50,057)	(50,057)		(50,057)
Sale of treasury stock		(29)	(30)		60	1		1
Compensation costs related to stock options		247				247		247
Equity transactions with non-controlling interest shareholders (Notes 2 and 20) ...		(23,581)		5,657		(17,924)	(8,961)	(26,885)
Transfer to retained earnings (Notes 2 and 20)			40,703	(40,703)		—		—
Balance as at March 31, 2018	<u>¥ 341,482</u>	<u>¥ 386,165</u>	<u>¥ 2,903,432</u>	<u>¥ 448,035</u>	<u>¥ (104,399)</u>	<u>¥ 3,974,715</u>	<u>¥ 243,408</u>	<u>¥ 4,218,123</u>
Cumulative effect of changes in accounting policies (Note 2)			(3,535)			(3,535)		(3,535)
Balance as at April 1, 2018 after changes in accounting policies	<u>341,482</u>	<u>386,165</u>	<u>2,899,897</u>	<u>448,035</u>	<u>(104,399)</u>	<u>3,971,180</u>	<u>243,408</u>	<u>4,214,588</u>
Profit for the year			414,215			414,215	17,548	431,763
Other comprehensive income for the year (Notes 2, 9 and 20) ...				15,702		15,702	(2,791)	12,911
Comprehensive income for the year ...						429,917	14,757	444,674
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥80)			(139,038)			(139,038)		(139,038)
Dividends paid to non-controlling interest shareholders							(18,504)	(18,504)
Acquisition of treasury stock					(17)	(17)		(17)
Sale of treasury stock		(151)	(207)		373	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 (Notes 2 and 20) ...		1,090		(212)		878	27,481	28,359
Transfer to retained earnings (Notes 2 and 20)			255	(255)		—		—
Balance as at March 31, 2019	<u>¥ 341,482</u>	<u>¥ 387,335</u>	<u>¥ 3,078,655</u>	<u>¥ 463,270</u>	<u>¥ (7,576)</u>	<u>¥ 4,263,166</u>	<u>¥ 267,142</u>	<u>¥ 4,530,308</u>

Millions of U.S. Dollars (Note 2)	Attributable to owners of the parent						Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Treasury Stock	Total		
Balance as at March 31, 2018	\$ 3,076	\$ 3,479	\$ 26,157	\$ 4,036	\$ (940)	\$ 35,808	\$ 2,193	\$ 38,001
Cumulative effect of changes in accounting policies (Note 2)			(32)			(32)		(32)
Balance as at April 1, 2018 after changes in accounting policies	3,076	3,479	26,125	4,036	(940)	35,776	2,193	37,969
Profit for the year			3,732			3,732	158	3,890
Other comprehensive income for the year (Notes 2, 9 and 20)				141		141	(25)	116
Comprehensive income for the year						3,873	133	4,006
Transaction with owners:								
Dividends paid to the owners of the parent (per share: \$0.72)			(1,253)			(1,253)		(1,253)
Dividends paid to non-controlling interest shareholders							(167)	(167)
Acquisition of treasury stock					(0)	(0)		(0)
Sale of treasury stock		(1)	(1)		3	1		1
Cancellation of treasury stock			(869)		869	—		—
Compensation costs related to stock options		2				2		2
Equity transactions with non-controlling interest shareholders (Notes 2 and 20)		10		(2)		8	248	256
Transfer to retained earnings (Notes 2 and 20)			2	(2)		—		—
Balance as at March 31, 2019	\$ 3,076	\$ 3,490	\$ 27,736	\$ 4,173	\$ (68)	\$ 38,407	\$ 2,407	\$ 40,814

Consolidated Statements of Cash Flows
Mitsui & Co., Ltd. and subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Millions of U.S. Dollars (Note 2)
	2019	2018	2019
Operating Activities :			
Profit for the year	¥431,763	¥441,302	\$3,890
Adjustments to reconcile profit for the year to cash flows from operating activities:			
Depreciation and amortization	186,322	192,587	1,679
Change in retirement benefit liabilities	(2,405)	4,326	(22)
Loss allowance	13,287	20,331	120
(Reversal) loss of provision related to Multigrain business	(11,083)	25,006	(100)
(Gain) loss on securities and other investments-net	(4,409)	(55,146)	(40)
Impairment (reversal) loss of fixed assets-net	27,033	25,454	244
(Gain) loss on disposal or sales of fixed assets-net	(17,940)	(15,108)	(162)
Finance (income) costs	(64,298)	(50,911)	(580)
Income taxes	152,575	103,082	1,375
Share of (profit) loss of investments accounted for using the equity method	(255,367)	(234,941)	(2,301)
Valuation (gain) loss related to contingent considerations and others.....	(1,429)	(5,230)	(13)
Changes in operating assets and liabilities:			
Change in trade and other receivables	(60,026)	(198,407)	(541)
Change in inventories	(54,466)	9,813	(491)
Change in trade and other payables	79,343	99,814	715
Change in operating loan receivables.....	(42,860)	(11,513)	(386)
Other-net	(81,842)	(12,549)	(737)
Interest received	34,489	33,935	311
Interest paid	(82,839)	(69,935)	(746)
Dividends received	318,703	376,422	2,871
Income taxes paid	(179,245)	(153,694)	(1,615)
Income taxes refunded	25,364	29,007	229
Cash flows from operating activities	<u>410,670</u>	<u>553,645</u>	<u>3,700</u>
Investing Activities (Note 27):			
Change in time deposits	(3,216)	8,368	(29)
Investments in equity accounted investees	(421,778)	(204,610)	(3,799)
Proceeds from sales of investments in equity accounted investees	44,655	89,615	402
Purchases of other investments	(95,976)	(83,507)	(865)
Proceeds from sales and maturities of other investments	72,557	59,984	654
Increase in loan receivables	(74,769)	(75,799)	(674)
Collections of loan receivables	34,450	101,530	310
Purchases of property, plant and equipment	(307,719)	(174,154)	(2,772)
Proceeds from sales of property, plant and equipment	52,156	38,440	471
Purchases of investment property	(18,488)	(23,314)	(167)
Proceeds from sales of investment property	11,597	15,236	104
Acquisition of subsidiaries or other businesses (Note 3).....	(76,913)	-	(693)
Proceeds from sales of subsidiaries or other businesses (Note 4).....	64,408	-	580
Cash flows from investing activities	<u>(719,036)</u>	<u>(248,211)</u>	<u>(6,478)</u>
Financing Activities (Note 27):			
Change in short-term debt	103,252	(99,045)	930
Proceeds from long-term debt	857,396	247,811	7,724
Repayments of long-term debt	(695,941)	(599,029)	(6,269)
Purchases and sales of treasury stock	(17)	(49,992)	0
Dividends paid	(139,038)	(105,844)	(1,253)
Transactions with non-controlling interests shareholders	1,724	(46,193)	16
Cash flows from financing activities	<u>127,376</u>	<u>(652,292)</u>	<u>1,148</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,717	(24,529)	51
Effect of Cash and Cash Equivalents Included in Assets Held for Sale.....	-	(1,053)	-
Change in Cash and Cash Equivalents	(175,273)	(372,440)	(1,579)
Cash and Cash Equivalents at Beginning of Year	1,131,380	1,503,820	10,193
Cash and Cash Equivalents at End of Year	¥956,107	¥1,131,380	\$8,614

1. REPORTING ENTITY

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

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

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

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

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

I. STATEMENT OF COMPLIANCE

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

II. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2019 is included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥111=U.S. \$1, the approximate rate of exchange at March 31, 2019. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

III. BASIS OF MEASUREMENT

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

IV. USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgments based on assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these judgments based on assumptions and estimates. The judgments based on assumptions and estimates are reviewed on an ongoing basis.

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

- Impairment and its reversal of non-financial assets (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Impairment of non-financial assets and investments accounted for using the equity method”, “Oil and gas producing activities”, Note 6 “INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD”, Note 12 “PROPERTY, PLANT AND

EQUIPMENT”, Note 14 “INTANGIBLE ASSETS” and Note 15 “EXPLORATION AND EVALUATION FOR MINERAL RESOURCES AND OIL & GAS”)

- Revaluation of financial instruments (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Financial instruments”, Note 8 “RECEIVABLES AND RELATED ALLOWANCES”, Note 9 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS” and Note 25 “FAIR VALUE MEASUREMENT”)
- Provisions (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Provisions”, “Asset retirement obligations” and Note 18 “PROVISIONS”)
- Measurement of defined benefit obligations (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Employee benefits” and Note 19 “EMPLOYEE BENEFITS”)
- Recoverability of deferred tax assets (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Income taxes” and Note 24 “INCOME TAXES”)

Changes in judgments based on assumptions and estimates which could affect the accompanying consolidated financial statements are mainly as follows.

- Measurement of the recoverable amounts of non-financial assets (See Note 12 “PROPERTY, PLANT AND EQUIPMENT” and Note 14 “INTANGIBLE ASSETS”)
- Provisions (See Note 18 “PROVISIONS” and Note 29 “REVERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS”)
- Revaluation for financial instruments (See Note 25 “FAIR VALUE MEASUREMENT”)

Information about significant judgments made in the application of the accounting policies which have an impact on the consolidated financial statements are as follows:

- Scope of consolidated subsidiaries, associated companies, and joint ventures (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Consolidation”, “Investments in associated companies and joint arrangements”, Note 5 “CONSOLIDATED SUBSIDIARIES” and Note 6 “INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD”)
- Financial instruments (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Financial instruments”, Note 9 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS” and Note 25 “FAIR VALUE MEASUREMENT”)
- Accounting for leases (See V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “Leasing” and Note 10 “LEASES”)

V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

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

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

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

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

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

Investments in associated companies and joint arrangements

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

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

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

The consolidated financial statements include some associated companies, joint ventures and joint operations with different fiscal year-ends from that of the Company. It is impracticable to unify the fiscal year-ends due to the requirement of local laws and regulations and relationships with other shareholders, it is also impracticable to prepare additional financial statements as of the same date as the financial statements of the companies due to certain factors such as local business practices and the environment surrounding their respective accounting systems. The fiscal year-ends of associated companies, joint ventures and joint operations are generally December 31.

Adjustments are made for the effects of significant transactions or events that occur between the ends of the fiscal years of such associated companies, joint ventures and joint operations and that of the Company.

The companies discontinue the use of the equity method from the date when an investment ceases to be an associated company or a joint venture. Any retained investments are measured at their fair value at that date, and the difference between the fair value and the carrying amount of the retained investments is recognized as gain (loss) on securities and other investments — net. Regarding impairment of investments accounted for using the equity method, please refer to “*Impairment of non-financial assets and investments accounted for using the equity method.*”

Business combinations

In accordance with IFRS 3 “Business Combinations,” all business combinations are accounted for using the acquisition method. This is a method where all assets and liabilities of an acquired company, including non-controlling interests, are measured at fair value. The differences between consideration transferred and the net fair value of identifiable assets and liabilities are recognized as goodwill when the consideration transferred is in excess of the net fair value of identifiable assets and liabilities. If the net fair value of identifiable assets and liabilities exceed the consideration transferred, the excess is recognized immediately as a gain in the Consolidated Statements of Income for the year.

Foreign currency translation

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

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

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

Cash equivalents

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

Inventories

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

Financial instruments

The companies have adopted IFRS 9 “Financial Instruments” (amended in July 2014).

Non-derivative financial assets

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

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

Non-derivative financial assets are classified and measured as follows:

Non-derivative financial assets that are debt instruments are measured at amortized cost if they meet the following two criteria held for the purpose of collecting contractual cash flows and have contractual terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortized cost is calculated by using the effective interest rate method. For financial assets measured at amortized cost, the companies consider if an impairment has occurred. Please see *Impairment of financial assets* regarding impairment.

Equity financial instruments and non-derivative financial assets that do not satisfy the requirements to be measured at amortized cost are measured at fair value through profit or loss (“FVTPL”). However, for certain equity financial instruments held primarily for the purpose of enhancing the revenue base by maintaining or strengthening the trade relationship with the investees, the companies elect at initial recognition to designate these instruments as at fair value through other comprehensive income (“FVTOCI”).

When financial assets measured at FVTOCI are derecognized, the accumulated other components of equity are directly reclassified to retained earnings without being recognized in profit for the year. Dividend income received on financial assets measured at FVTOCI is recognized in profit for the year in principle.

Non-derivative financial liabilities

The companies have non-derivative financial liabilities including corporate bonds and loans payable, trade and other payables, and other financial liabilities. Corporate bonds issued by the companies are recognized on the issue date and all other non-derivative

financial liabilities are recognized on the trade date at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial liabilities. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

The companies derecognize a non-derivative financial liability only when it is extinguished (that is, the underlying obligation specified in the contract is discharged, cancelled or expires).

Impairment of financial assets

For financial assets that are measured at amortized costs, 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. However, for trade receivables recognized based on the IFRS15 "Revenue from Contracts with Customers" 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 is considered to provide reason and support. The information includes reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings. The loss allowance is measured by a function using probability of default, loss given default, discount factor and exposures based on these information. In addition to this, the companies determine that the credit risk on a financial asset has increased significantly since initial recognition in principal when contractual payments are more than 30 days past due.

Information such as significant financial difficulty of the issuer or the debtor or a breach of contract such as payments past due are used for determining if any of the counterparties is in the default. 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, or the principal and interest payments are 90 days past due as of the reporting date, the companies determine that the default is occurred and an objective evidence of credit impairment exists. The loss allowance for the credit-impaired financial asset is also measured like it related to financial asset other than credit-impaired financial asset. In addition, it is sometimes also individually measured by the estimation of expected credit losses by using the present value of expected future cash flows discounted at the effective interest rate based on the original terms of the contract, or at fair value of the collateral if their value depends on the collateral with based on considering the latest information and events.

The financial assets are directly written off when certain conditions are met. The following are examples of when it is reasonably determined that all or part of a financial asset is not collectable: write-off of financial assets by legal liquidation, obtaining of evident facts that suggest that it is impossible for the debtors to repay their debts from their perceived solvency and/or asset situation, and arrearage of payment after a certain period of time after a suspension of business operations.

The provision or the reversal of loss allowance is recognized in profit for the year.

Finance income and costs

Finance income and costs consist of items such as interest income, interest expense, dividend income and gain or loss on hedging instruments recognized in profit for the year. Interest income and interest expense are recognized using the effective interest method. Dividend income is recognized on the date when the rights of the companies to received dividends vest. See *Derivative instruments and hedging activities* for accounting for gains or losses arising from hedging instruments.

Derivative instruments and hedging activities

The companies are exposed to market risks related to foreign currency exchange rates, interest rates and commodity prices in the ordinary course of business. In order to mitigate or reduce these risks, the companies use derivative instruments, such as foreign exchange forward contracts, currency swap agreements, interest rate swap agreements, commodity futures, forwards, options and swap contracts. These derivative instruments hedge the exposure to changes in the fair value or expected future cash flows of recognized assets and liabilities, unrecognized firm commitments or forecasted transactions. The companies also use derivative instruments and non-derivative financial instruments, such as foreign currency-denominated debt, to hedge foreign currency exposure to net investments in foreign operations.

The companies recognize all derivative instruments as an asset or a liability at fair value as at the date on which they become party to the relevant agreement. Subsequent to initial recognition, derivative instruments are measured at fair value with any changes in fair value accounted for as follows:

- Fair value hedges

Derivative instruments held for the purpose of eliminating the risk of changes in the fair value of hedged items are designated as fair value hedges and subject to the assessment of hedge effectiveness. To the extent that they satisfy the requirements for

hedge accounting, the companies include the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the derivative instruments designated as hedging instruments mainly as interest expense.

- Cash flow hedges

Derivative instruments held for the purpose of offsetting the variability in cash flows of the hedged items are designated as cash flow hedges. To the extent that they are effective, any changes in fair value are recognized in other comprehensive income until cash flows of the hedged item affect gain or loss. The amounts previously recognized in other comprehensive income are reclassified into profit for the year mainly as interest expense and other income (expense)-net when earnings are affected by the hedged items.

- Hedges of net investments in foreign operations

The foreign currency transaction gain or loss on derivative instruments and non-derivative financial instruments that are designated as, and are effective as, hedging instruments to reduce the foreign currency exposure of a net investment in a foreign operation are recorded as foreign currency translation adjustments within other comprehensive income to the extent they are effective as a hedge. The amounts in other components of equity are reclassified into profit for the year mainly as gain (loss) on securities and other investments-net when the related investment is sold completely or partially, or the liquidation of the investment is completed. The ineffective portion of the hedging instruments' gain or loss and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness are recorded immediately in profit for the year mainly as other income (expenses)-net.

- Derivative instruments for trading purposes

The Company and certain subsidiaries use derivative instruments for trading purposes within certain position and loss limits. Derivative instruments for trading purposes are measured at fair value and changes in fair value are recorded in profit for the year as other revenue.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Leasing

The companies are engaged in finance and operating lease businesses. Leases are classified as finance leases whenever they transfers substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases. For finance leases, unearned income is amortized to income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized as revenue over the term of underlying leases using the straight-line method.

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

Property, plant and equipment

Property, plant and equipment are measured based on the cost model and are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for land and projects in progress, is computed principally under the straight-line method, using rates based on the estimated useful lives of the related assets. The estimated useful lives for buildings, equipment and fixtures and vessels and aircrafts are primarily 2 to 50 years, 3 to 30 years, and 3 to 20 years, respectively. Mineral rights are primarily amortized using the unit-of-production method.

Investment property

Investment property is measured by using the cost model and is stated at cost less accumulated depreciation and impairment losses. Depreciation of investment property is computed principally under the straight-line method, using rates based upon the estimated useful lives of the related investment property. The estimated useful lives for investment properties are primarily 2 to 50 years.

Intangible assets

Intangible assets include goodwill arising from the acquisition of subsidiaries.

Intangible assets are measured based on the cost model and intangible assets with finite estimated useful lives are stated at cost less accumulated amortization and impairment losses. Goodwill and intangible assets with indefinite estimated useful lives are not amortized and are presented at cost less accumulated impairment losses.

Software is primarily amortized over 5 years using the straight-line method.

Impairment of non-financial assets and investments accounted for using the equity method

Non-financial assets and investments accounted for using the equity method are quarterly assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the non-financial asset and investment are estimated. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually. For investments accounted for using the equity method, the entire carrying amount of the investment is tested for impairment as a single asset.

The recoverable amount of an asset or a cash-generating unit (“CGU”) is the higher of its fair value less costs of disposal and its value in use and is determined as an individual asset, when the asset generates cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount. The impairment loss is then recognized in loss for the year. For assets other than goodwill, an assessment is made quarterly as to whether there is any indication of impairment that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed as income in profit for the year. The amount is reversed to the extent that the increased carrying amount of an asset does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized. An impairment loss recognized for goodwill is not reversed.

Oil and gas producing activities

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

Proved properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the proved properties are determined to be impaired, an impairment loss is recognized based on the recoverable amount. Unproved properties are assessed whenever there is an indication of impairment, and if the unproved properties are determined to be impaired, impairment losses are charged to expense. The companies make a comprehensive evaluation and record impairment of unproved property based on various factors, such as remaining mining rights periods, examples of sales and purchases in neighboring areas, drilling results and seismic interpretations.

Mining operations

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

In surface mining operations, it is necessary to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as “stripping costs.” During the development of a mine, before production commences, such costs are generally capitalized as part of development costs. Removal of waste materials continues during the production stage of the mine. Such post-production stripping costs in relation to minerals produced during the fiscal year are variable production costs to be considered as a component of mineral inventory costs. These are recognized as a component of costs in the same period as the related revenues from sales of the minerals. On the other hand, post-production stripping costs incurred that relate to minerals to be produced in the subsequent fiscal year are capitalized, and are amortized using either the unit-of-production method or straight-line method based on the proved and probable reserves.

Provisions

Provisions are recognized when the companies have a present obligation (legal or constructive) as a result of a past event, it is probable that outflows of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligations can be made. Provisions are measured as the best estimate of the amount of expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted to their present value using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

Asset retirement obligations

The companies recognize costs of dismantling and removing assets mainly related to mining and oil and gas production facilities, and the companies record the provision for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the companies capitalize the related cost by increasing the carrying amount of the asset. Over time, the liability is increased to its present value to reflect the passage of time, and the capitalized cost is depreciated over the useful life of the related asset.

Employee benefits

The Company and certain subsidiaries have defined benefit pension plans and severance indemnity plans. The costs of defined benefit pension plans and severance indemnity plans are accrued based on amounts determined using actuarial procedures based on the projected unit credit method. The Company and certain subsidiaries recognize the overfunded or underfunded status of a defined benefit plan as an asset or a liability in the consolidated statements of financial position. The remeasurements of defined benefit pension plans are recognized immediately in other components of equity in equity and are transferred to retained earnings on recognition.

The Company and certain subsidiaries also have defined contribution pension plans. Payments to defined contribution pension plans are recognized as an expense when employees have rendered service.

Revenue recognition

Revenue is recognized as follows:

Revenue from contracts with customers

Revenue from contracts with customers is recognized at the time when the performance obligations are satisfied, 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 satisfies 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 the entity's promise is a performance obligation to provide the specified goods or services as a principal, revenue is recognized at the gross amount, and if the nature of the entity's promise is a performance obligation to arrange for the provision of goods or services by another party, then revenues received as an agent is recognized at 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, including the sale of various products; the sale of a wide variety of manufactured products such as metals, chemicals, foods, and general consumer merchandise; the sales of coal, iron ore, oil, and gas; and the development and sale of real estate, the companies recognize revenue based on the transfer, acceptance by the customer, or the dispatch of goods for domestic transactions, and recognize revenue when the customer obtains control of goods as a result of the transfer of the risks and rewards, the timing of which is determined by the incoterms for international transactions. For rendering of services including commissions for the performance of various services such as logistic and warehouse services, information and communication services, technical support, and commissions related to various trading transactions, revenue is recognized at the time when the performance obligations of services are satisfied or as 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 the completion of the satisfaction of the performance obligation. Even if the progress towards complete satisfaction of a performance obligation may not be reasonably measurable, if the costs incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized only to the extent of the costs incurred until the progress can be reasonably measured.

Other revenue

Other revenue principally includes revenues from leasing activities in real estate, rolling stock, ocean transport vessels, aircraft, equipment and, others; revenues from derivative commodity instruments and derivative financial instruments held for trading purposes; revenues from FVTPL investments; and revenues from financing. See accounting policies for *Leasing and Derivative instruments and hedging activities* for revenue recognition policies regarding leasing and derivative transactions, respectively.

Income taxes

Income taxes comprise current taxes and deferred taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and their tax bases, tax loss carryforwards and tax credit carryforwards. These deferred income taxes are measured using the currently enacted or substantively enacted tax rates in effect for the year in which the temporary differences, tax loss carryforwards or tax credit carryforwards are expected to reverse. Deferred tax assets are recognized except for cases where such deferred tax assets are not deemed to be recoverable.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and equity accounted investees, unless the companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are applicable to the expected manner of recovery or settlement by management.

Upon the introduction of the Expansion of the Petroleum Resource Rent Tax Act in Australia, companies are allowed to elect to use market value as a starting base for transitional projects existing at May 1, 2010. A company electing to use the market value approach can obtain a deduction for the amortization of the market value of the project. The Company's Australian subsidiaries and equity accounted investees apply the market value approach. The Petroleum Resource Rent Tax is regarded as an income tax subject to tax effect accounting in accordance with IAS 12 "Income Taxes," and deferred tax assets have been recognized for the operating assets based on the differences in book values for financial reporting purposes and their tax bases except for the portion that is deemed not to be recoverable. In determining recoverability, several tax deductible items such as royalties and the impact of future augmentation, which will be incurred on tax losses carried forward in the Petroleum Resource Rent Tax, have been considered.

The companies recognize uncertain tax positions in income taxes in the consolidated financial statements when it is probable that an economic outflow would occur if the tax positions were examined and challenged by tax authorities.

Earnings per share

Basic earnings per share attributable to owners of the parent are computed by dividing profit for the year attributable to owners of the parent by the weighted-average number of common stock outstanding during the reporting period, adjusted for the number of treasury stock acquired. Diluted earnings per share attributable to owners of the parent reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

VI. STANDARDS AND INTERPRETATIONS NEWLY APPLIED

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

IFRS	Title	Summary
IFRS 9	Financial Instruments (amended in July 2014)	Implementation of expected credit loss model for the recognition of impairment losses of financial instruments
IFRS15	Revenue from Contracts with Customers	Accounting for recognizing revenue from contracts with customers

IFRS9 "Financial Instruments" (amended in July 2014)

As for the way of impairment recognition of financial asset measured at amortized cost in the companies in accordance with the new standard, please refer to "Financial instruments" in "V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES".

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

IFRS15 “Revenue from Contracts with Customers”

As for the way of recognition of revenue in the companies in accordance with the new standard, please refer to “Revenue recognition” in “V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES”.

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.

Previously under IAS18, “Revenue,” revenues of agents that are not exposed to significant risks and rewards related to providing goods or services were recognized on a net basis. Upon adoption of IFRS 15, any such revenue from transactions where the Company controls the goods or services before transfer to the customer, therefore acting as the principal, are recognized on a gross basis. As a result, revenue and cost respectively increased by ¥2,054,731 million in the Consolidated Financial Statements of Income for the year ended March 31, 2019 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 year ended March 31, 2019 are disclosed in note 22 “REVENUES”. Therefore, while separately presented on prior Consolidated Financial Statements of Income, “Sales of products,” “Rendering of services” and “Other revenue” were collectively stated as “Revenue,” and “Cost of products sold,” “Cost of service rendered” and “Cost of other revenue” were collectively stated as “Costs” since the year ended March 31, 2019.

Breakdown of “Cumulative effect of changes in accounting policies” in the Consolidated Statements of Changes in Equity

As a result of the adoption of IFRS9 and IFRS15, 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 accountings policies” in the Consolidated Statement of Changes in Equity for the year ended March 31, 2019.

VII. NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The new standards, interpretations, and amendments that have been issued as of the date of the approval of the Consolidated Financial Statements which the companies have not yet applied as of March 31, 2019 are as follows.

IFRS	Title	Reporting periods beginning on or after which the applications are required	Reporting periods of the application by the companies (Reporting period ended)	Summaries of new IFRS and amendments
IFRS 16	Leases	January 1, 2019	March 31, 2020	Fundamental amendment of accounting for lease transactions
IFRS 3	Business Combinations (amended in October 2018)	January 1, 2020	March 31, 2021	Amendment of definition of a business
IFRS 17	Insurance Contracts	January 1, 2021	March 31, 2022	Fundamental amendment of accounting for insurance contracts

IFRS 16 "Lease" removes the current distinction between operating and financing leases and requires recognition of a right-to-use the leased item and a lease liability to pay lease fee for all lease contracts in principle. Cash flows from financing activities will be increased as payments for the principal portion of the lease liability are classified within cash flows from financing activities. The cumulative effects due to the application of this standard are recognized on the commencement date of adoption in accordance with the transitional arrangements, the comparative information will not be restated.

With the adoption of this standard, “Property, plant and equipment” and “long-term debt” (including current portion) in the Consolidated Statement of Financial Position are expected to increase by approximately ¥250 billion respectively on April 1, 2019. And cash flows from operating activities in the Consolidated Statement of Cash Flows for the year ending March 31, 2020 are expected to increase by approximately ¥50 billion and cash flows from financing activities will be decreased by the same amount. Note that no material impacts on line items in the Consolidated Statement of Income, including gross profit, are expected for the year ending March 31, 2020.

The potential impacts that application of IFRS 3 "Business Combinations" (amended in October 2018) and IFRS 17 “Insurance Contracts” will have on the consolidated financial statements cannot be reasonably estimated at this time.

VIII. RECLASSIFICATION

Certain reclassifications and format changes have been made to amounts of the Consolidated Statements of Cash Flows for the year ended March 31, 2018 to conform to the current period presentation.

3. BUSINESS COMBINATIONS

For the year ended March 31, 2019

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 was 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 performing 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 Australian oil and gas sector.

The Company was in the process of determining its purchase price allocation, and presented provisional amounts for assets acquired and liabilities assumed in the consolidated financial statements for the year ended March 31, 2018. The process of determining its purchase price allocation was completed in the year ended March 31, 2019. The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date. The measurement period adjustments did not have a significant impact.

	Millions of Yen	
Current assets	¥	2,384
Property, plant and equipment		59,910
Other non-current assets		5,577
Total assets acquired	¥	67,871
Current liabilities.....		(2,050)
Non-current liabilities		(16,253)
Total liabilities assumed	¥	(18,303)
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 Consolidated Statements of Cash Flows for the year ended March 31, 2019.

Real Estate Business in the U.S.

The Company acquired senior living properties and their operations from the current operators, West Living LLC. The acquisition was completed through MBK Real Estate LLC (“MRE”) on July 6, 2018. The total consideration paid was ¥28,673 million (US\$256 million).

The acquired properties are geographically close to locations currently owned/managed by MRE, allowing it to operate efficiently. Acquiring the properties is consistent with our strategic plan to address the increasing demands for U.S. senior housing.

The purchase price allocation has been completed. The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date:

	Millions of Yen	
Property, plant and equipment	¥	41,417
Other non-current assets		1,449
Total assets acquired	¥	42,866
Non-current liabilities		(14,193)
Total liabilities assumed	¥	(14,193)
Net assets acquired	¥	28,673

Pro forma results of operations for the preceding 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 ¥28,673 million arising from the preceding business combination is included in “Acquisition of subsidiaries or other businesses” in the Consolidated Statements of Cash Flows for the year ended March 31, 2019.

For the year ended March 31, 2018

No material business combinations were completed during the year ended March 31, 2018.

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 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 year ended March 31, 2019, “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 Consolidated Statements of Financial Position as of the year ended March 31, 2019.

5. CONSOLIDATED SUBSIDIARIES

Consolidated subsidiaries

Major consolidated subsidiaries as of March 31, 2019 were as follows:

Registered Name	Principal Lines of Business	Jurisdiction of Incorporation	Ownership of voting shares (%)
Mitsui-Itochu Iron Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	70.0
Mitsui Iron Ore Development Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	100.0
Mitsui Iron Ore Corporation Pty. Ltd.	Mining and sales of Australian iron ore	Australia Perth	100.0
Oriente Copper Netherlands B.V.	Investment in and loan to copper business in Chile	Netherlands Amsterdam	100.0
Mitsui Coal Holdings Pty. Ltd.	Investments in Australian coal business	Australia Brisbane	100.0
Novus International, Inc.	Manufacturing and sales of feed additives	U.S.A St. Charles	80.0
Mitsui Oil Exploration Co., Ltd.	Exploration, development and production of oil and natural gas	Japan Tokyo	74.3
Mitsui Sakhalin Holdings B.V.	Investments in Sakhalin Energy Investment Company Ltd.	Netherlands Amsterdam	100.0
MITSUI FOODS CO., LTD.	Wholesale of foods and beverages	Japan Tokyo	100.0
Mitsui & Co. (U.S.A.), Inc.	Trading	U.S.A New York	100.0

Changes in owners of parent's ownership interests due to the deconsolidation of subsidiaries

There is no significant gain or loss arising from changes in owners of parent's ownership interests due to the deconsolidation of subsidiaries during the years ended March 31, 2019 and 2018.

Unconsolidated Structured Entities (Unconsolidated SEs)

The companies are involved with SEs, established for the purpose of financing projects such as, those related to oil and gas, by providing guarantees or loans to the SEs. These SEs provide financing for customers located principally in Latin America in the form of leases and loans. The entities are financed mainly by bank borrowings and issuance of stock.

The total assets of SEs that the companies are involved with, the carrying amounts of assets and liabilities in the Consolidated Statements of Financial Position that relate to the companies' interests in the SEs, and the companies' maximum exposure to loss as a result of the companies' involvement with the SEs as of March 31, 2019 and 2018 were as follows:

March 31, 2019:

Millions of Yen					
Assets and liabilities that relate to interests in SEs					
Total assets of SEs	Carrying amounts of assets	Carrying amounts of liabilities	Maximum exposure to loss		
¥ 1,100,961	¥ 59,377	—	¥ 59,850		

March 31, 2018:

Millions of Yen

Assets and liabilities that relate to interests in SEs			
Total assets of SEs	Carrying amounts		Maximum exposure to loss
¥	¥	Carrying amounts of liabilities	¥
723,787	42,122	—	43,209

Note: The assets that relate to the companies' interests in the SEs are mainly "Other investments" and "Trade and other receivables."

The amount of maximum exposure to loss represents a loss that the companies could incur from financial difficulties of the customers. The amount bears no relation to the loss anticipated to be incurred from the companies' involvement with the SEs and is considered to greatly exceed the anticipated loss.

The maximum exposure to loss that relates to the companies' interests in the SEs represents the amounts of investments, loans and guarantees provided by the companies to the SEs as of March 31, 2019 and 2018, respectively.

The companies did not provide any financial support to the SEs for the years ended March 31, 2019 and 2018.

Consolidated Structured Entities (Consolidated SEs)

There is no material consolidated SE as of March 31, 2019.

There is no consolidated SE as of March 31, 2018.

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Primary investees over which the companies have the ability to exercise significant influence despite ownership percentage of less than 20% are as follows:

The companies are the second largest shareholder group, owning 15.83% of Penske Automotive Group, Inc. ("PAG"). The companies entered into a shareholders agreement with the largest shareholder group owning 41.65% of PAG's voting shares. Based on a reciprocal voting provision set forth in the agreement for any shareholder election of the directors of PAG, the companies and the largest shareholder group constitute a "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and jointly participate in the management of PAG. The investment in PAG is accounted for under the equity method because of the companies' ability to exercise significant influence over operating and financial policies primarily through board representation by a director and senior vice president dispatched from the companies. PAG is utilizing the companies' global network to develop its business activities outside the United States and, as part of the process, the companies substantively participate in PAG's decision-making processes.

One of the consolidated subsidiaries is one of the second largest shareholders, owning 16.60% of Cameron LNG Holdings, LLC ("Cameron"). The investment in Cameron is accounted for under the equity method in consideration of following factors. The Company entered into a shareholders agreement with the largest shareholder owning 50.20% of Cameron's voting shares and other shareholders. Based on the agreement, the Company has ability to exercise significant influence over operating and financial policies through representation on board. In addition to this, other consolidated subsidiary entered into a significant agreement with Cameron's subsidiary.

The carrying amount of the investments accounted for using the equity method for the years ended March 31, 2019 and 2018, consisted of the following:

Millions of Yen			
		2019	2018
Associated companies	¥	1,888,344	¥ 1,512,322
Joint ventures		1,087,330	990,672
Total	¥	2,975,674	¥ 2,502,994

Share of profit and other comprehensive income of the equity accounted investees for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Profit (loss) for the year				
Associated companies	¥	152,353	¥	135,710
Joint ventures		103,014		99,231
Total	¥	255,367	¥	234,941
Other comprehensive income (loss)				
Associated companies	¥	(19,700)	¥	(23,934)
Joint ventures		24,381		(14,084)
Total	¥	4,681	¥	(38,018)
Total comprehensive income (loss)	¥	260,048	¥	196,923

Dividends received from the equity accounted investees for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Associated companies	¥	121,908	¥	176,685
Joint ventures		87,114		111,789
Total	¥	209,022	¥	288,474

The carrying value of the investments accounted for using the equity method exceeded the companies' equity in the underlying net assets of those companies. The amounts of such excess value for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Associated companies	¥	416,898	¥	254,620
Joint ventures		126,869		144,548
Total	¥	543,767	¥	399,168

The amount of excess value is attributed first to certain fair value adjustments on a net-of-tax basis at the time of the initial and subsequent investments in those companies with the remaining portion considered as equity method goodwill. The fair value adjustments mainly relate to property, plant and equipment, intangible assets which consist primarily of equipment and fixtures, mineral rights and customer relationship amortized over their respective estimated useful lives using either the straight-line or the unit-of-production method.

Investments in common stock of publicly-traded associated companies include marketable equity securities carried at ¥560,576 million and ¥280,772 million at March 31, 2019 and 2018, respectively. Corresponding aggregate quoted market values were ¥701,954 million and ¥504,297 million, respectively. There was no investment in common stock of publicly-traded joint venture.

The amounts of impairment losses on investments in equity accounted investees for the years ended March 31, 2019 and 2018 were ¥4,483 million and ¥14,419 million, respectively, and included in "Gain(loss) on securities and other investments - net" in the Consolidated Statement of Income.

For the year ended March 31, 2019, there was no reversal of impairment loss. For the year ended March 31, 2018, the Company recognized the reversal of impairment loss of ¥956 million of investments accounted for using the equity method due to recovery of market prices in "Gain (loss) on securities and other investments - net" in the Consolidated Statement of Income

The amounts of outstanding balances of assets and liabilities in the equity accounted investees for the years ended March 31, 2019 and 2018 were as follows:

The assets mainly consisted of trade receivables, loans and other investments and the liabilities mainly consisted of trade payables and loan payables.

Millions of Yen

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Associated companies	¥ 160,941	¥ 69,713	¥ 151,499	¥ 69,924
Joint ventures	173,776	36,326	183,171	55,969
Total	¥ 334,717	¥ 106,039	¥ 334,670	¥ 125,893

In relation to the Company's liquefaction business in the United States, a wholly-owned subsidiary of the Company has secured four million tons per annum of LNG tolling capacity for 20 years following the inception of production of LNG in 2019, for which it will pay a tolling service fee under a natural gas tolling liquefaction agreement with Cameron LNG LLC, a subsidiary of Cameron LNG Holdings LLC, an associate of the Company.

The Company has completed the procurement of eight LNG ships intended to be used for the delivery of LNG mainly to its customers in Japan.

Among the time charter contracts for the eight ships, five ships including contracts for three ships with ship-owning companies in which the Company has investments accounted for as joint ventures, have already been delivered to the Company, and those time charter have commenced simultaneously, and the remaining three ships' charter will commence in sequence.

The total residual hire amount for the eight ships is approximately ¥600 billion. Corresponding to most of the costs from the above tolling and transportation contracts, the Company also entered into long term LNG sales contracts with customers mainly in Japan.

The companies' revenues and purchases in cost of revenues from the equity accounted investees for the years ended March 31, 2019 and 2018 were as follows:

	2019		2018	
Revenues				
Associated companies	¥	76,234	¥	57,317
Joint ventures		78,513		2,320
Total	¥	154,747	¥	59,637
Purchases				
Associated companies	¥	135,244	¥	76,605
Joint ventures		69,416		47,869
Total	¥	204,660	¥	124,474

7. SEGMENT INFORMATION

IFRS 8 “Operating Segments” requires disclosure of financial and descriptive information regarding operating segments, which are components of an entity whose operating results are regularly reviewed by the entity’s chief operating decision-maker in deciding resources to be allocated to the segments and assessing their performance.

The Company is operated through business units, determined based on their products and services, which plan overall and worldwide strategies for their products and services and conduct their worldwide operations. The business units also collaborate with the regional business units in planning and executing their strategies for products and regions. The regional business units are delegated the business of their regions as the centers of each particular regional strategy and operate diversified businesses together with their affiliated companies in collaboration with the business units. The components of deciding resources to be allocated to the segments and assessing their performance by the Company’s chief operating decision-maker is the components where the regional business units were consolidated by the products and services. Therefore, the companies’ operating segments are product operating segments comprised of the business units of the Head Office where the regional business units were consolidated by the products and services.

The companies’ operating segments have been aggregated into reportable segments based on the similarities in the nature of the products and services, the production processes, the type of customer, the methods used for distribution, and the regulatory environments surrounding their businesses, along with the similarities in the economic characteristics based on the profitability indicators using Gross Profit, Profit (Loss) for the Year Attributable to Owners of the parent, etc.

The reportable segments (including the regional business units consolidated by the product and service) of the Company are as follows:

“Iron & Steel Products” consists of the Iron & Steel Products Business Unit. This segment manufactures, sells and trades iron & steel products in Japan and abroad.

“Mineral & Metal Resources” consists of the Mineral & Metal Resources Business Unit. This segment is engaged in overseas development of iron and non-ferrous metal resources, and produces, sells and trades raw materials and metal products in Japan and abroad.

“Machinery & Infrastructure” consists of the Infrastructure Projects Business Unit, the Mobility Business Unit I and the Mobility Business Unit II. This segment is engaged in manufacturing, sales and trading, leasing and financing of plant and machinery, as well as infrastructure businesses such as power generation in Japan and abroad.

“Chemicals” consists of the Basic Materials Business Unit, the Performance Materials Business Unit, and the Nutrition & Agriculture Business Unit. This segment manufactures, sells and trades chemical products in Japan and abroad.

“Energy” consists of the Energy Business Units I and II. This segment is engaged in overseas development of oil and gas resources, and manufactures, sells and trades oil, gas, coal and related products in Japan and abroad.

“Lifestyle” consists of the Food Business Unit, the Food & Retail Management Business Unit, the Healthcare & Service Business Unit and the Consumer Business Unit. This segment manufactures, sells, and trades foods, consumer products and materials, and engages in healthcare, real estate and service businesses in Japan and abroad.

“Innovation & Corporate Development” consists of the IT & Communication Business Unit and the Corporate Development Business Unit. This segment engages in information and communication, logistics, insurance, finance and media businesses in Japan and abroad.

The companies’ operating segment information and geographic area information for the years ended March 31, 2019 and 2018 were as follows:

Segment information

Year ended March 31, 2019:	Millions of Yen							
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 247,383	¥ 1,055,801	¥ 904,641	¥ 1,747,400	¥ 707,978	¥ 2,125,847	¥ 163,418	¥ 6,952,468
Gross Profit.....	¥ 27,237	¥ 175,602	¥ 130,743	¥ 142,791	¥ 134,030	¥ 158,867	¥ 66,716	¥ 835,986
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 16,200	¥ 59,331	¥ 87,476	¥ 12,845	¥ 40,329	¥ 29,315	¥ 11,675	¥ 257,171
Profit for the Period Attributable to Owners of the parent.....	¥ 9,851	¥ 167,209	¥ 78,428	¥ 4,460	¥ 95,723	¥ 42,435	¥ 16,562	¥ 414,668
Total Assets at March 31, 2019.....	¥ 606,557	¥ 2,222,894	¥ 2,450,551	¥ 1,266,657	¥ 2,425,363	¥ 2,378,015	¥ 667,314	¥ 12,017,351
Investments accounted for using the equity method at March 31, 2019.....	¥ 255,077	¥ 428,694	¥ 975,917	¥ 156,822	¥ 272,780	¥ 709,221	¥ 171,212	¥ 2,969,723
Core Operating Cash Flow.....	¥ 5,879	¥ 181,451	¥ 73,970	¥ 29,886	¥ 219,064	¥ 24,827	¥ 20,816	¥ 555,893
Capital additions to Non-current assets.....	¥ 540	¥ 38,266	¥ 81,131	¥ 35,383	¥ 114,723	¥ 43,627	¥ 3,921	¥ 317,591
Depreciation and amortization	¥ 1,148	¥ 37,041	¥ 15,484	¥ 18,941	¥ 88,009	¥ 14,940	¥ 4,321	¥ 179,884

Year ended March 31, 2019:	Millions of Yen		
	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 5,079	¥ (23)	¥ 6,957,524
Gross Profit.....	¥ 2,878	¥ (397)	¥ 838,467
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 110	¥ (1,914)	¥ 255,367
Profit for the Period Attributable to Owners of the parent.....	¥ 529	¥ (982)	¥ 414,215
Total Assets at March 31, 2019.....	¥ 7,044,713	¥ (7,116,285)	¥ 11,945,779
Investments accounted for using the equity method at March 31, 2019.....	¥ 8,765	¥ (2,814)	¥ 2,975,674
Core Operating Cash Flow.....	¥ 3,886	¥ 10,742	¥ 570,521
Capital additions to Non-current assets.....	¥ 8,616	¥ -	¥ 326,207
Depreciation and amortization	¥ 6,438	¥ -	¥ 186,322

Millions of Yen

Year ended March 31, 2018: (As restated)	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 238,240	¥ 946,369	¥ 447,088	¥ 1,186,673	¥ 534,293	¥ 1,409,378	¥ 127,326	¥ 4,889,367
Gross Profit.....	¥ 41,874	¥ 206,767	¥ 121,943	¥ 136,573	¥ 96,808	¥ 139,533	¥ 45,084	¥ 788,582
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ 13,349	¥ 61,806	¥ 96,525	¥ 11,318	¥ 24,544	¥ 22,842	¥ 5,040	¥ 235,424
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 24,728	¥ 257,617	¥ 89,617	¥ 34,235	¥ 48,601	¥ (26,340)	¥ (4,637)	¥ 423,821
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
Investments accounted for using the equity method at March 31, 2018.....	¥ 217,775	¥ 431,682	¥ 880,206	¥ 117,401	¥ 254,264	¥ 452,881	¥ 151,367	¥ 2,505,576
Core Operating Cash Flow.....	¥ 14,179	¥ 240,829	¥ 158,846	¥ 50,174	¥ 175,282	¥ 7,118	¥ 3,061	¥ 649,489
Capital additions to Non-current assets.....	¥ 982	¥ 29,676	¥ 8,836	¥ 21,474	¥ 76,622	¥ 39,246	¥ 3,040	¥ 179,876
Depreciation and amortization	¥ 1,237	¥ 36,534	¥ 16,701	¥ 19,671	¥ 92,534	¥ 14,759	¥ 4,144	¥ 185,580

Millions of Yen

Year ended March 31, 2018: (As restated)	All Other	Adjustments and Eliminations	Consolidated Total
Revenue.....	¥ 1,937	¥ 845	¥ 4,892,149
Gross Profit.....	¥ 1,278	¥ 845	¥ 790,705
Share of Profit (Loss) of Investments Accounted for Using the Equity Method....	¥ (116)	¥ (367)	¥ 234,941
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 2,469	¥ (7,811)	¥ 418,479
Total Assets at March 31, 2018.....	¥ 6,506,907	¥ (6,467,207)	¥ 11,306,660
Investments accounted for using the equity method at March 31, 2018.....	¥ 219	¥ (2,801)	¥ 2,502,994
Core Operating Cash Flow.....	¥ 8,558	¥ 8,440	¥ 666,487
Capital additions to Non-current assets.....	¥ 17,592	¥ —	¥ 197,468
Depreciation and amortization	¥ 7,007	¥ —	¥ 192,587

- (Notes) 1. “All Other” includes 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, 2019 and March 31, 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 Year 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 Consolidated Statements of Cash Flows.
5. Profit (Loss) for the Period Attributable to Owners of the parent of each operating segment during the year ended March 31, 2018 include the following impacts, mainly due to the reversal of deferred tax assets and liabilities which reflect the lower federal corporate income tax rate set by the “Tax Cuts and Jobs Act” in the US enacted on December 22, 2017. The following includes impact to “Income Taxes” which is disclosed in Note 24, “Share of Profit (Loss) of Investment Accounted for Using Equity Method” and other accounts.

Year ended- March 31, 2018:	Millions of Yen							
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 3,292	¥ -	¥ 4,272	¥ 7,266	¥ (18,268)	¥ 2,985	¥ (85)	¥ (538)

Year ended- March 31, 2018:	Millions of Yen		
	All Other	Adjustments and Eliminations	Consolidated Total
Profit (Loss) for the Period Attributable to Owners of the parent.....	¥ 13,465	¥ -	¥ 12,927

6. During the year ended March 31, 2019, 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 of each segment at March 31, 2019 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)	¥ -

7. “Revenue” in each operating segment for the year ended March 31, 2019 includes the impact of the adoption of IFRS 15 which is disclosed in Note 2. The impacts are as follows.

Year ended- March 31, 2019:	Millions of Yen							
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue.....	¥ 67,511	¥ 63,160	¥ 470,059	¥ 356,896	¥ 97,350	¥ 999,251	¥ 504	¥ 2,054,731

Year ended- March 31, 2019:	Millions of Yen		
	Adjustments and		Consolidated Total
	All Other	Eliminations	
Revenue.....	¥ -	¥ -	¥ 2,054,731

Geographic area information

	Millions of Yen					Consolidated Total
	Japan	United States	Singapore	Australia	All Other	
Year ended March 31, 2019:						
Revenue	¥ 3,829,599	¥ 761,314	¥ 572,772	¥ 445,991	¥ 1,347,848	¥ 6,957,524
Year ended March 31, 2018:						
Revenue	¥ 2,271,982	¥ 898,539	¥ 268,935	¥ 458,436	¥ 994,257	¥ 4,892,149

Note: Revenues are attributed to countries based on the location of sellers.

	Millions of Yen						Consolidated Total
	Australia	United States	Japan	Italy	Thailand	All Other	
At March 31, 2019:							
Non-current assets	¥ 596,179	¥ 530,154	¥ 462,349	¥ 214,508	¥ 145,622	¥ 422,948	¥2,371,760
At March 31, 2018:							
Non-current assets	¥ 525,798	¥ 449,730	¥ 408,382	¥ 194,192	¥ 123,415	¥ 448,265	¥2,149,782

Note: Financial instruments and deferred tax assets are excluded from Non-current assets.

There were no individual material customers with respect to revenues for the years ended March 31, 2019 and 2018.

8. RECEIVABLES AND RELATED ALLOWANCES

Credit risk

In recognizing and measuring the loss allowance, the companies categorize financial assets into three stages on the basis of existence of significant increase in the credit risk and credit impairment. However, for trade receivables recognized based on the IFRS15 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.

Stage1: Financial instruments for which the credit risk has not increased significantly since initial recognition.

Stage2: Financial instruments for which the credit risk has increased significantly since initial recognition, but no credit impairment is indicated.

Stage3: Credit-impaired financial assets

As for credit risk management, please refer to the NOTE9 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS”.

Changes in loss allowance

The analysis of the changes in loss allowance for the years ended March 31, 2019 and 2018 is as follows. The changes in the following table of the year ended March 31, 2018 is based on the IAS39..

Millions of Yen

Year ended	Trade and other receivables				Other financial assets			Total
	Stage1	Financial assets for which the related loss allowances are always measured at an amount equal to lifetime expected credit losses	Stage2	Stage3	Stage1	Stage2	Stage3	
March 31, 2019:	Financial assets for which the related loss allowance are measured at an amount equal to 12-month expected credit losses	Financial assets for which the related loss allowances are always measured at an amount equal to lifetime expected credit losses	Financial assets for which the related credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Financial assets for which the related loss allowance are measured at an amount equal to 12-month expected credit losses	Financial assets for which the related credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance as at April 1, 2018 based on the IAS39								57,563
The impact of the application of IFRS9								1,062
Balance as at April 1, 2018 based on the IFRS9	4,860	6,537	564	27,035	1,069	186	18,374	58,625
Change during the year (Recognition and derecognition)	1,033	955	145	736	655	758	2,545	6,827
Decrease during the year(charge-offs)	(33)	(158)	-	(597)	-	(1)	(1,671)	(2,460)
Others (*)	(43)	(179)	(11)	(319)	(15)	(67)	(37)	(671)
Balance as at March 31, 2019	5,817	7,155	698	26,855	1,709	876	19,211	62,321

* “Others” principally includes the effect of changes in foreign exchange rates.

**Provision related to Multigrain Business in the process of liquidation is not included .

Millions of Yen

Year ended March 31, 2018:	Corporate Businesses		Retail Finance Business		Total
Balance at beginning of year	¥	39,199	¥	6,166	¥ 45,365
Credits charged off		(6,388)		(6,066)	(12,454)
Provision for doubtful receivables*		19,230		5,846	25,076
Others**		(148)		(276)	(424)
Balance at end of year	¥	51,893	¥	5,670	¥ 57,563

*Mitsui Bussan Copper Investment & Co., Ltd., a subsidiary in the Mineral & Metal Resources Segment, recognized an impairment loss of ¥18,590 million related to SCM Minera Lumina Copper Chile, an equity-method affiliate, which Mitsui Bussan Copper Investment & Co., Ltd. and MLCC Finance Netherlands B.V., an equity-method affiliate, have investment and loan for. The impairment loss was driven by update in the revision of the long-term copper production program and operational situation. Out of ¥ 18,590 million, ¥ 14,722 million loss is included in Provision for doubtful receivables under “Selling, General and Administrative Expenses” and ¥ 3,868 million loss is included in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method” respectively.

** “Others” principally includes the effect of changes in foreign exchange rates.

Financial assets for which loss allowance is recognized

The carrying amount (before deducting loss allowance for expected credit losses) of the financial assets for which loss allowance is recognized is followings.

Millions of Yen

Year ended March 31, 2019:	Financial assets for which the related loss allowance are measured at an amount equal to 12-month expected credit losses	Financial assets for which the related loss allowances are always measured at an amount equal to lifetime expected credit losses	Financial assets for which the related credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
Trade and other receivables	447,903	1,308,943	7,594	39,552	1,803,992
Other financial assets	629,095	-	57,677	29,590	716,362
Total	1,076,998	1,308,943	65,271	69,142	2,520,354

There are no significant changes in the gross carrying amount of financial assets since the year ended March 31, 2018.

In addition to those shown in the table above, financial assets that are purchased or originated credit-impaired of ¥34,747 million are recognized.

The financial assets' carrying amount stated on the consolidated financial statements represent the maximum exposure.

There is no financial asset that was written off during the reporting period and is still subject to enforcement activity.

Credit enhancement

In estimation the loss allowance, the amount of obtained collateral such as properties, mortgages, securities, commercial goods, etc., is deducted as credit enhancement from the amount of the financial assets for which the loss allowance is recognized.

The following table shows the status of credit enhancement on credit-impaired financial assets.

Millions of Yen

Year ended March 31, 2019:	Credit enhancements related to the credit-impaired financial assets
Trade and other receivables	5,527
Other financial assets	151
Total	5,678

9. DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS

(1) Trade and other receivables, and other financial assets

Trade and other receivables, and other financial assets as of March 31, 2019 and 2018 were measured at amortized cost and FVTPL, except for derivative assets, and consisted of the following:

	Millions of Yen	
	2019	2018
Current		
Trade and other receivables		
Accounts and notes	¥ 1,670,074	¥ 1,636,541
Lease receivables	10,934	10,010
Loans	135,669	128,022
Other financial assets		
Time deposits	10,197	6,325
Accounts receivable-other	98,143	84,823
Derivative assets	89,891	105,018
Other	56,276	47,749
Loss allowances	¥ (12,450)	¥ (8,556)
Total	¥ 2,058,734	¥ 2,009,932
Non-current		
Trade and other receivables		
Accounts and notes	¥ 76,234	¥ 40,175
Lease receivables	50,143	56,772
Loans	382,303	352,139
Other financial assets		
Time deposits	466	922
Accounts receivable-other	8,030	11,466
Derivative assets	104,574	102,710
Other	41,816	38,051
Loss allowances	¥ (49,871)	¥ (49,007)
Total	¥ 613,695	¥ 553,228

Note: "Non-current Loans" includes a loan to equity method investee/associate whose interest payment is based on its borrower's performance. It is measured at FVTPL, whose carrying amount is on the notes No.25.

The amount included in "Receivables from equity accounted investees" for the year ended March 31, 2018 is reported in "Accounts and notes", "Lease receivables", and "Loans" respectively for the year ended March 31, 2019. In accordance with this change, the relevant figures for the year ended March 31, 2018 were reclassified. The relevant figures ¥105,995 million and ¥162,907 million included in Current and Non-current "Receivables from accounted equity investees" were reclassified into "Accounts and notes", "Lease receivables", and "Loans", respectively.

Receivable from accounted equity investees included in trade and other receivables carried at ¥268,542 million and ¥268,902 million at March 31, 2019 and 2018, respectively.

(2) Other investments

The carrying amounts of other investments as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Other investments		
Financial assets measured at FVTPL	¥ 138,807	¥ 135,601
Financial assets measured at FVTOCI	1,771,567	1,685,437
Amortized cost	37,191	3,988
Total	¥ 1,947,565	¥ 1,825,026

Note: Preferred stock issued by equity method investees, which was included in financial assets measured at FVTOCI as of March 31, 2019 and 2018, were ¥38,832 million and ¥44,088 million, respectively.

Financial assets measured at FVTOCI which were included in other investments

The fair value of financial assets measured at FVTOCI as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Marketable	¥ 1,008,710	¥ 1,046,586
Non-marketable	762,857	638,851
Total	¥ 1,771,567	¥ 1,685,437

The fair value of major items of these marketable financial assets measured at FVTOCI as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
VALE S.A.	¥ 414,823	¥ 388,377
Recruit Holdings Co., Ltd.	85,347	71,402
Seven & i Holdings Co., Ltd.	68,058	74,363
GOLDWIN INC.	35,202	13,932
INPEX CORPORATION	32,640	43,328
Sims Metal Management Ltd.	28,173	39,444
MODEC, INC.	26,420	22,302
Yamaha Motor Co., Ltd.	18,640	27,303
YAMATO KOGYO CO., LTD.	13,810	13,499
KATO SANGYO CO., LTD	11,508	11,745
TPV TECHNOLOGY LIMITED	10,985	5,604
TORAY INDUSTRIES, INC.	9,738	13,865
TOYOTA MOTOR CORPORATION	9,731	10,238
Mitsui Chemicals, Inc	9,281	11,658
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	8,687	12,968
J-OIL MILLS, INC.	8,654	7,624
Mitsui Fudosan Co., Ltd.	8,348	7,745
Nihon Unisys, Ltd.	7,179	5,618
Nippon Flour Mills Co., Ltd.	6,363	5,522
PT Pelat Timah Nusantara Tbk	5,629	9,447

Non-marketable financial assets measured at FVTOCI were mainly composed of investments in six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) and mineral & metal resources projects, including the Jimblebar iron ore project.

The fair value of investments in the six LNG projects as of March 31, 2019 and 2018 were ¥420,624 million and ¥334,591 million, respectively.

The fair value of the main investments in the mineral & metal resources projects, including the Jimblebar iron ore project, as of March 31, 2019 and 2018 were ¥116,426 million and ¥93,549 million, respectively.

Derecognized financial assets measured at FVTOCI

The fair value, gains and losses, and dividends income related to financial assets measured at FVTOCI which were derecognized because of review of business strategy as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Fair value of the financial assets at the date of derecognition	¥	35,778	¥	42,434
Cumulative gains and losses on disposition	¥	10,452	¥	15,985
Dividends received from derecognized financial assets	¥	829	¥	2,115

With respect to financial assets measured at FVTOCI, gains and losses on disposition (after income tax effect) recorded as other components of equity at the date of derecognition were transferred to retained earnings. The amounts transferred were ¥6,502 million and ¥10,111 million for the years ended March 31, 2019 and 2018, respectively.

(3) Gain (loss) on securities and other investments-net

Gain (loss) on securities and other investments-net for the years ended March 31, 2019 and 2018 result from disposal, and others of Subsidiaries and associated companies.

Gains (losses) related to financial assets measured at FVTPL ("FVTPL gains (losses)") for the year ended March 31, 2019 and 2018 were ¥11,342 million and ¥(1,850) million included in "Revenue" and "Other revenue", respectively, in the Consolidated Statements of Income.

(4) Finance income and costs

The finance income and finance costs for the years ended March 31, 2019 and 2018 that the companies recognized were as follows:

	Millions of Yen			
	2019		2018	
Interest income				
Amortized cost	¥	46,777	¥	38,936
Derivatives		(3,401)		(2,420)
Total	¥	43,376	¥	36,516
Dividend income				
Financial assets measured at FVTOCI	¥	105,922	¥	84,793
Interest expense				
Amortized cost	¥	(85,187)	¥	(68,174)
Derivatives		5,071		1,686
Total	¥	(80,116)	¥	(66,488)

In addition to those shown in the table above, interest income of ¥33,056 million and ¥30,771 million on financial assets measured at amortized cost were included in "Revenue" and "Other revenue" and interest expenses of ¥8,947 million and ¥8,465 million on financial liabilities measured at amortized cost were included in "Cost" and "Cost of other revenue" for the years ended March 31, 2019 and 2018, respectively, mainly related to the retail finance business.

Fee income and expenses arising from financial assets measured at amortized cost are immaterial.

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

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

The fair values of non-current financial instruments as of March 31, 2019 and 2018 were as follows. The carrying amount and the fair value in the other investments measured at amortized cost were ¥37,191 million and ¥37,401 million, respectively. 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			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and other financial assets (*)	¥ 613,695	¥ 613,695	¥ 553,228	¥ 553,483
Non-current liabilities				
Long-term debt, less current portion and other financial liabilities (*)	¥ 3,881,152	¥ 3,949,398	¥ 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 debt includes borrowings and bonds payable. Fair values of trade and other receivables classified as Level 3 were ¥236,409 million and ¥243,173 million as of March 31, 2019 and 2018, respectively. Their valuation is based on significant unobservable inputs such as credit spreads, default probabilities, and estimated loss rates on individual receivables using the discounted cash flow method. Items other than said loans and certain other items are classified as Level 2 as their fair values are measured using the discounted cash flow method based on observable inputs including market interest rates.

(6) Risk-related matters

Capital management

The Company decides the policies to maintain appropriate levels of shareholders' equity, debt and equity balances. It examines the status of execution in terms of stability for capital efficiency as well as financing when the Company acquires high-quality assets to improve enterprise value and utilize existing assets. Shareholders' equity is the total equity attributable to owners of the parent in the Consolidated Statements of Financial Position. The Company also examines the appropriateness of scale of shareholders' equity in terms of it being a risk buffer to maximum exposure to potential losses that could result from a deterioration in the companies' respective businesses.

The key metrics used for capital management are as follows:

- Return on equity (ROE) (*)
- Net Debt-to-Equity Ratio (Net DER) (**)
- Ratio of risk adjusted assets to shareholder's equity (***)

(*) ROE refers to the ratio of profit for the year attributable to the owners of the parent to shareholders' equity. ROEs as of March 31, 2019 and 2018 were 10.1% and 10.9%, respectively.

(**) Net DER refers to the ratio of net interest bearing debt to shareholders' equity. Net interest bearing debt is calculated by subtracting cash and cash equivalents and time deposits from interest bearing debt. Net DERs as of March 31, 2019 and 2018 were 0.86 times and 0.78 times, respectively.

(***) Risk-adjusted assets refers to the maximum loss exposure and is calculated by multiplying assets including trade and other receivables, other investments and fixed assets by risk weights, which the companies have determined individually based on the potential risk of loss.

The Company considers these indicators periodically, and they are used for developing business policy and business judgment. The Company maintains robust a financial foundation and credit rating which is sufficient for business projects. The Company strives to maintain and upgrade its credit rating through the above capital management. The Company is not subject to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act of Japan).

Risk management

• Credit risk

With regard to the contingent characteristics of credit risks included in derivative instruments, some of the derivative instruments used by the Company and certain subsidiaries such as commodity futures, commodity forwards, commodity swaps, and commodity options may include clauses that prescribe changes in the minimum required collateral (margins) or early termination in accordance with the credit ratings of the Company. If the credit ratings of the Company are downgraded, the counterparty will require additional collateral from the Company and certain subsidiaries to cover the whole or part of the amount of the relevant derivative obligations in accordance with such clauses.

The companies minimize credit risks of derivative instruments associated with, for example, counterparty defaults by entering into these transactions mainly with reputable international financial institutions with high credit ratings. Therefore, the companies believe that a significant loss arising from these transactions is extremely unlikely.

As for credit risks of financial instruments other than derivative instruments, the companies manage credit risks through the management of commitment lines of credit approved by an appropriate person with authority and through monitoring past-due status of credit. This management is basically consistent with the stage classification in note 8 "RECEIVABLES AND RELATED ALLOWANCE" and especially financial instruments classified to Stage3 are focused on monitoring. In addition, the companies require collateral and/or other forms of security from counterparties as necessary.

Concentration of credit risk is minimized as the companies carry out a wide variety of transactions with various customers all over the world and monitor regularly whether the exposure for specific regions or customers is kept in a certain range.

• Liquidity risk

Turmoil in financial markets, a downgrade in our credit ratings or significant changes in the lender or investment policies of our lenders or institutional investors could result in constraints on our fund procurement and an increase in funding costs, and could have an adverse effect on our financial position and liquidity. The companies secure the liquidity required for our smooth operations and maintain the strength and soundness of our balance sheet by holding sufficient cash and cash equivalents, maintaining lines of credit with banks, procuring mainly long-term funds, utilizing financing programs provided by government financing agencies and/or project financing and such so that the companies decrease liquidity risk. The unused lines of credit that the companies can access to meet liquidity needs as of March 31, 2019 and 2018 were ¥1,294,984 million and ¥1,237,812 million respectively.

• Market risks

The companies are subject to market risks associated with fluctuations in interest rates, foreign currency exchange rates, commodity prices, and stock prices that arise in the course of the Company's operating and other activities.

The companies have formulated market risk management policies and have established management systems at several levels. In particular, regarding foreign currency exchange risks and commodity price risks, Chief Operating Officers have the primary responsibility of establishing risk management policies that prescribe the setting of limits on positions and losses, as well as prescribing management systems at each business unit. They also have the responsibility of obtaining the approval of our executive officers in charge of risk management, and carrying out management and reporting in accordance with such approval. In addition, risk management sections, which are independent from trading sections, monitor, analyze and evaluate market risks and periodically report to the executive officers in charge. Regarding interest rate risks, the environment surrounding financial markets, the Company's ratio of assets and liabilities, and the risks of interest rate fluctuations are regularly reported to the executive officers, by whom the risk management policies for interest rate were approved. Stock price risk is managed by analyzing factors of stock price fluctuations.

① Interest rate risk

The companies are exposed to interest rate risk arising from floating-rate assets and liabilities. An increase in interest rates may adversely affect the operating results. The companies have entered into interest rate derivative transactions which consist mainly of interest rate swap agreements and interest rate and currency swap agreements to hedge exposures of certain assets and liabilities. The impacts on profit before income taxes for the years ended March 31, 2019 and 2018, assuming a 100 basis point rise in interest rates as of March 31, 2019 and 2018, were ¥(27,782) million and ¥(24,686) million, respectively. These are calculated by multiplying the balance of floating-rate financial instruments held by the companies as of March 31, 2019 and 2018 by 100 basis points without

considering future changes in the balance, the effect of exchange rate fluctuations, the diversification effect of the timing of refinancing/interest rate revisions of floating-rate debts, etc., and assuming that all other variables are constant.

The items that are considered to be instruments affected by interest rate fluctuations for the purpose of calculating the sensitivity include floating-rate interest-bearing debts/loans, fixed-rate interest-bearing debts/loans that are effectively converted to floating-rate instruments under interest rate swap agreements, deposits and other instruments.

② Foreign currency exchange rate risk

The companies are exposed to foreign currency exchange rate risk on receivables and payables denominated in foreign currencies arising from transactions such as purchases and sales of commodities and financial transactions. The companies hedge these risks with forward exchange contracts and currency swaps.

For significant long and short net positions denominated in foreign currencies as of March 31, 2019 and 2018, assuming a 1% appreciation of the Yen, the impacts on profit before income taxes would have been ¥(259) million from USD, ¥(28) million from BRL and ¥(684) million from AUD as of March 31, 2019 and ¥(1,101) million from USD, ¥(17) million from BRL and ¥(23) million from AUD as of March 31, 2018. Based on the same assumption, the impacts on other comprehensive income would be ¥(398) million from USD, ¥(4,148) million from BRL and ¥(222) million from AUD as of March 31, 2019 and ¥(245) million from USD and ¥(3,884) million from BRL as of March 31, 2018. The long and short positions denominated in foreign currencies indicate that they are in currencies other than that of the functional currency of each company. In this context, the long positions represent the condition in which certain losses occur due to a decline in the value of the currency, and the short positions represent the condition in which certain gains occur due to an increase in the value of the currency. Foreign currency translation adjustments are not included in the scope of this analysis. In addition, this analysis assumes that all other variables are constant.

③ Commodity price risk

As the companies carry out business activities pertaining to commodities such as non-ferrous metals, crude oil and gas, and foods, they are exposed to risks associated with commodity prices.

The companies measure the risk of market commodities for which historical price fluctuations have been relatively significant along with actively traded derivatives by using Value at Risk (VaR), which is a statistical measure of the potential maximum loss in the fair value of a given portfolio over a certain holding period and within a certain confidence level. VaR is calculated by mainly using a 10-day holding period and a confidence level of 99%. In addition, the figures do not necessarily take into account correlations between all commodities. VaRs as of March 31, 2019 and 2018 were ¥16,846 million and ¥6,604 million, respectively. The actual results may differ significantly from VaR above as VaR is calculated by using historical fluctuations of each risk component.

④ Stock price risk

The companies invest in listed companies to strengthen ties with customers, suppliers and others, as well as to make various types of propositions to the companies in which the companies invest, to pursue operating revenue. These investments are exposed to stock price risks.

For investments held as of March 31, 2019 and 2018, the impacts on other comprehensive income arising from changes in the fair values assuming a 10% change in the stock index representative of the markets on which the individual stocks are traded were ¥83,456 million and ¥97,061 million, respectively. The impact on profit before taxes is immaterial.

(7) Derivative instruments and hedging accounting

The risk management policies for each risk category of risk exposure for which hedge accounting is applied are provided in Note 9 “DISCLOSURES ABOUT FINANCIAL INSTRUMENTS AND RELATED MATTERS (6) Risk-related matters”. Regarding foreign currency exchange rate risks and commodity price risks, the companies manage the risk exposure based on limits to positions and losses set by each business unit. Regarding interest rate risks, the companies manage the risk exposure based on approved policies with considering factors such as financial market, asset and debt balances and the risk of interest rate fluctuations.

Foreign currency exchange rate risk

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

Interest rate risk

The companies use derivatives, such as interest rate swap agreements, as hedging instruments for hedge accounting to fix the expected future cash flows from long-term financial assets and liabilities with floating interest rates and offset the exposure to changes in the fair value of long-term financial assets and liabilities with fixed interest rates.

Commodity price risk

The companies use derivative instruments, such as swap contracts, as hedging instruments for hedge accounting to fix the expected future cash flows from forecasted transactions in marketable commodities.

When applying hedge accounting to address the above risk, the companies confirm that there are economic relationships between the hedged items and the hedging instruments through qualitative and quantitative assessments. Qualitative assessments show whether the critical terms of hedging instruments and hedged items match exactly or are closely aligned. Quantitative assessments show fluctuations of value of hedged item and hedging instrument with the same risk offset each other.

Each hedge ratio is determined properly based on an economic relationship between the hedged item and the hedging instrument and the risk management strategy. Expected hedge ineffectiveness including the cases caused by credit risk is immaterial. The decrease in a net investment could cause hedge ineffectiveness in the risk from the foreign currency exchange rate of a net investment in a foreign operation, but the companies manage the risk from the foreign currency exchange rate in order to minimize such hedge ineffectiveness.

In the case the companies designate a specific risk component which is decided based on the risk management strategies for each risk category as a hedged item, the risk component is separately identifiable from the hedged item in its entirety for all risks, and changes in the cash flows or the fair value attributable to the change in the risk component is measured with reliability.

The nominal amounts of the hedging instruments as of March 31, 2019 and 2018 were as follows:

Risk category	Billions of Yen					
	March 31, 2019			March 31, 2018		
	Fair value hedges	Cash flow hedges	Hedges of the net investment in a foreign operation	Fair value hedges	Cash flow hedges	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	¥ 65	¥ 270	¥ 1,535	¥ 61	¥ 239	¥ 1,301
Interest rate	566	414	–	563	408	–
Commodity price	–	49	–	–	17	–
Total nominal amounts	¥ 631	¥ 733	¥ 1,535	¥ 624	¥ 664	¥ 1,301

The effects of hedge accounting on Consolidated Statements of Financial Position

The following tables present Carrying Value of hedging instruments included within the Consolidated Statements of Financial Position as of March 31, 2019 and 2018:

		Millions of Yen					
		March 31, 2019			March 31, 2018		
Risk category	Line Item in the Consolidated Statements of Financial Position	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	Other financial assets - Current	¥ 62	¥ 2,308	¥ 564	¥ 12	¥ 2,652	¥ 2,537
	Other financial assets - Non-current	–	2,151	3,759	–	1,157	671
Interest rate	Other financial assets - Current	105	416	–	–	38	–
	Other financial assets - Non-current	64,771	3,493	–	57,351	8,402	–
Commodity price	Other financial assets - Current	–	684	–	–	7	–
	Other financial assets - Non-current	–	117	–	–	–	–
Total		¥ 64,938	¥ 9,169	¥ 4,323	¥ 57,363	¥ 12,256	¥ 3,208

		Millions of Yen					
		March 31, 2019			March 31, 2018		
Risk category	Line Item in the Consolidated Statements of Financial Position	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation	Fair value hedge	Cash flow hedge	Hedges of the net investment in a foreign operation
Foreign currency exchange rate	Current portion of long-term debt	¥ 5,125	¥ –	¥ 141,769	¥ 6,629	¥ –	¥ 69,412
	Other financial liabilities - Current	–	998	7,075	57	2,049	4,088
	Long-term debt, less current position	35,447	–	914,997	37,202	–	927,075
	Other financial liabilities - Non-current	51	1,152	2,946	69	692	9,917
Interest rate	Other financial liabilities - Current	–	8	–	–	33	–
	Other financial liabilities - Non-current	–	1,135	–	–	1,853	–
Commodity price	Other financial liabilities - Current	–	765	–	–	367	–
	Other financial liabilities - Non-current	–	239	–	–	799	–
Total		¥ 40,623	¥ 4,297	¥ 1,066,787	¥ 43,957	¥ 5,793	¥ 1,010,492

Fair value hedge

The following table presents the carrying amount of the hedged items recognized in the Consolidated Statements of Financial Position as of March 31, 2019 and 2018, and the accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items recognized in the Consolidated Statements of Financial Position:

		Millions of Yen			
		March 31, 2019		March 31, 2018	
Risk Category	Line Item in the Consolidated Statements of Financial Position	Carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items	Carrying amount of the hedged items	Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items
Foreign currency exchange rate	Other investments	¥ 157,203	¥ (827)	¥ 82,971	¥ 3,387
	Current portion of long-term debt	-	-	-	-
Interest rate	Current portion of long-term debt	10,106	106	-	-
	Long-term debt, less current position	630,135	74,635	619,870	57,325

The accumulated amounts of fair value hedge adjustments remaining in the Consolidated Statements of Financial Position as of March 31, 2019 and 2018 for any hedged items that have ceased to be adjusted for hedging gains and losses were immaterial.

Cash flow hedge

The following amounts in the Consolidated Statements of Financial Position as of March 31, 2019 and 2018 were immaterial:

- The balances in the cash flow hedge reserve
- The balances remaining in the cash flow hedge reserve from any hedging relationships for which hedge accounting is no longer applied

Hedges of net investments in foreign operations

The following table presents the balance in the foreign currency translation adjustments which were recognized by applying the hedge accounting to reduce the foreign currency exposure in the net investment in foreign operations as of March 31, 2019 and 2018.

		Millions of Yen	
		Balance in the foreign currency translation adjustments which were recognized by applying the hedge accounting	
Risk category		March 31, 2019	March 31, 2018
Foreign currency exchange rate		¥ (125,783)	¥ (108,065)

The balance in the foreign currency translation adjustments from any hedging relationships for which hedge accounting is no longer applied as of March 31, 2019 and 2018 were immaterial.

The effects of hedge accounting on the Consolidated Statements of Income and Comprehensive Income

Fair value hedge

The following table presents the change in value of the hedged items and fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness for the years ended March 31, 2019 and 2018.

Risk category	Millions of Yen			
	2019		2018	
	Change in value of hedged items	Change in fair value of hedging instruments	Change in value of hedged items	Change in fair value of hedging instruments
Foreign currency exchange rate	¥ 1,791	¥ (1,872)	¥ 1,567	¥ (1,602)
Interest rate	(14,425)	14,425	(413)	413

The following amounts included in the Consolidated Statements of Income and Comprehensive Income for the years ended March 31, 2019 and 2018 were immaterial:

- Hedge ineffectiveness recognized in profit for the year.

Cash flow hedge

The following amounts included in the Consolidated Statements of Income and Comprehensive Income for the years ended March 31, 2019 and 2018 were immaterial:

- The change in the value of hedged items and fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness.
- The hedging gains and losses that were recognized in other comprehensive income.
- Hedge ineffectiveness recognized in profit for the year.
- The amount reclassified from the cash flow hedge reserve into profit for the year as a reclassification adjustment.

Hedges of net investments in foreign operations

The following table presents the change in the fair value of hedging instruments used as the basis for recognizing hedge ineffectiveness and the amount which was recognized as the foreign currency translation adjustments by applying the hedge accounting for the years ended March 31, 2019 and 2018. The changes in values of hedged items used as the basis for recognizing hedge ineffectiveness approximated the change in fair value of hedging effective instruments used as the basis for recognizing hedge ineffectiveness.

Millions of Yen

2019

Risk category	Change in fair value of hedging instruments	Amount which was recognized as the foreign currency translation adjustments by applying the hedge accounting	Account which was mainly reclassified from the foreign currency translation adjustments	Amount which was reclassified from the foreign currency translation adjustments
			Gain (loss) on securities and other investments-net	
Foreign currency exchange rate	¥ (33,616)	¥ (32,875)		¥ 9,375

Millions of Yen

2018

Risk category	Change in fair value of hedging instruments	Amount which was recognized as the foreign currency translation adjustments by applying the hedge accounting	Account which was mainly reclassified from the foreign currency translation adjustments	Amount which was reclassified from the foreign currency translation adjustments
			Gain (loss) on securities and other investments-net	
Foreign currency exchange rate	¥ 43,125	¥ 42,034		¥ 25

The amounts of hedge ineffectiveness which were recognized in profit for the year for the years ended March 31, 2019 and 2018 were immaterial.

(8) Offset of financial assets and liabilities

A financial asset and a financial liability including collateral are offset and the net amount is presented in the Consolidated Statements of Financial Position of the Company when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts as well as intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The following table presents the gross amounts of recognized financial assets and liabilities, amounts of offset, net amounts, amounts not offset despite the existence of a master netting agreement, and exposure on a net basis of derivative assets, derivative liabilities and collateral as of March 31, 2019 and 2018. These amounts of financial assets and liabilities except derivative assets, derivative liabilities and collateral as of March 31, 2019 and 2018 were immaterial.

	Millions of Yen			
March 31, 2019:	Financial Assets		Financial Liabilities	
Gross amounts of recognized financial assets and liabilities	¥	736,129	¥	632,507
Gross amounts of financial assets and liabilities set off in the Consolidated Statements of Financial Position		(501,950)		(501,950)
Net amounts of financial assets and liabilities presented in the Consolidated Statements of Financial Position		234,179		130,557
Related amounts not set off in the Consolidated Statements of Financial Position (including collateral)		(31,595)		(31,595)
Exposure on a net basis	¥	202,584	¥	98,962

	Millions of Yen			
March 31, 2018:	Financial Assets		Financial Liabilities	
Gross amounts of recognized financial assets and liabilities	¥	601,595	¥	520,222
Gross amounts of financial assets and liabilities set off in the Consolidated Statements of Financial Position		(364,383)		(364,383)
Net amounts of financial assets and liabilities presented in the Consolidated Statements of Financial Position		237,212		155,839
Related amounts not set off in the Consolidated Statements of Financial Position (including collateral)		(42,083)		(42,083)
Exposure on a net basis	¥	195,129	¥	113,756

Financial assets are included in Other financial assets of Current and Non-current assets, and financial liabilities are included in Other financial liabilities of Current and Non-current liabilities in Consolidated Statements of Financial Position.

The companies normally have the rights to set off which are enforceable only in the event of default, insolvency or bankruptcy of its customers in relation to its recognized financial assets and liabilities where the requirements to set off are not met.

10. LEASES

Lessor

The companies lease real estate, aircraft, ocean transport vessels, rolling stock, equipment and others.

Certain leases of rolling stock, equipment and others are classified as finance leases, and the net investments are included as part of trade and other receivables in the Consolidated Statements of Financial Position.

Other leases are classified as operating leases and the related assets are presented as "Property, plant and equipment" or "Investment property" in the Consolidated Statements of Financial Position.

The following is a schedule of future minimum lease payments to be received from finance leases as well as the components of the present value as of March 31, 2019 and 2018:

	Millions of Yen			
	Gross investment in the lease		The present value of future minimum lease payments to be received	
	2019	2018	2019	2018
Year ended March 31:				
Not later than 1 year	¥ 5,766	¥ 6,630	¥ 4,484	¥ 5,316
Later than 1 year and not later than 5 years	11,755	15,138	10,515	13,160
Later than 5 years	5,123	8,200	2,629	3,290
Total	¥ 22,644	¥ 29,968	¥ 17,628	¥ 21,766
Unearned income	(5,016)	(8,202)		
The present value of future minimum lease payments to be received	¥ 17,628	¥ 21,766		

The following is a schedule of future minimum lease payments to be received under noncancellable operating leases as of March 31, 2019 and 2018:

	Millions of Yen	
	2019	2018
Year ended March 31:		
Not later than 1 year	¥ 48,974	¥ 35,549
Later than 1 year and not later than 5 years	77,102	78,906
Later than 5 years	34,931	33,153
Total	¥ 161,007	¥ 147,608

Lessee

The companies lease real estate, equipment, ocean transport vessels and others under finance leases.

The following is a schedule of minimum lease payments under finance leases as well as components of the present value as of March 31, 2019 and 2018. The following minimum lease payments have not been reduced by minimum sublease payments to be received of ¥28,739 million and ¥30,495 million as of March 31, 2019 and 2018:

	Millions of Yen			
	Future minimum lease payments		The present value of future minimum lease payments	
	2019	2018	2019	2018
Year ended March 31:				
Not later than 1 year	¥ 9,623	¥ 7,460	¥ 7,716	¥ 7,630
Later than 1 year and not later than 5 years	27,940	30,225	24,811	26,879
Later than 5 years	44,639	48,787	34,613	35,032
Total	¥ 82,202	¥ 86,472	¥ 67,140	¥ 69,541
Future financial cost	(15,062)	(16,931)		
The present value of future minimum lease payments	¥ 67,140	¥ 69,541		

The companies lease ocean transport vessels, real estate, rolling stock, equipment and others under operating leases. Most of the ocean transport vessels and rolling stock under operating leases are subleased to third parties.

The following is a schedule of future minimum lease payments under noncancellable operating leases as of March 31, 2019 and 2018. The following minimum lease payments have not been reduced by minimum sublease payments to be received of ¥35,479 million and ¥31,297 million as of March 31, 2019 and 2018:

Year ended March 31:	Millions of Yen			
	2019		2018	
Not later than 1 year	¥	53,383	¥	28,404
Later than 1 year and not later than 5 years		115,956		58,919
Later than 5 years		143,978		43,790
Total	¥	313,317	¥	131,113

Rental expenses incurred for operating leases for the years ended March 31, 2019 and 2018 were ¥61,268 million and ¥47,307 million, respectively. Sublease rental income for the years ended March 31, 2019 and 2018 was ¥15,615 million and ¥9,551 million, respectively.

11. INVENTORIES

Inventories as of March 31, 2019 and 2018 were comprised of the following:

	Millions of Yen			
	2019		2018	
Commodities and finished goods	¥	521,612	¥	467,922
Property for sale		13,843		17,377
Raw materials, work in progress and others		72,220		65,400
Total	¥	607,675	¥	550,699

See Note 25, "FAIR VALUE MEASUREMENT" for the carrying amount of inventories carried at fair value less costs to sell.

12. PROPERTY, PLANT AND EQUIPMENT

The changes in acquisition cost, accumulated depreciation and impairment losses and carrying amount of property, plant and equipment for the years ended March 31, 2019 and 2018 were as follows:

[Acquisition cost]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at April 1, 2017	¥ 827,825	¥ 2,327,174	¥ 120,714	¥ 338,929	¥ 247,541	¥ 3,862,183
Additions	13,324	37,094	25,691	2,111	154,140	232,360
Disposals	(14,609)	(108,375)	(36,318)	(8,879)	(6,363)	(174,544)
Foreign currency translation	(25,600)	(68,262)	(4,707)	(13,890)	(9,820)	(122,279)
Others	13,786	76,742	12,033	4,676	(105,795)	1,442
Balance at March 31, 2018	¥ 814,726	¥ 2,264,373	¥ 117,413	¥ 322,947	¥ 279,703	¥ 3,799,162
Additions	19,680	50,950	50,723	3,377	223,019	347,749
Acquisitions through business combinations	42,387	-	-	58,939	-	101,326
Disposals	(15,262)	(159,862)	(41,066)	(26,572)	(1,801)	(244,563)
Foreign currency translation	524	5,609	3,594	4,501	5,634	19,862
Others	21,702	128,423	13,558	6,699	(136,207)	34,175
Balance at March 31, 2019	¥ 883,757	¥ 2,289,493	¥ 144,222	¥ 369,891	¥ 370,348	¥ 4,057,711

"Others" includes the effects of transfers from projects in progress to other property, plant and equipment and changes in scope of consolidation.

[Accumulated depreciation and impairment losses]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at April 1, 2017	¥ 284,199	¥ 1,566,881	¥ 32,257	¥ 154,667	¥ 687	¥ 2,038,691
Depreciation expenses	25,199	135,826	7,102	7,223	-	175,350
Disposals	(5,985)	(77,803)	(7,156)	(2,584)	(47)	(93,575)
Impairment losses	1,754	1,408	1,923	-	4,848	9,933
Foreign currency translation	(7,973)	(47,265)	(768)	(7,248)	(4)	(63,258)
Others	(2,769)	7,481	303	387	(3,278)	2,124
Balance at March 31, 2018	¥ 294,425	¥ 1,586,528	¥ 33,661	¥ 152,445	¥ 2,206	¥ 2,069,265
Depreciation expenses	27,579	131,075	5,674	14,608	-	178,936
Disposals	(6,559)	(137,833)	(7,523)	(24,546)	-	(176,461)
Impairment losses	924	14,491	-	602	4,501	20,518
Foreign currency translation	(656)	9,688	836	2,668	(16)	12,520
Others	(241)	5,131	8,021	(2,682)	(2,677)	7,552
Balance at March 31, 2019	¥ 315,472	¥ 1,609,080	¥ 40,669	¥ 143,095	¥ 4,014	¥ 2,112,330

[Carrying amount]

	Millions of Yen					
	Land and buildings	Equipment and fixtures	Vessels and aircrafts	Mineral rights	Projects in progress	Total
Balance at March 31, 2018	¥ 520,301	¥ 677,845	¥ 83,752	¥ 170,502	¥ 277,497	¥ 1,729,897
Balance at March 31, 2019	¥ 568,285	¥ 680,413	¥ 103,553	¥ 226,796	¥ 366,334	¥ 1,945,381

Impairment losses were recorded as “Impairment reversal (loss) of fixed assets - net” in the Consolidated Statements of Income. The breakdown of impairment losses of fixed assets for the years ended March 31, 2019 and 2018 by segment is as follows:

	Millions of Yen			
	2019		2018	
Mineral & Metal Resources	¥	(681)	¥	(248)
Machinery & Infrastructure		(107)		(2,783)
Chemicals		(2,378)		-
Energy		(16,384)		(4,884)
Lifestyle		(751)		(2,001)
Innovation & Corporate Development		(217)		(17)
Consolidated Total	¥	(20,518)	¥	(9,933)

For the year ended March 31, 2019, MEP Texas Holdings LLC, a subsidiary in the Energy Segment engaged in the shale oil and gas development in Texas, recognized an impairment loss of ¥11,612 million in "Impairment loss of fixed assets" by reducing the carrying amount of the production equipment and others to the recoverable amount of ¥46,172 million. The impairment loss was mainly related to the revision of development plan. The recoverable amount above represented the value in use. The discount rate used to calculate the value in use is deemed to reflect the market average profit margin and the risks inherent to the cash-generating unit.

The impairment loss on property, plant and equipment for the year ended March 31, 2018 was immaterial.

13. INVESTMENT PROPERTY

The acquisition cost, accumulated depreciation and impairment losses, carrying amount and fair value of investment property for the years ended March 31, 2019 and 2018 were as follows.

[Acquisition cost and accumulated depreciation and impairment losses]

	Millions of Yen			
	Acquisition cost		Accumulated depreciation and impairment losses	
Balance at April 1, 2017.....	¥	217,621	¥	37,832
Balance at March 31, 2018.....	¥	231,192	¥	42,239
Balance at March 31, 2019.....	¥	240,288	¥	37,186

[Carrying amount and fair value]

	Millions of Yen			
	Carrying amount		Fair value	
Balance at March 31, 2018.....	¥	188,953	¥	379,792
Balance at March 31, 2019.....	¥	203,102	¥	387,322

The amounts of acquisitions for the year ended March 31, 2019 were immaterial and the amounts for the year ended March 31, 2018 were ¥29,999 million.

Rental income from investment property and direct operating expenses arising from investment property for the years ended March 31, 2019 and 2018 were immaterial.

The fair value of primary investment property as of the end of each reporting period is based on a valuation conducted by independent valuation appraisers, who have recent experience in the locations and categories of the investment property being valued, and have the appropriate and recognized professional qualifications (such as registered appraiser), and is classified as Level 3. The valuation is based on significant unobservable inputs such as estimated rents and discount rates using primarily the income approach and conforms to the standards of the country where the investment property is located.

14. INTANGIBLE ASSETS

The changes in acquisition cost, accumulated amortization and impairment losses, and carrying amount of intangible assets for the years ended March 31, 2019 and 2018 were as follows:

[Acquisition cost]

	Millions of Yen			
	Goodwill	Software	Others	Total
Balance at April 1, 2017	¥ 110,639	¥ 80,121	¥ 147,839	¥ 338,599
Additions	18,085	6,865	6,304	31,254
Disposals	(1,553)	(8,189)	(3,852)	(13,594)
Foreign currency translation	(3,571)	(852)	(2,991)	(7,414)
Others	(176)	1,084	6,642	7,550
Balance at March 31, 2018	¥ 123,424	¥ 79,029	¥ 153,942	¥ 356,395
Additions	12,352	4,844	18,443	35,639
Disposals	(5,398)	(10,917)	(3,935)	(20,250)
Foreign currency translation	1,006	445	1,097	2,548
Others	(9,338)	(9,228)	(1,439)	(20,005)
Balance at March 31, 2019	¥ 122,046	¥ 64,173	¥ 168,108	¥ 354,327

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Goodwill	Software	Others	Total
Balance at April 1, 2017	¥ 42,125	¥ 56,446	¥ 71,351	¥ 169,922
Amortization expense	-	8,166	5,241	13,407
Impairment losses	6,437	885	4,754	12,076
Disposals	-	(7,640)	(2,501)	(10,141)
Foreign currency translation	(919)	(547)	(1,571)	(3,037)
Others	-	690	271	961
Balance at March 31, 2018	¥ 47,643	¥ 58,000	¥ 77,545	¥ 183,188
Amortization expense	-	7,545	7,347	14,892
Impairment losses	3,485	63	7,376	10,924
Disposals	-	(10,734)	(2,321)	(13,055)
Foreign currency translation	(88)	302	823	1,037
Others	(7,562)	(9,467)	285	(16,744)
Balance at March 31, 2019	¥ 43,478	¥ 45,709	¥ 91,055	¥ 180,242

[Carrying amount]

	Millions of Yen			
	Goodwill	Software	Others	Total
Balance at March 31, 2018	¥ 75,781	¥ 21,029	¥ 76,397	¥ 173,207
Balance at March 31, 2019	¥ 78,568	¥ 18,464	¥ 77,053	¥ 174,085

Amortization expense on intangible assets with finite estimated useful lives is mainly recognized in “Selling, general and administrative expenses” in the Consolidated Statements of Income.

Impairment losses and reversal of impairment losses on intangible assets are recognized in “Impairment reversal (loss) of fixed assets - net” in the Consolidated Statements of Income.

For the year ended March 31, 2019, Novus International, Inc., a subsidiary in the Chemicals Segment, recognized a loss of ¥13,985 million (¥7,946 million in “Impairment reversal (loss) of fixed assets-net” (from valuing the recoverable amount of assets not expected to be used in the future to zero), ¥5,065 million in “Gain (loss) on disposal or sales of fixed assets-net” and ¥974 million in “Other income (expense)-net”) on assets related to capacity increase (including equipment and fixtures) as a result of reassessing projects to increase production capacity of methionine, due to effect on the projects of economic efficiency which was mainly caused by recent spike of EPC cost in the US Gulf Coast.

For the year ended March 31, 2018, XINGU AGRI AG, a subsidiary in the Lifestyle Segment, recognized an impairment loss of ¥11,288 million in “impairment loss of fixed assets”, of which impairment loss of goodwill is ¥6,437 million and impairment loss of investment properties is ¥4,851 million, by reducing the carrying amount of assets such as the goodwill and the farmland to the recoverable amount of ¥70,470 million. The impairment loss mainly related to a decline in the soybean price and decreased demand for the farmland in the area where the assets are located. The recoverable amount above represents the fair value less costs of disposal, which is based on a valuation conducted by independent valuation appraisers who have recent experience in the locations and categories of the asset being valued, and the fair value is classified as level 3.

Goodwill is allocated to each cash-generating unit (or group of units) for impairment testing of goodwill for the years ended March 31, 2019 and 2018. The goodwill allocated to Mitsui E&P Italia A S.r.l, of which carrying amounts were ¥21,845 million and ¥20,910 million as of March 31, 2019 and 2018, respectively, accounts for a main portion of the goodwill. The recoverable amount is calculated based on the value in use, and is the sum of the net present value of the future cash flow estimated from the production plan for the Tempa Rossa on shore oil field in the Gorgoglione concession in Italy during its useful life. A profit margin which is deemed to be the market average and reflects the risks inherent in the cash-generating unit is used as the discount rate to calculate the value in use.

The key assumptions with the most significant impact on the calculation of the value in use are the production plan and oil price.

The production plan used in the valuation has been developed by the operator, Total E&P Italia S.p.A. and approved by the management of Mitsui E&P Italia A S.r.l. The oil price based on the Crude Oil Brent Price is used for impairment testing.

The carrying amount of intangible assets with indefinite useful lives, allocated to cash-generating unit (or group of units) for impairment testing is immaterial in comparison with the companies’ total carrying amount of intangible assets with indefinite useful lives for the years ended March 31, 2019 and 2018.

15. EXPLORATION AND EVALUATION FOR MINERAL RESOURCES AND OIL & GAS

Exploration and evaluation assets for mineral resources and oil & gas for the years ended March 31, 2019 and 2018 were as follows: Exploration and evaluation assets are mainly recognized in "Property, plant and equipment" in the consolidated statement of financial position.

	Millions of Yen	
	2019	2018
Balance at beginning of year	67,863	82,509
Acquisitions / Additions	57,502	12,460
Impairment and write-down of capitalized exploration expenses	(4,355)	(4,254)
Reclassification	(18,357)	(12,174)
Foreign currency translation	2,280	(3,647)
Others	(13)	(7,031)
Balance at end of year	104,920	67,863

Expenses, cash flows from operating activities and cash flows from investing activities in relation to exploration and evaluation for mineral resources and oil & gas for the years ended March 31, 2019 and 2018 were as follows:

Exploration and evaluation expenses are included in impairment reversal (loss) of fixed assets-net and other income (expense)-net in the Consolidated Statements of Income.

Impairment and write-down of capitalized exploration expenses are included in impairment reversal (loss) of fixed assets-net, while other exploration and evaluation expenses are included in other income (expense)-net.

	Millions of Yen	
	2019	2018
Exploration and evaluation expenses	(13,845)	(13,196)
Cash flows from operating activities	(9,078)	(8,360)
Cash flows from investing activities	(57,490)	(4,232)

16. DISCLOSURES ABOUT FINANCIAL AND OTHER TRADE LIABILITIES

(1) Short-term debt

Short-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen			
	2019		2018	
		Interest rate		Interest rate
Short-term bank loans and others	¥ 294,816	3.0%	¥ 201,556	3.6%
Commercial paper	42,212	0.2	-	-
Total	¥ 337,028		¥ 201,556	

The interest rates represent weighted-average rates in effect as of March 31, 2019 and 2018 regardless of borrowing currencies, though the range of interest rates varies by borrowing currency.

(2) Long-term debt

Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen	
	2019	2018
Long-term debt with collateral (Note 17):		
Banks and insurance companies, maturing serially through 2052— principally 0.1% to 9.0%	¥ 35,087	¥ 24,290
Government-owned banks and government agencies, maturing serially through 2030—principally 1.8% to 11.7%	12,411	19,901
Bonds:		
Indonesian Rupiah bonds (fixed rate 6.2% to 7.9%, due 2018–2021)	10,530	3,900
Total	58,028	48,091
Long-term debt without collateral:		
Banks and others (principally insurance companies):		
Principally 0.0% to 2.6%, maturing serially through 2076	1,805,553	1,727,365
Principally 0.1% to 12.0%, maturing serially through 2032 (payable in foreign currencies)	2,194,272	1,981,723
Bonds and notes:		
Japanese yen bonds (fixed rate 0.7% to 2.6%, due 2018– 2038)	138,618	172,723
Japanese yen bonds (fixed and floating rate: floating rate 1.7% to 1.8%, due 2024)	10,000	10,000
Notes under euro medium-term note programme (fixed and floating rate: floating rate 1.1% to 3.3% due 2018–2029)	14,836	15,936
Finance lease obligations (0.2% to 5.7%, maturing serially through 2036)	67,140	69,541
Subtotal	4,230,419	3,977,288
Total	4,288,447	4,025,379
Less current portion	479,390	482,550
Long-term debt, less current portion	¥ 3,809,057	¥ 3,542,829

Long-term debt includes subordinated syndicated loans of ¥350.0 billion and ¥205.0 billion. The maturity dates are June 15, 2076 and August 15, 2076, respectively. Prepayments will be enabled from June 15, 2023 and August 15, 2028, respectively.

(3) Trade and other payables, and other financial liabilities

Trade and other payables, and other financial liabilities as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen			
	2019		2018	
Current:				
Trade and other payables				
Notes payable-trade	¥	23,761	¥	23,057
Accounts payable-trade		1,165,119		1,118,745
Accrued expenses		133,394		122,483
Other financial liabilities				
Accounts payable-other		154,034		167,604
Derivative liabilities		93,030		103,568
Other		31,408		29,112
Total	¥	1,600,746	¥	1,564,569
Non-current:				
Other financial liabilities				
Accounts payable-other	¥	14,923	¥	23,629
Derivative liabilities		31,062		47,030
Other		26,110		32,503
Total	¥	72,095	¥	103,162

All financial liabilities, except for derivative liabilities, presented above are measured at amortized cost and there are no financial liabilities measured at FVTPL.

The amount included in "Payables to equity accounted investees" for the year ended March 31, 2018 is reported in "Notes payable-trade" and "Accounts payable-trade" respectively for the year ended March 31, 2019. In accordance with this change, the relevant figures for the year ended March 31, 2018 were reclassified. The relevant figure ¥38,019 million included in "Payable to accounted equity investees" was reclassified into "Accounts payable-trade".

Payable to accounted equity investees included in trade and other payables carried at March 31, 2019 and 2018 were ¥46,304 million and ¥38,019 million respectively.

(4) Liquidity risk analysis

Non-derivative financial liabilities

Contractual balances of non-derivative financial liabilities by maturity as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
March 31, 2019				
Trade and other payables	¥ 1,320,302	¥ 1,972	¥ -	¥ 1,322,274
Accounts payable-other	153,067	13,411	2,479	168,957
Long-term debt (including current portion)	479,390	1,546,009	2,263,048	4,288,447
March 31, 2018				
Trade and other payables	¥ 1,263,446	¥ 839	¥ -	¥ 1,264,285
Accounts payable-other	167,503	22,364	1,366	191,233
Long-term debt (including current portion)	482,550	1,439,646	2,103,183	4,025,379

Derivative instruments

The following tables summarize the result of liquidity analysis of derivative instruments held by the companies. These tables are prepared based on future receipts and payments of derivative instruments. If amounts to be received or paid are not fixed, the disclosed amounts are calculated using interest rates estimated in reference to the yield curve as of March 31, 2019 and 2018.

March 31, 2019

Millions of Yen

		Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Foreign exchange contracts	Receipts	¥ 14,361	¥ 23,486	¥ 627	¥ 38,474
	Payments	(19,348)	(16,283)	(3,026)	(38,657)
Interest rate contracts	Receipts	9,699	30,986	39,175	79,860
	Payments	(592)	(1,874)	(312)	(2,778)
Commodity contracts	Receipts	520,868	49,477	—	570,345
	Payments	(508,889)	(51,534)	—	(560,423)

March 31, 2018

Millions of Yen

		Within 1 year	More than 1 year and not more than 5 years	More than 5 years	Total
Foreign exchange contracts	Receipts	¥ 30,900	¥ 23,267	¥ 17	¥ 54,184
	Payments	(22,451)	(31,940)	(1,168)	(55,559)
Interest rate contracts	Receipts	10,190	31,782	41,277	83,249
	Payments	(450)	(1,202)	(448)	(2,100)
Commodity contracts	Receipts	406,265	25,493	123	431,881
	Payments	(400,519)	(31,230)	(1,115)	(432,864)

The amounts of future payments of other derivative instruments not included in the table were immaterial as of March 31, 2019 and 2018.

17. PLEDGED ASSETS

The assets pledged as collateral for certain short-term debt, long-term debt, and guarantee of contracts, etc., as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Cash and deposits	¥	61,040	¥	54,200
Trade and other receivables (current and non-current)		21,924		20,627
Investments		446,960		416,320
Property, plant and equipment		60,252		23,102
Others		997		86
Total	¥	591,173	¥	514,335

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

In addition to the above, the Company has bank borrowings under certain provisions of loan agreements which require the Company, upon the request of the bank, to immediately provide collateral, which is not originally identified in the loan agreements. The Company also has certain bank loan agreements in which default provisions grant sale or possession rights of the pledged assets to lenders.

18. PROVISIONS

The changes in provisions for the year ended March 31, 2019 were as follows:

	Millions of Yen		
	Asset retirement obligation	Other provisions	Total
Balance at April 1, 2018	¥ 171,954	56,731	228,685
Additional provisions recognized	33,269	23,209	56,478
Provisions used	(3,354)	(17,273)	(20,627)
Unwinding of discount	3,938	—	3,938
Others*	455	(22,075)	(21,620)
Balance at March 31, 2019	¥ 206,262	40,592	246,854

* "Others" principally includes the decrease due to changes in estimates and the effect of changes in foreign currency exchange rates.

Asset retirement obligations are principally related to the costs of dismantling and removing oil and gas production facilities owned by a domestic subsidiary, which has interests in oil and gas operations in Southeast Asia and other areas, and subsidiaries in Australia and Europe, which are engaged in oil and gas producing activities. These expenses are expected to be paid within fifty years; however, they may be affected by future business plans and other circumstances.

"Other provisions" includes provision related to Multigrain business, the fire incident of International Terminals Company LLC ("ITC"), product warranties and rebates of sales, etc. See Note 29 for provision related to Multigrain business, see Note 30 for the fire incident of ITC.

19. EMPLOYEE BENEFITS

The Company and certain subsidiaries have non-contributory and contributory defined benefit pension plans covering substantially all employees other than directors.

The primary pension plan is the Company's contributory Corporate Pension Fund ("CPF") under the Defined Benefit Corporate Pension Law. Benefits from CPF are based on length of service.

Effective April 1, 2006, the Company converted certain portions of CPF into a defined contribution plan and a cash balance plan. The cash balance plan calculates a participant's benefits using a percentage of the employee's annual salary and an interest crediting rate.

The Company and certain subsidiaries have unfunded severance indemnity plans. Benefits under the plans are based on the level of compensation at retirement, or earlier termination of employment, and the length of service.

Changes in the defined benefit obligation and plan assets

The following table sets forth the changes in the companies' defined benefit obligation and plan assets:

	Millions of Yen	
	2019	2018
Change in defined benefit obligation:		
Defined benefit obligation at beginning of year	¥ 356,327	¥ 360,314
Service cost	12,311	12,144
Interest cost	3,142	3,174
Actuarial gain (loss)	9,281	(3,833)
Benefits paid from plan assets	(15,120)	(15,300)
Others	(1,907)	(172)
Defined benefit obligation at end of year	364,034	356,327
Change in plan assets:		
Fair value of plan assets at beginning of year	305,820	300,416
Interest income	3,134	3,534
Return on plan assets (excluding interest income)	(1,794)	10,409
Contributions by the employer	14,727	6,715
Benefits paid from plan assets	(15,120)	(15,300)
Others	297	46
Fair value of plan assets at end of year	307,064	305,820
Net defined benefit liability at end of year	¥ (56,970)	¥ (50,507)

Components of net periodic pension costs

Net periodic pension costs of the companies' defined benefit pension plans for the years ended March 31, 2019 and 2018 included the following components:

	Millions of Yen	
	2019	2018
Service cost – benefits earned during the period	¥ 12,311	¥ 12,144
Net interest expense (revenue)	8	(360)
Others	22	43
Net periodic pension costs	¥ 12,341	¥ 11,827

Assumptions

The weighted-average assumptions used to determine the companies' defined benefit obligations as of March 31, 2019 and 2018 are set forth as follows:

	2019	2018
Discount rate	0.8%	0.9%
Rate of increase in future compensation levels	1.0%	1.0%

The companies mainly determine the discount rates each year as of the measurement date based on a review of interest rates associated with high-quality fixed-income corporate bonds.

The rate of increase in future compensation levels was not applied in determining the defined benefit obligation of CPF other than the cash balance plan because the benefit formulas of these plans do not contain factors relating to compensation levels.

The following table illustrates the sensitivity to changes in assumptions for pension plans:

	Impact of change in assumption on defined benefit obligation as of March 31, 2019
50 basis point decrease in discount rate	¥25,562 million increase
50 basis point increase in discount rate	¥22,734 million decrease

Plan assets

The Company's investment objective is to build a high quality portfolio of plan assets. The investment policy is targeted to ensure adequate returns available to provide future payments of pension benefits and severance indemnities. The basic strategy is diversified investment in various asset classes which have different risk return characteristics. The Company sometimes uses derivative instruments to hedge the exposure to changes in fair value of debt and equity securities, but never uses them for speculation. The subsidiaries' investment strategies are mainly based on diversified investment, and are targeted to ensure stable and adequate returns to provide future payments of pension benefits over the long term.

The fair value of the companies' pension plan assets as of March 31, 2019 and 2018 by asset class are set forth as follows:

Asset Class	Millions of Yen					
	2019			2018		
	Quoted market price in an active market			Quoted market price in an active market		
	Available	Not available	Total	Available	Not available	Total
Equity financial instruments (Japan)	¥ 64,337	¥ 52,299	¥ 116,636	¥ 68,111	¥ 51,730	¥ 119,841
Equity financial instruments (non-Japan)	3,945	37,319	41,264	4,212	28,549	32,761
Debt securities (Japan)	4,213	11,232	15,445	4,832	19,773	24,605
Debt securities (non-Japan)	10,014	74,673	84,687	8,447	74,109	82,556
Life insurance company general accounts	29	32,840	32,869	-	32,059	32,059
Cash and deposits	14,240	-	14,240	11,820	-	11,820
Other	1,234	689	1,923	1,487	691	2,178
Total	¥ 98,012	¥ 209,052	¥ 307,064	¥ 98,909	¥ 206,911	¥ 305,820

The equity financial instruments above include securities held in the Company's employee retirement benefit trust. Publicly-traded, equity financial instruments and debt securities are valued using quoted market prices and classified as assets for which a quoted market price in an active market is available. Other equity financial instruments and debt securities are mostly pooled investments managed by trust banks. Which are valued using net asset values of the investments calculated by the trust banks based on the fair value of the underlying assets and classified as assets for which a quoted market price in an active market is not available. Life insurance company general accounts are pooled investment portfolios managed by insurance companies with a guaranteed minimum rate of return. Most of them are valued based on the value of the accounts calculated by the insurance companies and classified as assets for which a quoted market price in an active market is not available.

Cash flows

Contributions

The companies expect to contribute ¥14,047 million to their defined benefit pension plans for the year ending March 31, 2020. When a funded amount of CPF is less than the minimum funding amount at the end of each annual period, the companies will contribute the required amounts to CPF in accordance with the rules of CPF.

Information about the maturity profile

The weighted-average duration of the benefit payments for the defined benefit obligation as of March 31, 2019 is 16 years.

Multiemployer plan

Certain subsidiaries participate in a multiemployer defined benefit pension plan, Mitsui & Co. Group Pension Fund ("MGPF"). Employers other than the Company and its subsidiaries also participate in MGPF, which is different from single-employer plans in the following respects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the multiemployer plan is wound up or a participating employer chooses to stop participating in the multiemployer plan, the participating employer may be required to pay the plan an amount based on the underfunded status of the plan at the time of a wind-up or a withdrawal, referred to as a withdrawal liability.

By participating in MGPF, participating employees will receive the additional benefit stipulated by the plan.

In relation to this plan, the amount of contribution was recorded as a retirement benefit cost as though it was a defined contribution plan because sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

Based on the most recently available information, the funded status of MGPF as of March 31, 2018 and 2017 was as follows:

	Millions of Yen	
	2018	2017
Plan assets, net of current payables	¥ 23,719	¥ 23,244
Actuarial reserve under pension actuarial valuation	19,221	18,759
Net amount.....	4,498	4,485

The amount contributed to MGPF by the Company's subsidiaries constituted a significant portion of the total contribution and included a surcharge. MGPF was converted into a defined benefit corporate pension fund with the approval from the Ministry of Health, Labour and Welfare of the Japanese Government in April 2015.

The Company also provides an "Early Retirement Support Plan" to eligible employees, which guarantees, prior to normal retirement age, certain supplemental payments based on preretirement compensation levels.

20. EQUITY

(1) Common stock

The number of shares authorized and issued for the years ended March 31, 2019 and 2018 were as follows:

	Number of shares	
	2019	2018
Authorized:		
Common stock – no par value	2,500,000,000	2,500,000,000
Issued:		
Balance at beginning of year	1,796,514,127	1,796,514,127
Increase (decrease) during the year	(54,168,500)	—
Balance at end of year	1,742,345,627	1,796,514,127

The number of treasury stock held as of March 31, 2019 and 2018 included in the number of shares issued shown above was 4,271,539 and 58,632,655 shares, respectively.

For the year ended March 31, 2019, the number of shares issued was decreased by 54,168,500 shares dated April 20, 2018 due to cancellation of such number of treasury stock based on the resolution of the meeting of the Board of Directors held on February 2, 2018.

(2) Capital surplus and retained earnings

Capital surplus mainly consist of additional paid-in capital. Changes in capital surplus for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Balance at beginning of year.	¥ 386,165	¥ 409,528
Equity transactions with non-controlling interest shareholders:		
Increase (decrease) due to transfers of owners of parent's ownership interests in its subsidiaries to non-controlling interests	217	399
Increase (decrease) due to transfers of owners of parent's ownership interests in its subsidiaries from non-controlling interests	873	(23,980)
Sales of treasury stock	(151)	(29)
Compensation costs related to stock options.....	231	247
Balance at end of year.	¥ 387,335	¥ 386,165

Retained earnings consist of legal reserve and other unappropriated retained earnings.

The Companies Act of Japan stipulates that an amount equal to 10% of distribution from surplus must be appropriated as additional paid-in capital or a legal reserve in retained earnings depending on the equity account charged upon the payment of such distribution until the total aggregate amount of additional paid-in capital and legal reserve in retained earnings equals 25% of the common stock.

Under the Companies Act, the amount available for distribution is calculated based on the amount of capital surplus and retained earnings, exclusive of additional paid-in capital and legal reserve, recorded in the general books of account in accordance with generally accepted accounting principles in Japan. The amount available for distributions from the Company was ¥1,078,385 million at March 31, 2019.

(3) Other components of equity

Changes in other components of equity for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Financial Assets Measured at FVTOCI:				
Balance at beginning of year	¥	306,911	¥	204,100
Increase (decrease) during the year		63,233		127,906
Transfer to retained earnings		(13,646)		(25,095)
Balance at end of year	¥	356,498	¥	306,911
Remeasurements of Defined Benefit Pension Plans:				
Balance at beginning of year	¥	—	¥	—
Increase (decrease) during the year		(13,391)		15,608
Transfer to retained earnings		13,391		(15,608)
Balance at end of year	¥	—	¥	—
Foreign Currency Translation Adjustments:				
Balance at beginning of year	¥	161,488	¥	308,054
Increase (decrease) during the year		(36,982)		(146,566)
Balance at end of year	¥	124,506	¥	161,488
Cash Flow Hedges:				
Balance at beginning of year	¥	(20,364)	¥	(26,707)
Increase (decrease) during the year		2,630		6,343
Balance at end of year	¥	(17,734)	¥	(20,364)
Total:				
Balance at beginning of year	¥	448,035	¥	485,447
Increase (decrease) during the year		15,490		3,291
Transfer to retained earnings		(255)		(40,703)
Balance at end of year	¥	463,270	¥	448,035

(4) Income tax relating to other comprehensive income

Income taxes included in each component of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Items that will not be reclassified to profit or loss:				
Financial assets measured at FVTOCI	¥	(31,212)	¥	(47,423)
Remeasurements of defined benefit pension plans		(124)		(41)
Share of other comprehensive income of investments accounted for using the equity method		939		(1,393)
Total	¥	(30,397)	¥	(48,857)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	¥	4,823	¥	(40,810)
Cash flow hedges		1,936		(4,991)
Share of other comprehensive income of investments accounted for using the equity method		(2,537)		13,152
Total	¥	4,222	¥	(32,649)

(5) Other comprehensive income included in non-controlling interests

Each component of other comprehensive income included in non-controlling interests for the years ended March 31, 2019 and 2018 was as follows:

	Millions of Yen			
	2019		2018	
Financial assets measured at FVTOCI	¥	(2,035)	¥	1,241
Remeasurements of defined benefit pension plans		23		(32)
Foreign currency translation adjustments		(711)		(5,663)
Cash flow hedges		(68)		115
Total	¥	(2,791)	¥	(4,339)

21. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the years ended March 31, 2019 and 2018:

	2019			2018		
	Profit (numerator)	Shares (denominator)	Per share amount	Profit (numerator)	Shares (denominator)	Per share amount
	Millions of Yen	In Thousands	Yen	Millions of Yen	In Thousands	Yen
Basic earnings per share attributable to owners of the parent:	¥ 414,215	1,737,982	¥ 238.33	¥ 418,479	1,760,728	¥ 237.67
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.....	(37)	-		(52)	-	
Stock options	-	1,202		-	1,038	
Diluted earnings per share attributable to owners of the parent:	¥ 414,178	1,739,184	¥ 238.15	¥ 418,427	1,761,766	¥ 237.50

22. REVENUES

(1) 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 7 “SEGMENT INFORMATION”. Revenue other than revenue recognized from contracts with customers includes revenue related to lease and financial instruments, etc.

Year ended March 31, 2019:	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	¥ 247,368	¥ 472,956	¥ 842,958	¥ 1,728,922	¥ 260,806	¥ 1,604,918	¥ 125,084	¥ 4,526	¥ 5,287,538

(2) Contract balances

The balances of receivables from contracts with customers and contract liabilities are as follows.

	Millions of Yen	
	Balance at March 31, 2019	Balance at April 1, 2018
Receivables from contracts with customers.....	¥ 1,442,960	1,408,629
Contract liabilities.....	201,973	289,151

In the Consolidated Statement of Financial Position, receivables from contracts with customers are included in “Trade and other receivables” and contract liabilities are included in “Advances from customers”. Contract liabilities mainly consist of advances from customers prior to delivery in ships and aircrafts sales transactions. If the time between transfer of goods or services to the customer and payment is within 1 year, the impact of material financial factors is not adjusted. Of the revenue recognized in the year ended March 31, 2019, the amount included in contract liabilities as of the beginning of the fiscal year is 114,910 million yen.

(3) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the expected period of revenue recognition are as follows. The contracts that have an original expected duration of one year or less are not included. In addition, there is no significant consideration from contracts with customers not included in the transaction price. In the year ended March, 2019, if the price at the time of revenue recognition is undecided, the future price is reasonably estimated based on the contract conditions and the prices published by the third parties and allocated to the remaining performance obligations.

	Millions of Yen	
	2019	
Within 1 year.....	¥	835,222
More than 1 year and Within 2 year.....		652,214
More than 2 year and Within 3 year.....		424,592
More than 3 year.....		3,435,881
Total.....	¥	5,347,909

The balances more than 3 year are mainly composed of long-term contracts up to 2040.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer.

For the year ended March 31, 2019, the amounts of assets recognized from the costs to obtain or fulfill contracts with customers are immaterial. Also, if the amortization period of the asset to be recognized is within a year, the incremental costs of obtaining a contract is recognized as a cost when incurred.

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 consisted of the following:

	Millions of Yen			
	2019		2018	
Personnel expenses.....	¥	299,541	¥	297,088
Communication expenses.....		43,823		45,834
Traveling expenses.....		30,880		29,849
Loss allowance.....		13,287		20,331
Other.....		178,760		178,601
Total.....	¥	566,291	¥	571,703

Remuneration of the Company’s Directors and Corporate Auditors for the years ended March 31, 2019 and 2018 was ¥1,624 million and ¥1,688 million, respectively.

24. INCOME TAXES

Income Taxes in the Consolidated Statements of Income for the year ended March 31, 2018 include the gain of ¥7,070 million mainly due to the reversal of deferred tax assets and liabilities which reflect the lower federal corporate income tax rate set by the “Tax Cuts and Jobs Act” in the U.S. enacted on December 22, 2017.

Reconciliation between the applicable income tax rate in Japan and the effective income tax rate in the consolidated statements of income and comprehensive income for the years ended March 31, 2019 and 2018 was summarized as follows:

	%	
	2019	2018
Applicable income tax rate in Japan.....	31.0%	31.0%
Increases (decreases) in tax rate resulting from:		
Expenses not deductible for tax purposes and income not taxable-net.....	0.3	1.5
Changes in tax rate.....	0.0	(1.6)
Tax effects on dividends.....	(3.3)	(27.8)
Changes in assessment for recoverability of deferred tax assets.....	3.3	12.0
Higher tax rates for resource related taxes.....	4.7	4.7
Tax effects on investments accounted for using the equity method.....	(7.5)	(8.8)
Controlled Foreign Company taxation in Japan.....	0.5	9.4
Other.....	(2.9)	(1.5)
Effective income tax rate.....	26.1%	18.9%

The tax effects of significant temporary differences and carryforwards which result in deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Deferred Tax Assets:				
Retirement benefit liabilities.....	¥	6,747	¥	7,122
Estimated losses.....		16,878		16,982
Fixed assets.....		54,592		53,491
Loss carryforwards.....		115,408		91,820
Foreign currency translation.....		28,308		31,461
Derivatives.....		4,777		3,877
Other.....		2,480		2,758
Total deferred tax assets.....		229,190		207,511
Deferred Tax Liabilities:				
Fixed assets.....		160,081		152,824
Other investments.....		275,814		244,922
Undistributed earnings.....		206,175		174,414
Foreign currency translation.....		41,013		43,513
Derivatives.....		1,455		7,971
Other.....		3,645		1,396
Total deferred tax liabilities.....	¥	688,183	¥	625,040

Deferred tax assets recognized by taxable entities that have suffered a loss in either the current or preceding period were ¥25,974 million and ¥32,632 million as of March 31, 2019 and 2018, respectively. Mainly based on expected resource prices, reserve estimation by external institutions and the estimation in consideration of long-term sales agreements, the companies recognize deferred tax assets within a sufficient taxable income during the expiry period of net operating loss carried forward for each country.

The unused tax loss carryforwards and deductible temporary differences for which deferred tax assets were not recognized were ¥2,617,983 million and ¥2,575,045 million as of March 31, 2019 and 2018, respectively.

Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were ¥1,734,937 million and ¥1,807,270 million as of March 31, 2019 and 2018, respectively.

The increase and decrease in deferred tax assets and deferred tax liabilities recognized as deferred tax expenses in the consolidated statements of income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Retirement benefit liabilities.....	¥ (374)	¥ (893)
Estimated losses.....	1,258	1,863
Fixed assets.....	(2,973)	16,150
Loss carryforwards.....	24,580	(22,882)
Other investments.....	(5,640)	(1,416)
Undistributed earnings.....	(31,291)	49,362
Other.....	(3,229)	(1,815)
Total.....	¥ (17,669)	¥ 40,369

Unused tax loss carryforwards for which no deferred tax assets have been recognized as of March 31, 2019 and 2018 were ¥710,715 million and ¥666,575 million, respectively. If not utilized, such tax loss carryforwards will expire as follows:

	Millions of Yen	
	2019	2018
Within 5 years.....	¥ 179,099	¥ 115,756
After 5 to 10 years.....	175,614	193,045
After 10 to 15 years.....	155,270	165,431
After 15 years.....	200,732	192,343
Total.....	¥ 710,715	¥ 666,575

Income tax expenses in the consolidated statements of income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Current.....	¥ (134,906)	¥ (143,451)
Deferred.....	¥ (17,669)	¥ 40,369
Total.....	¥ (152,575)	¥ (103,082)

Deferred tax expenses or income arising from the write-down and reversal of previously written-down deferred tax assets related to tax loss carryforwards and temporary differences of the companies for which it is probable that a tax benefit or expense will not be realized were immaterial for the years ended March 31, 2019 and 2018.

25. 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:

Trade and other receivables

- Trade and other receivables other than measured at amortized cost are measured at fair value.
 - Trade 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 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 adjustments and classified as level 2. The amounts of costs to sell as of March 31, 2019 and 2018 were immaterial.

(2) Valuation process

The valuation process involved in level 3 measurements for each applicable asset and liability is governed by the model validation policy and related procedures pre-approved by appropriate personnel. Based on the policy and procedures, the personnel determine the valuation model to be utilized to measure each asset and liability at fair value. We engage independent external experts of valuation to assist in the valuation process for certain assets over a specific amount, and 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 March 31, 2019 and 2018 were as follows. No assets or liabilities were transferred between level 1 and 2 for the years ended March 31, 2019 and 2018.

March 31, 2019	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Trade and other receivables:					
Loans measured at FVTPL.....	-	-	¥ 22,415		
Total trade and other receivables	-	-	¥ 22,415	-	¥ 22,415
Other investments:					
Financial assets measured at FVTPL.....	¥ 27,303	-	¥ 111,504		
Financial assets measured at FVTOCI.....	1,008,710	-	762,857		
Total other investments	¥ 1,036,013	-	¥ 874,361	-	¥ 1,910,374
Derivative assets:					
Foreign exchange contracts.....	-	¥ 38,715	-		
Interest rate contracts.....	-	72,358	-		
Commodity contracts.....	¥ 14,362	556,610	¥ 1,116		
Others.....	-	-	13,254		
Total derivative assets	¥ 14,362	¥ 667,683	¥ 14,370	¥ (501,950)	¥ 194,465
Inventories.....	-	¥ 122,309	-	-	122,309
Total assets.....	¥ 1,050,375	¥ 789,992	¥ 911,146	¥ (501,950)	¥ 2,249,563
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts.....	-	¥ 38,863	-		
Interest rate contracts.....	-	4,469	-		
Commodity contracts.....	¥ 13,864	547,296	¥ 653		
Others.....	-	-	13,985		
Total derivative liabilities	¥ 13,864	¥ 590,628	¥ 14,638	¥ (495,038)	¥ 124,092
Total liabilities.....	¥ 13,864	¥ 590,628	¥ 14,638	¥ (495,038)	¥ 124,092

March 31, 2018	Millions of Yen				
	Fair value measurements using			Netting adjustments*	Total fair value
	Level 1	Level 2	Level 3		
Assets:					
Trade and other receivables:					
Loans measured at FVTPL.....	-	-	¥ 21,380		
Total trade 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
Liabilities:					
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 the end of the period was ¥22,415 million for the year ended March 31, 2019.

The balance at the beginning of period of the loan measured at FVTPL was ¥32,710 million and the balance at the end of the period was ¥21,380 million for the year ended March 31, 2018.

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

The reconciliation of financial assets measured at FVTPL for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Balance at beginning of year.....	¥	110,827	¥	86,352
Gains (losses).....		3,811		(6,847)
Purchases.....		26,148		34,894
Sales.....		(14,908)		(8,577)
Transfers into Level 3.....		-		-
Transfers out of Level 3.....		(7,033)		(250)
Others (Note1).....		(7,341)		5,255
Balance at end of year.....	¥	111,504	¥	110,827
Net change in unrealized gains (losses) still held at end of year	¥	6,117	¥	(6,854)

Note 1: "Others" includes the effect of changes in foreign exchange rates (including foreign currency translation adjustments) and in scope of consolidation.

Gains (losses) related to financial assets measured at FVTPL for the year ended March 31, 2019 and 2018 were included in "Revenue" and "Other revenue" in the Consolidated Statements of Income, respectively.

The reconciliation of financial assets measured at FVTOCI for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Balance at beginning of year.....	¥	638,851	¥	646,034
Other comprehensive income (Note 1).....		99,177		(5,796)
Purchases.....		33,577		30,887
Sales.....		(8,863)		(6,173)
Transfers into Level 3.....		-		-
Transfers out of Level 3.....		-		-
Others (Note 2).....		115		(26,101)
Balance at end of year.....	¥	762,857	¥	638,851

Note 1: For "Other comprehensive income" for the year ended March 31, 2019, fair value in investments in LNG projects increased, mainly due to the extension of the period of LNG project, changes in future oil price forecasts and foreign exchange fluctuations.

For "Other comprehensive income" for the year ended March 31, 2018, fair value in investments in LNG projects decreased, mainly due to reflecting changes in future oil price forecasts and foreign exchange fluctuations, despite the increase in sales quantity due to revision of business plan.

Note 2: "Others" includes the effect of changes in foreign exchange rates (including in the foreign currency translation adjustments) and in scope of consolidation.

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

Quantitative information about Level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of March 31, 2019 and 2018 were as follows:

March 31, 2019	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.5%~17.1%

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

In addition to the above, the price of crude oil is one of the significant unobservable inputs used in measuring the fair value of non-marketable equity securities related to LNG business. The Company forecasts that the price will be in a range of US\$60/bbl to US\$90/bbl which is the highest and the lowest of several third parties' price forecasts.

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.

26. CONTINGENT LIABILITIES

I . GUARANTEES

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

The table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of March 31, 2019 and 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 March 31, 2019.

		Millions of Yen			
		Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
March 31, 2019					
Type of guarantees:					
Financial guarantees					
Guarantees for third parties.....	¥	113,959	¥ 66,675	¥ 3,915	¥ 62,760
Guarantees for investments accounted for using the equity method.....		864,773	598,869	44,718	554,151
Performance guarantees					
Guarantees for third parties.....		42,326	36,488	12,681	23,807
Guarantees for investments accounted for using the equity method.....		88,857	82,127	2,337	79,790
Total.....	¥	1,109,915	¥ 784,159	¥ 63,651	¥ 720,508

		Millions of Yen			
		Maximum potential amount of future payments	Amount outstanding (a)	Recourse provisions/ Collateral (b)	Net amount outstanding (a)-(b)
March 31, 2018					
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.....	¥	1,133,392	¥ 799,357	¥ 82,321	¥ 717,036

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of March 31, 2019 and 2018 will expire through 2025 and 2029, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of March 31, 2019 and 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 March 31, 2019 and 2018.

	Millions of Yen			
	2019		2018	
Within 1 year.....	¥	354,699	¥	303,079
After 1 to 5 years.....		330,153		540,359
After 5 years.....		425,063		289,954
Total.....	¥	1,109,915	¥	1,133,392

II. LITIGATION

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

27. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information related to the consolidated statements of cash flows for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	2019		2018	
Non-cash investing and financing activities:				
Exchange of shares in connection with business combinations and reorganizations involving investees:				
Fair value of Vale shares received.....	¥	-	¥	307,072
Carrying amount of Valepar shares surrendered.....		-		247,484
Acquisitions of subsidiaries or other businesses (Note 3):				
The total consideration paid.....		78,241		-
The portion of the consideration consisting of cash and cash equivalents.....		78,241		-
Cash and cash equivalents in the subsidiaries or other businesses acquired.....		1,328		-
Total assets in the subsidiaries or other businesses acquired (including cash and cash equivalents).....		110,737		-
Total liabilities in the subsidiaries or other businesses acquired.....		32,496		-
Proceeds from sales of subsidiaries or other businesses (Note 4):				
The total consideration received.....		65,461		-
The portion of the consideration consisting of cash and cash equivalents....		65,461		-
Cash and cash equivalents in the subsidiaries or other businesses sold.....		1,053		-
Assets in the subsidiaries or other businesses sold				
Current assets (including cash and cash equivalents).....		111,083		-
Non-current assets.....		1,371		-
Total assets in the subsidiaries or other businesses sold.....		112,454		-
Liabilities in the subsidiaries or other businesses sold				
Current liabilities.....		44,127		-
Non-current liabilities.....		67		-
Total liabilities in the subsidiaries or other businesses sold.....		44,194		-

The changes in liabilities arising from financing activities for the years ended March 31, 2019 and March 31, 2018 were as follows:

Millions of Yen						
	Balance at April 1, 2017	Cash flows	Non-cash changes (Note 2)			Balance at March 31, 2018
			Foreign exchange movement	Others		
Short-term debt (Note 1)	¥ 304,563	¥ (99,045)	¥ (3,042)	¥ (920)	¥	¥ 201,556
Long-term debt	4,497,021	(351,218)	(113,527)	(6,897)		4,025,379
Total	¥ 4,801,584	¥ (450,263)	¥ (116,569)	¥ (7,817)	¥	¥ 4,226,935

Note 1: Long-term debt includes “Current portion of long-term debt” and “Long-term debt, less current portion” from the Consolidated Statements of Financial Position.

Note 2: “Obtaining or losing control of subsidiaries or other businesses” is included in “Others” due to insignificance.

Millions of Yen						
	Balance at April 1, 2018	Cash flows	Non-cash changes			Balance at March 31, 2019
			Foreign exchange movement	Obtaining or losing control of subsidiaries or other businesses	Others	
Short-term debt (Note)	¥ 201,556	¥ 103,252	¥ 1,170	¥ 27,014	¥ 4,036	¥ 337,028
Long-term debt	4,025,379	161,455	74,816	17,647	9,150	4,288,447
Total	¥ 4,226,935	¥ 264,707	¥ 75,986	¥ 44,661	¥ 13,186	¥ 4,625,475

Note: Long-term debt includes “Current portion of long-term debt” and “Long-term debt, less current portion” from the Consolidated Statements of Financial Position.

28. THE INCORPORATION OF VALEPAR S.A.

The Company had 15% share in Valepar S.A. (“Valepar”), a holding company of Vale S.A. (“Vale”). In accordance with 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 in “Gain (loss) on securities and other investments-net” and ¥35,204 million of the profit due to the reversal of deferred tax liabilities in “Income Taxes” in the Consolidated Statements of Income for the year ended March 31, 2018. A gain of ¥9,444 million was recognized as "Share of Profit (Loss) of Investments Accounted for Using the Equity Method" in the Consolidated Statements of Income for the year ended March 31, 2018 and a loss of ¥2,169 million was included in it for the three-month period ended September 30, 2017.

The profit (loss) is included in “Profit (Loss) for the Period Attributable to Owners of the parent” in the Mineral & Metal Resources segment for the year ended March 31, 2018, please see Note 7 “SEGMENT INFORMATION”.

29. REVERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS

Multigrain Trading AG (“Multigrain” a 100% owned subsidiary of the Company) has recognized losses of ¥25,006 million expected to arise from meeting the obligations under some of the long-term contracts for the year ended March 31, 2018.

Regarding these provisions in the previous fiscal year, the contracts have been terminated and this resulted in gains of ¥11,083 million for the year ended March 31, 2019, which was the difference between their termination costs and the provisions.

The gains and losses are presented as “Reversal (loss) of provision related to Multigrain business” within the 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 year ended March 31, 2019 and 2018. Please see Note 7 “SEGMENT INFORMATION”.

30. THE FIRE INCIDENT OF INTERCONTINENTAL TERMINALS COMPANY LLC

On March 17, 2019 (US time) a fire began at the Deer Park tank terminal, of Intercontinental Terminals Company LLC (“ITC”), a wholly owned U.S. subsidiary of Mitsui & Co., Ltd. The Deer Park tank terminal is located in the outskirts of Houston, Texas. The fire completely destroyed, or partially damaged, 15 out of 242 tanks and its surrounding facilities. The fire was completely

extinguished by March 22, 2019 (US time). ITC has been working closely with related authorities since the outbreak of the fire and is in the process of demolishing impacted tanks. ITC has resumed its operation after discussions with related authorities. The cause of this fire is still under investigation.

ITC has recognized a loss of ¥20,600 million in “Other income (expense)-net” for the fiscal year ended March 31, 2019. The amount is the total of incurred cost and future costs related to this incident, calculated under the assumption that major response activities will be completed in May, which can be reasonably estimated at this stage. Costs include those for firefighting and clean-up activities, deducting the insurance amount only of which is virtually certain to be paid to ITC as of March 31, 2019. The outstanding balance of provision is ¥14,924 million for the year ended March 31, 2019.

Such provisions are presented as “Provisions” within the Consolidated Statements of Financial Position, and the related losses are presented as “Other income (expense)-net” within the Consolidated Statements of Income respectively. The losses are also included in the “Profit for the Period Attributable to Owners of the parent” in the Chemicals segment for the year ended March 31, 2019. Please see Note 7 “SEGMENT INFORMATION”.

The related costs is mainly expected to be paid out in the year ending March 31, 2020. ITC is claiming insurance benefits relating to this incident.

There are multiple lawsuits that have been brought against ITC in relation to this incident. These lawsuits are at the early stages and the ultimate outcome of these lawsuits is not expected to have significant impact on our consolidated financial position, operating results and cash flow.

31. SUBSEQUENT EVENTS

Dividend

On June 20, 2019, the shareholders approved the payment of a cash dividend to shareholders as of March 31, 2019 of ¥40 per share or a total of ¥69,524 million at the Company’s Ordinary General Meeting of Shareholders.

Remuneration system of share performance-linked restricted stock

On June 20, 2019, the shareholders approved to paying remuneration consisting of Mitsui's ordinary shares, with a certain transfer restriction period to Directors (excluding External Directors) as a form of remuneration system that is the issuance of share performance-linked restricted stock in place of the current system of stock-based compensation stock options with stock price conditions.

32. AUTHORIZATION OF THE ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the consolidated financial statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Takakazu Uchida, Representative Director, Senior Executive Managing Officer and CFO, on June 20, 2019.

2. Others

Quarterly data for the year ended March 31, 2019

Millions of Yen, Except Amounts per Share

	Year ended March 31, 2019	Nine-month period ended December 31, 2018	Six-month period ended September 30, 2018	Three-month period ended June 30, 2018
Revenue.....	¥6,957,524	¥5,012,969	¥3,213,342	¥1,556,199
Profit before Income Taxes.....	584,338	478,302	316,105	167,026
Profit for the Period (Year) Attributable to Owners of the Parent.....	414,215	350,068	222,870	118,414
Basic Earnings per Share Attributable to Owners of the Parent (Yen).....	¥238.33	¥201.42	¥128.24	¥68.14
	Three-month period ended March 31, 2019	Three-month period ended December 31, 2018	Three-month period ended September 30, 2018	Three-month period ended June 30, 2018
Basic Earnings per Share Attributable to Owners of the Parent (Yen).....	¥36.90	¥73.19	¥60.10	¥68.14

Significant litigation

See Note 26, "CONTINGENT LIABILITIES."

6. Outline Regarding the Administration of Mitsui's Stock

Fiscal Year	From April 1 to March 31
Ordinary general meeting of shareholders	During June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares in one trading unit	100 shares
Buyback and increase in holdings of shares less than one unit	
Place of handling	(Special account) Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Business Planning Dept. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	-----
Fees for buyback and increase in holdings	Amount equivalent to fees for entrusting sale or purchase of stock
Method of giving public notice	Mitsui carries out its public notifications by means of electronic public notice. https://www.mitsui.com/jp/ja/koukoku/ However, in the event of an accident which makes electronic notice not possible, or the occurrence of similar circumstances which cannot be controlled, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper).
Shareholder privileges	Not applicable

(Note) Public notice of book closing is not included in the public notices shown in “Method of giving public notice.”

7. Reference Information on Mitsui

1. Information on the Parent Company

Mitsui does not have a parent company.

2. Other Reference Information

Mitsui filed the following reports, originally written in Japanese, between the beginning of the fiscal year ended March 31, 2019 and the issuance date (June 20, 2019) of the original Japanese version of this Annual Securities Report.

(1) Annual Securities Report

Fiscal year (the 99th) From April 1, 2017 to March 31, 2018 Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 21, 2018

(2) Related to Quarterly Securities Reports

Quarterly Securities Reports and Confirmation Notes

(The 1st quarter of 100th period) (From April 1, 2018 to June 30, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on August 13, 2018

(The 2nd quarter of 100th period) (From July 1, 2018 to September 30, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on November 9, 2018

(The 3rd quarter of 100th period) (From October 1, 2018 to December 31, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on February 12, 2019

Amendment Report for Quarterly Securities Reports and Confirmation Notes

(The 2nd quarter of 100th period) (From July 1, 2018 to September 30, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on February 12, 2019

(3) Internal Control Report

Fiscal Year (the 99th) (From April 1, 2017 to March 31, 2018) Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 21, 2018

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on June 22, 2018

Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (resolutions of matters resolved at the General Meeting of Shareholders), of the Cabinet Office Order on Disclosure of Corporate Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on January 21, 2019

Under the provisions of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9 (change in Representative Directors), of the Cabinet Office Order on Disclosure of Corporate Information, etc.

(5) Shelf Registration Statement (corporate bonds)

1) Shelf Registration Statement and Attached Documents

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on August 17, 2018

2) Amended Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on January 21, 2019

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on February 12, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha):

We have audited the accompanying consolidated financial statements of Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha) and its consolidated subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (all expressed in Japanese yen), and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui & Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Annual Securities Report as information for readers.

Deloitte Touche Tohmatsu LLC

June 20, 2019

Management's Annual Report on Internal Control over Financial Reporting (Translation)

NOTE TO READERS

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Tatsuo Yasunaga, Representative Director, President and CEO, and Takakazu Uchida, Representative Director, Senior Executive Managing Officer and CFO, are responsible for designing and operating effective internal control over financial reporting of Mitsui & Co., Ltd. ("the Company"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting(Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of March 31, 2019. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of its internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company, its consolidated subsidiaries and equity-method affiliated companies. We did not include those consolidated subsidiaries and equity-method affiliated companies which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total asset (before elimination of intercompany accounts) and income before income taxes (before elimination of intercompany accounts) for the prior fiscal year, and those business units whose combined amount of total assets reaches approximately 70% of total assets on a consolidated basis and those business units whose combined amount of income before income taxes reaches approximately 70% of consolidated income before income taxes on a consolidated basis were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, (1) those business processes leading to sales or revenue, accounts receivable and inventories, and those leading to investments and loans, as significant accounts that may have a material impact on the business objectives of us, and (2) those business processes leading to other quantitatively material accounts. Further, not only at selected significant business units, but also at other business units, we added to the scope of assessment, as business processes having greater materiality considering their impact on the financial reporting, (1) those business processes relating to greater likelihood of material misstatements and significant account involving estimates and the management's judgment, and (2) those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Relating to the Results of the Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2019.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.

Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 20, 2019

To the Board of Directors of
Mitsui & Co., Ltd. (Mitsui Bussan Kabushiki Kaisha):

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yoshio Sato

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takashi Kitamura

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takenao Ohashi

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2019 of Mitsui & Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2018 to March 31, 2019, including notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audit of Internal Control

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of the Company as of March 31, 2019.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit as independent position. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.