Quarterly Securities Report
for the Six-Month Period Ended September 30, 2017

English translation of certain items disclosed in the Quarterly Securities Report for the six-month period ended September 30, 2017, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on November 13, 2017.

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, 2017 and 2016 and as of or for the year ended March 31, 2017

	In millions of Yen, except amounts per share and other				
	Six-month period ended September 30, 2017	Six-month period ended September 30, 2016	Three-month period ended September 30, 2017	Three-month period ended September 30, 2016	As of or for the year ended March 31, 2017
Consolidated financial data					
Revenue	¥ 2,394,033	¥ 2,032,136	¥ 1,212,373	¥ 1,012,165	¥ 4,363,969
Gross profit	¥ 403,941	¥ 326,028	¥ 204,549	¥ 161,907	¥ 719,295
Profit for the period attributable to owners of the parent	¥ 238,307	¥ 121,977	¥ 127,551	¥ 60,832	¥ 306,136
Comprehensive income for the period attributable to owners of the parent	¥ 286,566	¥ (129,277)	¥ 169,169	¥ 55,070	¥ 503,025
Total equity attributable to owners of the parent	¥ -	¥ -	¥ 3,965,707	¥ 3,192,846	¥ 3,732,179
Total assets	¥ -	¥ -	¥ 11,493,702	¥ 10,481,179	¥ 11,501,013
Basic earnings per share attributable to owners of the parent (Yen)	¥ 135.10	¥ 68.05	¥ 72.31	¥ 33.94	¥ 171.20
Diluted earnings per share attributable to owners of the parent (Yen)	¥ 135.01	¥ 68.01	¥ 72.26	¥ 33.92	¥ 171.10
Equity attributable to owners of the parent ratio	-	-	34.50%	30.46%	32.45%
Cash flows from operating activities	¥ 161,529	¥ 73,130	¥ -	¥ -	¥ 404,171
Cash flows from investing activities	¥ (104,793)	¥ (190,669)	¥ -	¥ -	¥ (353,299)
Cash flows from financing activities	¥ (412,683)	¥ 193,024	¥ -	¥ -	¥ (50,265)
Cash and cash equivalents at end of period	¥ -	¥ -	¥ 1,160,130	¥ 1,517,993	¥ 1,503,820

(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, 2017.

Effective April 1, 2017, the region-focused reporting segments were aggregated to product-focused reporting segments, and allocation of overhead costs and income taxes to reporting segments was changed. For details, see Note 5, “SEGMENT INFORMATION.”

2. Operating and Financial Review and Prospects

1. Risk Factors

The following describes changes that occurred during the six-month period ended September 30, 2017, in terms of risk factors in Annual Security Report for the fiscal year ended March 31, 2017.

Risks Associated with the Incorporation of Valepar S.A.

We had 15% share in Valepar S.A. (“Valepar”), a holding company of Vale S.A. (“Vale”). We have agreed that 1) conversion of Vale's preferred shares to common shares, 2) amendment to Vale bylaw and 3) incorporation of Valepar by Vale is to be executed subject to approval at Vale's extraordinary shareholders meeting and consent of at least 54.09% to the conversion of Vale's preferred shares to common shares, and Valepar has been incorporated by Vale on August 14, 2017.

Through this incorporation, we recognized ¥56.3 billion of profit from the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and ¥35.2 billion of the profit due to the reversal of deferred tax liabilities. A loss of ¥2.2 billion is included in Profit (Loss) of equity method investments for three-month period ended September 30, 2017.

For the six-month period ended September 30, 2017, other than the changes described above, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2017.

2. Material Contracts

There are no contracts for which disclosure is required.

3. 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, 2017, unless otherwise indicated.

(1) <u>Operating Environment</u>

In the six-month period ended September 30, 2017, the global economy was generally firm with signs of recovery in both developed countries and emerging countries.

In the U.S., consumer spending is expected to be firm supported by a trend of improvement in the environment for employment and employee income. As such, economic recovery is expected to continue for the time being. The economy is expected to be firm in Europe as well, following the recovery in exports and production. Also, in Japan, consumer spending is expected to maintain a trend of recovery following improvement in the employment environment, and, driven by the firm global economy, increases are expected in exports and production. In addition, construction investment for the Olympic and Paralympic Games is in full swing. As such, economic recovery in Japan is expected to continue going forward. Meanwhile, in China, although there is currently stable growth as a result of increased infrastructure investment, growth is expected to weaken in the medium term following an environment of excess capacity and adjustments of debts. Also, economic recovery is expected in Russia and Brazil due in part to the reduction of policy interest rates.

The global economy is expected to follow a trend of gentle recovery going forward. However, careful watch continues to be needed on the future prospects for the U.S. economy, which has shown signs of maturity in some parts, and China's future policy trends after the National Communist Party Congress, in addition to the escalation of geopolitical risk surrounding the Middle East and East Asia.

(2) Results of Operations

1) Analysis of Consolidated Income Statements

(Billions of Yen)		Current Period	Previous Period	Change
Revenue		2,394.0	2,032.1	+361.9
Gross Profit		403.9	326.0	+77.9
Selling, General and Administrative Expenses		(271.6)	(258.3)	(13.3)
Other Income (Expenses)	Gain (Loss) on Securities and Other Investments─Net	59.0	18.4	+40.6
	Impairment Reversal (Loss) of Fixed Assets─Net	(8.7)	(0.3)	(8.4)
	Gain (Loss) on Disposal or Sales of Fixed Assets─Net	11.9	0.7	+11.2
	Other Income (Expense)─Net	8.3	(6.2)	+14.5
	Provisioin Related to Multigrain Business	(31.5)	-	(31.5)
Finance Income (Costs)	Interest Income	15.0	14.7	+0.3
	Dividend Income	31.9	18.2	+13.7
	Interest Expense	(33.4)	(26.0)	(7.4)
Share of Profit (Loss) of Investments Accounted for Using the Equity Method		127.2	98.8	+28.4
Income Taxes		(63.3)	(57.0)	(6.3)
Profit for the Period		248.7	129.0	+119.7
Profit for the Period Attributable to Owners of the Parent		238.3	122.0	+116.3

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

Revenue

Revenue from sales of products for the six-month period ended September 30, 2017 (“current period”) was ¥2,108.2 billion, an increase of ¥335.7 billion from the corresponding six-month period of the previous year (“previous period”), and revenue from rendering of services for the current period was ¥220.5 billion, an increase of ¥27.3 billion from the previous period. Furthermore, other revenue for the current period was ¥65.3 billion, a decline of ¥1.1 billion from the previous period.

Gross Profit

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

Other Income (Expenses)

Gain (Loss) on Securities and Other Investments—Net

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

Impairment Reversal (Loss) of Fixed Assets—Net
For the current 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 Lifestyle Segment and the Innovation & Corporate Development Segment.

Other Income (Expense)—Net
The Innovation & Corporate Development Segment recorded an improvement of foreign exchange gains (losses) in the commodity derivatives trading business, which corresponded to related gross profit, and exploration expenses declined mainly in the Energy Segment.

Provision Related to Multigrain Business
The Lifestyle Segment recorded provision related to Multigrain business due to the deterioration of the business environment.

Finance Income (Costs)
Dividend Income
Mainly the Energy Segment reported 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 an increase.

Income Taxes
Income taxes for the current period increased as profit before income taxes for the current period increased by ¥126.0 billion, and deferred tax assets on accumulated losses of equity accounted investees and Multigrain Trading AG were reversed. On the other hand, deferred tax liability on the retained earnings of Valepar S.A., was reversed through the incorporation of Valepar S.A. by Vale S.A.
The effective tax rate for the current period was 20.3%, a decline of 10.4% from 30.7% for the previous period. The aforementioned reversal of deferred tax liabilities resulted in the decline, while the reversal of deferred tax assets caused the increase.

Profit for the Period Attributable to Owners of the Parent
Profit for the period attributable to owners of the parent was ¥238.3 billion, an increase of ¥116.3 billion from the previous period.

2) Operating Results by Operating Segment

Effective April 1, 2017, the region-focused reporting segments were aggregated into product-focused reporting segments, and the allocation of overhead costs and income taxes to reporting segments was changed. In accordance with the aforementioned changes, the operating segment information for the previous period has been restated to conform to the operating segments as of April 2017.

Iron & Steel Products Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	11.1	3.7	+7.4
Gross profit	24.8	16.5	+8.3
Profit (loss) of equity method investments	7.5	5.5	+2.0
Dividend income	1.3	1.1	+0.2
Selling, general and administrative expenses	(17.8)	(17.2)	(0.6)
Others	(4.7)	(2.2)	(2.5)

Mineral & Metal Resources Segment

(Billions of Yen)	Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent	186.7	44.5	+142.2
Gross profit	115.7	60.0	+55.7
Profit (loss) of equity method investments	34.2	26.7	+7.5
Dividend income	3.9	0.4	+3.5
Selling, general and administrative expenses	(16.6)	(16.0)	(0.6)
Others	49.5	(26.6)	+76.1

● Gross profit increased mainly due to the following factors:
 ▷ Iron ore mining operations in Australia reported an increase of ¥26.2 billion due to higher iron ore prices.
 ▷ Coal mining operations in Australia reported an increase of ¥25.9 billion reflecting higher coal prices.

● Profit (loss) of equity method investments increased mainly due to the following factors:
 ▷ Inversiones Mineras Acrux SpA, a copper mining company in Chile, reported an increase of ¥5.0 billion, mainly due to a reversal of impairment loss.
 ▷ Robe River Mining Co. Pty. Ltd reported an increase of ¥3.9 billion due to higher iron ore prices.
 ▷ Valepar S.A. declined by ¥5.1 billion due to the loss of ¥2.2 billion recognized by the incorporation of Valepar S.A. by Vale S.A. in the three month period ended September 30, 2017.
 ▷ Coal mining and infrastructure operation in Mozambique reported a loss due to the upfront recognition of expenses.

● In addition to the above, the following factors also affected the results:
 ▷ 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		47.0	32.6	+14.4
	Gross profit	60.3	53.6	+6.7
	Profit (loss) of equity method investments	56.1	41.3	+14.8
	Dividend income	2.2	1.9	+0.3
	Selling, general and administrative expenses	(60.7)	(55.9)	(4.8)
	Others	(10.9)	(8.3)	(2.6)

● Profit (loss) of equity method investments increased mainly due to the following factors:

▷ IPP businesses recorded an increase of ¥15.7 billion.

◇ For the current year, a ¥18.9 billion gain on the sales of the interest in UK First Hydro power assets was recorded.

◇ For the current year, a ¥3.9 billion gain was recorded because the IPP business in Indonesia was refinanced.

◇ Mark-to-market valuation losses, such as those on long-term derivative contracts, was improved by ¥0.2 billion to ¥1.7 billion from ¥1.9 billion for the previous year.

◇ For the previous period, a decline of tax burden was recorded due to the Indonesian tax reform.

● In addition to the above, the following factor also affected results:

▷ For the current period, a financing subsidiary of the IPP business in Indonesia recorded a loss of ¥4.1 billion due to the refinance.

Chemicals Segment

(Billions of Yen)		Current Period	Previous Period	Change
Profit for the period attributable to owners of the parent		12.9	17.3	(4.4)
	Gross profit	68.3	72.9	(4.6)
	Profit (loss) of equity method investments	4.4	0.9	+3.5
	Dividend income	1.2	1.1	+0.1
	Selling, general and administrative expenses	(48.7)	(46.0)	(2.7)
	Others	(12.3)	(11.6)	(0.7)

● Gross profit declined mainly due to the following factor:

▷ Novus International, Inc. reported a decline of ¥11.8 billion mainly due to lower methionine prices.

Energy Segment

(Billions of Yen)		Current Period	Previous Period	Change
Profit (loss) for the period attributable to owners of the parent		23.1	(0.1)	+23.2
	Gross profit	45.3	30.2	+15.1
	Profit (loss) of equity method investments	9.2	5.2	+4.0
	Dividend income	17.7	7.3	+10.4
	Selling, general and administrative expenses	(21.6)	(21.6)	0.0
	Others	(27.5)	(21.2)	(6.3)

● Gross profit increased mainly due to the following factors:
- ▷ Mitsui E&P USA LLC reported an increase of ¥7.1 billion mainly due to higher gas prices.
- ▷ MEP Texas Holdings LLC reported an increase of ¥4.0 billion mainly due to higher crude oil prices.
- ▷ Mitsui E&P Australia Pty Ltd reported an increase of ¥3.2 billion mainly due to higher crude oil prices and an increase in production.
- ▷ Mitsui & Co. Energy Trading Singapore Pte. Ltd. recorded a decline of ¥3.5 billion mainly due to the poor performance in the oil trading business.

● Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Equatorial Guinea and Qatargas 3) were ¥16.9 billion in total, an increase of ¥10.8 billion from the previous period.

● In addition to the above, the following factor also affected results:
- ▷ For the current period, exploration expenses of ¥3.9 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous period, exploration expenses of ¥5.1 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		(36.9)	23.1	(60.0)
	Gross profit	68.5	65.8	+2.7
	Profit (loss) of equity method investments	11.9	14.9	(3.0)
	Dividend income	2.5	2.9	(0.4)
	Selling, general and administrative expenses	(75.6)	(68.8)	(6.8)
	Others	(44.2)	8.3	(52.5)

● Gross profit increased mainly due to the following factors:
- ▷ XINGU AGRI AG reported an increase of ¥4.1 billion mainly due to the reversal effect of the drought in the previous period.
- ▷ Multigrain Trading AG reported a decline of ¥3.0 billion mainly due to the poor performance of the origination and merchandising business.

● In addition to the above, the following factors also affected results:

▷ For the current period, Multigrain Trading AG recorded provision of ¥33.7 billion due to the deterioration of the business environment and tax expenses of ¥8.6 billion mainly resulting from the reversal of deferred tax assets.

▷ For the previous period, a ¥14.6 billion gain on sale of shares was recorded due to the partial sale of shares in IHH Healthcare Berhad.

▷ For the current 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 current 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	1.6	5.4	(3.8)
Gross profit	19.8	26.5	(6.7)
Profit (loss) of equity method investments	4.1	4.7	(0.6)
Dividend income	2.4	2.8	(0.4)
Selling, general and administrative expenses	(26.0)	(25.4)	(0.6)
Others	1.3	(3.2)	+4.5

● Gross profit declined mainly due to the following factors:

▷ For the current 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.

▷ A decline in gross profit corresponding to an improvement of ¥4.1 billion of foreign exchange gains and losses related to the commodity derivatives trading business at Mitsui posted in other expense for the current period and in the previous period.

▷ A ¥4.7 billion gain was recorded due to the valuation gains of fair value on shares for the current period in Hutchison China MediTech.

● In addition to the above, the following factors also affected results:

▷ For the current period, a gain on the sales of warehouses in Japan was recorded.

▷ For the current period and for the previous period, foreign exchange losses of ¥0.5 billion and losses of ¥4.6 billion were posted, respectively, in other expense in relation to the commodity derivatives trading business.

(3) **Financial Condition and Cash Flows**

1) Financial Condition

(Billions of yen)	September 30, 2017	March 31, 2017	Change
Total Assets	11,493.7	11,501.0	(7.3)
Current Assets	4,309.2	4,474.7	(165.5)
Non-current Assets	7,184.5	7,026.3	+158.2
Current Liabilities	2,510.7	2,524.0	(13.3)
Non-current Liabilities	4,754.2	4,986.9	(232.7)
Net Interest-bearing Debt	*3,271.3*	*3,282.1*	*(10.8)*
Total Equity Attributable to Owners of the Parent	3,965.7	3,732.2	+233.5
Net Debt-to-Equity Ratio (times) (*)	0.82	0.88	(0.06)

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

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

Assets

Current Assets:

● Cash and cash equivalents declined by ¥343.7 billion, mainly due to repayment of debt.

● Trade and other receivables increased by ¥81.6 billion, mainly because September 30, 2017 fell under the financial institutions' holiday and trading volume increased in the Energy Segment and the Lifestyle Segment, as well as trading volume increased in the Mineral & Metal Resources Segment.

● Inventories increased by ¥43.1 billion, mainly due to the seasonal increase in the Lifestyle Segment.

● Advance payments to suppliers increased by ¥38.9 billion, mainly due to an increase in trading volume in the Machinery & Infrastructure Segment.

Non-current Assets:

● Investments accounted for using the equity method declined by ¥98.1 billion, mainly due to the following factors:

▷ A decline of ¥250.8 billion corresponding to the incorporation of Valepar S.A. by Vale S.A.;

▷ An increase of ¥48.3 billion due to an additional acquisition of a stake in Penske Truck Leasing Co., L.P., which is engaged in truck leasing and rental business in North America;

▷ An increase of ¥32.9 billion resulting from foreign currency exchange fluctuations; and

▷ An increase of ¥127.2 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥97.1 billion due to dividends received from equity accounted investees.

● Other investments increased by ¥349.4 billion, mainly due to the following factors:

▷ An increase of ¥307.1 billion corresponding to the incorporation of Valepar S.A. by Vale S.A.; and

▷ Fair value on financial assets measured at FVTOCI increased by ¥19.9 billion mainly due to higher share prices.

● Trade and other receivables (Non-Current) declined by ¥60.8 billion, mainly due to the following factors:
  ▷ A decline of ¥28.0 billion due to collection of loan to the IPP business in Indonesia, and
  ▷ A decline of ¥19.4 billion due to collection of loan to SUMIC Nickel Netherlands, an investment company for oversea Nickel businesses.

● Property, plant and equipment declined by ¥12.5 billion. Shale gas and oil projects in the U.S. declined by ¥22.5 billion (including a foreign exchange translation gain of ¥0.6 billion), mainly due to partial sale of interest in the Marcellus Shale Gas Project.

Liabilities

Current Liabilities:

● Short-term debt declined by ¥62.5 billion, mainly due to repayment of debt. Furthermore, the current portion of long-term debt decreased by ¥17.3 billion, mainly due to repayment of debt, despite reclassification to current maturities.

● Trade and other payables increased by ¥49.4 billion, corresponding to the increase in trade and other receivables. Furthermore, advances from customers increased by ¥42.6 billion, corresponding to the increase in advance payments to suppliers.

Non-current Liabilities:

● Long-term debt, less the current portion declined by ¥267.7 billion, mainly due to reclassification to current maturities.

● Provisions increased by ¥36.7 billion, mainly due to the recording of provision related to Multigrain business.

Total Equity Attributable to Owners of the Parent

● Retained earnings increased by ¥188.8 billion.

● Other components of equity increased by ¥45.2 billion, mainly due to the following factors:
  ▷ Foreign currency translation adjustments increased by ¥33.5 billion, mainly reflecting the appreciation of the Australian dollar against the Japanese yen.
  ▷ Financial assets measured at FVTOCI increased by ¥14.6 billion, mainly due to higher share prices.

2) Cash Flows

(Billions of yen)	Current Period	Previous Period	Change
Cash Flows from Operating Activities	161.5	73.1	+88.4
Cash Flows from Investing Activities	(104.8)	(190.7)	+85.9
Free Cash Flow	56.7	(117.6)	+174.3
Cash Flows from Financing Activities	(412.7)	193.0	(605.7)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12.3	(48.3)	+60.6
Change in Cash and Cash Equivalents	(343.7)	27.2	(370.9)

Cash Flows from Operating Activities

(Billions of Yen)		Current Period	Previous Period	Change
Cash Flows from Operating Activities	a	161.5	73.1	+88.4
Cash Flows from Change in Working Capital	b	(143.1)	(108.2)	(34.9)
Core Operating Cash Flow	a-b	304.6	181.3	+123.3

● Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥143.1 billion of net cash outflow mainly due to the effects of an increase in trade and other receivables. 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 ¥304.6 billion.
 ▷ Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥134.6 billion, an increase of ¥56.0 billion from ¥78.6 billion for the previous period.
 ▷ Depreciation and amortization for the current period was ¥97.2 billion, a decline of ¥1.1 billion from ¥98.3 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	7.6	0.2	+7.4
Mineral & Metal Resources	113.0	64.4	+48.6
Machinery & Infrastructure	47.4	28.7	+18.7
Chemicals	25.4	28.1	(2.7)
Energy	81.4	54.2	+27.2
Lifestyle	4.5	2.3	+2.2
Innovation & Corporate Development	(6.4)	0.2	(6.6)
All Other and Adjustments and Eliminations	31.7	3.2	+28.5
Consolidated Total	304.6	181.3	+123.3

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 ¥94.2 billion. The major cash outflows included an additional acquisition of a stake in Penske Truck Leasing Co., L.P., which is engaged in the truck leasing and rental business in North America, for ¥48.3 billion.

● Net cash outflows that corresponded to other investments (net of sales and maturities of other investments) were ¥12.7 billion. The major cash outflows included an acquisition of a healthcare staffing project in the U.S. for ¥12.9 billion.

● Net cash inflows that corresponded to collections of loan receivables (net of increases in loan receivables) were ¥68.3 billion, mainly due to the following factors:
 ▷ Collection of loan to the IPP business in Indonesia for ¥28.0 billion;
 ▷ Collection of loan to SUMIC Nickel Netherlands, an investment company for oversea Nickel businesses for ¥19.4 billion; and

▹ Collection of loan corresponding to the sales of the interest in UK First Hydro power assets for ¥18.4 billion.

● Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥64.2 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 ¥44.2 billion; and

▹ A partial sale of interest in the Marcellus Shale Gas Project for ¥15.8 billion.

● Net cash inflows that corresponded to sales of investment property (net of purchases of investment property) were ¥5.0 billion. The major cash inflows included a sale of buildings in Japan by Mitsui & Co. Real Estate Ltd. for ¥10.5 billion.

Cash Flows from Financing Activities

● Net cash outflows from net change in short-term debt and long-term debt was ¥67.6 billion and ¥286.7 billion, respectively, mainly due to the repayment of debt.

● The cash outflow from payments of cash dividends was ¥52.9 billion.

(4) Management Issues

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

We implemented investments and loans of approximately ¥165.0 billion for core areas and approximately ¥105.0 billion for growth areas (including the overlap with core areas). In addition, we made investment and loans of approximately ¥15.0 billion for other areas. The resulting sum of investments and loans for the current period was approximately ¥285.0 billion. On the other hand, we collected approximately ¥185.0 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

2) Forecasts for the Year Ending March 31, 2018

<Assumption>	1st Half (Actual)	2nd Half (Forecast)	Revised Forecast	Original Forecast
Exchange rate (JPY/USD)	111.30	110	110.65	110
Crude oil (JCC)	$51/bbl	$50/bbl	$51/bbl	$54/bbl
Consolidated oil price	$52/bbl	$50/bbl	$51/bbl	$53/bbl

(Billions of yen)

	Revised Forecast	Original Forecast	Change	Description
Gross profit	760.0	770.0	(10.0)	Lower methionine price
Selling, general and administrative expenses	(550.0)	(570.0)	+20.0	Cost reduction
Gain on investments, fixed assets and other	50.0	30.0	+20.0	Gain on incorporation of Valepar Loss related to Multigrain
Interest expenses	(30.0)	(30.0)	0.0	
Dividend income	70.0	60.0	+10.0	LNG projects
Profit (loss) of equity method investments	240.0	220.0	+20.0	Asset recycling of IPP business Reversal of impairment on Acrux
Profit before income taxes	540.0	480.0	+60.0	
Income taxes	(120.0)	(140.0)	+20.0	
Non-controlling Interests	(20.0)	(20.0)	0.0	
Profit for the year attributable to owners of the parent	400.0	320.0	+80.0	
Depreciation and amortization	200.0	200.0	0.0	
Core operating cash flow	600.0	500.0	+100.0	

We assume foreign exchange rates for the six-month period ending March 31, 2018 (2nd half) will be ¥110/US$, ¥87/AU$ and ¥35/BRL, while average foreign exchange rates for the six-month period ended September 30, 2017 (1st half) were ¥111.30/US$, ¥86.03/AU$ and ¥34.75/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2018 will be US$51/barrel, down US$2 from the original assumption, based on the assumption that the crude oil price (JCC) will average US$50/barrel throughout the six-month period ending March 31, 2018.

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, 2018 Revised Forecast	Year ending March 31, 2018 Original Forecast	Change	Description
Iron & Steel Products	15.0	10.0	+5.0	Market recovery, increased volume
Mineral & Metal Resources	250.0	150.0	+100.0	Gain on incorporation of Valepar
Machinery & Infrastructure	90.0	70.0	+20.0	IPP business
Chemicals	30.0	30.0	0.0	
Energy	55.0	50.0	+5.0	Cost reduction
Lifestyle	(30.0)	20.0	(50.0)	Loss related to Multigrain
Innovation & Corporate Development	10.0	10.0	0.0	
All Other and Adjustments and Eliminations	(20.0)	(20.0)	0.0	
Consolidated Total	400.0	320.0	+80.0	

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

(Billions of Yen)	Year ending March 31, 2018 Revised Forecast	Year ending March 31, 2018 Original Forecast	Change	Description
Iron & Steel Products	15.0	5.0	+10.0	Market recovery, increased volume
Mineral & Metal Resources	210.0	210.0	0.0	
Machinery & Infrastructure	150.0	80.0	+70.0	IPP business
Chemicals	50.0	50.0	0.0	
Energy	150.0	140.0	+10.0	Cost reduction
Lifestyle	10.0	10.0	0.0	
Innovation & Corporate Development	5.0	5.0	0.0	
All Other and Adjustments and Eliminations	10.0	0.0	+10.0	Expenses, interests and taxes not allocated to business segments
Consolidated Total	600.0	500.0	+100.0	

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

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

Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2018 (Announced in May 2017)			Original Forecast (Announced in May 2017)		March 2018			Revised Forecast (Announced in November 2017)
					1st Half (Result)	2nd Half (Assumption)		
Commodity	Crude Oil/JCC	¥ 2.8 bn (US$1/bbl)	54		51	50		51
	Consolidated Oil Price(*1)		53		52	50		51
	U.S. Natural Gas(*2)	¥ 0.4 bn (US$0.1/mmBtu)	3.00		3.11(*3)	2.98(*4)		3.05
	Iron Ore	¥ 2.5 bn (US$1/ton)	(*5)	→	66.9(*6)	(*5)	→	(*5)
	Copper	¥ 1.0 bn (US$100/ton)	5,600		5,748(*7)	6,410		6,079
Forex (*8)	USD	¥ 2.0 bn (¥1/USD)	110		111.30	110		110.65
	AUD	¥ 1.7 bn (¥1/AUD)	85		86.03	87		86.52
	BRL	¥ 0.4 bn (¥1/BRL)	35		34.75	35		34.88

(*1) The oil price trend is reflected in profit for the year attributable to owners of the parent with a 0-6 month time lag. For the year ending March 31, 2018, we assume the annual average price applicable to our financial results as the Consolidated Oil Price based on the estimation: 4-6 month time lag, 31%; 1-3 month time lag, 38%; no time lag, 31%.

(*2) US natural gas is not necessarily 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 2017 - June 2017.

(*4) For natural gas sold in the US on HH linked prices, the assumed price used is US$2.98/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 2017 to September 2017

(*7) Average of LME cash settlement price during January 2017 to June 2017

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

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 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.

For six-month period ended September 30, 2017, we have decided to pay an interim dividend of ¥30 per share, a ¥5 increase from the corresponding six-month period of the previous year. For the year ending March 31, 2018, we currently envisage an annual dividend of ¥60 per share (including the interim dividend of ¥30 per share), a ¥5 increase from the year ended March 31, 2017, taking into consideration of core operating cash flow and profit for the year attributable to owners of the parent as well as stability and continuity of the amount of dividend.

(5) Research & Development

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, 2017 and March 31, 2017

	Millions of Yen			
		September 30, 2017		March 31, 2017
ASSETS				
Current Assets:				
Cash and cash equivalents	¥	1,160,130	¥	1,503,820
Trade and other receivables (Note 4)		1,821,011		1,739,402
Other financial assets (Note 13)		290,687		267,680
Inventories (Note 13)		632,578		589,539
Advance payments to suppliers		264,264		225,442
Other current assets		140,514		148,865
Total current assets		4,309,184		4,474,748
Non-current Assets:				
Investments accounted for using the equity method (Note 15)		2,643,558		2,741,741
Other investments (Note 13 and 15)		1,686,634		1,337,164
Trade and other receivables(Note 13)		416,290		477,103
Other financial assets (Note 13)		138,482		145,319
Property, plant and equipment (Note 6)		1,811,037		1,823,492
Investment property (Note 6)		180,519		179,789
Intangible assets		178,647		168,677
Deferred tax assets		70,626		92,593
Other non-current assets		58,725		60,387
Total non-current assets		7,184,518		7,026,265
Total assets	¥	11,493,702	¥	11,501,013

Condensed Consolidated Statements of Financial Position—(Continued)
Mitsui & Co., Ltd. and subsidiaries
September 30, 2017 and March 31, 2017

	Millions of Yen	
	September 30, 2017	March 31, 2017
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	¥ 242,110	¥ 304,563
Current portion of long-term debt (Note 8)	370,955	388,347
Trade and other payables (Note 4)	1,253,124	1,203,707
Other financial liabilities (Notes 12 and 13)	287,769	315,986
Income tax payables	45,926	52,177
Advances from customers	254,697	212,142
Provisions	20,402	13,873
Other current liabilities	35,744	33,172
Total current liabilities	2,510,727	2,523,967
Non-current Liabilities:		
Long-term debt, less current portion (Notes 8 and 13)	3,840,965	4,108,674
Other financial liabilities (Notes 12 and 13)	108,047	111,289
Retirement benefit liabilities	64,384	60,358
Provisions (Note 2 and 16)	233,374	196,718
Deferred tax liabilities	480,032	481,358
Other non-current liabilities	27,356	28,487
Total non-current liabilities	4,754,158	4,986,884
Total liabilities	7,264,885	7,510,851
Equity:		
Common stock	341,482	341,482
Capital surplus	409,122	409,528
Retained earnings	2,738,903	2,550,124
Other components of equity (Note 9)	530,552	485,447
Treasury stock	(54,352)	(54,402)
Total equity attributable to owners of the parent	3,965,707	3,732,179
Non-controlling interests	263,110	257,983
Total equity	4,228,817	3,990,162
Total liabilities and equity	¥ 11,493,702	¥ 11,501,013

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, 2017 and 2016

	Millions of Yen			
		Six-month Period Ended September 30, 2017		Six-month Period Ended September 30, 2016
Revenue (Note 5 and 13):				
Sale of products	¥	2,108,155	¥	1,772,547
Rendering of services		220,537		193,208
Other revenue		65,341		66,381
Total revenue		2,394,033		2,032,136
Cost:				
Cost of products sold		(1,867,831)		(1,595,802)
Cost of services rendered		(92,218)		(81,768)
Cost of other revenue		(30,043)		(28,538)
Total cost		(1,990,092)		(1,706,108)
Gross Profit		403,941		326,028
Other Income (Expenses):				
Selling, general and administrative expenses		(271,587)		(258,333)
Gain (loss) on securities and other investments—net (Note 13 and 15)		58,975		18,416
Impairment reversal (loss) of fixed assets—net		(8,698)		(300)
Gain (loss) on disposal or sales of fixed assets—net		11,913		691
Provision related to Multigrain business(Note 16)		(31,526)		—
Other income (expense)—net		8,266		(6,205)
Total other income (expenses)		(232,657)		(245,731)
Finance Income (Costs):				
Interest income		15,021		14,736
Dividend income		31,926		18,221
Interest expense		(33,366)		(26,045)
Total finance income (costs)		13,581		6,912
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 5 and 15)		127,166		98,813
Profit before Income Taxes		312,031		186,022
Income Taxes(Note 15)		(63,311)		(57,036)
Profit for the Period	¥	248,720	¥	128,986
Profit for the Period Attributable to:				
Owners of the parent	¥	238,307	¥	121,977
Non-controlling interests		10,413		7,009
	Yen			
Earnings per Share Attributable to Owners of the Parent (Note 11):				
Basic	¥	135.10	¥	68.05
Diluted	¥	135.01	¥	68.01

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

Condensed Consolidated Statements of Comprehensive Income
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2017 and 2016

	Millions of Yen	
	Six-month Period Ended September 30, 2017	Six-month Period Ended September 30, 2016
Comprehensive Income:		
Profit for the period	¥ 248,720	¥ 128,986
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	22,190	14,257
Remeasurements of defined benefit pension plans	88	(4,650)
Share of other comprehensive income of investments accounted for using the equity method	2,822	(790)
Income tax relating to items not reclassified	(6,756)	(893)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	3,429	(56,530)
Cash flow hedges	2,180	(2,222)
Share of other comprehensive income of investments accounted for using the equity method	36,537	(247,367)
Income tax relating to items that may be reclassified	(9,879)	31,431
Total other comprehensive income	50,611	(266,764)
Comprehensive Income for the Period	¥ 299,331	¥ (137,778)
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 286,566	¥ (129,277)
Non-controlling interests	12,765	(8,501)

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, 2017 and 2016

	Millions of Yen	
	Three-month Period Ended September 30, 2017	Three-month Period Ended September 30, 2016
Revenue (Note 5 and 13):		
Sale of products	¥ 1,065,808	¥ 879,136
Rendering of services	117,479	101,564
Other revenue	29,086	31,465
Total revenue	1,212,373	1,012,165
Cost:		
Cost of products sold	(944,500)	(793,089)
Cost of services rendered	(48,647)	(43,499)
Cost of other revenue	(14,677)	(13,670)
Total cost	(1,007,824)	(850,258)
Gross Profit	204,549	161,907
Other Income (Expenses):		
Selling, general and administrative expenses	(139,517)	(127,824)
Gain (loss) on securities and other investments—net (Note 13 and 15)	55,680	15,516
Impairment reversal (loss) of fixed assets—net	(7,416)	(226)
Gain (loss) on disposal or sales of fixed assets—net	5,452	571
Provision related to Multigrain business(Note 16)	(31,526)	—
Other income (expense)—net	3,508	2,136
Total other income (expenses)	(113,819)	(109,827)
Finance Income (Costs):		
Interest income	5,339	7,114
Dividend income	14,497	6,346
Interest expense	(17,313)	(13,319)
Total finance income (costs)	2,523	141
Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 5 and 15)	64,854	48,087
Profit before Income Taxes	158,107	100,308
Income Taxes (Note 15)	(25,920)	(35,625)
Profit for the Period	¥ 132,187	¥ 64,683
Profit for the Period Attributable to:		
Owners of the parent	¥ 127,551	¥ 60,832
Non-controlling interests	4,636	3,851
	Yen	
Earnings per Share Attributable to Owners of the Parent (Note 11):		
Basic	¥ 72.31	¥ 33.94
Diluted	¥ 72.26	¥ 33.92

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

Condensed Consolidated Statements of Comprehensive Income

Mitsui & Co., Ltd. and subsidiaries

For the Three-Month Periods Ended September 30, 2017 and 2016

	Millions of Yen	
	Three-month Period Ended September 30, 2017	**Three-month Period Ended September 30, 2016**
Comprehensive Income:		
Profit for the period	¥ 132,187	¥ 64,683
Other comprehensive income :		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVTOCI	(8,919)	59,961
Remeasurements of defined benefit pension plans	496	(3,773)
Share of other comprehensive income of investments accounted for using the equity method	564	1,470
Income tax relating to items not reclassified	3,923	(14,783)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	14,698	4,315
Cash flow hedges	4,178	2,999
Share of other comprehensive income of investments accounted for using the equity method	39,454	(65,858)
Income tax relating to items that may be reclassified	(10,005)	8,582
Total other comprehensive income	44,389	(7,087)
Comprehensive Income for the Period	¥ 176,576	¥ 57,596
Comprehensive Income for the Period Attributable to:		
Owners of the parent	¥ 169,169	¥ 55,070
Non-controlling interests	7,407	2,526

Condensed Consolidated Statements of Changes in Equity
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2017 and 2016

Millions of Yen	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to owners of the parent							
Balance as at April 1, 2016	¥ 341,482	¥ 412,064	¥ 2,314,185	¥ 317,955	¥ (5,961)	¥ 3,379,725	¥ 286,811	¥ 3,666,536
Profit for the period			121,977			121,977	7,009	128,986
Other comprehensive income for the period				(251,254)		(251,254)	(15,510)	(266,764)
Comprehensive income for the period						(129,277)	(8,501)	(137,778)
Transaction with owners:								
Dividends paid to the owners of the parent (per share: ¥32)			(57,368)			(57,368)		(57,368)
Dividends paid to non-controlling interest shareholders							(35,922)	(35,922)
Acquisition of treasury stock					(4)	(4)		(4)
Sales of treasury stock			(0)		0	0		0
Compensation costs related to stock options		164				164		164
Equity transactions with non-controlling interest shareholders		(3,002)		2,608		(394)	83	(311)
Transfer to retained earnings			5,760	(5,760)		-		-
Balance as at September 30, 2016	¥ 341,482	¥ 409,226	¥ 2,384,554	¥ 63,549	¥ (5,965)	¥ 3,192,846	¥ 242,471	¥ 3,435,317

Millions of Yen	Common Stock	Capital Surplus	Retained Earnings	Other Components of Equity (Note 9)	Treasury Stock	Total	Non-controlling Interests	Total Equity
	Attributable to owners of the parent							
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

Condensed Consolidated Statements of Cash Flows
Mitsui & Co., Ltd. and subsidiaries
For the Six-Month Periods Ended September 30, 2017 and 2016

	Millions of Yen	
	Six-month Period Ended September 30, 2017	Six-month Period Ended September 30, 2016
Operating Activities:		
Profit for the period	¥ 248,720	¥ 128,986
Adjustments to reconcile profit for the period to cash flows from operating activities:		
Depreciation and amortization	97,168	98,309
Change in retirement benefit liabilities	2,346	(1,170)
Provision for doubtful receivables	3,817	2,848
Provision related to Multigrain business	31,526	-
(Gain) loss on securities and other investments—net	(58,975)	(18,416)
Impairment (reversal) loss of fixed assets—net	8,698	300
(Gain) loss on disposal or sales of fixed assets—net	(11,913)	(691)
Finance (income) costs	(9,744)	(3,605)
Income taxes	63,311	57,036
Share of (profit) loss of investments accounted for using the equity method	(127,166)	(98,813)
Changes in operating assets and liabilities:		
Change in trade and other receivables	(115,560)	67,657
Change in inventories	(33,118)	(39,176)
Change in trade and other payables	40,475	(69,780)
Other—net	(34,847)	(66,884)
Interest received	16,683	12,456
Interest paid	(35,536)	(32,444)
Dividends received	134,568	78,560
Income taxes paid	(78,817)	(59,441)
Income taxes refunded	19,893	17,398
Cash flows from operating activities	161,529	73,130
Investing Activities:		
Change in time deposits	(6,940)	(147,132)
Investments in equity accounted investees	(149,346)	(28,090)
Proceeds from sales of investments in equity accounted investees	55,130	68,612
Purchases of other investments	(29,715)	(25,146)
Proceeds from sales and maturities of other investments	17,012	33,182
Increases in loan receivables	(11,404)	(8,592)
Collections of loan receivables	79,669	12,491
Purchases of property, plant and equipment	(88,011)	(83,713)
Proceeds from sales of property, plant and equipment	23,780	5,659
Purchases of investment property	(5,796)	(17,970)
Proceeds from sales of investment property	10,828	30
Cash flows from investing activities	(104,793)	(190,669)
Financing Activities:		
Change in short-term debt	(67,573)	(92,583)
Proceeds from long-term debt	81,152	641,319
Repayments of long-term debt	(367,839)	(266,543)
Purchases and sales of treasury stock	20	(4)
Dividends paid	(52,922)	(57,368)
Transactions with non-controlling interests shareholders	(5,521)	(31,797)
Cash flows from financing activities	(412,683)	193,024
Effect of Exchange Rate Changes on Cash and Cash Equivalents	12,257	(48,267)
Change in Cash and Cash Equivalents	(343,690)	27,218
Cash and Cash Equivalents at Beginning of Period	1,503,820	1,490,775
Cash and Cash Equivalents at End of Period	¥ 1,160,130	¥ 1,517,993

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 13 "FAIR VALUE MEASUREMENT"
- Note 16 "PROVISION RELATED TO MULTIGRAIN BUSINESS"

Ⅲ. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the accompanying Condensed Consolidated Financial Statements are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

Effective April 1, 2017, the companies apply the following new standard for Condensed Consolidated Financial Statements. There are no impacts on Condensed Consolidated Financial Statements due to the application of the following.

IFRS	Title	Summaries
IAS 7 (Amended)	Statement of Cash Flows	Disclosures about changes in liabilities arising from financing activities in the Consolidated Statement of Cash Flows.

IV. RECLASSIFICATION

Certain reclassifications and format changes have been made to amounts of the Condensed Cosolidated Statements of Cash Flows for the six-month period ended September 30, 2016 to conform to the current period presentation.

3. BUSINESS COMBINATIONS

No material business combinations were completed during the six-month period ended September 30, 2017 and 2016.

4. ASSETS HELD FOR SALE

Mitsui and Mitsui & Co. Steel Ltd. (“Mitsui Steel”), a 100% owned subsidiary of Mitsui, reached an agreement to transfer a part of the iron and steel products business of Mitsui and Mitsui Steel to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (“NSSB”) along with Mitsui's additional acquisition of shares in NSSB. This restructuring exercise will strengthen the revenue base and enhance the iron and steel business. Execution of the definitive agreement took place on September 29, 2017. Assets and liabilities expected to be transferred from Mitsui and Mitsui Steel mainly consist of “Trade and other receivables” and “Trade and other payables”. The effective date of the business transfer is April 1, 2018. As the turnover period of assets and liabilities expected to be transferred is short, the assets and liabilities that will remain on the effective date of the transfer are immaterial as of September 30, 2017. Therefore, they are not presented separately as single line items in the Assets held for sale and Liabilities directly associated with assets held for sale accounts within the condensed consolidated statements of financial position. This transaction is included in the Iron & Steel Products Segment.

5. SEGMENT INFORMATION

The components of deciding resources to be allocated to the segments and assessing their performance by the Company's chief operating decision-maker have been changed to the components where the regional operating segments were consolidated by the product operating segments. Since the three-month period ended June 30, 2017, the previous 10 reportable segments that include 7 product segments of "Iron & Steel Products", "Mineral & Metal Resources", "Machinery & Infrastructure", "Chemicals", "Energy", "Lifestyle" and "Innovation & Corporate Development" along with 3 regional segments of "Americas", "Europe, the Middle East and Africa" and "Asia Pacific", have been changed to 7 reportable segments of "Iron & Steel Products", "Mineral & Metal Resources", "Machinery & Infrastructure", "Chemicals", "Energy", "Lifestyle" and "Innovation & Corporate Development", where the regional segments were consolidated by the product segments. In addition, part of each of the regional segments have been consolidated to "All Other". In accordance with these changes, the segment information for the six-month and the three-month periods ended September 30, 2016 has been restated to conform to the current period presentation.

	Millions of Yen							
Six-month period ended September 30, 2017:	**Iron & Steel Products**	**Mineral & Metal Resources**	**Machinery & Infrastructure**	**Chemicals**	**Energy**	**Lifestyle**	**Innovation & Corporate Development**	**Total**
Revenue	¥ 128,525	¥ 463,557	¥ 216,105	¥ 554,418	¥ 244,687	¥ 727,515	¥ 57,702	¥ 2,392,509
Gross Profit	¥ 24,814	¥ 115,713	¥ 60,252	¥ 68,328	¥ 45,287	¥ 68,465	¥ 19,828	¥ 402,687
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 7,467	¥ 34,198	¥ 56,060	¥ 4,449	¥ 9,246	¥ 11,907	¥ 4,085	¥ 127,412
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 11,083	¥ 186,698	¥ 46,968	¥ 12,890	¥ 23,115	¥ (36,940)	¥ 1,554	¥ 245,368
Core Operating Cash Flow	¥ 7,588	¥ 112,996	¥ 47,414	¥ 25,368	¥ 81,442	¥ 4,514	¥ (6,365)	¥ 272,957
Total Assets at September 30, 2017	¥ 668,706	¥ 2,286,646	¥ 2,321,180	¥ 1,182,260	¥ 1,893,223	¥ 1,839,212	¥ 606,859	¥ 10,798,086

	Millions of Yen		
Six-month period ended September 30, 2017:	**All Other**	**Adjustments and Eliminations**	**Consolidated Total**
Revenue	¥ 1,337	¥ 187	¥ 2,394,033
Gross Profit	¥ 1,067	¥ 187	¥ 403,941
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ (34)	¥ (212)	¥ 127,166
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (8,403)	¥ 1,342	¥ 238,307
Core Operating Cash Flow	¥ 3,481	¥ 28,141	¥ 304,579
Total Assets at September 30, 2017	¥ 5,770,623	¥ (5,075,007)	¥ 11,493,702

Six-month period ended September 30, 2016 (As restated):	Millions of Yen Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue	¥ 94,803	¥ 303,220	¥ 200,554	¥ 478,935	¥ 221,631	¥ 666,728	¥ 65,422	¥ 2,031,293
Gross Profit	¥ 16,453	¥ 59,999	¥ 53,571	¥ 72,871	¥ 30,232	¥ 65,760	¥ 26,479	¥ 325,365
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 5,489	¥ 26,697	¥ 41,286	¥ 902	¥ 5,219	¥ 14,863	¥ 4,667	¥ 99,123
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 3,655	¥ 44,516	¥ 32,618	¥ 17,269	¥ (141)	¥ 23,078	¥ 5,374	¥ 126,369
Core Operating Cash Flow	¥ 150	¥ 64,419	¥ 28,668	¥ 28,054	¥ 54,238	¥ 2,326	¥ 193	¥ 178,048
Total Assets at Martch 31, 2017	¥ 612,632	¥ 1,962,236	¥ 2,238,142	¥ 1,175,205	¥ 1,905,252	¥ 1,723,399	¥ 611,395	¥ 10,228,261

Six-month period ended September 30, 2016 (As restated):	Millions of Yen All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ 604	¥ 239	2,032,136
Gross Profit	¥ 424	¥ 239	¥ 326,028
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ (90)	¥ (220)	¥ 98,813
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (4,031)	¥ (361)	¥ 121,977
Core Operating Cash Flow	¥ (3,003)	¥ 6,268	¥ 181,313
Total Assets at March 31, 2017	¥ 5,798,648	¥ (4,525,896)	¥ 11,501,013

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

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

Three-month period ended September 30, 2016 (As restated):	Millions of Yen							
	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total
Revenue	¥ 46,058	¥ 155,104	¥ 91,733	¥ 225,924	¥ 114,258	¥ 341,645	¥ 29,410	¥ 1,004,132
Gross Profit	¥ 7,736	¥ 29,523	¥ 25,022	¥ 32,376	¥ 15,523	¥ 32,445	¥ 9,713	¥ 152,338
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ 2,941	¥ 16,923	¥ 21,042	¥ (1,259)	¥ 640	¥ 6,010	¥ 1,920	¥ 48,217
Profit (Loss) for the Period Attributable to Owners of the parent	¥ 1,531	¥ 25,201	¥ 14,333	¥ 5,789	¥ (388)	¥ 19,389	¥ (326)	¥ 65,529
Core Operating Cash Flow	¥ (467)	¥ 35,213	¥ 12,219	¥ 14,036	¥ 31,746	¥ 2,953	¥ (2,318)	¥ 93,382

Three-month period ended September 30, 2016 (As restated):	Millions of Yen		
	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	¥ (4,139)	¥ 12,172	¥ 1,012,165
Gross Profit	¥ (2,378)	¥ 11,947	¥ 161,907
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	¥ (64)	¥ (66)	¥ 48,087
Profit (Loss) for the Period Attributable to Owners of the parent	¥ (518)	¥ (4,179)	¥ 60,832
Core Operating Cash Flow	¥ (4,562)	¥ 4,959	¥ 93,779

Notes:(1)"All Other" principally consisted of the Corporate Staff Unit which provides financing services and operations services to external customers and/or to the companies and affiliated companies. Total assets of "All Other" at March 31, 2017 and September 30, 2017 consisted primarily of cash and cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

(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)Since the three-month period ended June 30, 2017, Core Operating Cash Flow has been identified as the performance indicator that is more important than EBITDA, therefore, Core Operating Cash Flow has been disclosed by reportable segments instead of EBITDA. 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)Previously, there was a difference between the Company's actual income taxes and the reportable segments' income taxes that were calculated using the internal tax rate and the difference was included in the "Adjustments and Eliminations". Since the three-month period ended June 30, 2017, the internal tax rate has been made the same as the external tax rate. In addition, since the three-month period ended June 30, 2017, the scope of allocation of expenses incurred at Corporate Staff Unit to reportable segments was reviewed, and part of the expenses which were previously allocated to the reportable segments have been excluded from the scope of allocation.

(6)Previously, the profit and loss of consolidated subsidiaries that are jointly held by numerous operating segments were allocated from the supervising to non-supervising operating segments based on the profit share of each of the segments using the Share of Profit (Loss) of Investments Accounted for Using the Equity Method and Income for the Period Attributable to Non-controlling Interests. Since the three-month period ended June 30, 2017, these allocations are made based on the profit share of each of the segments in each of the accounts disclosed in the segment information to reflect the performance of the operating segments more properly.

(7)In accordance with the changes in 4-6 above, the segment information for the six-month and the three-month periods ended September 30, 2016 has been restated to conform to the current period presentation.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment

The amounts of acquisitions of property, plant and equipment for the six-month periods ended September 30, 2017 and 2016 were ¥101,407 million and ¥95,898 million, respectively.

The amounts of disposals of property, plant and equipment for the six-month periods ended September 30, 2017 and 2016 were ¥51,281 million and ¥41,957 million, respectively.

The amount of transfers to and from investment property for the six-month periods ended September 30, 2017 was not material, and the amount for the six-month periods ended September 30, 2016 was ¥16,266 million.

The changes in commitments for the purchase of property, plant and equipment for the six-month periods ended September 30, 2017 were not material, and the amount of commitments for the purchase of property, plant and equipment as of March 31, 2017 was ¥134,568 million.

Investment property

The amount of acquisitions for the six-month periods ended September 30, 2017 was not material, and the amount for the six-month periods ended September 30, 2016 was ¥21,662 million.

The amount of transfers to and from property, plant and equipment for the six-month periods ended September 30, 2017 was not material, and the amount for the six-month periods ended September 30, 2016 was ¥16,266 million.

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, 2017 and 2016 were not material.
The amounts of reversals of impairment losses for assets for the six-month period ended September 30, 2017 and 2016 were not material.

8. BONDS AND LOANS

<u>*Bonds*</u>
The total amount of repaid bonds for the six-month period ended September 30, 2017 was none.
The total amount of issued bonds for the six-month period ended September 30, 2017 was none.

The total amount of repaid bonds for the six-month period ended September 30, 2016 was ¥35,000 million.
The total amount of issued bonds for the six-month period ended September 30, 2016 was none.

<u>*Loans*</u>
The loans executed for the six-month period ended September 30, 2017 were not material.
The loans executed for the six-month period ended September 30, 2016 include subordinated syndicated loans of ¥350.0 billion and ¥205.0 billion. The maturity dates are June 15, 2076 and August 15, 2076, respectively. The prepayments will be enabled from June 15, 2023 and August 15, 2028, respectively.

9. EQUITY

Changes in other components of equity for the six-month periods ended September 30, 2017 and 2016 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2017	Six-month period ended September 30, 2016
Financial Assets Measured at FVTOCI:		
Balance at beginning of period	¥ 204,100	¥ 80,427
Increase (decrease) during the period	16,436	11,690
Transfer to retained earnings	(1,823)	(10,012)
Balance at end of period	¥ 218,713	¥ 82,105
Remeasurements of Defined Benefit Pension Plans:		
Balance at beginning of period	¥ -	¥ -
Increase (decrease) during the period	1,601	(4,252)
Transfer to retained earnings	(1,601)	4,252
Balance at end of period	¥ -	¥ -
Foreign Currency Translation Adjustments:		
Balance at beginning of period	¥ 308,054	¥ 279,858
Increase (decrease) during the period	33,567	(242,524)
Balance at end of period	¥ 341,621	¥ 37,334
Cash Flow Hedges:		
Balance at beginning of period	¥ (26,707)	¥ (42,330)
Increase (decrease) during the period	(3,075)	(13,560)
Balance at end of period	¥ (29,782)	¥ (55,890)
Total:		
Balance at beginning of period	¥ 485,447	¥ 317,955
Increase (decrease) during the period	48,529	(248,646)
Transfer to retained earnings	(3,424)	(5,760)
Balance at end of period	¥ 530,552	¥ 63,549

10. DIVIDENDS

During the six-month periods ended September 30, 2017 and 2016, the Company paid dividends of ¥30 per share (total dividend of ¥52,922 million) and ¥32 per share (total dividend of ¥57,368 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, 2017 and 2016:

	Six-month Period Ended September 30, 2017			Six-month Period Ended September 30, 2016		
	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:	¥ 238,307	1,763,963	¥ 135.10	¥ 121,977	1,792,508	¥ 68.05
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.	(28)	−		(20)	−	
Stock options ……………………	−	940		−	641	
Diluted earnings per share attributable to owners of the parent:	¥ 238,279	1,764,903	¥ 135.01	¥ 121,957	1,793,149	¥ 68.01

	Three-month Period Ended September 30, 2017			Three-month Period Ended September 30, 2016		
	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:	¥ 127,551	1,763,970	¥ 72.31	¥ 60,832	1,792,507	¥ 33.94
Effect of dilutive securities:						
Adjustment of effect of:						
Dilutive securities of associated companies.	(10)	−		(9)	−	
Stock options ……………………	−	1,068		−	767	
Diluted earnings per share attributable to owners of the parent:	¥ 127,541	1,765,038	¥ 72.26	¥ 60,823	1,793,274	¥ 33.92

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, 2017 and March 31, 2017. The maximum potential amount of future payments represents the amount without consideration of possible recoveries under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.
The companies evaluate risks involved for each guarantee in an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood to perform guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at September 30, 2017.

	Millions of Yen			
	Maximum potential amount of future payments	**Amount outstanding (a)**	**Recourse provisions/ Collateral (b)**	**Net amount outstanding (a)-(b)**
September 30, 2017				
Type of guarantees:				
Financial guarantees				
Guarantees for third parties …………………	¥ 73,262	¥ 58,078	¥ 6,914	¥ 51,164
Guarantees for the investments accounted for using the equity method ………………	812,042	547,723	100,267	447,456
Performance guarantees				
Guarantees for third parties …………………	64,059	50,533	6,003	44,530
Guarantees for the investments accounted for using the equity method ………………	37,046	32,127	3,559	28,568
Total ………………	¥ 986,409	¥ 688,461	¥ 116,743	¥ 571,718

	Millions of Yen							
	Maximum potential amount of future payments		Amount outstanding (a)		Recourse provisions/ Collateral (b)		Net amount outstanding (a)-(b)	
March 31, 2017								
Type of guarantees:								
Financial guarantees								
Guarantees for third parties …………………	¥	113,305	¥	66,313	¥	5,966	¥	60,347
Guarantees for the investments accounted for using the equity method ………………		825,871		557,606		128,966		428,640
Performance guarantees								
Guarantees for third parties …………………		57,308		45,702		4,836		40,866
Guarantees for the investments accounted for using the equity method ………………		36,171		31,361		3,866		27,495
Total ………………	¥	1,032,655	¥	700,982	¥	143,634	¥	557,348

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, 2017 and March 31, 2017 will expire through 2023 and 2022, respectively.

Guarantees for the investments accounted for using the equity method

The companies, severally or jointly with others, issue guarantees for the investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of September 30, 2017 and March 31, 2017 will expire through 2025.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of September 30, 2017 and March 31, 2017.

	Millions of Yen			
	September 30, 2017		March 31, 2017	
Within 1 year ………………………………	¥	369,050	¥	433,318
After 1 to 5 years ……………………………		383,200		357,070
After 5 years ………………………………		234,159		242,267
Total ……………………………………	¥	986,409	¥	1,032,655

Ⅱ. LITIGATION

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

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. The degree to which these inputs are observable in the relevant markets determines whether the receivable is classified as level 3.

Other Investments
- Other investments other than measured at amortized cost are measured at fair value.

- Publicly-traded Other investments are measured using quoted market prices in an active market and classified as level 1.
- Non-marketable Other investments are measured at fair value principally using the discounted cash flow method, the market comparison approach and other appropriate valuation techniques considering various assumptions, including expected future cash flows and discount rates reflecting the related risks of the investee. The degree to which these inputs are observable in the relevant markets determines whether the investment is classified as level 3.

Derivative Instruments
- Derivative instruments mainly consist of derivative commodity instruments and derivative financial instruments.
- Exchange-traded derivative commodity instruments measured using quoted market prices 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, 2017 and March 31, 2017 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, 2017 and March 31, 2017 were as follows. No assets or liabilities were transferred between level 1 and 2 for the six-month period ended September 30, 2017 and for the six-month period ended September 30, 2016.

	Millions of Yen				
September 30, 2017	**Fair value measurements using**				
	Level 1	**Level 2**	**Level 3**	**Netting adjustments***	**Total fair value**
Assets:					
Trades and other receivables:					
Loan measured at FVTPL ………………	—	—	¥ 32,867		
Total trades and other receivables	—	—	¥ 32,867	—	¥ 32,867
Other investments:					
Financial assets measured at FVTPL ……	¥ 25,436	—	¥ 95,159		
Financial assets measured at FVTOCI …	964,833	—	596,974		
Total other investments	¥ 990,269	—	¥ 692,133	—	¥ 1,682,402
Derivative assets:					
Foreign exchange contracts ……………	—	¥ 52,054	—		
Interest rate contracts ……………………	—	66,503	—		
Commodity contracts ……………………	¥ 14,595	361,621	¥ 663		
Others ……………………………………	—	—	3,137		
Total derivative assets	¥ 14,595	¥ 480,178	¥ 3,800	¥ (310,430)	¥ 188,143
Inventories…………………………………	—	¥ 152,752	—	—	¥ 152,752
Total assets …………………………………	¥ 1,004,864	¥ 632,930	¥ 728,800	¥ (310,430)	¥ 2,056,164
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts ……………	—	¥ 59,951	—		
Interest rate contracts ……………………	—	5,372	—		
Commodity contracts ……………………	¥ 18,105	361,786	¥ 622		
Others ……………………………………	—	—	16,999		
Total derivative liabilities	¥ 18,105	¥ 427,109	¥ 17,621	¥ (309,230)	¥ 153,605
Total liabilities ……………………………	¥ 18,105	¥ 427,109	¥ 17,621	¥ (309,230)	¥ 153,605

March 31, 2017	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	−	−	¥ 32,710		
Total trades and other receivables	−	−	¥ 32,710	−	¥ 32,710
Other investments:					
Financial assets measured at FVTPL	¥ 21,432	−	¥ 86,352		
Financial assets measured at FVTOCI	579,133	−	646,034		
Total other investments	¥ 600,565	−	¥ 732,386	−	¥ 1,332,951
Derivative assets:					
Foreign exchange contracts	−	¥ 69,128	−		
Interest rate contracts	−	68,066	−		
Commodity contracts	¥ 19,920	356,547	¥ 546		
Others	−	−	3,306		
Total derivative assets	¥ 19,920	¥ 493,741	¥ 3,852	¥ (317,426)	¥ 200,087
Inventories	−	¥ 133,120	−	−	¥ 133,120
Total assets	¥ 620,485	¥ 626,861	¥ 768,948	¥ (317,426)	¥ 1,698,868
Liabilities:					
Derivative liabilities:					
Foreign exchange contracts	−	¥ 50,976	−		
Interest rate contracts	−	6,138	−		
Commodity contracts	¥ 13,161	363,296	¥ 649		
Others	−	−	22,875		
Total derivative liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597
Total liabilities	¥ 13,161	¥ 420,410	¥ 23,524	¥ (313,498)	¥ 143,597

*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 beginning of period of the loan measured at FVTPL is ¥32,710 million and the balance of period of it is ¥32,867 million for the six-month period ended September 30, 2017. There is no material movement other than its exchange rate change during the six-month period ended September 30, 2017. The Company did not have any loans' movement measured at FVTPL for the six-month period ended September 30, 2016.

The reconciliation of financial assets measured at FVTPL for the six-month period ended September 30, 2017 and 2016 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2017	**Six-month period ended September 30, 2016**
Balance at beginning of period	¥ 86,352	¥ 67,567
Gains (losses)	(5,546)	(2,230)
Purchases	19,154	8,364
Sales	(5,545)	(1,329)
Transfers into Level 3	—	—
Transfers out of Level 3	(250)	—
Others (Note)	994	(1,579)
Balance at end of period	¥ 95,159	¥ 70,795
Net change in unrealized gains (losses) still held at end of period	¥ (5,546)	¥ (2,230)

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

Gains (losses) related to financial assets measured at FVTPL ("FVTPL gains(losses)") for the six-month period ended September 30, 2016 were included in "Gain (loss) on securities and other investments—net" and FVTPL gains(losses) for the six-month period ended September 30, 2017 are included in "Other revenue" in the Condensed Consolidated Statements of Income respectively.

The reconciliation of financial assets measured at FVTOCI for the six-month period ended September 30, 2017 and 2016 were as follows:

	Millions of Yen	
	Six-month period ended September 30, 2017	**Six-month period ended September 30, 2016**
Balance at beginning of period	¥ 646,034	¥ 561,011
Other comprehensive income (Note1)	(58,002)	3,591
Purchases	8,564	9,800
Sales	(2,597)	(6,255)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Others (Note2)	2,975	(47,297)
Balance at end of period	¥ 596,974	¥ 520,849

Note1: For "Other comprehensive income" for the six-month period ended September 30, 2017, fair value in investments in LNG projects declined reflecting the drop in oil prices.

Note2: "Others" includes the effect of changes in foreign exchange rates (Including in the foreign currency translation adjustments) and in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in "Financial assets measured at FVTOCI" in 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, 2017 and March 31, 2017 were as follows:

September 30, 2017	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6% ~ 14.3%

March 31, 2017	**Valuation Technique**	**Principal Unobservable Input**	**Range**
Financial assets measured at FVTOCI	Income approach	Discount rate	5.6% ~ 14.3%

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, 2017 and March 31, 2017 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, 2017		**March 31, 2017**	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current receivables				
Trade and other receivables and Other financial assets (*)	¥ 554,772	¥ 555,188	¥ 622,422	¥ 622,943
Non-current liabilities				
Long-term debts, less current portion and Other financial liabilities (*)	¥ 3,949,012	¥ 4,026,862	¥ 4,219,963	¥ 4,317,549

(*)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. SUBSEQUENT EVENTS

Interim Dividend

On November 2, 2017, the Board of Directors approved the payment of cash dividend to shareholders of record on September 30, 2017 of ¥30 per share or a total of ¥52,923 million.

15. THE INCORPORATION OF VALEPAR S.A.

We had 15% share in Valepar S.A. (“Valepar”), a holding company of Vale S.A. (“Vale”). We have agreed that 1) conversion of Vale's preferred shares to common shares, 2) amendment to Vale bylaw and 3) incorporation of Valepar by Vale is to be executed subject to approval at Vale's extraordinary shareholders meeting and consent of at least 54.09% to the conversion of Vale's preferred shares to common shares, and Valepar has been incorporated by Vale on August 14, 2017.
Through this incorporation, the companies recognized ¥56,296 million of profit from the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and ¥35,204 million of the profit due to the reversal of deferred tax liabilities. A loss of ¥2,169 million is included in Profit (Loss) of equity method investments for three-month period ended September 30, 2017 and a gain of ¥9,444 million is included in Profit (Loss) of equity method investments for six-month period ended September 30, 2017.The profit (loss) belongs to Mineral & Metal Resources segment for the six-month and three-month periods ended September 30, 2017, please refer to “*5. SEGMENT INFORMATION*”
¥260,238 million of book value of Valepar was included in the Investments accounted for using equity method on Consolidated Statements of Financial Position for the year ended March 31, 2017.
Through this incorporation, the company has acquired ¥307,072 million in share of Vale and it is included in Other investment (financial assets measured at FVTOCI) Condensed Consolidated Statement of Financial Statements for six-month period ended September 30, 2017.

16. PROVISION RELATED TO MULTIGRAIN BUSINESS

Multigrain Trading AG (“Multigrain” a 100% owned subsidiary of the Company), which is engaged in origination and merchandising of agricultural products in Brazil, has concluded several long-term contracts mainly related to the export trading business of soybean and corn. Due to the recent deterioration of the business environment, losses of ¥31,526 million expected to arise from meeting the obligations under some of the contracts have been recognized for the six-month period ended September 30, 2017.

According to IAS 37, the corresponding provisions were measured based on the unavoidable costs under the contracts that reflect the least net cost of exiting from the contracts, which is the lower of the costs of fulfilling them and the costs arising from failure to fulfill them. Regarding to amounts of these estimations, the costs of meeting the obligations and expected benefits under the contracts depend on changes of the margin on the business of origination and merchandising of agricultural products in future, while the costs arising from failure of fulfilment depend on negotiations with the counterparties of the contracts. Among the contracts, the longest expected timing of outflows related to these provisions is 8 years.

Such provisions are presented as “Provisions” in Non-current Liabilities within the Condensed Consolidated Statements of Financial Position, and the related losses are presented as “Provision related to Multigrain business” within the Condensed Consolidated Statements of Income respectively. The losses are also included in the “Profit (Loss) for the Period Attributable to Owners of the parent” in the Lifestyle segment for the six-month and three-month periods ended September 30, 2017. Please see “*5. SEGMENT INFORMATION*”.

17. 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 Keigo Matsubara, Representative Director, Senior Executive Managing Officer and CFO, on November 13, 2017.