Quarterly Securities Report
for the Six-Month Period Ended September 30, 2019

English translation of certain items disclosed in the Quarterly Securities Report for the six-month period ended September 30, 2019, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 8, 2019.

Mitsui & Co., Ltd.

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

1. Overview of Mitsui and Its Subsidiaries

1. Selected Financial Data

As of or for the periods ended September 30, 2019 and 2018 and as of or for the year ended March 31, 2019

	In millions of Yen, except amounts per share and other				
	Six-month period ended September 30, 2019	Six-month period ended September 30, 2018	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018	As of or for the year ended March 31, 2019
Consolidated financial data					
Revenue	¥ 3,411,236	¥ 3,213,342	¥ 1,778,116	¥ 1,657,143	¥ 6,957,524
Gross profit	¥ 428,189	¥ 423,715	¥ 218,958	¥ 205,266	¥ 838,467
Profit for the period attributable to owners of the parent	¥ 234,153	¥ 222,870	¥ 109,117	¥ 104,456	¥ 414,215
Comprehensive income for the period attributable to owners of the parent	¥ 6,931	¥ 377,809	¥ (23,717)	¥ 223,388	¥ 429,917
Total equity attributable to owners of the parent	¥ -	¥ -	¥ 4,211,441	¥ 4,280,098	¥ 4,263,166
Total assets	¥ -	¥ -	¥ 12,096,676	¥ 11,847,422	¥ 11,945,779
Basic earnings per share attributable to owners of the parent (Yen)	¥ 134.71	¥ 128.24	¥ 62.77	¥ 60.10	¥ 238.33
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 134.61	¥ 128.14	¥ 62.73	¥ 60.06	¥ 238.15
Equity attributable to owners of the parent ratio	-	-	34.81%	36.13%	35.69%
Cash flows from operating activities	¥ 326,677	¥ 161,657	¥ -	¥ -	¥ 410,670
Cash flows from investing activities	¥ (127,502)	¥ (247,997)	¥ -	¥ -	¥ (719,036)
Cash flows from financing activities	¥ 14,626	¥ (67,247)	¥ -	¥ -	¥ 127,376
Cash and cash equivalents at end of period	¥ -	¥ -	¥ 1,153,025	¥ 996,094	¥ 956,107

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

2. Revenue does not include consumption taxes.

2. Business Overview

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

There has been no significant change in our business for the six-month period ended September 30, 2019.

2. Operating and Financial Review and Prospects

1. Risk Factors

For the six-month period ended September 30, 2019, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2019.

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

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

Forward-looking statements were made as of September 30, 2019, unless otherwise indicated.

(1) Operating Environment

In the six-month period ended September 30, 2019, the global economy continued to exhibit slowing growth attributable to a more moderate tempo of economic expansion in the U.S. and ongoing economic deceleration in China.

In the U.S., although consumer spending continues to be resilient supported by a favorable environment for employment and employee income, the impact of trade friction between the U.S. and China has started to be noticeable particularly in the manufacturing sector, and the pace of economic expansion is expected to drop. Meanwhile a further weakening of growth is expected in Europe, which is shrouded in uncertainties such as a slowing of Germany's economy and the direction of Brexit. In Japan, concern dwells on further slowdown of the economy as exports continue to weaken as well as the outlook of downside performance triggered by the hike in consumption tax and the impact of typhoon damage. 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 stimulus by its government is providing certain underlying support. A weakening of growth is expected for both Brazil and Russia in conjunction with slowdowns in exports and production.

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) Results of Operations

1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Period	Previous Period	Change
Revenue		3,411.2	3,213.3	+197.9
Gross profit		428.2	423.7	+4.5
Selling, general and administrative expenses		(281.8)	(274.4)	(7.4)
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments—Net	5.7	1.2	+4.5
	Impairment Reversal (Loss) of Fixed Assets—Net	(2.6)	(1.4)	(1.2)
	Gain (Loss) on Disposal or Sales of Fixed Assets—Net	4.8	5.3	(0.5)
	Other Income (Expense)—Net	10.1	(5.3)	+15.4
	Reversal of Provision Related to Multigrain Business	-	11.1	(11.1)
Finance Income (Costs)	Interest Income	23.0	21.7	+1.3
	Dividend Income	42.3	49.1	(6.8)
	Interest Expense	(46.9)	(39.6)	(7.3)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		136.1	124.7	+11.4
Income Taxes		(68.1)	(80.5)	+12.4
Profit for the Period		250.9	235.6	+15.3
Profit for the Period Attributable to Owners of the Parent		234.2	222.9	+11.3

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

Revenue

Revenue for the six-month period ended September 30, 2019 (“current period”) was ¥3,411.2 billion, an increase of ¥197.9 billion from the corresponding six-month period of the previous year (“previous period”).

Gross Profit

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

Other Income (Expenses)

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

For the previous period, a gain on disposal of fixed assets was recorded in the Iron & Steel Products Segment.

Other Income (Expense)—Net

For the current period, the Innovation & Corporate Development Segment recorded a valuation profit on a derivative in relation to a put option of an investment.

Reversal of Provision Related to Multigrain Business

For the previous period, the Lifestyle Segment recorded a gain on the reversal of the provision for the withdrawal from business.

Finance Income (Costs)

Dividend Income

Mainly the Energy Segment recorded an increase, while the Mineral & Metal Resources Segment recorded a decline.

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

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

Income Taxes

Income taxes for the current period were ¥68.1 billion, a decline of ¥12.4 billion from ¥80.5 billion for the previous period mainly due to that there was a ¥11.0 billion decline in tax burden in relation to income taxes recognized as other comprehensive income corresponding to sales of financial assets measured at FVTOCI, including the share of Recruit Holdings Co., Ltd. The effective tax rate for the current period was 21.3%, a decline of 4.2 points from 25.5% for the previous period mainly due to a decrease in the ratio of income tax effect against share of profit of investments accounted for using the equity method.

Profit for the Period Attributable to Owners of the Parent

Profit for the period attributable to owners of the parent was ¥234.2 billion, an increase of ¥11.3 billion from the previous period.

2) Operating Results by Operating Segment

The real estate business and the materials business, which were part of the Lifestyle Segment, were transferred to the Innovation & Corporate Development Segment and Chemicals Segment, respectively, effective April 1, 2019. In accordance with the aforementioned changes, the operating segment information for the previous period has been restated to conform to the current period presentation.

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	2.7	7.9	(5.2)
Gross profit	12.6	13.8	(1.2)
Profit (loss) of equity method investments	6.5	11.5	(5.0)
Dividend income	1.1	1.1	0.0
Selling, general and administrative expenses	(13.6)	(15.0)	+1.4
Others	(3.9)	(3.5)	(0.4)

・ Others include the following factor:
  - For the previous period, a one-time gain of ¥5.9 billion was recorded due to the sale of land of an affiliated company.

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	101.9	89.1	+12.8
Gross profit	124.8	90.6	+34.2
Profit (loss) of equity method investments	32.7	29.7	+3.0
Dividend income	5.0	14.9	(9.9)
Selling, general and administrative expenses	(16.2)	(16.6)	+0.4
Others	(44.4)	(29.5)	(14.9)

・ Gross profit increased mainly due to the following factor:
  - Iron ore mining operations in Australia reported an increase of ¥41.6 billion mainly due to higher iron ore sales prices.

・ Profit (loss) of equity method investments increased mainly due to the following factor:
  - Robe River Mining Co. Pty. Ltd reported an increase of ¥8.2 billion due to higher iron ore sales prices.

・ Dividend income decreased mainly due to the following factor:
  - Dividend income reported a decrease of ¥9.9 billion mainly due to decreased dividend income from Vale.

・ In addition to the above, the following factor also affected the result:
  - For the current period, iron ore mining operations in Australia reported a decrease of profit amounting to ¥17.4 billion mainly due to the increase of income tax caused by gross profit increase.

Machinery & Infrastructure Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	36.0	37.1	(1.1)
Gross profit	63.6	62.6	+1.0
Profit (loss) of equity method investments	46.8	43.6	+3.2
Dividend income	3.0	3.0	0.0
Selling, general and administrative expenses	(64.2)	(62.6)	(1.6)
Others	(13.2)	(9.5)	(3.7)

- Profit (loss) of equity method investments increased mainly due to the following factors:
  - For the current period, investments in gas distribution companies in Brazil reported an increase of ¥3.0 billion reflecting the refund of service tax payments through arbitrations.
  - For the previous period, deferred tax assets were recorded at an equity accounted investee due to the change of the investment structure in the IPP business.
- In addition to the above, the following factor also affected results:
  - For the previous period, deferred tax assets were recorded at a holding company due to the change of the investment structure in the IPP business.

Chemicals Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	4.7	16.4	(11.7)
Gross profit	61.0	74.4	(13.4)
Profit (loss) of equity method investments	6.8	8.0	(1.2)
Dividend income	1.6	1.7	(0.1)
Selling, general and administrative expenses	(52.2)	(53.1)	+0.9
Others	(12.5)	(14.6)	+2.1

- Gross profit declined mainly due to the following factor:
  - A decline of ¥3.8 billion was recorded mainly due to the price drops of main products in Novus International, Inc.

Energy Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	65.6	36.6	+29.0
Gross profit	75.4	71.1	+4.3
Profit (loss) of equity method investments	26.0	16.0	+10.0
Dividend income	25.9	23.0	+2.9
Selling, general and administrative expenses	(22.5)	(23.8)	+1.3
Others	(39.2)	(49.7)	+10.5

- Gross profit increased mainly due to the following factors:
  - Mitsui Oil Exploration Co., Ltd. reported an increase of ¥4.9 billion mainly due to increase in production and decrease in costs.
  - Mitsui & Co. Energy Trading Singapore Pte. Ltd. reported an increase of ¥4.5 billion mainly due to good performance in the oil trading business.

- Mitsui E&P Australia Pty. Ltd. reported a decrease of ¥7.5 billion mainly due to decrease in oil production.
- AWE Pty Ltd. reported a decrease of ¥3.2 billion mainly due to increase in depreciation costs.

・ Profit of equity method investment increased mainly due to the following factor:
  - Mitsui E&P Mozambique Area 1 Limited reported an increase of ¥11.3 billion mainly due to the recognition of deferred tax assets in accordance with the Final Investment Decision for the project.

・ Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥24.4 billion in total, an increase of ¥1.9 billion from the previous period.

Lifestyle Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	16.9	20.0	(3.1)
Gross profit	67.2	68.5	(1.3)
Profit (loss) of equity method investments	10.3	11.2	(0.9)
Dividend income	2.4	2.0	+0.4
Selling, general and administrative expenses	(73.0)	(66.1)	(6.9)
Others	10.0	4.4	+5.6

・ Gross profit declined mainly due to the following factor:
  - For the current period, suspension of drug development in the drug development fund invested through MBK Pharma Partnering Inc. recorded a ¥3.2 billion loss in the valuation of fair value.

・ In addition to the above, the following factors also affected results:
  - For the current period, there was a ¥12.5 billion decline in tax burden in relation to income taxes recognized as other comprehensive income corresponding to sales of financial assets measured at FVTOCI, including the share of Recruit Holdings Co., Ltd.
  - For the previous period, Multigrain Trading AG recorded a gain of ¥11.6 billion on reversal of the provision for the withdrawal from business.

Innovation & Corporate Development Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	1.6	9.3	(7.7)
Gross profit	23.4	41.8	(18.4)
Profit (loss) of equity method investments	7.1	5.8	+1.3
Dividend income	2.6	2.7	(0.1)
Selling, general and administrative expenses	(32.3)	(32.0)	(0.3)
Others	0.8	(9.0)	+9.8

・ Gross profit declined mainly due to the following factors:
  - For the previous period, a ¥3.8 billion gain was recorded due to the valuation of fair value on shares in Hutchison China MediTech Ltd., while for the current period, a ¥7.1 billion loss was recorded due to the valuation of fair value on shares.
  - A decline of ¥5.4 billion was recorded mainly due to the gain on the valuation and sales of the shares in Mercari, Inc., for the previous period.

・ In addition to the above, the following factors also affected results:
  - For the current period, a valuation profit on the derivative of ¥4.1 billion was recorded in relation to a put option of an investment.

- A ¥3.5 billion profit was recorded mainly due to the increase of deferred tax assets related to the loss of valuation of fair value on shares in Hutchison China Meditech, Ltd.

(3) Financial Condition and Cash Flows

1) Financial Condition

(Billions of yen)	September 30, 2019	March 31, 2019	Change
Total Assets	12,096.7	11,945.8	+150.9
Current Assets	4,027.7	3,996.3	+31.4
Non-current Assets	8,069.0	7,949.5	+119.5
Current Liabilities	2,577.2	2,740.3	(163.1)
Non-current Liabilities	5,045.2	4,675.2	+370.0
Net Interest-bearing Debt (*)	*3,472.7*	*3,592.0*	*(119.3)*
Total Equity Attributable to Owners of the Parent	4,211.4	4,263.2	(51.8)
Net Debt-to-Equity Ratio (times)	0.82	0.84	(0.02)

(*) "Net Debt-to-Equity Ratio" ("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. Since current period, Interest-bearing debt is calculated by excluding lease liability from short-term debt and long-term debt. As a result of this change, the Net Interest-bearing Debt at March 31, 2019 has been restated
- calculate net interest bearing debt by subtracting cash and cash equivalents and time deposits with maturities within one year after three months from interest bearing debt

Assets

Current Assets:

- Cash and cash equivalents increased by ¥196.9 billion.
- Trade and other receivables declined by ¥181.7 billion, mainly due to a decline in trading volume in the Chemicals Segment, the Lifestyle Segment, and the Energy Segment.
- Other financial assets increased by ¥40.1 billion, mainly due to increase in trading volume of derivative trading in the Innovation & Corporate Development Segment and the Energy Segment.

Non-current Assets:

- Investments accounted for using the equity method declined by ¥9.6 billion, mainly due to the following factors:
  - A decline of ¥106.1 billion resulting from foreign currency exchange fluctuations;
  - An increase of ¥44.6 billion due to correction of Mitsui E&P Mozambique Area 1 Limited's company category to investments accounted for using the equity method and investment;
  - An increase due to an acquisition of shares in Arctic LNG 2 Project in Russia through Japan Arctic LNG B.V.;
  - An increase of ¥16.9 billion due to an investment in Minh Phu Seafood Joint Stock Company, a shrimp producer and processor in Vietnam; and

- An increase of ¥136.1 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥98.8 billion due to dividends received from equity accounted investees.

- Other investments declined by ¥136.1 billion, mainly due to the following factors:
  - Fair value on financial assets measured at FVTOCI and FVTPL declined by ¥57.8 billion and ¥12.9 billion, respectively;
  - A decline of ¥45.9 billion mainly due to a partial sale of investment in Recruit Holdings Co., Ltd.; and
  - A decline of ¥13.9 billion resulting from foreign currency exchange fluctuations.
- Property, plant and equipment increased by ¥201.4 billion, mainly due to the following factors:
  - An increase of ¥257.6 billion corresponding to adoption of IFRS 16 "Leases";
  - A decline of ¥38.5 billion due to correction of Mitsui E&P Mozambique Area 1 Limited's company category to investments accounted for using the equity method; and
  - A decline of ¥14.6 billion (including foreign exchange transaction loss of ¥22.8 billion) at iron ore mining operations in Australia.
- Intangible assets increased by ¥63.8 billion, mainly due to an increase of ¥68.4 billion for the Brazilian rail business restructuring.

Liabilities

Current Liabilities:

- Short-term debt increased by ¥88.6 billion. Meanwhile, the current portion of long-term debt declined by ¥114.8 billion, mainly due to repayment of debt, despite the increase of reclassification to current maturities.
- Trade and other payables declined by ¥142.1 billion, corresponding to the decline in trade and other receivables.

Non-current Liabilities:

- Long-term debt, less the current portion, increased by ¥389.6 billion, mainly due to adoption of IFRS 16 "Leases".

Total Equity Attributable to Owners of the Parent

- Retained earnings increased by ¥189.8 billion.
- Other components of equity declined by ¥258.4 billion, mainly due to the following factors:
  - Financial assets measured at FVTOCI declined by ¥74.3 billion; and
  - Foreign currency translation adjustments declined by ¥155.8 billion, mainly reflecting the appreciation of the Japanese yen against the Australian dollar, U.S. dollar, and Brazilian real.

2) Cash Flows

(Billions of yen)	Current Period	Previous Period	Change
Cash flows from operating activities	326.7	161.7	+165.0
Cash flows from investing activities	(127.5)	(248.0)	+120.5
Free cash flow	199.2	(86.3)	+285.5
Cash flows from financing activities	14.6	(67.2)	+81.8
Effect of exchange rate changes on cash and cash equivalents etc.	(16.9)	18.2	(35.1)
Change in cash and cash equivalents	196.9	(135.3)	+332.2

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash flows from operating activities	a	326.7	161.7	+165.0
Cash flows from change in working capital	b	(19.7)	(154.7)	+135.0
Core operating cash flow	a-b	346.4	316.4	+30.0

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥19.7 billion of net cash outflow. Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current period amounted to ¥346.4 billion.
  - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥148.0 billion, a decline of ¥16.5 billion from ¥164.5 billion for the previous period.
  - Depreciation and amortization for the current period was ¥119.5 billion, an increase of ¥31.7 billion from ¥87.8 billion for the previous period.

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

(Billions of Yen)	Current Period	Previous Period	Change
Iron & Steel Products	(0.2)	(2.4)	+2.2
Mineral & Metal Resources	120.2	94.6	+25.6
Machinery & Infrastructure	41.4	31.4	+10.0
Chemicals	14.6	31.0	(16.4)
Energy	123.2	108.0	+15.2
Lifestyle	11.2	13.4	(2.2)
Innovation & Corporate Development	(3.4)	9.6	(13.0)
All Other and Adjustments and Eliminations	39.4	30.8	+8.6
Consolidated Total	346.4	316.4	+30.0

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 ¥52.4 billion, mainly due to the following factors:
  - An acquisition of shares in Arctic LNG 2 Project in Russia through Japan Arctic LNG B.V.; and
  - An investment in Minh Phu Seafood Joint Stock Company, a shrimp producer and processor in Vietnam, for ¥16.9 billion.
- Net cash inflows that corresponded to other investments (net of sales and maturities of other investments) were ¥45.8 billion, mainly due to a partial sale of investment in Recruit Holdings Co., Ltd., for ¥44.8 billion.
- Net cash outflows that corresponded to an increase in loan receivables (net of collections of loan receivables) were ¥5.9 billion, mainly due to the execution of loans to the IPP project in the Middle East for ¥14.3 billion.

- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥116.9 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 ¥40.9 billion; and
  - An expenditure for iron ore mining operations in Australia for ¥17.0 billion.

Cash Flows from Financing Activities

- Net cash inflows from net change in short-term debt were ¥98.3 billion and net cash outflows from net change in long-term debt were ¥10.3 billion.
- The cash outflow from payments of cash dividends was ¥69.5 billion.

(4) Management Issues

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

We implemented investments and loans of approximately ¥160.0 billion for core areas (including the overlap with growth areas of ¥10.0 billion) and approximately ¥60.0 billion for growth areas (including the overlap with core areas of ¥10.0 billion). In addition, we made investment and loans of approximately ¥10.0 billion for other areas. The resulting sum of investments and loans for the current period was approximately ¥220.0 billion. On the other hand, we collected approximately ¥90.0 billion through disposal of assets and investments.

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

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

2) Revised forecasts for the year ending March 31, 2020

<Assumption>	1st Half (Actual)	2nd Half (Forecast)	Revised Forecast	Original Forecast
Exchange rate (JPY/USD)	108.67	106	107.34	110
Crude oil (JCC)	$69/bbl	$66/bbl	$68/bbl	$67/bbl
Consolidated oil price	$69/bbl	$67/bbl	$68/bbl	$67/bbl

	March 31, 2020 Revised forecast	March 31, 2020 Original forecast	Change	Description
Gross profit	860.0	890.0	(30.0)	FVTPL losses, deceleration of chemical and lifestyle trading businesses
Selling, general and administrative expenses	(570.0)	(580.0)	10.0	Miscellaneous
Gain on investments, fixed assets and other	30.0	30.0	0.0	
Interest expenses	(50.0)	(50.0)	0.0	
Dividend income	90.0	80.0	10.0	Mineral & Metal Resources and the Energy
Profit (loss) of equity method investments	270.0	260.0	10.0	
Profit before income taxes	630.0	630.0	0.0	
Income taxes	(150.0)	(140.0)	(10.0)	
Non-controlling Interests	(30.0)	(40.0)	10.0	
Profit for the year attributable to owners of the parent	450.0	450.0	0.0	
Depreciation and amortization	250.0	250.0	0.0	
Core operating cash flow	640.0	640.0	0.0	

We assume foreign exchange rates for the six-month period ending March 31, 2020 (2nd half) will be ¥106/US$, ¥72/AU$ and ¥27/BRL, while average foreign exchange rates for the six-month period ended September 30, 2019 (1st half) were ¥108.67/US$, ¥74.75/AU$ and ¥27.35/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$68/barrel, up US$1 from the original assumption, based on the assumption that the crude oil price (JCC) will average US$66/barrel throughout the six-month period ending March 31, 2020.

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

(Billions of Yen)	Year ending March 31, 2020 Revised Forecast	Year ending March 31, 2020 Original Forecast	Change	Description
Iron & Steel Products	10.0	15.0	(5.0)	Lower steel prices in U.S.
Mineral & Metal Resources	180.0	165.0	+15.0	Good condition in iron ore mining operations in Australia
Machinery & Infrastructure	90.0	90.0	0.0	
Chemicals	20.0	30.0	(10.0)	Deceleration of trading businesses, lower methionine price
Energy	105.0	90.0	+15.0	Good condition in crude oil and LNG trading
Lifestyle	30.0	40.0	(10.0)	FVTPL losses, deceleration of business of grain, sugar, and salmon in Chile
Innovation & Corporate Development	15.0	20.0	(5.0)	FVTPL losses
All Other and Adjustments and Eliminations	0	0.0	0.0	
Consolidated Total	450.0	450.0	0.0	

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

(Billions of Yen)	Year ending March 31, 2020 Revised Forecast	Year ending March 31, 2020 Original Forecast	Change	Description
Iron & Steel Products	5.0	10.0	(5.0)	Lower steel prices in U.S.
Mineral & Metal Resources	220.0	190.0	+30.0	Good condition in iron ore mining operations in Australia
Machinery & Infrastructure	95.0	105.0	(10.0)	Accumulation of one-time effects of small items
Chemicals	40.0	50.0	(10.0)	Deceleration of trading businesses, lower methionine price
Energy	220.0	210.0	+10.0	Good condition in crude oil and LNG trading
Lifestyle	30.0	40.0	(10.0)	FVTPL losses, deceleration of business of grain, sugar, and salmon in Chile
Innovation & Corporate Development	10.0	15.0	(5.0)	FVTPL losses
All Other and Adjustments and Eliminations	20.0	20.0	0.0	
Consolidated Total	640.0	640.0	0.0	

3) 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 (Announced in April 2019)				Original Forecast (Announced in April 2019)		March 2020 1st Half (Result)	March 2020 2nd Half (Assumption)		Revised Forecast (Announced in October 2019)
Commodity	Crude Oil/JCC		―	67		69	66		68
	Consolidated Oil Price(*1)		¥3.1 bn (US$1/bbl)	67		69	67		68
	U.S. Natural Gas(*2)		¥0.7 bn (US$0.1/mmBtu)	3.00(*3)		2.69(*4)	2.67(*3)		2.68
	Iron Ore(*5)		¥2.1 bn (US$1/ton)	(*6)		101.0(*7)	(*6)		(*6)
	Coal	Coking	¥0.5 bn (US$1/ton)	(*6)	→	193.0(*8)	(*6)	→	(*6)
		Thermal	¥0.1 bn (US$1/ton)	(*6)		95.0(*8)	(*6)		(*6)
	Copper(*9)		¥0.7 bn (US$100/ton)	6,600		6,167(*10)	5,600		5,884
Forex (*11)	USD		¥2.7 bn (¥1/USD)	110		108.67	106		107.34
	AUD		¥1.9 bn (¥1/AUD)	77		74.75	72		73.37
	BRL		¥0.3 bn (¥1/BRL)	28		27.35	27		27.18

(*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 FY 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 sale prices linked to the HH price for FY Mar/2020 business plan, and US$2.67/mmBtu for FY Mar/2020 2nd half.

(*4) U.S. Gas figures for FY Mar/2020 1st half (result) are the Henry Hub Natural Gas Futures average daily prompt month closing prices traded on NYMEX during January 2019 to June 2019.

(*5) The effect of dividend income from Vale has not been included.

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

(*7) Iron ore results figures for FY Mar/2020 1st half (result) are the daily average (reference price) spot indicated price (Fe 62% CFR North China) recorded in several industry trade magazines from April 2019 to September 2019.

(*8) Coal results figures for FY Mar/2020 1st half (result) are the quarterly average prices of representative coal brands in Japan(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/2020 1st half (result) are the averages of the LME monthly average cash settlement prices for the period January 2019 to June 2019 respectively.

(*11)Impact of currency fluctuations on reported profit for the year of overseas subsidiaries denominated in their respective functional currencies. Depreciation of the yen has the effect of increasing profit for the year through the conversion of profit (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.

4) Profit Distribution Policy

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

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

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

Taking into consideration of core operating cash flow and profit for the year attributable to owners of the parent as well as stability and continuity of the amount of dividend, for six-month period ended September 30, 2019, we have decided to pay an interim dividend of ¥40 per share, the same amount as the corresponding six-month period of the previous year. For the year ending March 31, 2020, we currently envisage an annual dividend of ¥80 per share (including the interim dividend of ¥40 per share), the same amount as the year ended March 31, 2019.

(5) Research & Development

There are no contracts for which disclosure is required.

3. Material Contracts

There are no contracts for which disclosure is required.

3. Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Financial Position
Mitsui & Co., Ltd. and subsidiaries
September 30, 2019 and March 31, 2019

	Millions of Yen			
		September 30, 2019		March 31, 2019
ASSETS				
Current Assets:				
Cash and cash equivalents	¥	1,153,025	¥	956,107
Trade and other receivables		1,622,522		1,804,227
Other financial assets (Note 13)		294,585		254,507
Inventories (Note 13)		640,929		607,675
Advance payments to suppliers		190,483		219,849
Other current assets		126,139		153,957
Total current assets		4,027,683		3,996,322
Non-current Assets:				
Investments accounted for using the equity method		2,966,081		2,975,674
Other investments (Note 13)		1,811,537		1,947,565
Trade and other receivables(Note 13)		446,516		458,809
Other financial assets (Note 13)		163,624		154,886
Property, plant and equipment (Notes 2 and 6)		2,146,766		1,945,381
Investment property		203,883		203,102
Intangible assets		237,934		174,085
Deferred tax assets		37,279		40,763
Other non-current assets		55,373		49,192
Total non-current assets		8,068,993		7,949,457
Total assets	¥	12,096,676	¥	11,945,779

Condensed Consolidated Statements of Financial Position—(Continued)
Mitsui & Co., Ltd. and subsidiaries
September 30, 2019 and March 31, 2019

	Millions of Yen	
	September 30, 2019	March 31, 2019
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 425,565	¥ 337,028
Current portion of long-term debt (Notes 2 and 8)	364,632	479,390
Trade and other payables	1,180,179	1,322,274
Other financial liabilities (Notes 12 and 13)	318,930	278,472
Income tax payables	65,631	47,197
Advances from customers	162,982	201,444
Provisions (Note 15)	24,615	34,458
Other current liabilities	34,704	40,012
Total current liabilities	2,577,238	2,740,275
Non-current Liabilities:		
Long-term debt, less current portion (Notes 2 , 8 and 13)	4,198,717	3,809,057
Other financial liabilities (Notes 12 and 13)	77,287	72,095
Retirement benefit liabilities	56,996	57,203
Provisions	212,594	212,396
Deferred tax liabilities	468,793	499,756
Other non-current liabilities	30,806	24,689
Total non-current liabilities	5,045,193	4,675,196
Total liabilities	7,622,431	7,415,471
Equity:		
Common stock	341,776	341,482
Capital surplus	403,509	387,335
Retained earnings	3,268,463	3,078,655
Other components of equity (Note 9)	204,854	463,270
Treasury stock	(7,161)	(7,576)
Total equity attributable to owners of the parent	4,211,441	4,263,166
Non-controlling interests	262,804	267,142
Total equity	4,474,245	4,530,308
Total liabilities and equity	¥ 12,096,676	¥ 11,945,779

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2019 and 2018

	Millions of Yen	
	Six-month Period Ended September 30, 2019	**Six-month Period Ended September 30, 2018**
Revenue (Notes 4, 5 and 13)	3,411,236	3,213,342
Cost	(2,983,047)	(2,789,627)
Gross Profit (Note 4)	428,189	423,715
Other Income (Expenses):		
Selling, general and administrative expenses	(281,776)	(274,353)
Gain (loss) on securities and other investments-net	5,655	1,227
Impairment reversal (loss) of fixed assets-net	(2,596)	(1,392)
Gain (loss) on disposal or sales of fixed assets-net	4,815	5,262
Reversal of provision related to Multigrain business (Note 14)	-	11,083
Other income (expense)-net	10,120	(5,330)
Total other income (expenses)	(263,782)	(263,503)
Finance Income (Costs):		
Interest income	23,043	21,716
Dividend income	42,259	49,115
Interest expense	(46,882)	(39,595)
Total finance income (costs)	18,420	31,326
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Notes 4 and 16)	136,099	124,657
Profit before Income Taxes	318,926	316,105
Income Taxes	(68,067)	(80,549)
Profit for the Period	¥ 250,859	¥ 235,556
Profit for the Period Attributable to:		
Owners of the parent (Note 4)	¥ 234,153	¥ 222,870
Non-controlling interests	16,706	12,686
	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 11):		
Basic	¥ 134.71	¥ 128.24
Diluted	¥ 134.61	¥ 128.14

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

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2019 and 2018

	Millions of Yen	
	Six-month Period Ended September 30, 2019	Six-month Period Ended September 30, 2018
Comprehensive Income:		
Profit for the period	¥ 250,859	¥ 235,556
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	(58,137)	175,092
Remeasurements of defined benefit pension plans	(170)	1,030
Share of other comprehensive income of investments accounted for using the equity method	(753)	(185)
Income tax relating to items not reclassified	14,978	(56,850)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(62,741)	(25,126)
Cash flow hedges	(3,424)	(1,797)
Share of other comprehensive income of investments accounted for using the equity method	(134,175)	64,721
Income tax relating to items that may be reclassified	5,594	184
Total other comprehensive income	(238,828)	157,069
Comprehensive Income for the Period	¥ 12,031	¥ 392,625
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 6,931	¥ 377,809
Non-controlling interests	5,100	14,816

Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended September 30, 2019 and 2018

	Millions of Yen	
	Three-month Period Ended September 30, 2019	**Three-month Period Ended September 30, 2018**
Revenue (Notes 4, 5 and 13)	1,778,116	1,657,143
Cost	(1,559,158)	(1,451,877)
Gross Profit (Note 4)	218,958	205,266
Other Income (Expenses):		
Selling, general and administrative expenses	(140,533)	(136,604)
Gain (loss) on securities and other investments-net	(655)	(118)
Impairment reversal (loss) of fixed assets-net	(901)	(408)
Gain (loss) on disposal or sales of fixed assets-net	3,449	(1,600)
Other income (expense)-net	2,348	(2,553)
Total other income (expenses)	(136,292)	(141,283)
Finance Income (Costs):		
Interest income	11,860	11,483
Dividend income	17,493	28,017
Interest expense	(23,122)	(20,635)
Total finance income (costs)	6,231	18,865
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 4)	57,626	66,231
Profit before Income Taxes	146,523	149,079
Income Taxes	(30,548)	(39,538)
Profit for the Period	¥ 115,975	¥ 109,541
Profit for the Period Attributable to:		
Owners of the parent	¥ 109,117	¥ 104,456
Non-controlling interests	6,858	5,085

	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 11):		
Basic	¥ 62.77	¥ 60.10
Diluted	¥ 62.73	¥ 60.06

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Three-Month Periods Ended September 30, 2019 and 2018

	Millions of Yen	
	Three-month Period Ended September 30, 2019	Three-month Period Ended September 30, 2018
Comprehensive Income:		
Profit for the period	¥ 115,975	¥ 109,541
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	(79,605)	124,159
Remeasurements of defined benefit pension plans	(39)	321
Share of other comprehensive income of investments accounted for using the equity method	(250)	(138)
Income tax relating to items not reclassified	19,371	(43,004)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(28,818)	(1,215)
Cash flow hedges	3,679	(1,983)
Share of other comprehensive income of investments accounted for using the equity method	(53,805)	46,337
Income tax relating to items that may be reclassified	4,044	(1,453)
Total other comprehensive income	(135,423)	123,024
Comprehensive Income for the Period	¥ (19,448)	¥ 232,565
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ (23,717)	¥ 223,388
Non-controlling interests	4,269	9,177

Condensed Consolidated Statements of Changes in Equity
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2019 and 2018

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

Millions of Yen	Attributable to owners of the parent							
	Common Stock	Capital Surplus	Retained Earnings (Note 10)	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance as at April 1, 2019	¥ 341,482	¥ 387,335	¥ 3,078,655	¥ 463,270	¥ (7,576)	¥ 4,263,166	¥ 267,142	¥ 4,530,308
Cumulative effect of changes in accounting policies (Note 2)……….………			(5,306)			(5,306)		(5,306)
Balance as at April 1, 2019 after changes in accounting policies	341,482	387,335	3,073,349	463,270	(7,576)	4,257,860	267,142	4,525,002
Profit for the period ..………………………...			234,153			234,153	16,706	250,859
Other comprehensive income for the period ...				(227,222)		(227,222)	(11,606)	(238,828)
Comprehensive income for the period ………...			234,153	(227,222)		6,931	5,100	12,031
Transaction with owners:								
Dividends paid to owners of the parent ……..			(69,524)			(69,524)		(69,524)
Dividends paid to non-controlling interest shareholders ………………………………							(8,826)	(8,826)
Acquisition of treasury stock ………………...					(6)	(6)		(6)
Sales of treasury stock ………………………		(133)	(287)		421	1		1
Compensation costs related to stock options ..		23				23		23
Compensation costs related to share preformance-linked restricted stock………..	294	(294)				—		—
Equity transactions with non-controlling interest shareholders ……………………….		16,578		(422)		16,156	(612)	15,544
Transfer to retained earnings …………			30,772	(30,772)		—		—
Balance as at September 30, 2019	¥ 341,776	¥ 403,509	¥ 3,268,463	¥ 204,854	¥ (7,161)	¥ 4,211,441	¥ 262,804	¥ 4,474,245

Condensed Consolidated Statements of Cash Flows
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2019 and 2018

	Millions of Yen			
		Six-month Period Ended September 30, 2019		Six-month Period Ended September 30, 2018
Operating Activities:				
Profit for the period	¥	250,859	¥	235,556
Adjustments to reconcile profit for the period to cash flows from operating activities:				
Depreciation and amortization		119,484		87,830
Change in retirement benefit liabilities		931		924
Provision for doubtful receivables		6,350		4,816
(Reversal) loss of provision related to Multigrain business		-		(11,083)
(Gain) loss on securities and other investments—net		(5,655)		(1,227)
Impairment (reversal) loss of fixed assets—net		2,596		1,392
(Gain) loss on disposal or sales of fixed assets—net		(4,815)		(5,262)
Finance (income) costs		(32,401)		(29,376)
Income taxes		68,067		80,549
Share of (profit) loss of investments accounted for using the equity method		(136,099)		(124,657)
Valuation (gain) loss related to contingent considerations and others		(1,854)		5,802
Changes in operating assets and liabilities:				
Change in trade and other receivables		190,676		(53,714)
Change in inventories		(40,862)		(53,076)
Change in trade and other payables		(154,456)		32,367
Other—net		(15,100)		(80,322)
Interest received		39,715		17,379
Interest paid		(50,695)		(41,374)
Dividends received		147,975		164,505
Income taxes paid		(78,358)		(86,848)
Income taxes refunded		20,319		17,476
Cash flows from operating activities		326,677		161,657
Investing Activities:				
Change in time deposits		2,110		(5,940)
Investments in equity accounted investees		(58,604)		(108,555)
Proceeds from sales of investments in equity accounted investees		6,199		21,685
Purchases of other investments		(18,609)		(27,996)
Proceeds from sales and maturities of other investments		64,391		25,080
Increases in loan receivables		(18,291)		(36,041)
Collections of loan receivables		12,418		12,394
Purchases of property, plant and equipment		(124,859)		(141,081)
Proceeds from sales of property, plant and equipment		7,932		36,517
Purchases of investment property		(6,661)		(11,675)
Proceeds from sales of investment property		6,472		120
Acquisition of subsidiaries or other businesses (Note 3)		-		(76,913)
Proceeds from sales of subsidiaries or other businesses		-		64,408
Cash flows from investing activities		(127,502)		(247,997)
Financing Activities:				
Change in short-term debt		98,314		16,680
Proceeds from long-term debt		500,690		370,607
Repayments of long-term debt		(510,973)		(383,905)
Purchases and sales of treasury stock		(5)		(8)
Dividends paid		(69,524)		(69,516)
Transactions with non-controlling interests shareholders		(3,876)		(1,105)
Cash flows from financing activities		14,626		(67,247)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(16,883)		18,301
Change in Cash and Cash Equivalents		196,918		(135,286)
Cash and Cash Equivalents at Beginning of Period		956,107		1,131,380
Cash and Cash Equivalents at End of Period	¥	1,153,025	¥	996,094

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

1. REPORTING ENTITY

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

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

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

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

2. BASIS OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Ⅰ. BASIS OF PREPARATION

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

Ⅱ. USE OF ESTIMATES AND JUDGMENTS

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

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

- Note 16 "RECOVERABILITY OF DEFERRED TAX ASSETS IN MITSUI E&P MOZAMBIQUE AREA 1 LIMITED ACCOUNTED FOR USING THE EQUITY METHOD"

Ⅲ. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the Condensed Consolidated Financial Statements for the period ended September 30, 2019 are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

The companies applied the following new standards for Condensed Consolidated Financial Statements from April 1, 2019.

IFRS	Title	Summaries
IFRS 16	Leases	Fundamental amendment of accounting for lease transactions

<u>IFRS 16 "Leases"</u>

In adopting IFRS 16, the companies recognized lease liabilities in relation to leases as a lessee, which had previously been classified as operating leases under the principles of IAS 17 "Leases". These liabilities are measured at the present value discounted using the group's incremental borrowing rate as of April 1, 2019, and are presented as "long-term debt" (including current portion). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 2.6%. The associated rights-of-use assets are measured either at the carrying amount as if the Standard had been applied since the commencement date or at the amount equal to the lease liability, and are presented as "Property, plant and equipment".

In transitioning to IFRS 16, the practical expedient was chosen, the companies have adopted this standard to contracts that were previously identified as leases under the principles of IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease" (hereinafter referred to as "IFRIC 4") without reassessing whether a contract is, or contains, a lease at the date of initial application. The companies have not adopted this standard to contracts that were not previously identified as containing a lease under the principles of IAS 17 and IFRIC 4.

After the date of initial application, if a contract is, or contains, a lease, leases are recognized as a lease liability and a corresponding right-of-use asset at the date at which the asset is available for use by the companies. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to interest expense over the lease term at a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease term includes periods of an option to extend the lease if the lessee is reasonably certain to exercise that option and an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Note that short-term leases and leases for which the underlying asset is of low value apply exemption rules of the standards, and recognize the lease payments associated with those leases as an expense mainly on straight-line basis over the lease term.

The cumulative effects due to the application of this standard were recognized on the commencement date of adoption in accordance with the transitional arrangements, the retrospective restatement of prior periods have not been applied.

The following is a reconciliation of future minimum payments under non-cancellable operating lease contracts applying IAS 17 as of March 31, 2019 and lease liabilities recognized in the Condensed Consolidated Statement of financial position at the date of initial application.

	April 1, 2019 Millions of yen
Future minimum lease payments under non-cancellable operating lease as of March 31, 2019	313,317
Extension options that the lessee is reasonably certain to exercise that option, termination options that the lessee is reasonably certain not to exercise that option, and others	10,043
Lease liability recognized as at April 1, 2019 on adoption of IFRS16 (undiscounted)	323,360
Discounted using incremental borrowing rate	(51,039)
Lease liability recognized as at April 1, 2019 on adoption of IFRS16 (discounted)	272,321
Finance lease liabilities recognized as at March 31, 2019	67,140
Lease liabilities recognized as at April 1, 2019	339,461

Right-of-use assets newly recognized at the date of initial application in the Condensed Consolidated Statement of financial position were JPY 257,624 million.

In applying IFRS 16 for the first time, the companies have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the reliance on assessment of whether leases are onerous applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3. BUSINESS COMBINATIONS

For the six-month period ended September 30, 2019

No material business combinations were completed during the six-month period ended September 30, 2019.

For the six-month period ended September 30, 2018

Oil and Gas Company in Australia

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

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

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

The 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 six-month period ended September 30, 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 aquired	¥	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 Condensed Consolidated Statements of Cash Flows for the six-month period ended September 30, 2018.

Real Estate business in the U.S.

The Company acquired senior living properties and their operations from the current operators, West Living LLC, and the acquisition was completed through MBK Real Estate LLC ("MRE") on July 6, 2018. The total consideration paid was ¥28,673 million (U$256 million).

The acquired properties are geographically close to the locations of those 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 aquired	¥	42,866
Non-current liabilities		(14,193)
Total liabilities assumed	¥	(14,193)
Net assets acquired	¥	28,673

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 ¥28,673 million arising from the above business combination is included in “Acquisition of subsidiaries or other businesses” in the Condensed Consolidated Statements of Cash Flows for the six-month period ended September 30, 2018.

4. SEGMENT INFORMATION

Six-month period ended September 30, 2019:	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
	Millions of Yen							
Revenue	¥ 117,867	¥ 549,654	¥ 424,685	¥ 774,816	¥ 446,455	¥ 1,013,199	¥ 83,233	¥ 3,409,909
Gross Profit	¥ 12,601	¥ 124,751	¥ 63,852	¥ 61,025	¥ 75,449	¥ 67,160	¥ 23,368	¥ 427,936
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 6,495	¥ 32,706	¥ 46,801	¥ 6,771	¥ 26,034	¥ 10,298	¥ 7,122	¥ 136,227
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 2,742	¥ 101,884	¥ 36,013	¥ 4,745	¥ 65,571	¥ 16,941	¥ 1,645	¥ 229,541
Core Operating Cash Flow	¥ (208)	¥ 120,219	¥ 41,421	¥ 14,607	¥ 123,201	¥ 11,211	¥ (3,379)	¥ 307,072
Total Assets at September 30, 2019	¥ 556,224	¥ 2,134,901	¥ 2,463,552	¥ 1,246,822	¥ 2,551,202	¥ 2,038,083	¥ 1,025,181	¥ 12,015,965

Six-month period ended September 30, 2019:	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen		
Revenue	¥ 1,327	¥ -	¥ 3,411,236
Gross Profit	¥ 253	¥ -	¥ 428,189
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 97	¥ (225)	¥ 136,099
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (3,303)	¥ 7,915	¥ 234,153
Core Operating Cash Flow	¥ 8,244	¥ 31,103	¥ 346,419
Total Assets at September 30, 2019	¥ 7,006,178	¥ (6,925,467)	¥ 12,096,676

Six-month period ended September 30, 2018 (As restated):	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
	Millions of Yen							
Revenue	¥ 98,516	¥ 501,040	¥ 340,210	¥ 847,007	¥ 335,725	¥ 986,385	¥ 102,056	¥ 3,210,939
Gross Profit	¥ 13,826	¥ 90,581	¥ 62,617	¥ 74,413	¥ 71,076	¥ 68,468	¥ 41,756	¥ 422,737
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 11,479	¥ 29,669	¥ 43,588	¥ 8,048	¥ 16,004	¥ 11,218	¥ 5,844	¥ 125,850
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 7,928	¥ 89,065	¥ 37,113	¥ 16,438	¥ 36,619	¥ 20,008	¥ 9,339	¥ 216,510
Core Operating Cash Flow	¥ (2,406)	¥ 94,596	¥ 31,384	¥ 31,004	¥ 107,992	¥ 13,431	¥ 9,630	¥ 285,631
Total Assets at March 31, 2019	¥ 606,557	¥ 2,222,894	¥ 2,450,551	1,337,737	¥ 2,425,363	¥ 2,006,139	¥ 971,833	¥ 12,021,074

Six-month period ended September 30, 2018 (As restated):	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen		
Revenue	¥ 2,426	¥ (23)	¥ 3,213,342
Gross Profit	¥ 1,375	¥ (397)	¥ 423,715
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 28	¥ (1,221)	¥ 124,657
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (6,689)	¥ 13,049	¥ 222,870
Core Operating Cash Flow	¥ 4,295	¥ 26,476	¥ 316,402
Total Assets at March 31, 2019	¥ 7,044,713	¥ (7,120,008)	¥ 11,945,779

Three-month period ended September 30, 2019:	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
	Millions of Yen							
Revenue	¥ 59,768	¥ 271,735	¥ 250,829	¥ 371,121	¥ 268,656	¥ 508,397	¥ 46,597	¥ 1,777,103
Gross Profit	¥ 6,188	¥ 62,959	¥ 33,606	¥ 29,191	¥ 41,036	¥ 30,558	¥ 14,968	¥ 218,506
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 3,568	¥ 16,427	¥ 21,097	¥ 3,274	¥ 3,772	¥ 5,811	¥ 3,661	¥ 57,610
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,211	¥ 52,894	¥ 19,166	¥ 659	¥ 24,711	¥ 9,369	¥ (463)	¥ 107,547
Core Operating Cash Flow	¥ (480)	¥ 62,328	¥ 21,366	¥ 7,437	¥ 61,437	¥ (359)	¥ (2,284)	¥ 149,445

Three-month period ended September 30, 2019:	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen		
Revenue	¥ 1,012	¥ 1	¥ 1,778,116
Gross Profit	¥ 452	¥ -	¥ 218,958
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 72	¥ (56)	¥ 57,626
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (1,894)	¥ 3,464	¥ 109,117
Core Operating Cash Flow	¥ 3,341	¥ 37,737	¥ 190,523

Three-month period ended September 30, 2018 (As restated):	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
	Millions of Yen							
Revenue	¥ 49,966	¥ 254,302	¥ 147,004	¥ 450,782	¥ 163,594	¥ 544,265	¥ 45,956	¥ 1,655,869
Gross Profit	¥ 7,021	¥ 44,820	¥ 30,839	¥ 36,992	¥ 35,727	¥ 33,302	¥ 15,872	¥ 204,573
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 4,311	¥ 15,689	¥ 24,933	¥ 3,734	¥ 8,865	¥ 5,446	¥ 4,023	¥ 67,001
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,149	¥ 49,343	¥ 21,664	¥ 6,507	¥ 19,561	¥ 2,316	¥ (1,161)	¥ 99,379
Core Operating Cash Flow	¥ (3,012)	¥ 46,271	¥ 10,202	¥ 15,109	¥ 55,064	¥ 4,893	¥ (3,537)	¥ 124,990

Three-month period ended September 30, 2018 (As restated):	All Other	Adjustments and Eliminations	Consolidated Total
	Millions of Yen		
Revenue	¥ 1,296	¥ (22)	¥ 1,657,143
Gross Profit	¥ 705	¥ (12)	¥ 205,266
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 28	¥ (798)	¥ 66,231
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (2,732)	¥ 7,809	¥ 104,456
Core Operating Cash Flow	¥ 6,955	¥ 29,992	¥ 161,937

Notes: (1)“All Other” includes of the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies. Total Assets of “All Other” at September 30, 2019 and March 31, 2019 includes cash, cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

(2)Transfers between reportable segments are made at cost plus a markup.
(3)Profit (Loss) for the Period Attributable to Owners of the parent of "Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.
(4)Core Operating Cash Flow is calculated by eliminating the sum of the "Changes in Operating Assets and Liabilities" from "Cash Flows from Operating Activities" as presented in the Condensed Consolidated Statements of Cash Flows.
(5)Due to the organizational restructuring with the aim of further strengthening of business, materials business and real estate business which were formerly included in "Lifestyle" segment are included in "Chemicals" segment and "Innovation & Corporate Development" segment respectively, since the three-month period ended June 30, 2019. In accordance with these changes, the segment information for the six-month and the three-month periods ended September 30, 2018 has been restated to conform to the current period presentation.

5. REVENUE

Among "Revenue", the disaggregation of revenue recognized from contracts with customers by product segment is as follows. The following categories are same as in Note.4 *"SEGMENT INFORMATION"*. Please refer to Note.4 *"SEGMENT INFORMATION"* for the details of the restatement for the six-month period ended September 30, 2018. Revenue other than revenue recognized from contracts with customers includes revenue related to lease and financial instruments, etc.

	Millions of Yen								
Six-month period ended September 30, 2019:	**Iron & Steel Products**	**Mineral & Metal Resources**	**Machinery & Infrastructure**	**Chemicals**	**Energy**	**Lifestyle**	**Innovation & Corporate Development**	**All Others**	**Total**
Revenue recognized from contracts with customers	¥ 114,176	¥ 444,392	¥ 377,539	¥ 763,615	¥ 251,038	¥ 784,118	¥ 70,435	¥ 1,734	¥ 2,807,047

	Millions of Yen								
Six-month period ended September 30, 2018: (As restated)	**Iron & Steel Products**	**Mineral & Metal Resources**	**Machinery & Infrastructure**	**Chemicals**	**Energy**	**Lifestyle**	**Innovation & Corporate Development**	**All Others**	**Total**
Revenue recognized from contracts with customers	¥ 95,978	¥ 384,808	¥ 301,570	¥ 837,833	¥ 252,602	¥ 729,803	¥ 77,095	¥ 1,750	¥ 2,681,439

6. ACQUISITONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amount of acquisitions of property, plant and equipment for the six-month period ended September 30, 2019 was ¥165,644 million and the amount of disposals was not material.
The amounts of acquisitions (excluding acquisitions through business combinations) and disposals of property, plant and equipment for the six-month period ended September 30, 2018 were ¥143,801 million and ¥32,356 million, respectively. Please refer to Note 3. for significant acquisitions from business combinations.

7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

The amounts of impairment losses for assets for the six-month period ended September 30, 2019 and 2018 were not material.

The amounts of reversals of impairment losses for assets for the six-month period ended September 30, 2019 and 2018 were not material.

8. ISSUES AND REPAYMENTS OF BONDS

The total amount of repaid bonds for the six-month period ended September 30, 2019 was ¥10,471 million.
The total amount of issued bonds for the six-month period ended September 30, 2019 was ¥55,000 million.

The total amount of repaid bonds for the six-month period ended September 30, 2018 was ¥30,990 million.
The total amount of issued bonds for the six-month period ended September 30, 2018 was ¥28,666 million.

9. EQUITY

Changes in other components of equity for the six-month periods ended September 30, 2019 and 2018 were as follows:

	Millions of Yen			
	Six-month period ended September 30, 2019		Six-month period ended September 30, 2018	
Financial Assets Measured at FVTOCI:				
Balance at beginning of period	¥	356,498	¥	306,911
Increase (decrease) during the period		(43,517)		117,810
Transfer to retained earnings		(30,824)		(10,637)
Balance at end of period	¥	282,157	¥	414,084
Remeasurements of Defined Benefit Pension Plans:				
Balance at beginning of period	¥	-	¥	-
Increase (decrease) during the period		(52)		757
Transfer to retained earnings		52		(757)
Balance at end of period	¥	-	¥	-
Foreign Currency Translation Adjustments:				
Balance at beginning of period	¥	124,506	¥	161,488
Increase (decrease) during the period		(155,761)		24,373
Balance at end of period	¥	(31,255)	¥	185,861
Cash Flow Hedges:				
Balance at beginning of period	¥	(17,734)	¥	(20,364)
Increase (decrease) during the period		(28,314)		11,788
Balance at end of period	¥	(46,048)	¥	(8,576)
Total:				
Balance at beginning of period	¥	463,270	¥	448,035
Increase (decrease) during the period		(227,644)		154,728
Transfer to retained earnings		(30,722)		(11,394)
Balance at end of period	¥	204,854	¥	591,369

10. DIVIDENDS

During the six-month periods ended September 30, 2019 and 2018, the Company paid dividends of ¥40 per share (total dividend of ¥69,524 million) and ¥40 per share (total dividend of ¥69,516 million), respectively.

11. EARNINGS PER SHARE

The following is a reconciliation of basic earnings per share attributable to owners of the parent to diluted earnings per share attributable to owners of the parent for the six-month and three-month periods ended September 30, 2019 and 2018:

	Six-month Period Ended September 30, 2019			Six-month Period Ended September 30, 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:	¥ 234,153	1,738,241	¥ 134.71	¥ 222,870	1,737,931	¥ 128.24
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.	(18)	—		(28)	—	
Stock options ……………………	—	1,127		—	1,092	
Diluted earnings per share attributable to owners of the parent:	¥ 234,135	1,739,368	¥ 134.61	¥ 222,842	1,739,023	¥ 128.14

	Three-month Period Ended September 30, 2019			Three-month Period Ended September 30, 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:	¥ 109,117	1,738,367	¥ 62.77	¥ 104,456	1,737,966	¥ 60.10
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.	(6)	—		(8)	—	
Stock options ……………………	—	1,071		—	1,184	
Diluted earnings per share attributable to owners of the parent:	¥ 109,111	1,739,438	¥ 62.73	¥ 104,448	1,739,150	¥ 60.06

12. CONTINGENT LIABILITIES

Ⅰ. GUARANTEES

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

The table below summarizes the maximum potential amount of future payments, amount outstanding and recourse provisions/collateral of the companies' guarantees as of September 30, 2019 and March 31, 2019. The maximum potential amount of future payments represents the amount without consideration of possible recovery under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.
The companies evaluate risks involved for each guarantee through an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood of performing guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at September 30, 2019.

	Millions of Yen			
	Maximum potential amount of future payments	**Amount outstanding (a)**	**Recourse provisions/ Collateral (b)**	**Net amount outstanding (a)-(b)**
September 30, 2019				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties …………………	¥ 101,438	¥ 52,639	¥ 1,465	¥ 51,174
Guarantees for investments accounted for using the equity method ………………	1,031,442	709,495	58,435	651,060
Performance guarantees				
Guarantees for third parties …………………	37,253	32,065	13,161	18,904
Guarantees for investments accounted for using the equity method ………………	83,788	78,005	2,052	75,953
Total ……………..	¥ 1,253,921	¥ 872,204	¥ 75,113	¥ 797,091

	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

Guarantees for third parties

The companies guarantee, severally or jointly with others, indebtedness of certain customers and suppliers in the furtherance of their trading activities. Most of these guarantees outstanding as of September 30, 2019 and March 31, 2019 will expire through 2027 and 2025, respectively.

Guarantees for investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of September 30, 2019 and March 31, 2019 will expire through 2031.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of September 30, 2019 and March 31, 2019.

	Millions of Yen			
	September 30, 2019		March 31, 2019	
Within 1 year ………………………………	¥	241,532	¥	354,699
After 1 to 5 years ……………………………		446,669		330,153
After 5 years ………………………………		565,720		425,063
Total ……………………………………	¥	1,253,921	¥	1,109,915

Ⅱ. LITIGATION

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

13. FAIR VALUE MEASUREMENT

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

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

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

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

Level 3:
Unobservable inputs for the assets or liabilities.

(1) Valuation techniques

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

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

Other Investments
- Other investments other than measured at amortized cost are measured at fair value.
- Publicly-traded other investments are measured using the quoted market prices and classified as level 1.

- Non-marketable other investments are measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. They are classified as level 3, considering the degree to which these inputs are observable in the relevant markets.

Derivative Instruments

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

Inventories

- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of September 30, 2019 and March 31, 2019 were not material.

(2) Valuation process

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

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

Information by fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and March 31, 2019 were as follows. No assets or liabilities were transferred between level 1 and 2 for the six-month period ended September 30, 2019 and 2018.

	Millions of Yen				
September 30, 2019	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Trades and other receivables:					
Loan measured at FVTPL ………………	―	―	¥ 21,390		
Total trades and other receivables	―	―	¥ 21,390	―	¥ 21,390
Other investments:					
Financial assets measured at FVTPL ……	¥ 15,818	―	¥ 109,345		
Financial assets measured at FVTOCI …	880,124	―	769,178		
Total other investments	¥ 895,942	―	¥ 878,523	―	¥ 1,774,465
Derivative assets:					
Foreign exchange contracts ……………	―	¥ 41,008	―		
Interest rate contracts ……………………	―	76,106	―		
Commodity contracts ……………………	¥ 14,100	652,603	¥ 676		
Others ……………………………………	―	―	15,295		
Total derivative assets	¥ 14,100	¥ 769,717	¥ 15,971	¥ (572,477)	¥ 227,311
Inventories…………………………………	―	¥ 161,857	―	―	¥ 161,857
Total assets …………………………………	¥ 910,042	¥ 931,574	¥ 915,884	¥ (572,477)	¥ 2,185,023
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts ……………	―	¥ 26,702	―		
Interest rate contracts ……………………	―	8,966	―		
Commodity contracts ……………………	¥ 13,333	638,646	¥ 798		
Others ……………………………………	―	―	12,348		
Total derivative liabilities	¥ 13,333	¥ 674,314	¥ 13,146	¥ (578,088)	¥ 122,705
Total liabilities ……………………………	¥ 13,333	¥ 674,314	¥ 13,146	¥ (578,088)	¥ 122,705

March 31, 2019	Millions of Yen				
	Fair value measurements using				
	Level 1	Level 2	Level 3	Netting adjustments*	Total fair value
Assets:					
Trades and other receivables:					
Loan measured at FVTPL	—	—	¥ 22,415		
Total trades 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

*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 ¥22,415 million and the balance at end of period was ¥21,390 million for the six-month period ended September 30, 2019.
The balance at the beginning of period of the loan measured at FVTPL was ¥21,380 million and the balance at end of period was ¥22,855 million for the six-month period ended September 30, 2018.
There was no material movement other than its exchange rate change during both periods.

The reconciliation of financial assets measured at FVTPL for the six-month period ended September 30, 2019 and 2018 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2019	**Six-month period ended September 30, 2018**
Balance at beginning of period	¥ 111,504	¥ 110,827
Gains (losses)	(3,016)	4,014
Purchases	11,705	12,614
Sales	(7,852)	(4,503)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(7,033)
Others (Note)	(2,996)	(4,504)
Balance at end of period	¥ 109,345	¥ 111,415
Net change in unrealized gains (losses) still held at end of period	¥ (3,174)	¥ 5,669

Note: “Others” includes the effect of changes in scope of consolidation.
Gains (losses) related to financial assets measured at FVTPL ("FVTPL gains(losses)") were included in "Revenue".

The reconciliation of financial assets measured at FVTOCI for the six-month period ended September 30, 2019 and 2018 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2019	**Six-month period ended September 30, 2018**
Balance at beginning of period	¥ 762,857	¥ 638,851
Other comprehensive income	8,180	41,757
Purchases	10,005	23,839
Sales	(7,078)	(4,587)
Transfers into Level 3	—	—
Transfers out of Level 3	(2,175)	—
Others (Note)	(2,611)	(271)
Balance at end of period	¥ 769,178	¥ 699,589

Note: "Others” includes the effect of changes in scope of consolidation.

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

Quantitative information about level 3 fair value measurements

Information about valuation techniques and significant unobservable inputs used for level 3 assets measured at fair value on a recurring basis as of September 30, 2019 and March 31, 2019 were as follows:

September 30, 2019	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6% ~ 15.7%

March 31, 2019	Valuation Technique	Principal Unobservable Input	Range
Financial assets measured at FVTOCI	Income approach	Discount rate	6.5% ~ 17.1%

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.

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

The fair values of non-current receivables with floating rates, including long-term loans receivable, and long-term debt with floating rates approximately equal their respective carrying amounts. The fair values of non-current receivables with fixed rate and long-term debt with fixed rate are estimated by discount cash flow analysis, using interest rates currently available for similar types of loans, accounts receivable and borrowings with similar terms and remaining maturities.
The fair values of financial instruments as of September 30, 2019 and March 31, 2019 were as follows. The fair values of current financial assets and current financial liabilities are not disclosed because the carrying amounts reasonably approximate their fair values.

	Millions of Yen			
	September 30, 2019		March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Other investments measured at amortized cost	¥ 37,072	¥ 37,714	¥ 37,191	¥ 37,401
Non-current receivables				
Trade and other receivables and Other financial assets (*) ……………………	610,141	610,141	613,695	613,695
Non-current liabilities				
Long-term debts, less current portion and Other financial liabilities (*) ……………	¥ 4,276,004	¥ 4,318,994	¥ 3,881,152	¥ 3,949,398

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

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

14. REVERSAL OF PROVISION RELATED TO MULTIGRAIN BUSINESS

Regarding the provisions which Multigrain Trading AG (“Multigrain” a 100% owned subsidiary of the Company) has recognized as losses expected to arise from meeting the obligations under some of the long-term contracts, the contracts were terminated and this resulted in gains of ¥11,083 million for the six-month period ended September 30, 2018, which was the difference between their termination costs and the provisions. The gains are presented as “Reversal of provision related to Multigrain business” within the Condensed Consolidated Statements of Income and included in the “Profit (Loss) for the Period Attributable to Owners of the parent” in the Lifestyle segment for the six-month period ended September 30, 2018. Please see “4. *SEGMENT INFORMATION*”.

15. THE FIRE INCIDENT OF INTERCONTINENTIAL 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, and was completely extinguished by March 22, 2019 (US time). ITC has resumed operation after discussions with relevant authorities. The cause of the fire is still under investigation.

The outstanding balance of provision related to this incident is ¥14,924 million for the year ended March 31, 2019. Most of the related costs have been paid out in the six-month period ended September 30, 2019, and the outstanding balance of provision as of September 30, 2019 is immaterial. Further, although ITC recognized additional costs related to this incident in the six-month period ended September 30, 2019, together with insurance benefits that were also booked, the net amount is immaterial.

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.

16. RECOVERABILITY OF DEFERRED TAX ASSETS IN MITSUI E&P MOZAMBIQUE AREA 1 LIMITED ACCOUNTED FOR USING THE EQUITY METHOD

In the six-month period ended September 30, 2019, the Company, together with its business partners, has made a final investment decision on the Mozambique LNG project through Mitsui E&P Mozambique Area 1 Limited, its joint venture in the Energy Segment which owns an interest in the LNG project.
Due to this final investment decision, the joint venture recognized deferred tax assets mainly for the exploration expenses occurred in prior years, and gain of ¥13,158 million have been recognized in “Share of Profit (Loss) of Investments Accounted for Using the Equity Method”.

17. SUBSEQUENT EVENTS

Interim Dividend
On October 30, 2019, the Board of Directors approved the payment of cash dividend to shareholders of record on September 30, 2019 of ¥40 per share or a total of ¥69,547 million.

Stock Repurchase and Cancellation of Treasury Stock
At the meeting of the Board of Directors held on October 30, 2019, the Company resolved to repurchase its stock in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the Companies Act of Japan and to cancel a part of its treasury stock in accordance with Article 178 of the said Act. Details of the repurchase and cancellation are as follows.

1. Purpose of stock repurchase and cancellation of treasury stock
   To enhance shareholder return and to improve capital efficiency

2. Details of repurchase
   (1) Class of share
       Common stock of the Company
   (2) Total number of shares of common stock to be repurchased
       Up to 30 million shares（1.7% of the total number of shares outstanding excluding treasury stock）
   (3) Total amount
       Up to ￥50,000 million
   (4) Period
       From October 31, 2019 to March 24, 2020
   (5) Repurchase method
       Auction market on Tokyo Stock Exchange

3. Details of cancellation
   (1) Class of share
       Common stock of the Company
   (2) Total number of shares of treasury stock to be cancelled
       All of the shares of common stock to be repurchased pursuant to 2 above
       （up to 1.7% of the total number of shares outstanding）
   (3) Scheduled date of cancellation
       April 20, 2020

18. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Takakazu Uchida, Representative Director, Senior Executive Managing Officer and CFO, on November 8, 2019.