Consolidated Financial Results for the Six-Month Period Ended September 30, 2018 [IFRS]

Tokyo, October 30, 2018 - Mitsui & Co., Ltd. announced its consolidated financial results for the six-month period ended September 30, 2018, based on International Financial Reporting Standards ("IFRS").

Mitsui & Co., Ltd. and subsidiaries
(Web Site : http://www.mitsui.com/jp/en/)

President and Chief Executive Officer : Tatsuo Yasunaga
Investor Relations Contacts : Yuji Mano, General Manager, Investor Relations Division TEL 81-3-3285-7533

1. Consolidated financial results

(1) Consolidated operating results information for the six-month period ended September 30, 2018
(from April 1, 2018 to September 30, 2018)

		Six-month period ended September 30,			
		2018	%	2017	%
Revenue	Millions of yen	3,213,342	34.2	2,394,033	17.8
Profit before income taxes	Millions of yen	316,105	1.3	312,031	67.7
Profit for the period	Millions of yen	235,556	△ 5.3	248,720	92.8
Profit for the period attributable to owners of the parent	Millions of yen	222,870	△ 6.5	238,307	95.4
Comprehensive income for the period	Millions of yen	392,625	31.2	299,331	-
Earnings per share attributable to owners of the parent, basic	Yen	128.24		135.10	
Earnings per share attributable to owners of the parent, diluted	Yen	128.14		135.01	

Note :
Percentage figures for Revenue, Profit before income taxes, Profit for the period, Profit for the period attributable to owners of the parent, and Comprehensive income for the period represent changes from the previous year.

(2) Consolidated financial position information

		September 30, 2018	March 31, 2018
Total assets	Millions of yen	11,847,422	11,306,660
Total equity	Millions of yen	4,542,817	4,218,123
Total equity attributable to owners of the parent	Millions of yen	4,280,098	3,974,715
Equity attributable to owners of the parent ratio	%	36.1	35.2

2. Dividend information

		Year ended March 31,		Year ending March 31, 2019 (Forecast)
		2019	2018	
Interim dividend per share	Yen	40	30	
Year-end dividend per share	Yen		40	40
Annual dividend per share	Yen		70	80

Note :
Change from the latest released dividend forecast : Yes

3. Forecast of consolidated operating results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

		Year ending March 31, 2019
Profit attributable to owners of the parent	Millions of yen	450,000
Earnings per share attributable to owners of the parent, basic	Yen	258.92

Note :
Change from the latest released earnings forecast : Yes

4. Others
(1) Increase/decrease of important subsidiaries during the period : Yes
Included: 1 company (AWE Limited)

(2) Changes in accounting policies and accounting estimate :
(i) Changes in accounting policies required by IFRS Yes
(ii) Other changes None
(iii) Changes in accounting estimates Yes
Note :
For further details please refer to page 20 "4. Condensed Consolidated Financial Statements (6) Changes in Accounting Policies and Changes in Accounting Estimates".

(3) Number of shares :

	September 30, 2018	March 31, 2018
Number of shares of common stock issued, including treasury stock	1,742,345,627	1,796,514,127
Number of shares of treasury stock	4,332,882	58,632,655

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Average number of shares of common stock outstanding	1,737,930,577	1,763,963,405

This quarterly earnings report is not subject to quarterly review.

A Cautionary Note on Forward-Looking Statements:
This report contains forward-looking statements including those concerning future performance of Mitsui & Co., Ltd. ("Mitsui"), and those statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it. Various factors may cause Mitsui's actual results to be materially different from any future performance expressed or implied by these forward-looking statements. Therefore, these statements do not constitute a guarantee by Mitsui that such future performance will be realized.

For key assumptions on which the forward-looking statements are based, please refer to (2) "Forecasts for the Year Ending March 31, 2019" on p.11. For cautionary notes with respect to forward-looking statements, please refer to the "Notice" section on page 14.

Supplementary materials and IR meetings on financial results:
Supplementary materials on financial results can be found on our web site.
We will hold an IR meeting on financial results for analysts and institutional investors on October 31, 2018.
Contents of the meeting (English and Japanese) will be posted on our web site immediately after the meeting.

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1. Qualitative Information

As of the date of disclosure of this quarterly earnings report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are in progress.

(1) Operating Environment

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

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

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

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

(2) Results of Operations

1) Analysis of Consolidated Income Statements

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

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

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

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

Other Income (Expenses)
Gain (Loss) on Securities and Other Investments—Net
For the previous period, a gain on securities was recorded in the Mineral & Metal Resources Segment.

Impairment Reversal (Loss) of Fixed Assets—Net
For the previous period, an impairment loss on fixed assets was recorded in the Lifestyle Segment.

Gain (Loss) on Disposal or Sales of Fixed Assets—Net
For the current period, a gain on disposal of fixed assets was recorded in the Iron & Steel Products Segment. For the previous period, a gain on disposal of fixed assets was recorded in the Lifestyle Segment and the Innovation & Corporate Development Segment.

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

Finance Income (Costs)
Dividend Income
Mainly the Mineral & Metal Resources Segment and the Energy Segment recorded an increase.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method
Mainly the Machinery & Infrastructure Segment and the Mineral & Metal Resources Segment recorded a decline, while the Energy Segment and the Iron & Steel Products Segment recorded an increase.

Income Taxes
Income taxes for the current period increased, reflecting, for the previous period, the decrease in income taxes that occurred as a result of deferred tax liability on the retained earnings of Valepar S.A. through the incorporation of Valepar S.A. by Vale S.A, which had been partially offset by the reversal of deferred tax assets on accumulated losses of equity accounted investees and on Multigrain Trading AG.
The effective tax rate for the current period was 25.5%, an increase of 5.2% from 20.3% for the previous period, mainly resulting from the aforementioned reversal of deferred taxes in the previous period.

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

2) Operating Results by Operating Segment

Iron & Steel Products Segment

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

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

Mineral & Metal Resources Segment

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

- Gross profit declined mainly due to the following factors:
  - Iron ore mining operations in Australia reported a decline of ¥17.9 billion due to lower iron ore sales prices as well as the change in the mining operation controlled by joint ventures.
  - Coal mining operations in Australia reported a decline of ¥8.3 billion due to higher operational costs caused by the change in mining plans.
- Profit (loss) of equity method investments declined mainly due to the following factors:
  - Valepar S.A. declined by ¥9.4 billion due to the deconsolidation following the incorporation by Vale S.A. in the three month period ended September 30, 2017.
  - An improvement of ¥3.1 billion was recorded for SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine, reflecting an impairment loss for the previous year.
- Dividend from Vale S.A. was ¥12.6 billion, an increase of ¥12.6 billion from the previous period.
- In addition to the above, the following factor also affected results:
  - For the previous period, following the incorporation of Valepar S.A. by Vale S.A., the Mineral & Metal Resources Business Unit reported a gain on securities of ¥56.3 billion and the reversal of deferred tax liability of ¥35.2 billion for the retained earnings of Valepar S.A.

Machinery & Infrastructure Segment

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

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

Chemicals Segment

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

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

Energy Segment

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

- Gross profit increased mainly due to the following factors:
  - Mitsui Oil Exploration Co., Ltd. recorded an increase of ¥17.1 billion mainly due to higher crude oil and gas prices and a decrease in costs.

- Mitsui & Co. Energy Trading Singapore reported an increase of ¥3.8 billion mainly due to good performance in the oil trading business.

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

Lifestyle Segment

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

- Gross profit increased mainly due to the following factors:
  - Multigrain Trading AG reported an increase of ¥3.4 billion mainly due to the reversal effect of the poor performance for the previous period.
- In addition to the above, the following factors also affected results:
  - Multigrain Trading AG recorded provision of ¥33.7 billion due to the deterioration of the business environment for the previous period, while it recorded a gain of ¥11.6 billion on reversal of the provision for the current period.
  - For the previous period, Multigrain Trading AG recorded the tax expenses of ¥8.6 billion mainly resulting from the reversal of deferred tax assets.
  - For the previous period, XINGU AGRI AG recorded an impairment loss on fixed assets of ¥5.8 billion due to a decline in the value of land.
  - For the previous period, Mitsui & Co. Real Estate Ltd. recorded a gain on the sales of buildings in Japan.

Innovation & Corporate Development Segment

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

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

- For the previous period, a gain on the sales of warehouses in Japan was recorded.

(3) Financial Condition and Cash Flows

1) Financial Condition

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

Assets

Current Assets:

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

Non-current Assets:

- Investments accounted for using the equity method increased by ¥219.9 billion, mainly due to the following factors:
  - An increase of ¥47.1 billion resulting from foreign currency exchange fluctuations;
  - An increase of ¥38.0 billion due to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and reclassification to investments accounted for using the equity method corresponding to the additional acquisition;
  - An increase of ¥21.9 billion due to an investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa;
  - An increase due to an investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);
  - An increase due to an investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
  - An increase of ¥10.1 billion due to an additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company for Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia; and
  - An increase of ¥124.8 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥109.7 billion due to dividends received from equity accounted investees.
- Other investments increased by ¥181.4 billion, mainly due to the following factors:

- Fair value on financial assets measured at FVTOCI increased by ¥174.4 billion mainly due to higher share prices;
- An increase of ¥30.6 billion resulting from foreign currency exchange fluctuations;
- An increase of ¥11.8 billion due to an investment in FKS Food & Agri Pte Ltd, which is an integrated food enterprise that operates in Southeast Asia;
- A decline of ¥29.9 billion due to reclassification to investments accounted for using the equity method corresponding to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION; and
- A decline of ¥12.0 billion due to a sale of shares in Synlait Milk, which is a dairy production and sales company.

- Trade and other receivables (Non-Current) increased by ¥51.0 billion, mainly due to an increase of ¥16.7 billion in the execution of loans to the IPP project in Morocco.
- Property, plant and equipment increased by ¥197.3 billion, mainly due to the following factors:
  - An increase of ¥97.9 billion (including the consolidation of AWE Limited, oil and gas company in Australia, of ¥57.2 billion and foreign exchange translation profit of ¥19.7 billion) at oil and gas operations other than U.S. shale gas and oil producing operations;
  - An increase of ¥42.8 billion (including foreign exchange translation profit of ¥1.9 billion) at real estate business in the U.S.; and
  - An increase of ¥11.8 billion (including foreign exchange translation profit of ¥6.0 billion) at the tank operation in the U.S.
- Investment property increased by ¥16.0 billion, mainly due to an increase of ¥10.8 billion for the redevelopment project and construction of a multipurpose building at Mitsui & Co., Real Estate Ltd.

<u>Liabilities</u>

Current Liabilities:

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

Non-current Liabilities:

- Long-term debt, less the current portion, increased by ¥89.0 billion.
- Provisions (Non-Current) increased by ¥16.7 billion , mainly due to the following factors:
  - An increase of ¥13.6 billion due to the transfer from other account items as a result of changing the consolidation accounting treatment accompanying the restructuring in the IPP business;
  - An increase due to the consolidation of AWE Limited, an oil and gas company in Australia; and
  - A decline due to the recognition of a reversal of a provision related to the Multigrain business.
- Deferred tax liabilities increased by ¥77.4 billion, mainly due to the increase in financial assets measured at FVTOCI corresponding to higher share prices.

<u>Total Equity Attributable to Owners of the Parent</u>

- Retained earnings increased by ¥64.6 billion.
- Other components of equity increased by ¥143.4 billion, mainly due to the following factors:
  - Financial assets measured at FVTOCI increased by ¥107.2 billion, mainly due to higher share prices; and
  - Foreign currency translation adjustments increased by ¥24.4 billion, mainly reflecting the

appreciation of the U.S. dollar against the Japanese yen, despite the depreciation of the Brazilian real.

- Treasury stock which is a subtraction item in shareholders' equity declined by ¥96.7 billion, due to the cancellation of treasury stock.

2) Cash Flows

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

Cash Flows from Operating Activities

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

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥154.7 billion of net cash outflow. Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current period amounted to ¥316.4 billion.
  - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥164.5 billion, an increase of ¥29.9 billion from ¥134.6 billion for the previous period.
  - Depreciation and amortization for the current period was ¥87.8 billion, a decline of ¥9.4 billion from ¥97.2 billion for the previous period.

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

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

Cash Flows from Investing Activities

- Net cash outflows that corresponded to investments in equity accounted investees (net of sales of investments in equity accounted investees) were ¥86.9 billion, mainly due to the following factors:
  - An investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa, for ¥21.9 billion;

- An investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);
- An investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
- An additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company of Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia, for ¥10.1 billion; and
- A sale of shares in Medica Asia (Holdco) Limited, the holding company of the MIMS Group which provides drug information to healthcare professionals in the Asia-Oceania region, for ¥11.5 billion.

- Net cash inflows that corresponded to other investments (net of sales and maturities of other investments) were ¥13.3 billion, mainly due to the following factors:
  - A transfer of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION for ¥64.4 billion;
  - A sale of shares in Synlait Milk which is a dairy production and sales company for ¥12.0 billion;
  - An acquisition of an oil and gas business in Australia for ¥48.2 billion; and
  - An investment in FKS Food & Agri Pte Ltd which is an integrated food enterprise that operates in Southeast Asia, for ¥11.8 billion.
- Net cash outflows that corresponded to increase in loan receivables (net of collections of loan receivables) were ¥23.6 billion, mainly due to the execution of loans to the IPP project in Morocco for ¥16.7 billion.
- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥147.4 billion, mainly due to the following factors:
  - An expenditure for the oil and gas projects other than the U.S. shale gas and oil projects for a total of ¥53.6 billion
  - An expenditure for the real estate business in the U.S. for a total of ¥41.4 billion; and
  - An expenditure for iron ore mining operations in Australia for ¥10.6 billion.

Cash Flows from Financing Activities

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

2. Management Policies

(1) <u>Result (*) and Forecast for Investment and Loan Plan</u>

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

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

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

(2) Forecasts for the Year Ending March 31, 2019

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

＜Assumption＞	1st Half (Actual)	2nd Half (Forecast)	Revised Forecast	Original Forecast
Exchange rate (JPY/USD)	110.71	110	110.35	110
Crude oil (JCC)	$74/bbl	$69/bbl	$71/bbl	$59/bbl
Consolidated oil price	$67/bbl	$72/bbl	$70/bbl	$61/bbl

(Billions of yen)

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

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

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

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

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

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

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

The table below shows assumptions for key commodity prices and foreign exchange rates for the forecast for the year ending March 31, 2019. The effects of movements on each commodity price and foreign exchange rates on profit for the year attributable to owners of the parent are included in the table.

Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2019 (Announced in May 2018)			Original Forecast (Announced in May 2018)	March 2019		Revised Forecast (Announced in October 2018)
				1st Half (Result)	2nd Half (Assumption)	
Commodity	Crude Oil/JCC	-	59	74	69	71
	Consolidated Oil Price(*1)	¥2.9 bn (US$1/bbl)	61	67	72	70
	U.S. Natural Gas(*2)	¥0.5 bn (US$0.1/mmBtu)	3.00	2.84(*3)	2.93(*4)	2.88
	Iron Ore	¥2.3 bn (US$1/ton)	(*5)	66.0(*6)	(*5)	(*5)
	Copper	¥1.0 bn (US$100/ton)	7,000	6,916(*7)	6,500	6,708
Forex (*8)	USD	¥2.6 bn (¥1/USD)	110	110.71	110	110.35
	AUD	¥1.7 bn (¥1/AUD)	85	81.79	80	80.90
	BRL	¥0.7 bn (¥1/BRL)	33	29.02	30	29.51

(*1) The oil price trend is reflected in profit (loss) for the year attributable to owners of the parent with a 0-6 month time lag. For the year ending March 31, 2019, we assume the annual average price applicable to our financial results as the Consolidated Oil Price based on the estimation: 4-6 month time lag, 51%; 1-3 month time lag, 40%; no time lag, 9%. The above sensitivities show impact on annual figures resulting from changes in consolidated oil price.

(*2) US natural gas is not all sold at Henry Hub (HH) linked prices. Therefore the sensitivity does not represent the direct impact of HH movement, but rather the impact from the movement of weighted average gas sales price.

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

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

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

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

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

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

(3) Profit Distribution Policy

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

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

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

corporate performance, we will also consider flexible ways to address shareholder compensation, provided that sufficient retained earnings is secured for future business development.
Taking into consideration of core operating cash flow and profit for the year attributable to owners of the parent as well as stability and continuity of the amount of dividend, for six-month period ended September 30, 2018, we have decided to pay an interim dividend of ¥40 per share, a ¥10 increase from the corresponding six-month period of the previous year. For the year ending March 31, 2019, we currently envisage an annual dividend of ¥80 per share (including the interim dividend of ¥40 per share), a ¥10 increase from the year ended March 31, 2018.

3. Other Information

Notice:
This flash 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.
These risks, uncertainties and other factors include, among others, (1) economic downturns worldwide or at specific regions, (2) fluctuations in commodity prices, (3) fluctuations in exchange rates, (4) credit risks from clients with which Mitsui and its consolidated subsidiaries have business transactions or financial dealings and/or from various projects, (5) declines in the values of non-current assets, (6) changes in the financing environment, (7) declines in market value of equity and/or debt securities, (8) changes in the assessment for recoverability of deferred tax assets, (9) inability to successfully restructure or eliminate subsidiaries or associated companies as planned, (10) unsuccessful joint ventures and strategic investments, (11) risks of resource related businesses not developing in line with assumed costs and schedules and uncertainty in reserves and performance of third party operators, (12) loss of opportunities to enter new business areas due to limitations on business resources, (13) environmental laws and regulations, (14) changes in laws and regulations or unilateral changes in contractual terms by governmental entities, (15) employee misconduct, (16) failure to maintain adequate internal control over financial reporting, and (17) climate change and natural disaster. For further information on the above, please refer to Mitsui's Annual Securities Report.
Forward-looking statements may be included in Mitsui's Annual Securities Report and Quarterly Securities Reports or in its other disclosure documents, press releases or website disclosures. Mitsui undertakes no obligation to publicly update or revise any forward-looking statements.

4. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

(Millions of Yen)

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

(Millions of Yen)

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

(2) Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income

(Millions of Yen)

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

Condensed Consolidated Statements of Comprehensive Income

(Millions of Yen)

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

Notes: 1.The Statements of Consolidated Income above are not reviewed by the auditors.
2.The Statements of Consolidated Income above have been adjusted due to the adoption of ASC 810-10-65.
3."Net Income attributable to Noncontrolling Interests" and "Comprehensive Loss (Income) attributable to Noncontrolling Interests" show the amounts deducted to calculate "Net Income attributable to Mitsui & Co., Ltd." and "Comprehensive (Loss) Income attributable to Mitsui & Co., Ltd.", respectively.
4.Tax effects on investments in associated companies which were formerly included in "Equity in Earnings of Associated Companies - Net (After Income Tax Effect)" are included in "Income Taxes" for the three-month period ended December 31, 2009. At the same time, "Equity in Earnings of Associated Companies - Net (After Income Tax Effect)" are changed to "Equity in Earnings of Associated Companies - Net." Amounts for three-month period ended December 31, 2008 have been reclassified to conform to the current period presentation.

(3) Condensed Consolidated Statements of Changes in Equity

(Millions of Yen)

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

(Millions of Yen)

	Attributable to owners of the parent						Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Treasury Stock	Total		
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			(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						377,809	14,816	392,625
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥40)			(69,516)			(69,516)		(69,516)
Dividends paid to non-controlling interest shareholders							(10,005)	(10,005)
Acquisition of treasury stock					(8)	(8)		(8)
Sales of treasury stock		(100)	(141)		256	15		15
Cancellation of treasury stock			(96,467)		96,467	—		—
Compensation costs related to stock options		231				231		231
Equity transactions with non-controlling interest shareholders		598		(211)		387	14,500	14,887
Transfer to retained earnings			11,394	(11,394)		—		—
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

(4) Condensed Consolidated Statements of Cash Flows

(Millions of Yen)

	Six-month period ended September 30, 2018	Six-month period ended September 30, 2017
Operating Activities:		
Profit for the period	¥ 235,556	¥ 248,720
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	87,830	97,168
Change in retirement benefit liabilities	924	2,346
Provision for doubtful receivables	4,816	3,817
(Reversal) loss of provision related to Multigrain business	(11,083)	31,526
(Gain) loss on securities and other investments—net	(1,227)	(58,975)
Impairment (reversal) loss of fixed assets—net	1,392	8,698
(Gain) loss on disposal or sales of fixed assets—net	(5,262)	(11,913)
Finance (income) costs	(29,376)	(9,744)
Income taxes	80,549	63,311
Share of (profit) loss of investments accounted for using the equity method	(124,657)	(127,166)
Valuation (gain) loss related to contingent considerations and others	5,802	—
Changes in operating assets and liabilities:		
Change in trade and other receivables	(53,714)	(115,560)
Change in inventories	(53,076)	(33,118)
Change in trade and other payables	32,367	40,475
Other—net	(80,322)	(34,847)
Interest received	17,379	16,683
Interest paid	(41,374)	(35,536)
Dividends received	164,505	134,568
Income taxes paid	(69,372)	(58,924)
Cash flows from operating activities	161,657	161,529
Investing Activities:		
Net change in time deposits	(5,940)	(6,940)
Net change in investments in equity accounted investees	(86,870)	(94,216)
Net change in other investments	13,252	(12,703)
Net change in loan receivables	(23,647)	68,265
Net change in property, plant and equipment	(147,430)	(64,231)
Net change in investment property	(11,555)	5,032
Cash flows from investing activities	(262,190)	(104,793)
Financing Activities:		
Net change in short-term debt	16,680	(67,573)
Net change in long-term debt	895	(286,687)
Purchases and sales of treasury stock	(8)	20
Dividends paid	(69,516)	(52,922)
Transactions with non-controlling interest shareholders	(1,105)	(5,521)
Cash flows from financing activities	(53,054)	(412,683)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	18,301	12,257
Change in Cash and Cash Equivalents	(135,286)	(343,690)
Cash and Cash Equivalents at Beginning of Period	1,131,380	1,503,820
Cash and Cash Equivalents at End of Period	¥ 996,094	¥ 1,160,130

(5) Assumption for Going Concern: None

(6) Changes in Accounting Policies and Changes in Accounting Estimates

1) Changes in Accounting Policies

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

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

IFRS	Title	Summaries
IFRS9	Financial Instruments (amended in July 2014)	Implementation of expected credit loss model for the recognition of impairment losses of financial instruments
IFRS15	Revenue from Contracts with Customers	Accounting for recognizing revenue from contracts with customers

In adopting IFRS 9, the retrospective restatement of the comparative information has not been applied in accordance with the transitional arrangements. Impacts of the application of IFRS 9 on the Condensed Consolidated Financial Statements are immaterial.

In adopting IFRS 15, the cumulative effects due to the adoption were recognized on the commencement date of adoption in accordance with the transitional arrangements, however, impacts of the application of IFRS 15 on the Condensed Consolidated Financial Statements are immaterial except for followings.

In accordance with IFRS 15, after the consideration for recognition of revenue whether the entity is involved in providing goods or services specified by a contract as a principal or as an agent, recognition of revenue for certain transactions has been changed from the net amount to the gross amount. As a result, revenue and cost increased by ¥ 866,475 million in the Condensed Consolidated Financial Statement of Income for the six-month ended September 30, 2018 when compared to the figures under the former accounting standards.

"Sales of products", "Rendering of services" and "Other revenue", and "Cost of products sold", "Cost of service rendered" and "Cost of other revenue" were separately presented on prior Condensed Consolidated Financial Statement of Income. Since the three-month period ended June 30, 2018, their line of items are presented single line of items as "Revenue" and "Cost", respectively.

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

2) Changes in Accounting Estimates

The significant changes in accounting estimates in the Condensed Consolidated Financial Statements are as follows:

(Provision)

As for Multigrain Trading AG which is our consolidated subsidiary and engaged in origination and merchandising of agricultural products in Brazil, gains of ¥11,083 million have been recognized for the six-month period ended September 30, 2018 as reversal of provisions related to the export business due to termination of the relevant contracts.

(7) Segment Information

Six-month period ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Millions of Yen)

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total	Others / Adjustments and Eliminations	Consolidated Total
Revenue	98,516	501,040	340,210	835,704	335,725	1,019,318	80,426	3,210,939	2,403	3,213,342
Gross Profit	13,826	90,581	62,617	71,951	71,076	76,315	36,371	422,737	978	423,715
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	11,479	29,669	43,588	7,522	16,004	12,974	4,614	125,850	(1,193)	124,657
Profit for the Year Attributable to Owners of the parent	7,928	89,065	37,113	16,373	36,619	19,546	9,866	216,510	6,360	222,870
Core Operating Cash Flow	(2,406)	94,596	31,384	29,966	107,992	13,607	10,492	285,631	30,771	316,402
Total Assets at September 30, 2018	618,309	2,362,618	2,448,145	1,284,213	2,382,166	2,128,015	712,839	11,936,305	(88,883)	11,847,422

Six-month period ended September 30, 2017 (from April 1, 2017 to September 30, 2017) (As restated)

(Millions of Yen)

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total	Others / Adjustments and Eliminations	Consolidated Total
Revenue	128,525	463,557	216,105	554,418	244,687	727,515	57,702	2,392,509	1,524	2,394,033
Gross Profit	24,814	115,713	60,252	68,328	45,287	68,465	19,828	402,687	1,254	403,941
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	7,467	34,198	56,060	4,449	9,246	11,907	4,085	127,412	(246)	127,166
Profit (Loss) for the Year Attributable to Owners of the parent	11,083	186,698	46,968	12,890	23,115	(36,940)	1,554	245,368	(7,061)	238,307
Core Operating Cash Flow	7,588	112,996	47,414	25,368	81,442	4,514	(6,365)	272,957	31,622	304,579
Total Assets at March 31, 2018	680,257	2,260,050	2,364,616	1,228,773	2,083,766	1,987,306	662,192	11,266,960	39,700	11,306,660

Notes:1. "Others / Adjustments and Eliminations" includes of the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies. Total assets of "Others / Adjustments and Eliminations" at March 31, 2018 and September 30, 2018 includes cash, cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services amounting to ¥ 6,506,907 million and ¥ 6,585,729 million, respectively.

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 "Others / Adjustments and Eliminations" includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.

4. Total assets of "Others / Adjustments and Eliminations" at March 31, 2018 and September 30, 2018 includes elimination of receivables and payables between segments amounting to ¥ 6,467,207 million and ¥ 6,674,612 million, respectively.

5. 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.

6. Since the three-month period ended June 30, 2018, "All Other" and "Adjustments and Eliminations", which were reported individually are aggregated to "Others / Adjustments and Eliminations" since they are not material except for Total Assets. The amount of Total Assets are stated in Notes 1 and Notes 4. As a result of this change, "All Other" and "Adjustments and Eliminations" for the six-month period ended September 30, 2017 has been restated to conform to the current period presentation.

7. Since the three-month period ended June 30, 2018, due to implementation of the new consolidated accounting system, the elimination method of intercompany receivables and payables, which was simplified, is refined and Total Assets at March 31, 2018 are more appropriately calculated as a measurement of the asset size and the asset efficiency.
As a result of this change, Total Assets at March 31, 2018 are restated.