Consolidated Financial Results for the Six-Month Period Ended September 30, 2017 [IFRS]

Tokyo, November 2, 2017 - Mitsui & Co., Ltd. announced its consolidated financial results for the six-month period ended September 30, 2017, based on International Financial Reporting Standards ("IFRS").

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

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1. Consolidated financial results

(1) Consolidated operating results information for the six-month period ended September 30, 2017
(from April 1, 2017 to September 30, 2017)

		Six-month period ended September 30,			
		2017	%	2016	%
Revenue	Millions of yen	2,394,033	17.8	2,032,136	18.6
Profit before income taxes	Millions of yen	312,031	67.7	186,022	17.3
Profit for the period	Millions of yen	248,720	92.8	128,986	11.5
Profit for the period attributable to owners of the parent	Millions of yen	238,307	95.4	121,977	6.6
Comprehensive income for the period	Millions of yen	299,331	-	(137,778)	-
Earnings per share attributable to owners of the parent, basic	Yen	135.10		68.05	
Earnings per share attributable to owners of the parent, diluted	Yen	135.01		68.01	

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

(2) Consolidated financial position information

		September 30, 2017	March 31, 2017
Total assets	Millions of yen	11,493,702	11,501,013
Total equity	Millions of yen	4,228,817	3,990,162
Total equity attributable to owners of the parent	Millions of yen	3,965,707	3,732,179
Equity attributable to owners of the parent ratio	%	34.5	32.5

2. Dividend information

		Year ended March 31,		Year ending March 31, 2018 (Forecast)
		2018	2017	
Interim dividend per share	Yen	30	25	
Year-end dividend per share	Yen		30	30
Annual dividend per share	Yen		55	60

3. Forecast of consolidated operating results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

		Year ending March 31, 2018
Profit attributable to owners of the parent	Millions of yen	400,000
Earnings per share attributable to owners of the parent, basic	Yen	226.76

Note :
We have changed our forecast profit attributable to owners of the parent for the year ending March 31, 2018 from ¥320.0 billion to ¥400.0 billion.

4. Others
(1) Increase/decrease of important subsidiaries during the period : None

(2) Changes in accounting policies and accounting estimate :

(i) Changes in accounting policies required by IFRS	None
(ii) Other changes	None
(iii) Changes in accounting estimates	Yes

Note :
For further details please refer to page 20 "4. Condensed Consolidated Financial Statements (6) Change in Accounting Estimates".

(3) Number of shares :

	September 30, 2017	March 31, 2017
Number of shares of common stock issued, including treasury stock	1,796,514,127	1,796,514,127
Number of shares of treasury stock	32,528,705	32,558,297

	Six-month period ended September 30, 2017	Six-month period ended September 30, 2016
Average number of shares of common stock outstanding	1,763,963,405	1,792,508,134

This quarterly earnings report is not subject to quarterly review.

A Cautionary Note on Forward-Looking Statements:
This report contains forward-looking statements including those concerning future performance of Mitsui & Co., Ltd. ("Mitsui"), and those statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it. Various factors may cause Mitsui's actual results to be materially different from any future performance expressed or implied by these forward-looking statements. Therefore, these statements do not constitute a guarantee by Mitsui that such future performance will be realized.
For key assumptions on which the statements concerning future performance are based, please refer to (2) "Forecasts for the Year Ending March 31, 2018" on p.11. For cautionary notes with respect to forward-looking statements, please refer to the "Notice" section on p.13.

Supplementary materials and IR meetings on financial results:
Supplementary materials on financial results can be found on our web site.
We will hold an IR meeting on financial results for analysts and institutional investors on November 2, 2017.
Contents of the meeting (English and Japanese) will be posted on our web site immediately after the meeting.

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1. Qualitative Information

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

(1) Operating Environment

In the six-month period ended September 30, 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
	Provision 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
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 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 factor:
  - 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)

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.

2. Management Policies

(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**

1) Revised 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)

	March 31, 2018 Revised forecast	March 31, 2018 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 on 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 on 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 operating 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	

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

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

(3) Profit Distribution Policy

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

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

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

3. Other Information

Notice:
This flash report contains forward-looking statements about Mitsui and its consolidated subsidiaries. These forward-looking statements are based on Mitsui's current assumptions, expectations and beliefs in light of the information currently possessed by it and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause Mitsui's actual consolidated financial position, consolidated operating results or consolidated cash flows to be materially different from any future consolidated financial position, consolidated operating results or consolidated cash flows expressed or implied by these forward-looking statements.
These risks, uncertainties and other factors include, among others, (1) economic downturns worldwide or at specific regions, (2) fluctuations in commodity prices, (3) fluctuations in exchange rates, (4) credit risks from clients with which Mitsui and its consolidated subsidiaries have business transactions or financial dealings and/or from various projects, (5) declines in the values of non-current assets, (6) changes in the financing environment, (7) declines in market value of equity and/or debt securities, (8) changes in the

assessment for recoverability of deferred tax assets, (9) inability to successfully restructure or eliminate subsidiaries or associated companies as planned, (10) unsuccessful joint ventures and strategic investments, (11) risks of resource related businesses not developing in line with assumed costs and schedules and uncertainty in reserves and performance of third party operators, (12) loss of opportunities to enter new business areas due to limitations on business resources, (13) environmental laws and regulations, (14) changes in laws and regulations or unilateral changes in contractual terms by governmental entities, (15) employee misconduct, (16) failure to maintain adequate internal control over financial reporting, and (17) climate change and natural disaster. For further information on the above, please refer to Mitsui's Annual Securities Report.

Forward-looking statements may be included in Mitsui's Annual Securities Report and Quarterly Securities Reports or in its other disclosure documents, press releases or website disclosures. Mitsui undertakes no obligation to publicly update or revise any forward-looking statements.

4. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

(Millions of Yen)

Assets	September 30, 2017	March 31, 2017
Current Assets:		
Cash and cash equivalents	¥ 1,160,130	¥ 1,503,820
Trade and other receivables	1,821,011	1,739,402
Other financial assets	290,687	267,680
Inventories	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	2,643,558	2,741,741
Other investments	1,686,634	1,337,164
Trade and other receivables	416,290	477,103
Other financial assets	138,482	145,319
Property, plant and equipment	1,811,037	1,823,492
Investment property	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	¥ 11,493,702	¥ 11,501,013

(Millions of Yen)

Liabilities and Equity	September 30, 2017	March 31, 2017
Current Liabilities:		
Short-term debt	¥ 242,110	¥ 304,563
Current portion of long-term debt	370,955	388,347
Trade and other payables	1,253,124	1,203,707
Other financial liabilities	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	3,840,965	4,108,674
Other financial liabilities	108,047	111,289
Retirement benefit liabilities	64,384	60,358
Provisions	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	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	¥ 11,493,702	¥ 11,501,013

(2) Condensed Consolidated Statements of Income and Comprehensive Income

Condensed Consolidated Statements of Income

(Millions of Yen)

	Six-month period ended September 30, 2017	Six-month period ended September 30, 2016
Revenue:		
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	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	(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	127,166	98,813
Profit before Income Taxes	312,031	186,022
Income Taxes	(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

Condensed Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six-month period ended September 30, 2017	Six-month period ended September 30, 2016
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)

(3) Condensed Consolidated Statements of Changes in Equity

(Millions of Yen)

	Attributable to owners of the parent						Non-controlling Interests	Total Equity
	Common Stock	**Capital Surplus**	**Retained Earnings**	**Other Components of Equity**	**Treasury Stock**	**Total**		
Balance as at April 1, 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)

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

(4) Condensed Consolidated Statements of Cash Flows

(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	(58,924)	(42,043)
Cash flows from operating activities	161,529	73,130
Investing Activities:		
Net change in time deposits	(6,940)	(147,132)
Net change in investments in equity accounted investees	(94,216)	40,522
Net change in other investments	(12,703)	8,036
Net change in loan receivables	68,265	3,899
Net change in property, plant and equipment	(64,231)	(78,054)
Net change in investment property	5,032	(17,940)
Cash flows from investing activities	(104,793)	(190,669)
Financing Activities:		
Net change in short-term debt	(67,573)	(92,583)
Net change in long-term debt	(286,687)	374,776
Purchases and sales of treasury stock	20	(4)
Dividends paid	(52,922)	(57,368)
Transactions with non-controlling interest 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

(5) Assumption for Going Concern: None

(6) Change in Accounting Estimates

The significant change in accounting estimates in the Condensed Consolidated Financial Statements is as follows.

(Provision)

Due to the recent deterioration of the business environment, provisions totaled ¥31,526 million have been recognized for the six-month period ended September 30, 2017, in relation to the export business of our consolidated subsidiary, Multigrain Trading AG which is engaged in origination and merchandising of agricultural products in Brazil.

(7) Segment Information

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

(Millions of Yen)

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	128,525	463,557	216,105	554,418	244,687	727,515	57,702	2,392,509	1,337	187	2,394,033
Gross Profit	24,814	115,713	60,252	68,328	45,287	68,465	19,828	402,687	1,067	187	403,941
Share of Profit (Loss) of Investments Accounted for Using the Equity Method	7,467	34,198	56,060	4,449	9,246	11,907	4,085	127,412	(34)	(212)	127,166
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	(8,403)	1,342	238,307
Core Operating Cash Flow	7,588	112,996	47,414	25,368	81,442	4,514	(6,365)	272,957	3,481	28,141	304,579
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	5,770,623	(5,075,007)	11,493,702

Six-month period ended September 30, 2016 (from April 1, 2016 to September 30, 2016) (As restated)

(Millions of Yen)

	Iron & Steel Products	Mineral & Metal Resources	Machinery & Infrastructure	Chemicals	Energy	Lifestyle	Innovation & Corporate Development	Total	All Other	Adjustments and Eliminations	Consolidated Total
Revenue	94,803	303,220	200,554	478,935	221,631	666,728	65,422	2,031,293	604	239	2,032,136
Gross Profit	16,453	59,999	53,571	72,871	30,232	65,760	26,479	325,365	424	239	326,028
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	(90)	(220)	98,813
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	(4,031)	(361)	121,977
Core Operating Cash Flow	150	64,419	28,668	28,054	54,238	2,326	193	178,048	(3,003)	6,268	181,313
Total Assets at March 31, 2017	612,632	1,962,236	2,238,142	1,175,205	1,905,252	1,723,399	611,395	10,228,261	5,798,648	(4,525,896)	11,501,013

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. 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”.

7. 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.

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