

**Quarterly Securities Report**  
**for the Nine-Month Period Ended December 31, 2018**

English translation of certain items disclosed in the Quarterly Securities Report for the nine-month period ended December 31, 2018, which were filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on February 12, 2019.

**Mitsui & Co., Ltd.**

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

## 1. Overview of Mitsui and Its Subsidiaries

### 1. Selected Financial Data

As of or for the periods ended December 31, 2018 and 2017 and as of or for the year ended March 31, 2018

|  | In millions of Yen, except amounts per share and other |  |   |   |   |
|--|--|--|---|---|---|
|  | Nine-month<br>period ended<br>December 31,<br>2018     | Nine-month<br>period ended<br>December 31,<br>2017 | Three-month<br>period ended<br>December 31,<br>2018 | Three-month<br>period ended<br>December 31,<br>2017 | As of or for<br>the year ended<br>March 31,<br>2018 |
| <b>Consolidated financial data</b>   |  |  |   |   |   |
| Revenue  | ¥ 5,012,969  | ¥ 3,653,010  | ¥ 1,799,627   | ¥ 1,258,977   | ¥ 4,892,149   |
| Gross profit   | ¥ 633,077  | ¥ 609,906  | ¥ 209,362   | ¥ 205,965   | ¥ 790,705   |
| Profit for the period<br>attributable to owners of the<br>parent               | ¥ 350,068  | ¥ 376,834  | ¥ 127,198   | ¥ 138,527   | ¥ 418,479   |
| Comprehensive income for<br>the period attributable to<br>owners of the parent | ¥ 341,633  | ¥ 566,077  | ¥ (36,176)  | ¥ 279,511   | ¥ 416,113   |
| Total equity attributable to<br>owners of the parent                           | ¥ -  | ¥ -  | ¥ 4,174,528   | ¥ 4,192,126   | ¥ 3,974,715   |
| Total assets   | ¥ -  | ¥ -  | ¥ 11,826,976  | ¥ 11,861,630  | ¥ 11,306,660  |
| Basic earnings per share<br>attributable to owners of the<br>parent (Yen)      | ¥ 201.42   | ¥ 213.63   | ¥ 73.19   | ¥ 78.53   | ¥ 237.67  |
| Diluted earnings per share<br>attributable to owners of the<br>parent (Yen)    | ¥ 201.27   | ¥ 213.48   | ¥ 73.13   | ¥ 78.47   | ¥ 237.50  |
| Equity attributable to owners<br>of the parent ratio                           | -  | -  | 35.30   | 35.34   | 35.15   |
| Cash flows from operating<br>activities  | ¥ 361,473  | ¥ 402,980  | ¥ -   | ¥ -   | ¥ 553,645   |
| Cash flows from investing<br>activities  | ¥ (448,951)  | ¥ (184,118)  | ¥ -   | ¥ -   | ¥ (248,211)   |
| Cash flows from financing<br>activities  | ¥ (93,933)   | ¥ (525,555)  | ¥ -   | ¥ -   | ¥ (652,292)   |
| Cash and cash equivalents at<br>end of period                                  | ¥ -  | ¥ -  | ¥ 953,222   | ¥ 1,209,753   | ¥ 1,131,380   |

(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 nine-month period ended December 31, 2018.

## 2. Operating and Financial Review and Prospects

### 1. Risk Factors

For the nine-month period ended December 31, 2018, there is no significant change in risk factors which were described on our Annual Securities Report for the year ended March 31, 2018.

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

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

Forward-looking statements were made as of December 31, 2018, unless otherwise indicated.

#### **(1) Operating Environment**

In the nine-month period ended December 31, 2018, the global economy, despite the U.S. economy remaining on solid footing, began to show slowing growth due to weakening momentum in economic recovery in Europe and China.

In the U.S., although consumer spending, supported by a favorable environment for employment and employee income, continues to provide a resilient base, capital investment appears to have peaked and the effects from tax reductions are expected to gradually weaken. As such, going forward, the pace of economic recovery in the U.S. is expected to slow. In Europe, manufacturing figures, particularly those for the automobile industry, have been stagnant, and economic growth is expected to continue weakening. Meanwhile, in Japan, the solid path of recovery is expected to continue backed by increases in investment related to the Olympic and Paralympic Games and in capital investment focused on labor-saving initiatives, further boosted by an expected surge in demand prior to the next increase in consumption tax. As for emerging countries, it is forecasted that China's economy will continue to slow down due to the impact of the trade friction between the U.S. and China, although it is expected to be bolstered to a certain degree by government policies. Brazil's economy is picking up under its new government, while Russia's economy has stopped its downward slide due to a recovery in exports.

In the global economy, an overall stagnant mood is strengthening, and attention should be given to future developments, particularly with regard to the increased downside risks brought about by the impact of U.S.-China trade friction.

## (2) Results of Operations

### 1) Analysis of Consolidated Income Statements

| (Billions of Yen)   |  | Current Period | Previous Period | Change   |
|---|--|----------------|-----------------|----------|
| Revenue   |  | 5,013.0        | 3,653.0         | +1,360.0 |
| Gross profit  |  | 633.1          | 609.9           | +23.2    |
| Selling, general and administrative expenses                                |  | (417.4)        | (412.9)         | (4.5)    |
| Other Income<br>(Expenses)  | Gain (Loss) on Securities and Other Investments—Net  | 6.5            | 62.2            | (55.7)   |
|   | Impairment Reversal (Loss) of Fixed Assets—Net       | (3.6)          | (18.9)          | +15.3    |
|   | Gain (Loss) on Disposal or Sales of Fixed Assets—Net | 5.8            | 14.9            | (9.1)    |
|   | Other Income (Expense)—Net                           | (3.3)          | 19.5            | (22.8)   |
|   | Provision Related to Multigrain Business             | 11.1           | (30.4)          | +41.5    |
| Finance Income<br>(Costs)   | Interest Income                                      | 31.4           | 24.5            | +6.9     |
|   | Dividend Income                                      | 88.5           | 68.0            | +20.5    |
|   | Interest Expense                                     | (59.9)         | (50.0)          | (9.9)    |
| Share of Profit (Loss) of Investments Accounted for Using the Equity Method |  | 186.0          | 188.3           | (2.3)    |
| Income Taxes  |  | (111.2)        | (80.8)          | (30.4)   |
| Profit for the Period   |  | 367.1          | 394.2           | (27.1)   |
| Profit for the Period Attributable to Owners of the Parent                  |  | 350.1          | 376.8           | (26.7)   |

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

### Revenue

Revenue for the nine-month period ended December 31, 2018 (“current period”) was ¥5,013.0 billion, an increase of ¥1,360.0 billion (including ¥1,292.8 billion due to the adoption of the new accounting treatment) from the corresponding nine-month period of the previous year (“previous period”).

### Gross Profit

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

### Other Income (Expenses)

Gain (Loss) on Securities and Other Investments—Net

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

*Impairment Reversal (Loss) of Fixed Assets—Net*

For the previous period, an impairment loss on fixed assets was recorded in the Lifestyle Segment and the Machinery & Infrastructure Segment.

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

For the current period, a gain on disposal of fixed assets was recorded in the Iron & Steel Products Segment. For the previous period, a gain on disposal of fixed assets was recorded in the Lifestyle Segment and the Innovation & Corporate Development Segment.

#### *Other Income (Expense)—Net*

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

#### *Provision Related to Multigrain Business*

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

#### **Finance Income (Costs)**

Dividend Income

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

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

Mainly the Energy Segment and the Iron & Steel Products Segment recorded an increase, while the Machinery & Infrastructure Segment recorded a decline.

#### **Income Taxes**

For the previous period, deferred tax liabilities on the investment into Valepar S.A. were reversed. Furthermore, deferred tax liabilities on equity accounted investments were reversed upon receiving dividends from those investees, and deferred tax liabilities were reversed due to the U.S. tax reform. On the other hand, deferred tax assets on equity accounted investments as well as Multigrain Trading AG were reversed.

The effective tax rate for the current period was 23.2%, an increase of 6.2 points from 17.0 % for the previous period. The aforementioned reversal of deferred tax liabilities for the previous period resulted in the increase, while the reversal of deferred tax assets caused the decline.

#### **Profit for the Period Attributable to Owners of the Parent**

Profit for the period attributable to owners of the parent was ¥350.1 billion, a decline of ¥26.7 billion from the previous period.

## 2) Operating Results by Operating Segment

### ***Iron & Steel Products Segment***

| (Billions of Yen)  | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Profit for the period attributable to owners of the parent | 10.2           | 22.1            | (11.9) |
| Gross profit   | 20.7           | 33.3            | (12.6) |
| Profit (loss) of equity method investments                 | 14.6           | 10.0            | +4.6   |
| Dividend income  | 1.5            | 2.2             | (0.7)  |
| Selling, general and administrative expenses               | (21.1)         | (24.2)          | +3.1   |
| Others   | (5.5)          | 0.8             | (6.3)  |

- Gross profit declined mainly due to the following factors:
  - Mitsui & Co. Steel Ltd. reported a decline of ¥5.1 billion mainly due to transferring a part of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION.
  - A decline in gross profit was recorded due to a sale of Champions Cinco Pipe & Supply in the previous year and a reversal effect of realization of pipe line project in the previous period.
- Profit (loss) of equity method investments increased mainly due to the following factor:
  - For the current period, following the classification of NIPPON STEEL & SUMIKIN BUSSAN CORPORATION as an equity method investee, a profit of equity method investment was recorded.
- In addition to the above, the following factors also affected results:
  - For the previous period, a valuation profit on the derivative of ¥7.0 billion was recorded in relation to a price adjustment clause for the investment in Gestamp Automoción S.A.
  - For the current period, a one-time gain of ¥5.9 billion was recorded due to the sale of land of an affiliated company.

### ***Mineral & Metal Resources Segment***

| (Billions of Yen)  | Current Period | Previous Period | Change  |
|--|----------------|-----------------|---------|
| Profit for the period attributable to owners of the parent | 127.6          | 229.3           | (101.7) |
| Gross profit   | 135.9          | 161.6           | (25.7)  |
| Profit (loss) of equity method investments                 | 45.2           | 48.5            | (3.3)   |
| Dividend income  | 16.8           | 9.0             | +7.8    |
| Selling, general and administrative expenses               | (25.0)         | (24.3)          | (0.7)   |
| Others   | (45.3)         | 34.5            | (79.8)  |

- Gross profit declined mainly due to the following factors:
  - Iron ore mining operations in Australia reported a decline of ¥15.6 billion due to lower iron ore sales prices as well as the change in the mining operation controlled by joint ventures.
  - Coal mining operations in Australia reported a decline of ¥10.3 billion due to higher operational costs caused by the change in mining plans.
- Profit (loss) of equity method investments declined mainly due to the following factors:
  - Profit from Valepar S.A. declined by ¥9.4 billion due to the deconsolidation following the incorporation by Vale S.A. in the three month period ended September 30, 2017.
  - An improvement of ¥3.8 billion was recorded for SCM Minera Lumina Copper Chile, the project company for the Caserones Copper Mine, reflecting an impairment loss for the previous year.
- Dividend from Vale S.A. was ¥12.6 billion, an increase of ¥8.5 billion from the previous period.

- In addition to the above, the following factors also affected results:
  - For the previous period, following the incorporation of Valepar S.A. by Vale S.A., the Mineral & Metal Resources Business Unit reported a gain on securities of ¥56.3 billion and the reversal of deferred tax liability of ¥35.2 billion for the retained earnings of Valepar S.A.
  - For the previous period, following the dividend received from Inner Mongolia Erdos Electric Power & Metallurgical Ltd, the reversal of deferred tax liability for the retained earnings of the equity accounted investment was reported.

### ***Machinery & Infrastructure Segment***

| (Billions of Yen)  | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Profit for the period attributable to owners of the parent | 55.5           | 79.0            | (23.5) |
| Gross profit   | 97.6           | 91.9            | +5.7   |
| Profit (loss) of equity method investments                 | 63.0           | 80.7            | (17.7) |
| Dividend income  | 4.2            | 2.7             | +1.5   |
| Selling, general and administrative expenses               | (92.7)         | (90.5)          | (2.2)  |
| Others   | (16.6)         | (5.8)           | (10.8) |

- Profit (loss) of equity method investments declined mainly due to the following factors:
  - IPP business recorded a decline of ¥20.6 billion.
    - ◇ For the previous period, a ¥20.3 billion gain on the sales of the interest in a UK power asset was recorded.
    - ◇ For the previous period, a ¥3.9 billion gain was recorded because the IPP business in Indonesia was refinanced.
    - ◇ For the current period, deferred tax assets were recorded at an equity accounted investee due to the change of the investment structure in the IPP business.
    - ◇ Mark-to-market valuation losses, such as those on long-term derivative contracts, were deteriorated by ¥0.7 billion to a ¥0.9 billion loss from a ¥0.2 billion loss for the previous period.
  - For the current period, a loss was recorded at an equity accounted investee due to its overseas rail project.
  - For the previous period, reserves of ¥5.3 billion for financing projects in Latin America were recorded.
  - For the previous period, a loss was recorded at an equity accounted investee due to an anticipated deterioration of overseas project.
- In addition to the above, the following factors also affected results:
  - For the previous period, following the dividend received from the IPP project, the reversal of deferred tax liability for the retained earnings of the equity accounted investment was reported.
  - For the previous period, an impairment loss of ¥4.9 billion on fixed assets was recorded in relation to container terminal development and operation.
  - For the current period, deferred tax assets were recorded at a holding company due to the change of the investment structure in the IPP business.
  - For the previous period, a ¥4.1 billion loss was recorded due to the refinancing of the IPP business in Indonesia.
  - For the previous period, a holding company for UK IPP business recorded a valuation loss of ¥3.5 billion on securities, following the sales of the interests

### Chemicals Segment

| (Billions of Yen)  | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Profit for the period attributable to owners of the parent | 23.3           | 27.5            | (4.2)  |
| Gross profit   | 106.8          | 104.1           | +2.7   |
| Profit (loss) of equity method investments                 | 10.0           | 7.8             | +2.2   |
| Dividend income  | 2.5            | 1.9             | +0.6   |
| Selling, general and administrative expenses               | (74.9)         | (73.0)          | (1.9)  |
| Others   | (21.1)         | (13.3)          | (7.8)  |

- Gross profit increased mainly due to the following factors:
  - MMTX Inc. reported an increase of ¥5.6 billion mainly due to higher methanol prices.
  - Novus International, Inc. reported a decline of ¥4.2 billion mainly due to lower methionine prices.
- In addition to the above, the following factor also affected results:
  - For the previous period, Intercontinental Terminals Company LLC reported a gain of ¥8.2 billion due to a reversal of deferred tax liabilities upon the U.S. tax reform.

### Energy Segment

| (Billions of Yen)  | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Profit for the period attributable to owners of the parent | 86.9           | 35.0            | +51.9  |
| Gross profit   | 109.9          | 68.1            | +41.8  |
| Profit (loss) of equity method investments                 | 26.5           | 16.8            | +9.7   |
| Dividend income  | 54.6           | 44.3            | +10.3  |
| Selling, general and administrative expenses               | (33.7)         | (31.8)          | (1.9)  |
| Others   | (70.4)         | (62.4)          | (8.0)  |

- Gross profit increased mainly due to the following factors:
  - Mitsui Oil Exploration Co., Ltd. recorded an increase of ¥26.4 billion mainly due to higher crude oil and gas prices and a decrease in costs.
  - Mitsui & Co. Energy Trading Singapore reported an increase of ¥4.1 billion mainly due to good performance in the oil trading business.
  - Mitsui E&P USA LLC reported an increase of ¥3.0 billion mainly due to higher gas prices and a decrease in costs.
- Profit of equity method investment increased mainly due to the following factor:
  - Japan Australia LNG (MIMI) Pty. Ltd. reported an increase due to higher crude oil and gas prices.
- Dividends from six LNG projects (Sakhalin II, Qatargas 1, Abu Dhabi, Oman, Qatargas 3 and Equatorial Guinea) were ¥53.7 billion in total, an increase of ¥10.6 billion from the previous period.
- In addition to the above, the following factors also affected results:
  - For the previous period, MEPUS Holdings LLC, a holding company of U.S. shale gas and oil production business, reported a loss of ¥15.0 billion due to a reversal of deferred tax assets following the U.S. tax reform.
  - For the current period, exploration expenses of ¥2.9 billion in total were recorded, including those recorded by Mitsui Oil Exploration Co., Ltd. For the previous period, exploration expenses of ¥4.5 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 | 32.7           | (26.7)          | +59.4  |
| Gross profit  | 118.2          | 107.1           | +11.1  |
| Profit (loss) of equity method investments                        | 20.6           | 18.3            | +2.3   |
| Dividend income   | 4.8            | 4.0             | +0.8   |
| Selling, general and administrative expenses                      | (113.8)        | (112.5)         | (1.3)  |
| Others  | 2.9            | (43.6)          | +46.5  |

- Gross profit increased mainly due to the following factor:
  - Multigrain Trading AG reported an increase of ¥3.5 billion mainly due to the reversal effect of the poor performance for the previous period.
- In addition to the above, the following factors also affected results:
  - Multigrain Trading AG recorded a provision of ¥32.5 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, while it recorded a gain of ¥11.6 billion on reversal of the provision for the current period.
  - For the current period, a ¥7.5 billion profit was recorded due to the change in the profit share in IHH Healthcare Berhad following the increase in the number of outstanding shares.
  - For the previous period, XINGU AGRI AG recorded an impairment loss on fixed assets of ¥10.9 billion due to a decline in the value of land.
  - For the previous period, Mitsui & Co. Real Estate Ltd. recorded a gain on the sales of buildings in Japan.

### ***Innovation & Corporate Development Segment***

| (Billions of Yen)  | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Profit for the period attributable to owners of the parent | 7.2            | 5.3             | +1.9   |
| Gross profit   | 42.7           | 41.5            | +1.2   |
| Profit (loss) of equity method investments                 | 7.8            | 6.4             | +1.4   |
| Dividend income  | 2.8            | 2.6             | +0.2   |
| Selling, general and administrative expenses               | (38.2)         | (37.8)          | (0.4)  |
| Others   | (7.9)          | (7.4)           | (0.5)  |

- Gross profit increased mainly due to the following factors:
  - For the previous period, a ¥6.5 billion loss was recorded due to the valuation losses of fair value on shares of the high speed mobile data network operator in developing countries.
  - For the previous period, a ¥12.7 billion gain was recorded due to the valuation of fair value on shares in Hutchison China MediTech Ltd.
- In addition to the above, the following factor also affected results:
  - For the previous period, a gain on the sales of warehouses in Japan was recorded.

### (3) Financial Condition and Cash Flows

#### 1) Financial Condition

| (Billions of yen)                                 | December 31, 2018 | March 31, 2018 | Change |
|---|-------------------|----------------|--------|
| Total Assets                                      | 11,827.0          | 11,306.7       | +520.3 |
| Current Assets                                    | 4,204.6           | 4,226.2        | (21.6) |
| Non-current Assets                                | 7,622.4           | 7,080.5        | +541.9 |
| Current Liabilities                               | 2,931.8           | 2,698.8        | +233.0 |
| Non-current Liabilities                           | 4,458.7           | 4,389.8        | +68.9  |
| <i>Net Interest-bearing Debt</i>                  | 3,420.8           | 3,089.2        | +331.6 |
| Total Equity Attributable to Owners of the Parent | 4,174.5           | 3,974.7        | +199.8 |
| Net Debt-to-Equity Ratio (times)(*)               | 0.82              | 0.78           | +0.04  |

(\*) 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 ¥178.2 billion.
- Trade and other receivables increased by ¥117.4 billion, mainly due to increases in trading volume in the Energy Segment and seasonal factors in the Lifestyle Segment.
- Other financial assets increased by ¥101.0 billion, mainly due to increases in trading volume of derivative trading in the Innovation & Corporate Development Segment and Energy Segment.
- Inventories increased by ¥79.7 billion, mainly due to increases in trading volume in the Chemical Segment, the Innovation & Corporate Development Segment, the Machinery & Infrastructure Segment, and the Lifestyle Segment.
- Advance payments to suppliers declined by ¥53.6 billion, mainly due to netting against advances from customers.
- Assets held for sale, which were expected to be transferred from Mitsui and Mitsui & Co. Steel Ltd. to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and presented as a single line item as of March 31, 2018, declined by ¥108.9 billion due to completing the transfer in this period.

##### Non-current Assets:

- Investments accounted for using the equity method increased by ¥194.5 billion, mainly due to the following factors:
  - An increase of ¥38.0 billion due to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and reclassification to investments accounted for using the equity method corresponding to the additional acquisition;
  - An increase of ¥21.9 billion due to an investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa;

- An increase due to an investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);
- An increase of ¥12.3 billion due to an investment in Kansai Helios Coatings GmbH, which engages in coating manufacturing business in Europe;
- An increase due to an investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
- An increase of ¥10.1 billion due to an additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company for Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia;
- An increase of ¥186.0 billion corresponding to the profit of equity method investments for the current period, despite a decline of ¥183.4 billion due to dividends received from equity accounted investees;
- An increase of ¥1.2 billion resulting from foreign currency exchange fluctuations; and
- A decline of ¥11.5 billion due to a sale of shares in Medica Asia (Holdco) Limited, the holding company of the MIMS Group which provides drug information to healthcare professionals in the Asia-Oceania region.
- Other investments increased by ¥65.1 billion, mainly due to the following factors:
  - Fair value on financial assets measured at FVTOCI increased by ¥46.8 billion mainly in investments in LNG projects due to the extension of the project period;
  - An increase of ¥33.0 billion due to subscribing the bonds issued by PT. CT Corpora which engages in consumer related business in Indonesia
  - An increase of ¥18.9 billion resulting from foreign currency exchange fluctuations;
  - An increase of ¥11.8 billion due to an investment in FKS Food & Agri Pte Ltd, which is an integrated food enterprise that operates in Southeast Asia;
  - A decline of ¥29.9 billion due to reclassification to investments accounted for using the equity method corresponding to an additional acquisition of shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION; and
  - A decline of ¥12.0 billion due to a sale of shares in Synlait Milk, which is a dairy production and sales company.
- Property, plant and equipment increased by ¥219.9 billion, mainly due to the following factors:
  - An increase of ¥95.7 billion (including the consolidation of AWE Limited, oil and gas company in Australia, of ¥53.8 billion and foreign exchange translation profit of ¥9.2 billion) at oil and gas operations other than U.S. shale gas and oil producing operations;
  - An increase of ¥41.1 billion (including foreign exchange translation profit of ¥0.5 billion) at real estate business in the U.S.;
  - An increase of ¥21.1 billion (including foreign exchange translation profit of ¥0.8 billion) at aircraft leasing business;
  - An increase of ¥13.6 billion at renewable energy business in Japan at Mitsui & Co., Plant Systems, Ltd.;
  - An increase of ¥12.5 billion (including foreign exchange translation profit of ¥3.7 billion) at tank operation in the U.S.; and
  - A decline of ¥11.3 billion (including foreign exchange translation loss of ¥13.6 billion) at iron ore mining operations in Australia.
- Investment property increased by ¥18.3 billion, mainly due to an increase of ¥10.9 billion for the redevelopment project and construction of a multipurpose building etc. at Mitsui & Co., Real Estate Ltd.

## Liabilities

### Current Liabilities:

- Short-term debt increased by ¥82.1 billion. Furthermore, the current portion of long-term debt increased by ¥33.8 billion, mainly due to reclassification to current maturities, despite repayment of debt.
- Trade and other payables increased by ¥135.8 billion, corresponding to the increase in trade and other receivables.
- Other financial liabilities increased by ¥91.3 billion, mainly due to increases in the precious metal lease business in the Innovation & Corporate Development Segment, and corresponding to the increase in other financial assets.
- Advances from customers declined by ¥71.6 billion, corresponding to netting against advance payments to suppliers.
- Liabilities directly associated with assets held for sale, which were expected to be transferred from Mitsui and Mitsui & Co. Steel Ltd. to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and presented as a single line item as of March 31, 2018, declined by ¥40.3 billion due to completing the transfer in the current period.

### Non-current Liabilities:

- Long-term debt, less the current portion, increased by ¥55.2 billion.
- Other financial liabilities (Non-Current) declined by ¥24.8 billion, mainly due to execution of payments for accounts payable related to an acquisition of a stake in Penske Truck Leasing Co., L.P., which engages in truck leasing and rental business in North America.
- Provisions (Non-Current) increased by ¥13.2 billion, mainly due to the following factors:
  - An increase of ¥12.2 billion due to the transfer from other account items as a result of changing the consolidation accounting treatment accompanying the restructuring in the IPP business;
  - An increase due to the consolidation of AWE Limited, an oil and gas company in Australia; and
  - A decline due to the recognition of a reversal of a provision related to the Multigrain business.
- Deferred tax liabilities increased by ¥28.6 billion, mainly due to the increase in financial assets measured at FVTOCI.

### Total Equity Attributable to Owners of the Parent

- Retained earnings increased by ¥122.7 billion.
- Other components of equity declined by ¥20.4 billion, mainly due to the following factors:
  - Financial assets measured at FVTOCI increased by ¥24.7 billion, mainly in investments in LNG projects due to the extension of the project period; and
  - Foreign currency translation adjustments declined by ¥55.7 billion, mainly reflecting the depreciation of the Australian dollar and the Brazilian real, despite the appreciation of the U.S. dollar against the Japanese yen.
- Treasury stock which is a subtraction item in shareholders' equity declined by ¥96.7 billion, due to the cancellation of treasury stock.

## 2) Cash Flows

| (Billions of yen)   | Current Period | Previous Period | Change  |
|---|----------------|-----------------|---------|
| Cash flows from operating activities                              | 361.5          | 403.0           | (41.5)  |
| Cash flows from investing activities                              | (449.0)        | (184.1)         | (264.9) |
| Free cash flow  | (87.5)         | 218.9           | (306.4) |
| Cash flows from financing activities                              | (93.9)         | (525.6)         | +431.7  |
| Effect of exchange rate changes on cash and cash equivalents etc. | 3.2            | 12.6            | (9.4)   |
| Change in cash and cash equivalents                               | (178.2)        | (294.1)         | +115.9  |

### *Cash Flows from Operating Activities*

| (Billions of Yen)                         |     | Current Period | Previous Period | Change |
|---|-----|----------------|-----------------|--------|
| Cash flows from operating activities      | a   | 361.5          | 403.0           | (41.5) |
| Cash flows from change in working capital | b   | (130.6)        | (146.6)         | +16.0  |
| Core operating cash flow                  | a-b | 492.1          | 549.6           | (57.5) |

- Net cash from an increase or a decrease in working capital, or changes in operating assets and liabilities for the current period was ¥130.6 billion of net cash outflow. Core operating cash flow, cash flows from operating activities without the net cash flow from an increase or a decrease in working capital, for the current period amounted to ¥492.1 billion.
  - Net cash inflow from dividend income, including dividends received from equity accounted investees, for the current period totaled ¥261.1 billion, a decline of ¥29.0 billion from ¥290.1 billion for the previous period.
  - Depreciation and amortization for the current period was ¥134.7 billion, a decline of ¥12.1 billion from ¥146.8 billion for the previous period.

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

| (Billions of Yen)                          | Current Period | Previous Period | Change |
|--|----------------|-----------------|--------|
| Iron & Steel Products                      | (1.4)          | 19.3            | (20.7) |
| Mineral & Metal Resources                  | 149.4          | 174.2           | (24.8) |
| Machinery & Infrastructure                 | 57.9           | 128.8           | (70.9) |
| Chemicals                                  | 39.9           | 36.6            | +3.3   |
| Energy                                     | 194.1          | 146.0           | +48.1  |
| Lifestyle                                  | 20.9           | 13.1            | +7.8   |
| Innovation & Corporate Development         | 7.6            | 5.7             | +1.9   |
| All Other and Adjustments and Eliminations | 23.7           | 25.9            | (2.2)  |
| Consolidated Total                         | 492.1          | 549.6           | (57.5) |

### *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 ¥119.7 billion, mainly due to the following factors:
  - An investment in ETC Group, which engages in businesses involving agricultural products, agricultural supplies, and food manufacturing and sales in East Africa, for ¥21.9 billion;
  - An investment in MAERSK PRODUCT TANKERS A/S, a product tanker company (vessel owning);

- An execution of payments for accounts payable related to an acquisition of a stake in Penske Truck Leasing Co., L.P., which engages in truck leasing and rental business in North America;
- An investment in Kansai Helios Coatings GmbH, which engages in coating manufacturing business in Europe, for ¥12.3 billion;
- An investment in Inversiones Mitta, the holding company for Chile's leading automobile operating lease and rental car business;
- An additional acquisition of a stake in Axiata (Cambodia) Holdings Limited, the holding company of Smart Axiata Co., Ltd which is a telecommunication service provider in Cambodia, for ¥10.1 billion; and
- A sale of shares in Medica Asia (Holdco) Limited, the holding company of the MIMS Group which provides drug information to healthcare professionals in the Asia-Oceania region, for ¥11.5 billion.
- Net cash outflows that corresponded to other investments (including subsidiaries or other businesses, net of sales and maturities of other investments) were ¥70.0 billion, mainly due to the following factors:
  - An acquisition of an oil and gas business in Australia for ¥48.2 billion;
  - Subscribing the bonds issued by PT. CT Corpora which engages in consumer related business in Indonesia, for ¥33.0 billion;
  - An acquisition of the real estate business in the U.S. for a total of ¥28.7 billion;
  - An investment in FKS Food & Agri Pte Ltd which is an integrated food enterprise that operates in Southeast Asia, for ¥11.8 billion;
  - A transfer of the iron & steel products business to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION for ¥64.4 billion; and
  - A sale of shares in Synlait Milk which is a dairy production and sales company for ¥12.0 billion.
- Net cash outflows that corresponded to increase in loan receivables (net of collections of loan receivables) were ¥36.1 billion, mainly due to the execution of loans to the IPP project in Morocco for ¥16.7 billion.
- Net cash outflows that corresponded to purchases of property, plant, and equipment (net of sales of those assets) were ¥189.3 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 ¥78.7 billion
  - An expenditure for the aircraft leasing business for a total of ¥18.8 billion;
  - An expenditure for iron ore mining operations in Australia for ¥16.3 billion;
  - An expenditure for tank operation in the U.S. for ¥12.6 billion; and
  - An expenditure for coal mining operations in Australia for ¥12.4 billion.
- Net cash outflows that corresponded to purchases of investment property (net of sales of those assets) were ¥15.6 billion, mainly due to redevelopment projects at Mitsui & Co., Real Estate Ltd for ¥10.8 billion.

#### ***Cash Flows from Financing Activities***

- Net cash inflows from net change in short-term debt were ¥53.4 billion and net cash outflows from net change in long-term debt were ¥6.2 billion.
- The cash outflow from payments of cash dividends was ¥139.0 billion.

#### (4) Management Issues

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

| <Assumption>            | <u>3Q</u><br>(Actual) | <u>4Q</u><br>(Forecast) | <u>Mar-19</u><br><u>Revised</u><br><u>Forecast</u> | <u>Mar-19</u><br><u>Previous</u><br><u>Forecast</u> |
|-------------------------|-----------------------|-------------------------|--|---|
| Exchange rate (JPY/USD) | 111.33                | 110                     | 111.00   | 110.35  |
| Crude oil (JCC)         | \$74/bbl              | \$66/bbl                | \$72/bbl   | \$71/bbl  |
| Consolidated oil price  | \$70/bbl              | \$73/bbl                | \$70/bbl   | \$70/bbl  |

(Billions of yen)

|   | March 31, 2019<br>Revised forecast | March 31, 2019<br>Previous forecast | Change | Description                               |
|---|------------------------------------|-------------------------------------|--------|---|
| Gross profit  | 830.0                              | 850.0                               | (20.0) | Loss on FVTPL,<br>lower methionine prices |
| Selling, general and administrative<br>expenses             | (560.0)                            | (560.0)                             | 0.0    |   |
| Gain on investments, fixed assets and<br>other              | 20.0                               | 10.0                                | +10.0  | Decline in exploration expenses           |
| Interest expenses   | (40.0)                             | (40.0)                              | 0.0    |   |
| Dividend income   | 100.0                              | 110.0                               | (10.0) | Decline in Vale dividend                  |
| Profit (loss) of equity method<br>investments               | 260.0                              | 260.0                               | 0.0    |   |
| Profit before income taxes                                  | 610.0                              | 630.0                               | (20.0) |   |
| Income taxes  | (150.0)                            | (160.0)                             | +10.0  |   |
| Non-controlling Interests                                   | (20.0)                             | (20.0)                              | 0.0    |   |
| Profit for the year attributable to<br>owners of the parent | 440.0                              | 450.0                               | (10.0) |   |
| Depreciation and amortization                               | 180.0                              | 180.0                               | 0.0    |   |
| Core operating cash flow                                    | 590.0                              | 600.0                               | (10.0) |   |

We assume foreign exchange rates for the three-month period ending March 31, 2019 will be ¥110/US\$, ¥80/AU\$ and ¥30/BRL, while average foreign exchange rates for the nine-month period ended December 31, 2018 were ¥111.33/US\$, ¥81.36/AU\$ and ¥29.20/BRL. Also, we assume the annual average crude oil price applicable to our financial results for the year ending March 31, 2019 will be US\$70/barrel, same as the previous assumption, based on the assumption that the crude oil price (JCC) will average US\$66/barrel throughout the three-month period ending March 31, 2019.

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

| (Billions of Yen)                          | Year ending<br>March 31, 2019<br>Revised Forecast | Year ending<br>March 31, 2019<br>Previous Forecast | Change | Description  |
|--|---|--|--------|--|
| Iron & Steel Products                      | 15.0  | 15.0   | 0      |  |
| Mineral & Metal Resources                  | 165.0   | 175.0  | (10.0) | Decline in Vale dividend                                 |
| Machinery & Infrastructure                 | 75.0  | 75.0   | 0      |  |
| Chemicals                                  | 30.0  | 40.0   | (10.0) | Lower methionine prices                                  |
| Energy                                     | 105.0   | 90.0   | +15.0  | Decline in costs & increase in volume, higher gas prices |
| Lifestyle                                  | 40.0  | 35.0   | +5.0   | Improvement of FX gain/loss at IHH                       |
| Innovation & Corporate Development         | 10.0  | 20.0   | (10.0) | Loss on FVTPL  |
| All Other and Adjustments and Eliminations | 0   | 0  | 0.0    |  |
| Consolidated Total                         | 440.0   | 450.0  | (10.0) |  |

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

| (Billions of Yen)                          | Year ending<br>March 31, 2019<br>Revised Forecast | Year ending<br>March 31, 2019<br>Previous Forecast | Change | Description                           |
|--|---|--|--------|---------------------------------------|
| Iron & Steel Products                      | 10.0  | 10.0   | 0.0    |                                       |
| Mineral & Metal Resources                  | 190.0   | 200.0  | (10.0) | Decline in Vale dividend              |
| Machinery & Infrastructure                 | 75.0  | 75.0   | 0.0    |                                       |
| Chemicals                                  | 50.0  | 60.0   | (10.0) | Lower methionine prices               |
| Energy                                     | 215.0   | 200.0  | +15.0  | Increase in volume, higher gas prices |
| Lifestyle                                  | 25.0  | 25.0   | 0.0    |                                       |
| Innovation & Corporate Development         | 15.0  | 20.0   | (5.0)  | Loss on FVTPL                         |
| All Other and Adjustments and Eliminations | 10.0  | 10.0   | 0.0    |                                       |
| Consolidated Total                         | 590.0   | 600.0  | (10.0) |                                       |

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

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

| Impact on profit for the year attributable to owners of the parent for the Year ending March 31, 2019<br>(Announced in May 2018) |                            |                          | Previous Forecast<br>(Announced Oct 2018) | March 2019       |                    | Revised Forecast<br>(Announced in Feb 2019) |
|--|----------------------------|--------------------------|---|------------------|--------------------|---|
|  |                            |                          |   | 1-3Q<br>(Result) | 4Q<br>(Assumption) |   |
| Commodity  | Crude Oil/JCC              | —                        | 71  | 74               | 66                 | 72  |
|  | Consolidated Oil Price(*1) | ¥ 2.9 bn (US\$1/bbl)     | 70  | 70               | 73                 | 70  |
|  | U.S. Natural Gas(*2)       | ¥ 0.5 bn (US\$0.1/mmBtu) | 2.88                                      | 2.85(*3)         | 3.74(*4)           | 3.07  |
|  | Iron Ore                   | ¥ 2.3 bn (US\$1/ton)     | (*5)                                      | 68(*6)           | (*5)               | (*5)  |
|  | Copper                     | ¥ 1.0 bn (US\$100/ton)   | 6,708                                     | 6,645(*7)        | 6,168              | 6,525                                       |
| Forex (*8)   | USD                        | ¥ 2.6 bn (¥1/USD)        | 110.35                                    | 111.33           | 110.00             | 111.00                                      |
|  | AUD                        | ¥ 1.7 bn (¥1/AUD)        | 80.90                                     | 81.36            | 80.00              | 81.02                                       |
|  | BRL                        | ¥ 0.7 bn (¥1/BRL)        | 29.51                                     | 29.20            | 30.00              | 29.40                                       |

(\*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, 2019, we assume the annual average price applicable to our financial results as the Consolidated Oil Price based on the estimation: 4-6 month time lag, 51%; 1-3 month time lag, 40%; no time lag, 9%.

(\*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 2018 to September 2018.

(\*4) For natural gas sold in the US on HH linked prices, the assumed HH price used is US\$3.74/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 2018 to December 2018

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

(\*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 the year ending March 31, 2019, we currently envisage an annual dividend of ¥80 per share (including the interim dividend of ¥40 per share), a ¥10 increase from the year ended March 31, 2018, 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. Material Contracts

There are no contracts for which disclosure is required.

### 3. Condensed Consolidated Financial Statements

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

|   | Millions of Yen      |                   |
|---|----------------------|-------------------|
|   | December 31,<br>2018 | March 31,<br>2018 |
| <b>ASSETS</b>   |                      |                   |
| <b>Current Assets:</b>                                  |                      |                   |
| Cash and cash equivalents .....                         | ¥ 953,222            | ¥ 1,131,380       |
| Trade and other receivables .....                       | 1,883,433            | 1,766,017         |
| Other financial assets (Note 13) .....                  | 344,852              | 243,915           |
| Inventories (Note 13) .....                             | 630,368              | 550,699           |
| Advance payments to suppliers .....                     | 253,658              | 307,339           |
| Assets held for sale (Note 4) .....                     | -                    | 108,920           |
| Other current assets .....                              | 139,048              | 117,886           |
| Total current assets .....                              | 4,204,581            | 4,226,156         |
| <b>Non-current Assets:</b>                              |                      |                   |
| Investments accounted for using the equity method ..... | 2,697,491            | 2,502,994         |
| Other investments (Note 13) .....                       | 1,890,107            | 1,825,026         |
| Trade and other receivables(Note 13) .....              | 434,854              | 400,079           |
| Other financial assets (Note 13) .....                  | 145,398              | 153,149           |
| Property, plant and equipment (Note 6) .....            | 1,949,811            | 1,729,897         |
| Investment property .....                               | 207,298              | 188,953           |
| Intangible assets .....                                 | 184,706              | 173,207           |
| Deferred tax assets .....                               | 53,465               | 49,474            |
| Other non-current assets .....                          | 59,265               | 57,725            |
| Total non-current assets .....                          | 7,622,395            | 7,080,504         |
| <b>Total assets</b> .....                               | ¥ 11,826,976         | ¥ 11,306,660      |

**Condensed Consolidated Statements of Financial Position—(Continued)**

**Mitsui & Co., Ltd. and subsidiaries  
December 31, 2018 and March 31, 2018**

|  | Millions of Yen      |                     |
|--|----------------------|---------------------|
|  | December 31,<br>2018 | March 31,<br>2018   |
| <b>LIABILITIES AND EQUITY</b>  |                      |                     |
| <b>Current Liabilities:</b>  |                      |                     |
| Short-term debt .....  | ¥ 283,724            | ¥ 201,556           |
| Current portion of long-term debt (Note 8) .....                         | 516,447              | 482,550             |
| Trade and other payables .....   | 1,400,120            | 1,264,285           |
| Other financial liabilities (Notes 12 and 13) .....                      | 391,630              | 300,284             |
| Income tax payables .....  | 62,158               | 62,546              |
| Advances from customers .....  | 216,150              | 287,779             |
| Provisions (Note 16) .....   | 17,000               | 28,036              |
| Liabilities directly associated with assets held for sale (Note 4) ..... | -                    | 40,344              |
| Other current liabilities .....  | 44,530               | 31,392              |
| Total current liabilities .....  | <u>2,931,759</u>     | <u>2,698,772</u>    |
| <b>Non-current Liabilities:</b>  |                      |                     |
| Long-term debt, less current portion (Notes 8 and 13) .....              | 3,598,048            | 3,542,829           |
| Other financial liabilities (Notes 12 and 13) .....                      | 78,422               | 103,162             |
| Retirement benefit liabilities .....                                     | 47,585               | 50,872              |
| Provisions (Note 16) .....   | 213,775              | 200,649             |
| Deferred tax liabilities .....   | 495,615              | 467,003             |
| Other non-current liabilities .....                                      | 25,220               | 25,250              |
| Total non-current liabilities .....                                      | <u>4,458,665</u>     | <u>4,389,765</u>    |
| Total liabilities .....  | <u>7,390,424</u>     | <u>7,088,537</u>    |
| <b>Equity:</b>   |                      |                     |
| Common stock .....   | 341,482              | 341,482             |
| Capital surplus .....  | 387,017              | 386,165             |
| Retained earnings .....  | 3,026,083            | 2,903,432           |
| Other components of equity (Note 9) .....                                | 427,611              | 448,035             |
| Treasury stock .....   | (7,665)              | (104,399)           |
| Total equity attributable to owners of the parent .....                  | <u>4,174,528</u>     | <u>3,974,715</u>    |
| Non-controlling interests .....  | 262,024              | 243,408             |
| Total equity .....   | <u>4,436,552</u>     | <u>4,218,123</u>    |
| <b>Total liabilities and equity</b> .....                                | <u>¥ 11,826,976</u>  | <u>¥ 11,306,660</u> |

## Condensed Consolidated Statements of Income and Comprehensive Income

### Condensed Consolidated Statements of Income Mitsui & Co., Ltd. and subsidiaries For the Nine-Month Periods Ended December 31, 2018 and 2017

|  | Millions of Yen                                 |   |
|--|---|---|
|  | Nine-month<br>Period Ended<br>December 31, 2018 | Nine-month<br>Period Ended<br>December 31, 2017 |
| <b>Revenue (Note 2,5,13 and 17):</b>   |   |   |
| Sale of products .....   | ¥ -   | ¥ 3,212,425                                     |
| Rendering of services .....  | -   | 336,247   |
| Other revenue .....  | -   | 104,338   |
| Revenue .....  | 5,012,969                                       | -   |
| Total revenue .....  | 5,012,969                                       | 3,653,010                                       |
| <b>Cost(Note 2):</b>   |   |   |
| Cost of products sold .....  | -   | (2,855,591)                                     |
| Cost of services rendered .....  | -   | (142,074)                                       |
| Cost of other revenue .....  | -   | (45,439)  |
| Cost .....   | (4,379,892)                                     | -   |
| Total cost .....   | (4,379,892)                                     | (3,043,104)                                     |
| <b>Gross Profit</b> .....  | 633,077   | 609,906   |
| <b>Other Income (Expenses):</b>  |   |   |
| Selling, general and administrative expenses .....   | (417,390)                                       | (412,871)                                       |
| Gain (loss) on securities and other investments—net (Note 15).....                                 | 6,513   | 62,185  |
| Impairment reversal (loss) of fixed assets—net (Note 7).....                                       | (3,581)   | (18,858)  |
| Gain (loss) on disposal or sales of fixed assets—net .....   | 5,842   | 14,906  |
| Reversal (loss) of provision related to Multigrain business (Note 16).....                         | 11,083  | (30,432)  |
| Other income (expense)—net .....   | (3,250)   | 19,457  |
| Total other income (expenses) .....  | (400,783)                                       | (365,613)                                       |
| <b>Finance Income (Costs):</b>   |   |   |
| Interest income .....  | 31,431  | 24,497  |
| Dividend income .....  | 88,514  | 67,973  |
| Interest expense .....   | (59,887)  | (49,993)  |
| Total finance income (costs) .....   | 60,058  | 42,477  |
| <b>Share of Profit (Loss) of Investments Accounted for Using the Equity Method (Note 5 and 15)</b> | 185,950   | 188,270   |
| <b>Profit before Income Taxes</b> .....  | 478,302   | 475,040   |
| <b>Income Taxes (Note 14 and 15)</b> .....   | (111,166)                                       | (80,825)  |
| <b>Profit for the Period</b> .....   | ¥ 367,136                                       | ¥ 394,215                                       |
| <b>Profit for the Period Attributable to:</b>  |   |   |
| Owners of the parent .....   | ¥ 350,068                                       | ¥ 376,834                                       |
| Non-controlling interests .....  | 17,068  | 17,381  |
|  | Yen   |   |
| <b>Earnings per Share Attributable to Owners of the Parent (Note 11):</b>                          |   |   |
| Basic .....  | ¥ 201.42  | ¥ 213.63  |
| Diluted .....  | ¥ 201.27  | ¥ 213.48  |

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

**Condensed Consolidated Statements of Comprehensive Income  
Mitsui & Co., Ltd. and subsidiaries  
For the Nine-Month Periods Ended December 31, 2018 and 2017**

|   | Millions of Yen                                 |   |
|---|---|---|
|   | Nine-month<br>Period Ended<br>December 31, 2018 | Nine-month<br>Period Ended<br>December 31, 2017 |
| <b>Comprehensive Income:</b>  |   |   |
| Profit for the period .....   | ¥ 367,136                                       | ¥ 394,215                                       |
| Other comprehensive income :  |   |   |
| Items that will not be reclassified to profit or loss:  |   |   |
| Financial assets measured at FVTOCI .....   | 49,870  | 215,342   |
| Remeasurements of defined benefit pension plans .....   | 994   | (1,127)   |
| Share of other comprehensive income of investments accounted for using<br>the equity method ..... | (1,846)   | 4,544   |
| Income tax relating to items not reclassified .....   | (14,658)  | (56,398)  |
| Items that may be reclassified subsequently to profit or loss:                                    |   |   |
| Foreign currency translation adjustments .....  | (51,729)  | 585   |
| Cash flow hedges .....  | (8,119)   | 4,700   |
| Share of other comprehensive income of investments accounted for using<br>the equity method ..... | 12,639  | 40,875  |
| Income tax relating to items that may be reclassified .....                                       | 991   | (15,048)  |
| Total other comprehensive income .....  | (11,858)  | 193,473   |
| <b>Comprehensive Income for the Period .....</b>  | <b>¥ 355,278</b>                                | <b>¥ 587,688</b>                                |
| <b>Comprehensive Income for the Period Attributable to:</b>                                       |   |   |
| Owners of the parent .....  | ¥ 341,633                                       | ¥ 566,077                                       |
| Non-controlling interests .....   | 13,645  | 21,611  |



**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 December 31, 2018 and 2017**

|   | Millions of Yen                                  |  |
|---|--|--|
|   | Three-month<br>Period Ended<br>December 31, 2018 | Three-month<br>Period Ended<br>December 31, 2017 |
| <b>Comprehensive Income:</b>  |  |  |
| Profit for the period .....   | ¥ 131,580  | ¥ 145,495  |
| Other comprehensive income :  |  |  |
| Items that will not be reclassified to profit or loss:  |  |  |
| Financial assets measured at FVTOCI .....   | (125,222)  | 193,152  |
| Remeasurements of defined benefit pension plans .....   | (36)   | (1,215)  |
| Share of other comprehensive income of investments accounted for using<br>the equity method ..... | (1,661)  | 1,722  |
| Income tax relating to items not reclassified .....   | 42,192   | (49,642)   |
| Items that may be reclassified subsequently to profit or loss:                                    |  |  |
| Foreign currency translation adjustments .....  | (26,603)   | (2,844)  |
| Cash flow hedges .....  | (6,322)  | 2,520  |
| Share of other comprehensive income of investments accounted for using<br>the equity method ..... | (52,082)   | 4,338  |
| Income tax relating to items that may be reclassified .....                                       | 807  | (5,169)  |
| Total other comprehensive income .....  | (168,927)  | 142,862  |
| <b>Comprehensive Income for the Period .....</b>  | <b>¥ (37,347)</b>                                | <b>¥ 288,357</b>                                 |
| <b>Comprehensive Income for the Period Attributable to:</b>                                       |  |  |
| Owners of the parent .....  | ¥ (36,176)                                       | ¥ 279,511  |
| Non-controlling interests .....   | (1,171)  | 8,846  |

**Condensed Consolidated Statements of Changes in Equity**  
**Mitsui & Co., Ltd. and subsidiaries**  
**For the Nine-Month Periods Ended December 31, 2018 and 2017**

| Millions of Yen  | Attributable to owners of the parent |                 |                   |                                     |                |             |                           |              |
|--|--------------------------------------|-----------------|-------------------|-------------------------------------|----------------|-------------|---------------------------|--------------|
|  | Common Stock                         | Capital Surplus | Retained Earnings | Other Components of Equity (Note 9) | Treasury Stock | Total       | Non-controlling Interests | Total Equity |
| <b>Balance as at April 1, 2017</b>                                   | ¥ 341,482                            | ¥ 409,528       | ¥ 2,550,124       | ¥ 485,447                           | ¥ (54,402)     | ¥ 3,732,179 | ¥ 257,983                 | ¥ 3,990,162  |
| Profit for the period .....  |                                      |                 | 376,834           |                                     |                | 376,834     | 17,381                    | 394,215      |
| Other comprehensive income for the period .....                      |                                      |                 |                   | 189,243                             |                | 189,243     | 4,230                     | 193,473      |
| Comprehensive income for the period .....                            |                                      |                 |                   |                                     |                | 566,077     | 21,611                    | 587,688      |
| Transaction with owners:   |                                      |                 |                   |                                     |                |             |                           |              |
| Dividends paid to the owners of the parent (per share: ¥60) .....    |                                      |                 | (105,844)         |                                     |                | (105,844)   |                           | (105,844)    |
| Dividends paid to non-controlling interest shareholders .....        |                                      |                 |                   |                                     |                |             | (14,140)                  | (14,140)     |
| Acquisition of treasury stock .....                                  |                                      |                 |                   |                                     | (16)           | (16)        |                           | (16)         |
| 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 ..... |                                      | (970)           |                   | 453                                 |                | (517)       | 6,060                     | 5,543        |
| Transfer to retained earnings .....                                  |                                      |                 | 3,208             | (3,208)                             |                | -           |                           | -            |
| <b>Balance as at December 31, 2017</b>                               | ¥ 341,482                            | ¥ 408,776       | ¥ 2,824,292       | ¥ 671,935                           | ¥ (54,359)     | ¥ 4,192,126 | ¥ 271,514                 | ¥ 4,463,640  |

| Millions of Yen   | Attributable to owners of the parent |                 |                   |                                     |                |             |                           |              |
|---|--------------------------------------|-----------------|-------------------|-------------------------------------|----------------|-------------|---------------------------|--------------|
|   | Common Stock                         | Capital Surplus | Retained Earnings | Other Components of Equity (Note 9) | Treasury Stock | Total       | Non-controlling Interests | Total Equity |
| <b>Balance as at April 1, 2018</b>                                      | ¥ 341,482                            | ¥ 386,165       | ¥ 2,903,432       | ¥ 448,035                           | ¥ (104,399)    | ¥ 3,974,715 | ¥ 243,408                 | ¥ 4,218,123  |
| Cumulative effect of changes in accounting policies (Note 2) .....      |                                      |                 | (3,535)           |                                     |                | (3,535)     |                           | (3,535)      |
| <b>Balance as at April 1, 2018 after changes in accounting policies</b> | 341,482                              | 386,165         | 2,899,897         | 448,035                             | (104,399)      | 3,971,180   | 243,408                   | 4,214,588    |
| Profit for the period .....   |                                      |                 | 350,068           |                                     |                | 350,068     | 17,068                    | 367,136      |
| Other comprehensive income for the period .....                         |                                      |                 |                   | (8,435)                             |                | (8,435)     | (3,423)                   | (11,858)     |
| Comprehensive income for the period .....                               |                                      |                 |                   |                                     |                | 341,633     | 13,645                    | 355,278      |
| Transaction with owners:  |                                      |                 |                   |                                     |                |             |                           |              |
| Dividends paid to owners of the parent (per share: ¥80) .....           |                                      |                 | (139,038)         |                                     |                | (139,038)   |                           | (139,038)    |
| Dividends paid to non-controlling interest shareholders .....           |                                      |                 |                   |                                     |                |             | (13,102)                  | (13,102)     |
| Acquisition of treasury stock .....                                     |                                      |                 |                   |                                     | (12)           | (12)        |                           | (12)         |
| Sales of treasury stock .....   |                                      | (110)           | (154)             |                                     | 279            | 15          |                           | 15           |
| Cancellation of treasury stock .....                                    |                                      |                 | (96,467)          |                                     | 96,467         | -           |                           | -            |
| Compensation costs related to stock options .....                       |                                      | 231             |                   |                                     |                | 231         |                           | 231          |
| Equity transactions with non-controlling interest shareholders .....    |                                      | 731             |                   | (212)                               |                | 519         | 18,073                    | 18,592       |
| Transfer to retained earnings .....                                     |                                      |                 | 11,777            | (11,777)                            |                | -           |                           | -            |
| <b>Balance as at December 31, 2018</b>                                  | ¥ 341,482                            | ¥ 387,017       | ¥ 3,026,083       | ¥ 427,611                           | ¥ (7,665)      | ¥ 4,174,528 | ¥ 262,024                 | ¥ 4,436,552  |

**Condensed Consolidated Statements of Cash Flows**  
**Mitsui & Co., Ltd. and subsidiaries**  
**For the Nine-Month Periods Ended December 31, 2018 and 2017**

|   | Millions of Yen                                 |   |
|---|---|---|
|   | Nine-month<br>Period Ended<br>December 31, 2018 | Nine-month<br>Period Ended<br>December 31, 2017 |
| <b>Operating Activities:</b>  |   |   |
| Profit for the period .....   | ¥ 367,136                                       | ¥ 394,215                                       |
| Adjustments to reconcile profit for the period to cash flows from operating activities: |   |   |
| Depreciation and amortization .....   | 134,710   | 146,816   |
| Change in retirement benefit liabilities .....  | (377)   | 3,844   |
| Provision for doubtful receivables .....  | 8,864   | 4,472   |
| (Reversal) loss of provision related to Multigrain business .....                       | (11,083)  | 30,432  |
| (Gain) loss on securities and other investments—net .....                               | (6,513)   | (62,185)  |
| Impairment (reversal) loss of fixed assets—net .....                                    | 3,581   | 18,858  |
| (Gain) loss on disposal or sales of fixed assets—net .....                              | (5,842)   | (14,906)  |
| Finance (income) costs .....  | (57,279)  | (39,395)  |
| Income taxes .....  | 111,166   | 80,825  |
| Share of (profit) loss of investments accounted for using the equity method .....       | (185,950)                                       | (188,270)                                       |
| Valuation (gain) loss related to contingent considerations and others .....             | 6,383   | -   |
| Changes in operating assets and liabilities:  |   |   |
| Change in trade and other receivables .....   | (130,912)                                       | (223,600)                                       |
| Change in inventories .....   | (64,057)  | (28,262)  |
| Change in trade and other payables .....  | 142,475   | 128,638   |
| Other—net .....   | (78,127)  | (23,396)  |
| Interest received .....   | 25,220  | 25,859  |
| Interest paid .....   | (62,279)  | (53,628)  |
| Dividends received .....  | 261,117   | 290,079   |
| Income taxes paid .....   | (120,878)                                       | (113,819)                                       |
| Income taxes refunded .....   | 24,118  | 26,403  |
| Cash flows from operating activities .....  | <u>361,473</u>                                  | <u>402,980</u>                                  |
| <b>Investing Activities:</b>  |   |   |
| Change in time deposits .....   | (18,212)  | (11,062)  |
| Investments in equity accounted investees .....   | (153,341)                                       | (176,220)                                       |
| Proceeds from sales of investments in equity accounted investees.....                   | 33,661  | 61,803  |
| Purchases of other investments .....  | (87,119)  | (58,927)  |
| Proceeds from sales and maturities of other investments .....                           | 29,587  | 26,943  |
| Increases in loan receivables .....   | (55,426)  | (31,492)  |
| Collections of loan receivables .....   | 19,277  | 99,084  |
| Purchases of property, plant and equipment.....   | (233,111)                                       | (128,403)                                       |
| Proceeds from sales of property, plant and equipment.....                               | 43,849  | 26,819  |
| Purchases of investment property .....  | (15,731)  | (7,899)   |
| Proceeds from sales of investment property .....  | 120   | 15,236  |
| Acquisition of subsidiaries or other businesses (Note 3) .....                          | (76,913)  | -   |
| Proceeds from sales of subsidiaries or other businesses (Note 4) .....                  | 64,408  | -   |
| Cash flows from investing activities .....  | <u>(448,951)</u>                                | <u>(184,118)</u>                                |
| <b>Financing Activities:</b>  |   |   |
| Change in short-term debt .....   | 53,409  | (83,917)  |
| Proceeds from long-term debt .....  | 501,773   | 175,653   |
| Repayments of long-term debt .....  | (508,018)                                       | (505,332)                                       |
| Purchases and sales of treasury stock .....   | (12)  | 13  |
| Dividends paid .....  | (139,038)                                       | (105,844)                                       |
| Transactions with non-controlling interests shareholders .....                          | (2,047)   | (6,128)   |
| Cash flows from financing activities .....  | <u>(93,933)</u>                                 | <u>(525,555)</u>                                |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents .....</b>               | <b>3,253</b>                                    | <b>12,626</b>                                   |
| <b>Change in Cash and Cash Equivalents .....</b>  | <b>(178,158)</b>                                | <b>(294,067)</b>                                |
| <b>Cash and Cash Equivalents at Beginning of Period .....</b>                           | <b>1,131,380</b>                                | <b>1,503,820</b>                                |
| <b>Cash and Cash Equivalents at End of Period .....</b>                                 | <b>¥ 953,222</b>                                | <b>¥ 1,209,753</b>                              |

**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 December 31 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 “RENERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS”

### III. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the Condensed Consolidated Financial Statements for the period ended December 31, 2018 are the same as those applied in the Consolidated Financial Statements of the previous fiscal year except for the following.

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

| IFRS    | Title  | Summaries  |
|---------|--|--|
| IFRS 9  | Financial Instruments (amended in July 2014) | Implementation of expected credit loss model for the recognition of impairment losses of financial instruments |
| IFRS 15 | Revenue from Contracts with Customers        | Accounting for recognizing revenue from contracts with customers   |

#### IFRS 9 "Financial Instruments" (amended in July 2014)

Upon the adoption of this standard, the companies measure the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on a financial asset has not increased significantly since initial recognition, and measure the loss allowance at an amount equal to lifetime expected credit losses if the credit risk on a financial asset has increased significantly since initial recognition for financial assets that are measured at amortized costs. However, for trade receivables and contract assets, the loss allowance is measured at an amount equal to the lifetime expected credit loss without assessing whether the credit risk on a financial asset has increased significantly since initial recognition.

When determining significant increases in the credit risk and measuring expected credit losses, both quantitative and qualitative information are considered to provide reason and support. These information include reasonable and available forward-looking information, as well as internal information such as historical credit loss experience, past due information and internal credit ratings.

Information such as significant financial difficulty of the issuer or the borrower or a breach of contract such as payments past due are used as evidence that a financial asset is credit-impaired. As for credit-impaired financial assets as of the reporting date, if the debtor is under legal reorganization and in financial failure or has issues repaying debts due to financial difficulty, although it may not yet be in financial failure, the loss allowance for the financial asset is individually measured by the estimation of expected credit losses based on considering the latest information and events.

The retrospective restatement of prior periods has not been applied in accordance with the adoption of this standard. The impact of the application of this standard on the Condensed Consolidated Financial Statements are immaterial.

#### IFRS 15 "Revenue from contracts with customers"

Since the three-month period ended June 30, 2018, in accordance with IFRS15, revenue is recognized at the timing of the satisfaction of the performance obligations, based on the 5 step approach (1. Identifying the contract with a customer, 2. Identifying the performance obligations of the contract, 3. Determining the transaction price, 4. Allocating the transaction price to performance obligations in the contract and 5. Recognizing the revenue when the entity satisfied a performance obligation). Upon the identification of the performance obligations of the contract, a consideration of whether an entity is a principal or an agent is made, and if the nature of its promise is a performance obligation to provide the specified goods or services as a principal, the revenue is recognized in the

gross amount, and if the nature of its promise is a performance obligation to arrange for the provision of goods or services by another party, then the revenues received as an agent is recognized in the amount of any fee or commission to which it expects to be entitled or as a net amount.

In regards to the sale of goods, the companies recognize revenue based on the transfer, the acceptance of customer or the dispatch of goods for domestic transactions, and based the transfer of risks and rewards according to the condition of Incoterms for foreign trading transactions. For rendering of services, revenue is recognized at the timing of the satisfaction of performance obligations of services identified from the contract or as the performance obligations of the performance obligations are satisfied.

For transactions where the performance obligation is satisfied over time, and only if its progress towards complete satisfaction of the performance obligation can be reasonably measured, revenue is recognized by measuring the progress towards complete of satisfaction of the performance obligation. Even though the progress of satisfaction of a performance obligation may not be able to reasonably measured, if the cost incurred in satisfying the performance obligation are expected to be recovered, revenue is recognized only to the extent of the costs incurred until such time that the progress can be reasonably measured.

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

From the revenues for transactions of agents originally recognized as a net amount since it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services in accordance with IAS 18 "Revenue", transactions in which the company controls the goods or services before the goods or services are transferred to the customer, are considered transactions as a principal based on the standard above, these revenues are recognized as a gross amount. As a result, revenue and cost respectively increased by ¥1,292,762 million in the Condensed Consolidated Financial Statement of Income for the nine-month period ended December 31, 2018 when compared to the figures under the former accounting standards.

The amounts of economic influence classified based on the characteristics of revenues and cash flows for revenues from contracts with customers during the nine-month period ended December 31, 2018, are disclosed in note 17 "REVENUE". Therefore, "Sales of products", "Rendering of services" and "Other revenue", and "Cost of products sold", "Cost of service rendered" and "Cost of other revenue" were separately presented on prior Condensed Consolidated Financial Statement of Income. Since the three-month period ended June 30, 2018, their line of items are presented single line of items as "Revenue" and "Cost", respectively.

#### Breakdown of "Cumulative effect of changes in accounting policies" in the Condensed Consolidated Statements of Changes in Equity

As a result of the adoption of IFRS 9 and IFRS 15, the balance of retained earnings as at April 1, 2018 decreased by ¥2,857 million and ¥678 million, respectively. These impacts are included under "Cumulative effect of changes in accounting policies" in the Condensed Consolidated Statement of Changes in Equity for the nine-month period ended December 31, 2018.

### 3. BUSINESS COMBINATIONS

For the nine-month period ended December 31, 2018

#### Oil and Gas Company in Australia

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

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

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

The purchase price allocation has not been completed. The following table summarizes the provisional fair values of the assets acquired and liabilities assumed at the acquisition date:

|                                    | Millions of Yen |          |
|------------------------------------|-----------------|----------|
| Current assets.....                | ¥               | 2,686    |
| Property, plant and equipment..... |                 | 56,586   |
| Other non-current assets.....      |                 | 8,046    |
| Total assets acquired.....         | ¥               | 67,318   |
| Current liabilities.....           |                 | (2,031)  |
| Non-current liabilities.....       |                 | (15,719) |
| Total liabilities assumed.....     | ¥               | (17,750) |
| Net assets acquired.....           | ¥               | 49,568   |

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements. A net cash outflow in cash flows from investing activities of ¥48,240 million arising from the above business combination is included in "Acquisition of subsidiaries or other businesses" in the Condensed Consolidated Statements of Cash Flows for the nine-month period ended December 31, 2018.

#### Real Estate business in the U.S.

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

The acquired properties are geographically close to the locations of those currently owned/managed by MRE, allowing it to operate efficiently. Acquiring the properties is consistent with our strategic plan to address the increasing demands for U.S. senior housing. The purchase price allocation has been completed. The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date:

|                                    | Millions of Yen |        |
|------------------------------------|-----------------|--------|
| Property, plant and equipment..... | ¥               | 41,417 |
| Other non-current assets.....      |                 | 1,449  |
| Total assets acquired.....         | ¥               | 42,866 |
| Non-current liabilities.....       |                 | 14,193 |
| Total liabilities assumed.....     | ¥               | 14,193 |
| Net assets acquired.....           | ¥               | 28,673 |

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the consolidated financial statements. A net cash outflow in cash flows from investing activities of ¥28,673 million arising from the above business combination is included in “Acquisition of subsidiaries or other businesses” in the Condensed Consolidated Statements of Cash Flows for the nine-month period ended December 31, 2018.

#### **For the nine-month period ended December 31, 2017**

No material business combinations were completed during the nine-month period ended December 31, 2017.

#### **4. ASSETS HELD FOR SALE**

During the year ended March 31, 2018, Mitsui and Mitsui & Co. Steel Ltd. (“Mitsui Steel”), a 100% owned subsidiary of Mitsui, reached an agreement to transfer a part of the iron and steel products business of Mitsui and Mitsui Steel to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (“NSSB”) along with Mitsui’s additional acquisition of shares in NSSB. This restructuring exercise will strengthen the revenue base and enhance the iron and steel business. Execution of this transfer was closed on April 1, 2018. Therefore, the related assets and liabilities transferred from Mitsui and Mitsui Steel are presented as single line items under “Assets held for sale” and “Liabilities directly associated with assets held for sale” within the Condensed Consolidated Statements of Financial Position as of the year ended March 31, 2018. These accounts mainly consist of accounts receivable-trade and notes receivable-trade, and accounts payable-trade. This transaction was included in the Iron & Steel Products Segment.

As of the nine-month period ended December 31, 2018, “Assets held for sale” and “Liabilities directly associated with assets held for sale” are immaterial, and therefore, they are not presented separately as single line items within the Condensed Consolidated Statements of Financial Position as of nine-month period ended December 31, 2018.

## 5. SEGMENT INFORMATION

Millions of Yen

| Nine-month period ended<br>December 31, 2018:   | Millions of Yen       |                           |                            |             |             |             |                                    | Total        |
|---|-----------------------|---------------------------|----------------------------|-------------|-------------|-------------|------------------------------------|--------------|
|   | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals   | Energy      | Lifestyle   | Innovation & Corporate Development |              |
| Revenue.....  | ¥ 156,414             | ¥ 755,525                 | ¥ 597,560                  | ¥ 1,304,222 | ¥ 540,128   | ¥ 1,544,573 | ¥ 111,370                          | ¥ 5,009,792  |
| Gross Profit.....   | ¥ 20,736              | ¥ 135,888                 | ¥ 97,622                   | ¥ 106,842   | ¥ 109,874   | ¥ 118,248   | ¥ 42,671                           | ¥ 631,881    |
| Share of Profit (Loss) of<br>Investments Accounted for<br>Using the Equity Method.... | ¥ 14,617              | ¥ 45,184                  | ¥ 63,004                   | ¥ 9,980     | ¥ 26,462    | ¥ 20,570    | ¥ 7,845                            | ¥ 187,662    |
| Profit (Loss) for the Period<br>Attributable to Owners of<br>the parent.....          | ¥ 10,246              | ¥ 127,565                 | ¥ 55,538                   | ¥ 23,259    | ¥ 86,937    | ¥ 32,717    | ¥ 7,174                            | ¥ 343,436    |
| Core Operating Cash Flow.....   | ¥ (1,390)             | ¥ 149,381                 | ¥ 57,895                   | ¥ 39,868    | ¥ 194,068   | ¥ 20,927    | ¥ 7,553                            | ¥ 468,302    |
| Total Assets at<br>December 31, 2018.....   | ¥ 608,403             | ¥ 2,197,915               | ¥ 2,419,965                | ¥ 1,274,051 | ¥ 2,477,778 | ¥ 2,156,174 | ¥ 741,186                          | ¥ 11,875,472 |

Millions of Yen

| Nine-month period ended<br>December 31, 2018:   | Adjustments and Consolidated |               |              |
|---|------------------------------|---------------|--------------|
|   | All Other                    | Eliminations  | Total        |
| Revenue.....  | ¥ 3,199                      | ¥ (22)        | ¥ 5,012,969  |
| Gross Profit.....   | ¥ 1,594                      | ¥ (398)       | ¥ 633,077    |
| Share of Profit (Loss) of<br>Investments Accounted for<br>Using the Equity Method.... | ¥ 39                         | ¥ (1,751)     | ¥ 185,950    |
| Profit (Loss) for the Period<br>Attributable to Owners of<br>the parent.....          | ¥ (1,552)                    | ¥ 8,184       | ¥ 350,068    |
| Core Operating Cash Flow.....   | ¥ 6,309                      | ¥ 17,483      | ¥ 492,094    |
| Total Assets at<br>December 31, 2018.....   | ¥ 6,735,506                  | ¥ (6,784,002) | ¥ 11,826,976 |

Millions of Yen

| Nine-month period ended<br>December 31, 2017<br>(As restated):                        | Millions of Yen       |                           |                            |             |             |             |                                    | Total        |
|---|-----------------------|---------------------------|----------------------------|-------------|-------------|-------------|------------------------------------|--------------|
|   | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals   | Energy      | Lifestyle   | Innovation & Corporate Development |              |
| Revenue.....  | ¥ 187,983             | ¥ 713,298                 | ¥ 335,065                  | ¥ 857,727   | ¥ 395,509   | ¥ 1,061,956 | ¥ 99,294                           | ¥ 3,650,832  |
| Gross Profit.....   | ¥ 33,338              | ¥ 161,621                 | ¥ 91,897                   | ¥ 104,147   | ¥ 68,126    | ¥ 107,144   | ¥ 41,470                           | ¥ 607,743    |
| Share of Profit (Loss) of<br>Investments Accounted for<br>Using the Equity Method.... | ¥ 10,011              | ¥ 48,500                  | ¥ 80,726                   | ¥ 7,849     | ¥ 16,837    | ¥ 18,314    | ¥ 6,396                            | ¥ 188,633    |
| Profit (Loss) for the Period<br>Attributable to Owners of<br>the parent.....          | ¥ 22,098              | ¥ 229,327                 | ¥ 79,009                   | ¥ 27,463    | ¥ 35,010    | ¥ (26,727)  | ¥ 5,307                            | ¥ 371,487    |
| Core Operating Cash Flow.....   | ¥ 19,293              | ¥ 174,182                 | ¥ 128,760                  | ¥ 36,621    | ¥ 145,962   | ¥ 13,107    | ¥ 5,690                            | ¥ 523,615    |
| Total Assets at<br>March 31, 2018.....  | ¥ 680,257             | ¥ 2,260,050               | ¥ 2,364,616                | ¥ 1,228,773 | ¥ 2,083,766 | ¥ 1,987,306 | ¥ 662,192                          | ¥ 11,266,960 |

Millions of Yen

| Nine-month period ended<br>December 31, 2017<br>(As restated):                        | Adjustments and Consolidated |              |             |
|---|------------------------------|--------------|-------------|
|   | All Other                    | Eliminations | Total       |
| Revenue.....  | ¥ 1,749                      | ¥ 429        | ¥ 3,653,010 |
| Gross Profit.....   | ¥ 1,734                      | ¥ 429        | ¥ 609,906   |
| Share of Profit (Loss) of<br>Investments Accounted for<br>Using the Equity Method.... | ¥ (129)                      | ¥ (234)      | ¥ 188,270   |
| Profit (Loss) for the Period<br>Attributable to Owners of<br>the parent.....          | ¥ 9,555                      | ¥ (4,208)    | ¥ 376,834   |
| Core Operating Cash Flow.....   | ¥ 9,159                      | ¥ 16,826     | ¥ 549,600   |

| Millions of Yen  |             |                                    |                       |
|--|-------------|------------------------------------|-----------------------|
| Nine-month period ended<br>December 31, 2017<br>(As restated): | All Other   | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Total Assets at  |             |                                    |                       |
| March 31, 2018.....  | ¥ 6,506,907 | ¥ (6,467,207)                      | ¥ 11,306,660          |

| Millions of Yen                                |                             |                                 |                               |           |           |           |  |             |
|--|-----------------------------|---------------------------------|-------------------------------|-----------|-----------|-----------|--|-------------|
| Three-month period ended<br>December 31, 2018: | Iron &<br>Steel<br>Products | Mineral &<br>Metal<br>Resources | Machinery &<br>Infrastructure | Chemicals | Energy    | Lifestyle | Innovation &<br>Corporate<br>Development | Total       |
| Revenue.....                                   | ¥ 57,898                    | ¥ 254,485                       | ¥ 257,350                     | ¥ 468,518 | ¥ 204,403 | ¥ 525,255 | ¥ 30,944                                 | ¥ 1,798,853 |
| Gross Profit.....                              | ¥ 6,910                     | ¥ 45,307                        | ¥ 35,005                      | ¥ 34,891  | ¥ 38,798  | ¥ 41,933  | ¥ 6,300                                  | ¥ 209,144   |
| Share of Profit (Loss) of                      |                             |                                 |                               |           |           |           |  |             |
| Investments Accounted for                      |                             |                                 |                               |           |           |           |  |             |
| Using the Equity Method....                    | ¥ 3,138                     | ¥ 15,515                        | ¥ 19,416                      | ¥ 2,458   | ¥ 10,458  | ¥ 7,596   | ¥ 3,231                                  | ¥ 61,812    |
| Profit (Loss) for the Period                   |                             |                                 |                               |           |           |           |  |             |
| Attributable to Owners of                      |                             |                                 |                               |           |           |           |  |             |
| the parent.....                                | ¥ 2,318                     | ¥ 38,500                        | ¥ 18,425                      | ¥ 6,886   | ¥ 50,318  | ¥ 13,171  | ¥ (2,692)                                | ¥ 126,926   |
| Core Operating Cash Flow.....                  | ¥ 1,016                     | ¥ 54,785                        | ¥ 26,511                      | ¥ 9,902   | ¥ 86,076  | ¥ 7,320   | ¥ (2,939)                                | ¥ 182,671   |

| Millions of Yen                                |           |                                    |                       |
|--|-----------|------------------------------------|-----------------------|
| Three-month period ended<br>December 31, 2018: | All Other | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Revenue .....                                  | ¥ 773     | ¥ 1                                | ¥ 1,799,627           |
| Gross Profit .....                             | ¥ 219     | ¥ (1)                              | ¥ 209,362             |
| Share of Profit (Loss) of                      |           |                                    |                       |
| Investments Accounted for                      |           |                                    |                       |
| Using the Equity Method....                    | ¥ 11      | ¥ (530)                            | ¥ 61,293              |
| Profit (Loss) for the Period                   |           |                                    |                       |
| Attributable to Owners of                      |           |                                    |                       |
| the parent.....                                | ¥ 5,137   | ¥ (4,865)                          | ¥ 127,198             |
| Core Operating Cash Flow.....                  | ¥ 2,014   | ¥ (8,993)                          | ¥ 175,692             |

| Millions of Yen                                |                             |                                 |                               |           |           |           |  |             |
|--|-----------------------------|---------------------------------|-------------------------------|-----------|-----------|-----------|--|-------------|
| Three-month period ended<br>December 31, 2017: | Iron &<br>Steel<br>Products | Mineral &<br>Metal<br>Resources | Machinery &<br>Infrastructure | Chemicals | Energy    | Lifestyle | Innovation &<br>Corporate<br>Development | Total       |
| Revenue.....                                   | ¥ 59,458                    | ¥ 249,741                       | ¥ 118,960                     | ¥ 303,309 | ¥ 150,822 | ¥ 334,441 | ¥ 41,592                                 | ¥ 1,258,323 |
| Gross Profit.....                              | ¥ 8,524                     | ¥ 45,908                        | ¥ 31,645                      | ¥ 35,819  | ¥ 22,839  | ¥ 38,679  | ¥ 21,642                                 | ¥ 205,056   |
| Share of Profit (Loss) of                      |                             |                                 |                               |           |           |           |  |             |
| Investments Accounted for                      |                             |                                 |                               |           |           |           |  |             |
| Using the Equity Method....                    | ¥ 2,544                     | ¥ 14,302                        | ¥ 24,666                      | ¥ 3,400   | ¥ 7,591   | ¥ 6,407   | ¥ 2,311                                  | ¥ 61,221    |
| Profit for the Period                          |                             |                                 |                               |           |           |           |  |             |
| Attributable to Owners of                      |                             |                                 |                               |           |           |           |  |             |
| the parent.....                                | ¥ 11,015                    | ¥ 42,629                        | ¥ 32,041                      | ¥ 14,573  | ¥ 11,895  | ¥ 10,213  | ¥ 3,753                                  | ¥ 126,119   |
| Core Operating Cash Flow.....                  | ¥ 11,705                    | ¥ 61,186                        | ¥ 81,346                      | ¥ 11,253  | ¥ 64,520  | ¥ 8,593   | ¥ 12,055                                 | ¥ 250,658   |

| Millions of Yen                                |           |                                    |                       |
|--|-----------|------------------------------------|-----------------------|
| Three-month period ended<br>December 31, 2017: | All Other | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Revenue .....                                  | ¥ 412     | ¥ 242                              | ¥ 1,258,977           |
| Gross Profit .....                             | ¥ 667     | ¥ 242                              | ¥ 205,965             |
| Share of Profit (Loss) of                      |           |                                    |                       |
| Investments Accounted for                      |           |                                    |                       |
| Using the Equity Method....                    | ¥ (95)    | ¥ (22)                             | ¥ 61,104              |
| Profit for the Period                          |           |                                    |                       |
| Attributable to Owners of                      |           |                                    |                       |
| the parent.....                                | ¥ 17,958  | ¥ (5,550)                          | ¥ 138,527             |
| Core Operating Cash Flow.....                  | ¥ 5,678   | ¥ (11,315)                         | ¥ 245,021             |

Notes:(1)“All Other” includes of the Corporate Staff Unit which provides financing services and operations services to the companies and affiliated companies. Total Assets of “All Other” at March 31, 2018 and December 31, 2018 includes cash, cash equivalents and time deposits related to financing activities, and assets of the Corporate Staff Unit and certain subsidiaries related to the above services.

(2)Transfers between reportable segments are made at cost plus a markup.

(3)Profit (Loss) for the Period Attributable to Owners of the parent of “Adjustments and Eliminations” includes income and expense items that are not allocated to specific reportable segments, and eliminations of intersegment transactions.

(4)Core Operating Cash Flow is calculated by eliminating the sum of the “Changes in Operating Assets and Liabilities” from “Cash Flows from Operating Activities” as presented in the Condensed Consolidated Statements of Cash Flows.

(5)Profit (Loss) for the Period Attributable to Owners of the parent of each operating segment during the nine-month and the three-month periods ended December 31, 2017 include the following impacts, mainly due to the reversal of deferred tax assets and liabilities which reflect the lower federal corporate income tax rate set by the "Tax Cuts and Jobs Act" in the US enacted on December 22, 2017.

The following includes impact to "Income taxes" which is disclosed in Note 14, "Share of Profit (Loss) of Investment Accounted for Using Equity Method" and other accounts.

| Nine-month and the three-month period ended December 31, 2017:         | Millions of Yen       |                           |                            |           |            |           |                                    |           |
|--|-----------------------|---------------------------|----------------------------|-----------|------------|-----------|------------------------------------|-----------|
|  | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals | Energy     | Lifestyle | Innovation & Corporate Development | Total     |
| Profit (Loss) for the Period Attributable to Owners of the parent..... | ¥ 422                 | ¥ -                       | ¥ 3,877                    | ¥ 7,031   | ¥ (17,925) | ¥ 2,884   | ¥ (4)                              | ¥ (3,715) |

| Nine-month and the three-month period ended December 31, 2017:         | Millions of Yen |                              |                    |
|--|-----------------|------------------------------|--------------------|
|  | All Other       | Adjustments and Eliminations | Consolidated Total |
| Profit (Loss) for the Period Attributable to Owners of the parent..... | ¥ 19,589        | ¥ -                          | ¥ 15,874           |

(6)Since the three-month period ended June 30, 2018, due to implementation of the new consolidated accounting system, the elimination method of intercompany receivables and payables, which was simplified, is refined and Total Assets at March 31, 2018 are more appropriately calculated as a measurement of the asset size and the asset efficiency. As a result of this change, Total Assets at March 31, 2018 are restated and increase in each operating segment and decrease in "Adjustments and Eliminations" as follows.

|                                | Millions of Yen       |                           |                            |           |           |           |                                    |           |
|--------------------------------|-----------------------|---------------------------|----------------------------|-----------|-----------|-----------|------------------------------------|-----------|
|                                | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals | Energy    | Lifestyle | Innovation & Corporate Development | Total     |
| Total Assets at March 31, 2018 | ¥ 25,532              | ¥ 167,142                 | ¥ 108,966                  | ¥ 42,519  | ¥ 166,079 | ¥ 85,484  | ¥ 39,483                           | ¥ 633,205 |

  

|                                | Millions of Yen |                              |                    |
|--------------------------------|-----------------|------------------------------|--------------------|
|                                | All Other       | Adjustments and Eliminations | Consolidated Total |
| Total Assets at March 31, 2018 | ¥ 267,019       | ¥ (902,224)                  | ¥ -                |

(7)"Revenue" in each operating segment for nine-month period ended December 31, 2018 includes the impact of the adoption of IFRS 15 which is disclosed in Note.2. The impacts are as follows.

| Millions of Yen                               |                             |                                 |                               |           |          |           |  |             |
|---|-----------------------------|---------------------------------|-------------------------------|-----------|----------|-----------|--|-------------|
| Nine-month period ended<br>December 31, 2018: | Iron &<br>Steel<br>Products | Mineral &<br>Metal<br>Resources | Machinery &<br>Infrastructure | Chemicals | Energy   | Lifestyle | Innovation &<br>Corporate<br>Development | Total       |
| Revenue.....                                  | ¥ 18,717                    | ¥ 14,254                        | ¥ 275,383                     | ¥ 197,270 | ¥ 82,266 | ¥ 704,484 | ¥ 387                                    | ¥ 1,292,761 |

| Millions of Yen                               |           |                                    |                       |
|---|-----------|------------------------------------|-----------------------|
| Nine-month period ended<br>December 31, 2018: | All Other | Adjustments<br>and<br>Eliminations | Consolidated<br>Total |
| Revenue.....                                  | ¥ -       | ¥ 1                                | ¥ 1,292,762           |

## 6. ACQUISITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The amounts of acquisitions (excluding acquisitions through business combinations) and disposals of property, plant and equipment for the nine-month period ended December 31, 2018 were ¥237,803 million and ¥38,582 million, respectively. Please refer to Note 3. for significant acquisitions from business combinations.

The amounts of acquisitions and disposals of property, plant and equipment for the nine-month period ended December 31, 2017 were ¥160,209 million and ¥73,699 million, respectively.

## 7. IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES FOR ASSETS

For the nine-month period ended December 31, 2018, the amounts of impairment losses for assets were not material.

For the nine-month period ended December 31, 2017, XINGU AGRI AG, a subsidiary in the Lifestyle Segment, recognized an impairment loss of ¥10,876 million in “impairment loss of fixed assets” by reducing the carrying amount of assets such as the goodwill and the farmland to the recoverable amount of ¥70,470 million. The impairment loss mainly related to a decline in the soybean price and decreased demand for the farmland in the area where the assets are located. The recoverable amount above represents the fair value less costs of disposal, which is based on a valuation conducted by independent valuation appraisers who have recent experience in the locations and categories of the asset being valued, and the fair value is classified as level 3.

The amounts of reversals of impairment losses for assets for the nine-month period ended December 31, 2018 and 2017 were not material.

## 8. ISSUES AND REPAYMENTS OF BONDS

The total amount of repaid bonds for the nine-month period ended December 31, 2018 was ¥ 30,990 million.

The total amount of issued bonds for the nine-month period ended December 31, 2018 was ¥ 28,666 million.

The total amount of repaid bonds for the nine-month period ended December 31, 2017 was ¥ 15,000 million.

The total amount of issued bonds for the nine-month period ended December 31, 2017 was none.

## 9. EQUITY

Changes in other components of equity for the nine-month periods ended December 31, 2018 and 2017 were as follows:

|   | Millions of Yen                                 |   |
|---|---|---|
|   | Nine-month<br>period ended<br>December 31, 2018 | Nine-month<br>period ended<br>December 31, 2017 |
| <b>Financial Assets Measured at FVTOCI:</b>             |   |   |
| Balance at beginning of period .....                    | ¥ 306,911                                       | ¥ 204,100                                       |
| Increase (decrease) during the period .....             | 35,688  | 159,776   |
| Transfer to retained earnings .....                     | (11,037)  | (2,494)   |
| Balance at end of period .....                          | ¥ 331,562                                       | ¥ 361,382                                       |
| <b>Remeasurements of Defined Benefit Pension Plans:</b> |   |   |
| Balance at beginning of period .....                    | ¥ -   | ¥ -   |
| Increase (decrease) during the period .....             | 740   | 714   |
| Transfer to retained earnings .....                     | (740)   | (714)   |
| Balance at end of period .....                          | ¥ -   | ¥ -   |
| <b>Foreign Currency Translation Adjustments:</b>        |   |   |
| Balance at beginning of period .....                    | ¥ 161,488                                       | ¥ 308,054                                       |
| Increase (decrease) during the period .....             | (55,642)  | 29,187  |
| Balance at end of period .....                          | ¥ 105,846                                       | ¥ 337,241                                       |
| <b>Cash Flow Hedges:</b>                                |   |   |
| Balance at beginning of period .....                    | ¥ (20,364)                                      | ¥ (26,707)                                      |
| Increase (decrease) during the period .....             | 10,567  | 19  |
| Balance at end of period .....                          | ¥ (9,797)                                       | ¥ (26,688)                                      |
| <b>Total:</b>   |   |   |
| Balance at beginning of period .....                    | ¥ 448,035                                       | ¥ 485,447                                       |
| Increase (decrease) during the period .....             | (8,647)   | 189,696   |
| Transfer to retained earnings .....                     | (11,777)  | (3,208)   |
| Balance at end of period .....                          | ¥ 427,611                                       | ¥ 671,935                                       |

## 10. DIVIDENDS

During the nine-month periods ended December 31, 2018 and 2017, the Company paid dividends of ¥80 per share (total dividend of ¥139,038 million) and ¥60 per share (total dividend of ¥105,844 million), respectively.



## 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 December 31, 2018 and March 31, 2018. The maximum potential amount of future payments represents the amount without consideration of possible recovery under recourse provisions or from collateral held or pledged that the companies could be obliged to pay if there were defaults by guaranteed parties. Such amounts bear no relationship to the anticipated losses on these guarantees and indemnifications and, in the aggregate, they greatly exceed anticipated losses.

The companies evaluate risks involved for each guarantee through an internal screening procedure before issuing a guarantee and regularly monitor outstanding positions and record adequate allowance to cover losses expected from probable performance under these agreements. The companies believe that the likelihood of performing guarantees which would materially affect the consolidated financial position, operating results, or cash flows of the companies is remote at December 31, 2018.

|  | Millions of Yen                                      |                              |  |                                      |
|--|--|------------------------------|--|--------------------------------------|
|  | Maximum<br>potential<br>amount of<br>future payments | Amount<br>outstanding<br>(a) | Recourse<br>provisions/<br>Collateral<br>(b) | Net amount<br>outstanding<br>(a)-(b) |
| <b>December 31, 2018</b>   |  |                              |  |                                      |
| Type of guarantees:  |  |                              |  |                                      |
| Financial guarantees   |  |                              |  |                                      |
| Guarantees for third parties .....                                     | ¥ 103,237  | ¥ 44,677                     | ¥ 3,909                                      | ¥ 40,768                             |
| Guarantees for investments accounted for using the equity method ..... | 946,239  | 628,553                      | 79,310                                       | 549,243                              |
| Performance guarantees   |  |                              |  |                                      |
| Guarantees for third parties .....                                     | 38,106   | 32,084                       | 9,979  | 22,105                               |
| Guarantees for investments accounted for using the equity method ..... | 96,064   | 89,392                       | 2,744  | 86,648                               |
| Total .....  | <u>¥ 1,183,646</u>                                   | <u>¥ 794,706</u>             | <u>¥ 95,942</u>                              | <u>¥ 698,764</u>                     |

**Millions of Yen**

|  | <b>Maximum<br/>potential<br/>amount of<br/>future payments</b> | <b>Amount<br/>outstanding<br/>(a)</b> | <b>Recourse<br/>provisions/<br/>Collateral<br/>(b)</b> | <b>Net amount<br/>outstanding<br/>(a)-(b)</b> |
|--|--|---------------------------------------|--|---|
| <b>March 31, 2018</b>  |  |                                       |  |   |
| Type of guarantees:  |  |                                       |  |   |
| Financial guarantees   |  |                                       |  |   |
| Guarantees for third parties .....                                     | ¥ 94,524   | ¥ 57,041                              | ¥ 6,076  | ¥ 50,965                                      |
| Guarantees for investments accounted for using the equity method ..... | 903,904  | 615,804                               | 66,276   | 549,528                                       |
| Performance guarantees   |  |                                       |  |   |
| Guarantees for third parties .....                                     | 47,924   | 45,023                                | 6,983  | 38,040  |
| Guarantees for investments accounted for using the equity method ..... | 87,040   | 81,489                                | 2,986  | 78,503  |
| Total .....  | <u>¥ 1,133,392</u>   | <u>¥ 799,357</u>                      | <u>¥ 82,321</u>  | <u>¥ 717,036</u>                              |

*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 December 31, 2018 and March 31, 2018 will expire through 2025 and 2029, respectively.

*Guarantees for investments accounted for using the equity method*

The companies, severally or jointly with others, issue guarantees for investments accounted for using the equity method for the purpose of furtherance of their trading activities and enhancement of their credit for securing financing. Most of these guarantees outstanding as of December 31, 2018 and March 31, 2018 will expire through 2031 and 2025, respectively.

The table below summarizes the maximum potential amount of future payments for the companies' guarantees by the remaining contractual period as of December 31, 2018 and March 31, 2018.

|                          | <b>Millions of Yen</b>   |                       |
|--------------------------|--------------------------|-----------------------|
|                          | <b>December 31, 2018</b> | <b>March 31, 2018</b> |
| Within 1 year .....      | ¥ 443,764                | ¥ 303,079             |
| After 1 to 5 years ..... | 300,432                  | 540,359               |
| After 5 years .....      | 439,450                  | 289,954               |
| Total .....              | <u>¥ 1,183,646</u>       | <u>¥ 1,133,392</u>    |

## II. LITIGATION

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

### **13. FAIR VALUE MEASUREMENT**

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

#### Level 1:

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

#### Level 2:

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

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

#### Level 3:

Unobservable inputs for the assets or liabilities.

#### **(1) Valuation techniques**

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

#### Trades and other receivables

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

#### Other Investments

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

- Publicly-traded other investments are measured using quoted market prices 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. They are classified as level 3, considering the degree to which the inputs are observable in the relevant markets.

#### Derivative Instruments

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

#### Inventories

- Inventories acquired with the purpose of being sold in the near future and a profit from fluctuations in price are measured at fair value based on quoted prices with certain adjustment and classified as level 2. The amounts of costs to sell as of December 31, 2018 and March 31, 2018 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 December 31, 2018 and March 31, 2018 were as follows. No assets or liabilities were transferred between level 1 and 2 for the nine-month period ended December 31, 2018 and for the nine-month period ended December 31, 2017.

| December 31, 2018                        | Millions of Yen               |             |           |                      |                  |
|--|-------------------------------|-------------|-----------|----------------------|------------------|
|  | Fair value measurements using |             |           | Netting adjustments* | Total fair value |
|  | Level 1                       | Level 2     | Level 3   |                      |                  |
| <b>Assets:</b>                           |                               |             |           |                      |                  |
| Trades and other receivables:            |                               |             |           |                      |                  |
| Loan measured at FVTPL .....             | —                             | —           | ¥ 22,338  |                      |                  |
| Total trades and other receivables       | —                             | —           | ¥ 22,338  | —                    | ¥ 22,338         |
| Other investments:                       |                               |             |           |                      |                  |
| Financial assets measured at FVTPL ..... | ¥ 20,175                      | —           | ¥ 109,577 |                      |                  |
| Financial assets measured at FVTOCI ...  | 967,309                       | —           | 755,869   |                      |                  |
| Total other investments                  | ¥ 987,484                     | —           | ¥ 865,446 | —                    | ¥ 1,852,930      |
| Derivative assets:                       |                               |             |           |                      |                  |
| Foreign exchange contracts .....         | —                             | ¥ 45,067    | —         |                      |                  |
| Interest rate contracts .....            | —                             | 72,041      | —         |                      |                  |
| Commodity contracts .....                | ¥ 167,969                     | 877,061     | ¥ 1,260   |                      |                  |
| Others .....                             | —                             | —           | 10,900    |                      |                  |
| Total derivative assets                  | ¥ 167,969                     | ¥ 994,169   | ¥ 12,160  | ¥ (931,019)          | ¥ 243,279        |
| Inventories .....                        | —                             | ¥ 100,667   | —         | —                    | ¥ 100,667        |
| Total assets .....                       | ¥ 1,155,453                   | ¥ 1,094,836 | ¥ 899,944 | ¥ (931,019)          | ¥ 2,219,214      |
| <b>Liabilities:</b>                      |                               |             |           |                      |                  |
| Derivative liabilities:                  |                               |             |           |                      |                  |
| Foreign exchange contracts .....         | —                             | ¥ 52,278    | —         |                      |                  |
| Interest rate contracts .....            | —                             | 4,257       | —         |                      |                  |
| Commodity contracts .....                | ¥ 32,917                      | 988,658     | ¥ 1,626   |                      |                  |
| Others .....                             | —                             | —           | 18,000    |                      |                  |
| Total derivative liabilities             | ¥ 32,917                      | ¥ 1,045,193 | ¥ 19,626  | ¥ (921,654)          | ¥ 176,082        |
| Total liabilities .....                  | ¥ 32,917                      | ¥ 1,045,193 | ¥ 19,626  | ¥ (921,654)          | ¥ 176,082        |

Millions of Yen

| March 31, 2018                           | Fair value measurements using |           |           |  |              | Netting adjustments* | Total fair value |
|--|-------------------------------|-----------|-----------|--|--------------|----------------------|------------------|
|  | Level 1                       | Level 2   | Level 3   |  |              |                      |                  |
| <b>Assets:</b>                           |                               |           |           |  |              |                      |                  |
| Trades and other receivables:            |                               |           |           |  |              |                      |                  |
| Loan measured at FVTPL .....             | —                             | —         | ¥ 21,380  |  |              |                      |                  |
| Total trades and other receivables       | —                             | —         | ¥ 21,380  |  | —            | ¥ 21,380             |                  |
| Other investments:                       |                               |           |           |  |              |                      |                  |
| Financial assets measured at FVTPL ..... | ¥ 24,774                      | —         | ¥ 110,827 |  |              |                      |                  |
| Financial assets measured at FVTOCI ...  | 1,046,586                     | —         | 638,851   |  |              |                      |                  |
| Total other investments                  | ¥ 1,071,360                   | —         | ¥ 749,678 |  | —            | ¥ 1,821,038          |                  |
| Derivative assets:                       |                               |           |           |  |              |                      |                  |
| Foreign exchange contracts .....         | —                             | ¥ 54,191  | —         |  |              |                      |                  |
| Interest rate contracts .....            | —                             | 70,121    | —         |  |              |                      |                  |
| Commodity contracts .....                | ¥ 10,690                      | 420,030   | ¥ 1,116   |  |              |                      |                  |
| Others .....                             | —                             | —         | 15,715    |  |              |                      |                  |
| Total derivative assets                  | ¥ 10,690                      | ¥ 544,342 | ¥ 16,831  |  | ¥ (364,135 ) | ¥ 207,728            |                  |
| Inventories .....                        | —                             | ¥ 103,780 | —         |  | —            | ¥ 103,780            |                  |
| Total assets .....                       | ¥ 1,082,050                   | ¥ 648,122 | ¥ 787,889 |  | ¥ (364,135 ) | ¥ 2,153,926          |                  |
| <b>Liabilities:</b>                      |                               |           |           |  |              |                      |                  |
| Derivative liabilities:                  |                               |           |           |  |              |                      |                  |
| Foreign exchange contracts .....         | —                             | ¥ 55,633  | —         |  |              |                      |                  |
| Interest rate contracts .....            | —                             | 3,058     | —         |  |              |                      |                  |
| Commodity contracts .....                | ¥ 15,147                      | 417,299   | ¥ 613     |  |              |                      |                  |
| Others .....                             | —                             | —         | 13,344    |  |              |                      |                  |
| Total derivative liabilities             | ¥ 15,147                      | ¥ 475,990 | ¥ 13,957  |  | ¥ (354,496 ) | ¥ 150,598            |                  |
| Total liabilities .....                  | ¥ 15,147                      | ¥ 475,990 | ¥ 13,957  |  | ¥ (354,496 ) | ¥ 150,598            |                  |

\*Amounts of netting adjustments include the net amount when, and only when, the companies currently have a legally enforceable right to set off the recognized amounts, and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

The balance at beginning of period of the loan measured at FVTPL was ¥21,380 million and the balance of period of it was ¥22,338 million for the nine-month period ended December 31, 2018.

The balance at beginning of period of the loan measured at FVTPL was ¥32,710 million and the balance of period of it was ¥32,946 million for the nine-month period ended December 31, 2017

There was no material movement other than its exchange rate change during the nine-month period ended December 31, 2018.

The reconciliation of financial assets measured at FVTPL for the nine-month period ended December 31, 2018 and 2017 were as follows:

|  | <b>Millions of Yen</b>                               |  |
|--|--|--|
|  | <b>Nine-month period ended<br/>December 31, 2018</b> | <b>Nine-month period ended<br/>December 31, 2017</b> |
| Balance at beginning of period .....                                   | ¥ 110,827  | ¥ 86,352   |
| Gains (losses) .....   | 4,441  | (6,089)  |
| Purchases .....  | 19,627   | 26,104   |
| Sales .....  | (10,906)   | (6,241)  |
| Transfers into Level 3 .....   | —  | —  |
| Transfers out of Level 3 .....   | (7,033)  | (250)  |
| Others (Note) .....  | (7,379)  | 5,941  |
| Balance at end of period .....   | ¥ 109,577  | ¥ 105,817  |
| Net change in unrealized gains (losses)<br>still held at end of period | ¥ 6,132  | ¥ (6,051)  |

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 nine-month period ended December 31, 2018 were included in "Revenue" and FVTPL gains(losses) for the nine-month period ended December 31, 2017 were included in "Other revenue" in the Condensed Consolidated Statements of Income respectively.

The reconciliation of financial assets measured at FVTOCI for the nine-month period ended December 31, 2018 and 2017 were as follows:

|                                      | Millions of Yen                              |  |
|--------------------------------------|--|--|
|                                      | Nine-month period ended<br>December 31, 2018 | Nine-month period ended<br>December 31, 2017 |
| Balance at beginning of period ..... | ¥ 638,851                                    | ¥ 646,034                                    |
| Other comprehensive income (Note1)   | 94,352                                       | (11,811)                                     |
| Purchases .....                      | 28,740                                       | 26,249                                       |
| Sales .....                          | (7,732)                                      | (3,193)                                      |
| Transfers into Level 3 .....         | —  | —  |
| Transfers out of Level 3 .....       | —  | —  |
| Others (Note2) .....                 | 1,658  | 6,651  |
| Balance at end of period .....       | ¥ 755,869                                    | ¥ 663,930                                    |

Note1: "Other comprehensive income" for the nine-month period ended December 31, 2017 decreased mainly due to the fair value decline in investments in LNG projects reflecting the drop in oil prices. "Other comprehensive income" for the nine-month period ended December 31, 2018 increased mainly due to the extension of the project period of LNG project and the effect of change in foreign exchange rates.

Note2: "Others" includes the effect of changes in scope of consolidation.

Other comprehensive income related to financial assets measured at FVTOCI was included in "Financial assets measured at FVTOCI" and "Foreign currency translation adjustment" 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 December 31, 2018 and March 31, 2018 were as follows:

| December 31, 2018                      | Valuation Technique | Principal<br>Unobservable Input | Range        |
|--|---------------------|---------------------------------|--------------|
| Financial assets<br>measured at FVTOCI | Income approach     | Discount rate                   | 6.5% ~ 17.1% |
| March 31, 2018                         | Valuation Technique | Principal<br>Unobservable Input | Range        |
| Financial assets<br>measured at FVTOCI | Income approach     | Discount rate                   | 6.5% ~ 15.1% |

#### 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 December 31, 2018 and March 31, 2018 were as follows. The fair values of current financial assets, current financial liabilities and other investments measured at amortized cost are not disclosed because the carrying amounts reasonably approximate their fair values.

| <b>Millions of Yen</b>   |                    |               |  |                       |               |  |               |
|--|--------------------|---------------|--|-----------------------|---------------|--|---------------|
| <b>December 31, 2018</b>   |                    |               |  | <b>March 31, 2018</b> |               |  |               |
|  | Carrying<br>amount | Fair<br>value |  | Carrying<br>amount    | Fair<br>value |  | Fair<br>value |
| Non-current receivables  |                    |               |  |                       |               |  |               |
| Trade and other receivables and Other<br>financial assets (*) .....                | ¥ 580,252          | ¥ 580,252     |  | ¥ 553,228             | ¥ 553,483     |  |               |
| Non-current liabilities  |                    |               |  |                       |               |  |               |
| Long-term debts, less current portion and<br>Other financial liabilities (*) ..... | ¥ 3,676,469        | ¥ 3,740,315   |  | ¥ 3,645,991           | ¥ 3,714,586   |  |               |

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

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

#### **14. INCOME TAXES**

Income Taxes in the Condensed Consolidated Statements of Income for the nine-month and the three-month periods ended December 31, 2017 include the gain of ¥11,589 million mainly due to the reversal of deferred tax assets and liabilities which reflect the lower federal corporate income tax rate set by the "Tax Cuts and Jobs Act" in the US enacted on December 22, 2017.

#### **15. THE INCORPORATION OF VALEPAR S.A.**

The Company had 15% share in Valepar S.A. ("Valepar"), a holding company of Vale S.A. ("Vale") and according to the incorporation of Valepar by Vale, the Company recognized ¥56,296 million of profit from the difference between its book value of Valepar's shares and the fair value of its newly acquired Vale shares and ¥35,204 million of the profit due to the reversal of deferred tax liabilities for the nine-month period ended December 31, 2017. A loss of ¥2,169 million was included in Profit (Loss) of equity method investments for the three-month period ended September 30, 2017 and a gain of ¥9,444 million was included in Profit (Loss) of equity method investments for the nine-month period ended December 31, 2017.

The profit (loss) belongs to the Mineral & Metal Resources segment for the nine-month period ended December 31, 2017, please see Note 5 "SEGMENT INFORMATION".

## 16. REVERSAL (LOSS) OF PROVISION RELATED TO MULTIGRAIN BUSINESS

Multigrain Trading AG (“Multigrain” a 100% owned subsidiary of the Company) has recognized losses of ¥30,432 million expected to arise from meeting the obligations under some of the long-term contracts for the nine-month period ended December 31, 2017.

Regarding these provisions in the previous fiscal year, the contracts have been terminated and this resulted in gains of ¥11,083 million for the nine-month period ended December 31, 2018, which was the difference between their termination costs and the provisions.

The gains and losses are presented as “Reversal (loss) of provision related to Multigrain business” within the Condensed Consolidated Statements of Income and included in the “Profit (Loss) for the Period Attributable to Owners of the parent” in the Lifestyle segment for the nine-month period ended December 31, 2018 and 2017. Please see “5. SEGMENT INFORMATION”.

## 17. REVENUE

Among "Revenue", the disaggregation of revenue recognized from contracts with customers by product segment is as follows. The following categories are same as in Note.5 "SEGMENT INFORMATION". Revenue other than revenue recognized from contracts with customers includes revenue related to lease and financial instruments, etc.

| Nine-month period ended December 31, 2018:       | Millions of Yen       |                           |                            |             |           |             |                                    |            |           |
|--|-----------------------|---------------------------|----------------------------|-------------|-----------|-------------|------------------------------------|------------|-----------|
|  | Iron & Steel Products | Mineral & Metal Resources | Machinery & Infrastructure | Chemicals   | Energy    | Lifestyle   | Innovation & Corporate Development | All Others | Total     |
| Revenue recognized from contracts with customers | ¥ 156,399 ¥           | 328,127 ¥                 | 543,740 ¥                  | 1,289,917 ¥ | 185,036 ¥ | 1,176,557 ¥ | 87,437 ¥                           | 2,530 ¥    | 3,769,743 |

## 18. AUTHORIZATION OF THE ISSUE OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The issue of Condensed Consolidated Financial Statements was authorized by Tatsuo Yasunaga, Representative Director, President and CEO, and Takakazu Uchida, Representative Director, Executive Managing Officer and CFO, on February 12, 2019.