FINANCIAL RESULTS FOR
THE THREE MONTHS ENDED JUNE 2018

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Mitsubishi Corporation

FINANCIAL HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2018

(Based on IFRS) (Consolidated)

1. Consolidated operating results for the three months ended June 30, 2018

Note:
Figures less than one million yen are rounded.
%: change from the same period of the previous year

(1) Revenues and income

	Revenues		Profit before tax		Profit for the period		Profit for the period attributable to owners of the Parent		Comprehensive income	
For the three months ended	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
June 30, 2018	3,875,461	115.7	270,629	62.0	219,814	67.5	204,353	73.5	233,164	41.0
June 30, 2017	1,796,704	17.6	167,014	18.6	131,204	14.0	117,812	16.8	165,350	—

	Profit for the period attributable to owners of the Parent per share (basic)	Profit for the period attributable to owners of the Parent per share (diluted)
For the three months ended	Yen	Yen
June 30, 2018	128.85	128.55
June 30, 2017	74.31	74.14

Note: Profit for the period attributable to owners of the Parent per share (basic) and Profit for the period attributable to owners of the Parent per share (diluted) are calculated based on Profit for the period attributable to owners of the Parent.

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the Parent	Ratio of equity attributable to owners of the Parent to total assets
As of	Millions of Yen	Millions of Yen	Millions of Yen	%
June 30, 2018	16,204,729	6,357,583	5,446,663	33.6
March 31, 2018	16,036,989	6,265,211	5,332,427	33.3

2. Dividends

	Cash dividend per share (Yen)				
(Record date)	1Q end	2Q end	3Q end	4Q end	Annual
Fiscal Year ended March 31, 2018	—	47.00	—	63.00	110.00
Fiscal Year ending March 31, 2019	—				
Fiscal Year ending March 31, 2019 (Forecast)		57.00	—	58.00	115.00

Note: Change from the latest released dividend forecasts: None

3. Consolidated forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

Note:
%: change from the previous year.

	Profit attributable to owners of the Parent		Profit attributable to owners of the Parent per share (basic)
For the year ending	Millions of Yen	%	Yen
March 31, 2019	600,000	7.1	378.27

Note: Change from the latest released earnings forecasts: None

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): None
New companies: —
Excluded companies: —

(2) Changes in accounting principles and accounting estimates
-1- Changes in accounting principles required by IFRS: Yes
-2- Changes in accounting principles other than -1-: None
-3- Changes in accounting estimates: None

(3) Number of shares issued (Common stock)

-1- Number of shares issued at quarterly-end (including treasury stock)	(June 30, 2018)	1,590,076,851	(March 31, 2018)	1,590,076,851
-2- Number of treasury stock at quarterly-end	(June 30, 2018)	3,861,340	(March 31, 2018)	4,147,602
-3- Average number of shares during the three months ended June 30, 2018	(June 30, 2018)	1,585,989,351	(June 30, 2017)	1,585,497,097

Disclosure Regarding Quarterly Review Procedures
This earnings release is not subject to independent Auditor's review procedures.

Forward-looking Statements
Earnings forecasts and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. The achievement of said forecasts cannot be promised. Actual results may therefore differ materially from these statements for various reasons. For cautionary notes concerning assumptions for earnings forecasts and use of earnings forecasts, please refer to "1(4) Forecasts for the Year Ending March 2019" on page 4.

Contents

* Mitsubishi Corporation will hold an earnings conference call for the three months ended June 2018, inviting institutional investors and analysts to join.

The conference material can be accessed live in Japanese from our website (Investor Relations section) at the following URL:
https://www.mitsubishicorp.com/jp/ja/ir/index.html
Time and date of the earnings conference call:
From 17:45 to 18:45 on Thursday, August 2, 2018 (Japan Time)

1. Qualitative Information

(Profit for the period, as used hereinafter, refers to profit for the period attributable to owners of the Parent.)

(1) Results of Operations

Revenues were ¥3,875.5 billion, an increase of ¥2,078.8 billion, or 116% year over year. This is mainly due to an increase of transactions in which identified performance obligations of the Company are transfer of goods as principal and therefore revenue is recognized in the gross amount of consideration with the application of IFRS 15.

Gross profit was ¥502.9 billion, an increase of ¥60.8 billion, or 14% year over year, mainly due to higher trading volume in the Australian coal business.

Selling, general and administrative expenses remained nearly flat to ¥342.6 billion.

Gains on investments increased ¥7.8 billion year over year, to ¥14.3 billion, mainly due to the rebound of valuation losses related to listed shares recorded in the previous year.

Impairment losses on property, plant and equipment and others amounted to ¥1.0 billion, an improvement of ¥36.1 billion, mainly due to the rebound of impairments of resource-related assets recorded in the previous year.

Other income (expense)-net decreased ¥21.8 billion year over year, to an expense amount of ¥9.7 billion, mainly due to the rebound of one-off gains recorded in the previous year.

Finance income increased ¥16.3 billion, or 40% year over year, to ¥57.1 billion, mainly due to increased dividend income from resource-related investments.

Share of profit of investments accounted for using the equity method increased ¥15.4 billion, or 32% year over year, to ¥64.2 billion, mainly due to the rebound of one-off losses in the Overseas power generation business recorded in the previous year and contribution of equity income from Mitsubishi Motors Corporation.

As a result, profit before tax increased ¥103.6 billion, or 62% year over year, to ¥270.6 billion.

Accordingly, profit for the period grew ¥86.6 billion, or 74% year over year, to ¥204.4 billion.

(2) Financial Position

Total assets at June 30, 2018 was ¥16,204.7 billion, an increase of ¥167.7 billion from March 31, 2018. The increase was mainly due to higher trade and other receivables stemming from increased transaction volumes and transaction prices.

Total liabilities was ¥9,847.1 billion, an increase of ¥75.3 billion from March 31, 2018. This increase was mainly attributable to higher trade and other payables, in line with an increase in transaction volumes and transaction prices.

Net interest-bearing liabilities, which is gross interest-bearing liabilities minus cash, cash equivalents and time deposits, increased ¥29.4 billion from March 31, 2018, to ¥3,743.6 billion.

Equity attributable to owners of the Parent was ¥5,446.7 billion, an increase of ¥114.3 billion from March 31, 2018. This increase was mainly due to the accumulation of profit for the period.

(3) Cash Flows

Cash and cash equivalents at June 30, 2018 was ¥1,005.1 billion, down ¥0.4 billion from March 31, 2018.

(Operating activities)

Net cash provided by operating activities was ¥62.1 billion, mainly due to cash flows from operating transactions and dividend income, despite an increase in working capital requirements and the payment of income taxes.

(Investing activities)

Net cash provided by investing activities was ¥34.9 billion. The main sources of cash were gains from the sale of business in the Australian coal business and the sales of fixed assets in the aircraft leasing business, despite investments in affiliated companies and payments for the purchase of property, plant and equipment.

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥97.0 billion.

(Financing activities)

Net cash used in financing activities was ¥115.1 billion, mainly due to the payment of dividends.

(4) Forecasts for the Year Ending March 2019

There has been no change to the forecasts for the year ending March 2019 announced on May 8, 2018.

Note:
Earnings forecast and other forward-looking statements in this release are based on data currently available to management and certain assumptions that management believes are reasonable. Therefore, they do not constitute a guarantee that they will be achieved. Actual results may differ materially from these statements for various reasons.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position
March 31, 2018 and June 30, 2018

ASSETS	Millions of Yen	
	March 31, 2018	June 30, 2018
Current assets		
Cash and cash equivalents	1,005,461	1,005,149
Time deposits	234,758	241,438
Short-term investments	9,319	7,891
Trade and other receivables	3,523,341	3,680,254
Other financial assets	99,804	104,268
Inventories	1,204,402	1,210,222
Biological assets	68,431	69,823
Advance payments to suppliers	164,909	62,238
Assets classified as held for sale	91,431	44,092
Other current assets	376,905	412,239
Total current assets	6,778,761	6,837,614
Non-current assets		
Investments accounted for using the equity method	3,050,371	3,005,925
Other investments	2,203,242	2,276,876
Trade and other receivables	526,986	552,848
Other financial assets	93,849	105,857
Property, plant and equipment	2,106,195	2,134,665
Investment property	72,192	72,502
Intangible assets and goodwill	1,003,335	1,011,545
Deferred tax assets	35,847	33,245
Other non-current assets	166,211	173,652
Total non-current assets	9,258,228	9,367,115
Total	16,036,989	16,204,729

LIABILITIES AND EQUITY	Millions of Yen	
	March 31, 2018	June 30, 2018
Current liabilities		
Bonds and borrowings	1,269,535	1,257,501
Trade and other payables	2,765,215	2,962,580
Other financial liabilities	81,574	121,551
Advances from customers	167,143	63,540
Income tax payables	101,671	75,554
Provisions	48,631	42,575
Liabilities directly associated with assets classified as held for sale	22,958	9,211
Other current liabilities	460,211	385,545
Total current liabilities	4,916,938	4,918,057
Non-current liabilities		
Bonds and borrowings	3,684,860	3,732,720
Trade and other payables	222,474	256,240
Other financial liabilities	23,349	24,616
Retirement benefit obligation	80,532	80,309
Provisions	228,483	220,499
Deferred tax liabilities	598,244	599,111
Other non-current liabilities	16,898	15,594
Total non-current liabilities	4,854,840	4,929,089
Total liabilities	9,771,778	9,847,146
Equity		
Common stock	204,447	204,447
Additional paid-in capital	229,423	229,287
Treasury stock	(10,970)	(10,209)
Other components of equity		
Other investments designated as FVTOCI	509,887	561,328
Cash flow hedges	(10,920)	(10,049)
Exchange differences on translating foreign operations	426,644	386,893
Total other components of equity	925,611	938,172
Retained earnings	3,983,916	4,084,966
Equity attributable to owners of the Parent	5,332,427	5,446,663
Non-controlling interests	932,784	910,920
Total equity	6,265,211	6,357,583
Total	16,036,989	16,204,729

(2) Condensed Consolidated Statement of Income
for the three months ended June 30, 2017 and 2018

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenues	1,796,704	3,875,461
Cost of revenues	(1,354,561)	(3,372,551)
Gross profit	442,143	502,910
Selling, general and administrative expenses	(338,274)	(342,631)
Gains on investments	6,549	14,276
Gains on disposal and sale of property, plant and equipment and others	4,210	1,129
Impairment losses on property, plant and equipment and others	(37,129)	(981)
Other income (expense)-net	12,142	(9,723)
Finance income	40,763	57,146
Finance costs	(12,199)	(15,721)
Share of profit of investments accounted for using the equity method	48,809	64,224
Profit before tax	167,014	270,629
Income taxes	(35,810)	(50,815)
Profit for the period	131,204	219,814
Profit for the period attributable to:		
Owners of the Parent	117,812	204,353
Non-controlling interests	13,392	15,461
	131,204	219,814

(3) Condensed Consolidated Statement of Comprehensive Income
for the three months ended June 30, 2017 and 2018

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit for the period	131,204	219,814
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss for the period:		
Gains on other investments designated as FVTOCI	29,252	51,898
Remeasurement of defined benefit pension plans	(18)	(19)
Share of other comprehensive income (loss) of investments accounted for using the equity method	3,309	5,491
Total	32,543	57,370
Items that may be reclassified to profit or loss for the period:		
Cash flow hedges	1,369	(2,190)
Exchange differences on translating foreign operations	7,552	(9,285)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(7,318)	(32,545)
Total	1,603	(44,020)
Total other comprehensive income (loss)	34,146	13,350
Total comprehensive income	165,350	233,164
Comprehensive income attributable to:		
Owners of the Parent	149,393	217,439
Non-controlling interests	15,957	15,725
	165,350	233,164

(4) Condensed Consolidated Statement of Changes in Equity
for the three months ended June 30, 2017 and 2018

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Common stock:		
Balance at the beginning of the period	204,447	204,447
Balance at the end of the period	204,447	204,447
Additional paid-in capital:		
Balance at the beginning of the period	220,761	229,423
Compensation costs related to stock options	654	550
Sales of treasury stock upon exercise of stock options	(156)	(474)
Equity transactions with non-controlling interests and others	7,109	(212)
Balance at the end of the period	228,368	229,287
Treasury stock:		
Balance at the beginning of the period	(12,154)	(10,970)
Sales of treasury stock upon exercise of stock options	264	763
Purchases and sales-net	(3)	(2)
Balance at the end of the period	(11,893)	(10,209)
Other components of equity:		
Balance at the beginning of the period	878,949	925,611
Cumulative effects of change in accounting policy	—	53
Adjusted balance at the beginning of the period	878,949	925,664
Other comprehensive income attributable to owners of the Parent	31,581	13,086
Transfer to retained earnings	(1,009)	(578)
Balance at the end of the period	909,521	938,172
Retained earnings:		
Balance at the beginning of the period	3,625,244	3,983,916
Cumulative effects of change in accounting policy	—	(3,677)
Adjusted balance at the beginning of the period	3,625,244	3,980,239
Profit for the period attributable to owners of the Parent	117,812	204,353
Cash dividends paid to owners of the Parent	(79,276)	(99,916)
Sales of treasury stock upon exercise of stock options	(108)	(288)
Transfer from other components of equity	1,009	578
Balance at the end of the period	3,664,681	4,084,966
Equity attributable to owners of the Parent	4,995,124	5,446,663
Non-controlling interests:		
Balance at the beginning of the period	871,764	932,784
Cumulative effects of change in accounting policy	—	(521)
Adjusted balance at the beginning of the period	871,764	932,263
Cash dividends paid to non-controlling interests	(18,571)	(30,898)
Equity transactions with non-controlling interests and others	40,193	(6,170)
Profit for the period attributable to non-controlling interests	13,392	15,461
Other comprehensive income attributable to non-controlling interests	2,565	264
Balance at the end of the period	909,343	910,920
Total equity	5,904,467	6,357,583

(5) Condensed Consolidated Statement of Cash Flows
for the three months ended June 30, 2017 and 2018

	Millions of Yen	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating activities:		
Profit for the period	131,204	219,814
Adjustments to reconcile profit for the period to net cash provided by (used in) operating activities:		
Depreciation and amortization	63,067	60,947
(Gains) on investments	(6,549)	(14,276)
Losses (gains) on property, plant and equipment	32,919	(148)
Finance (income) -net of finance costs	(28,564)	(41,425)
Share of (profit) of investments accounted for using the equity method	(48,809)	(64,224)
Income taxes	35,810	50,815
Changes in trade receivables	30,340	(163,749)
Changes in inventories	20,680	(40,485)
Changes in trade payables	(66,561)	88,651
Other-net	(24,850)	(41,066)
Dividends received	87,073	95,828
Interest received	20,121	24,259
Interest paid	(15,411)	(17,524)
Income taxes paid	(64,528)	(95,322)
Net cash provided by (used in) operating activities	165,942	62,095
Investing activities:		
Payments for property, plant and equipment and others	(74,587)	(63,520)
Proceeds from disposal of property, plant and equipment and others	28,376	39,292
Purchases of investments accounted for using the equity method	(54,889)	(67,261)
Proceeds from disposal of investments accounted for using the equity method	23,011	47,410
Acquisitions of businesses-net of cash acquired	(5,492)	(1,722)
Proceeds from disposal of businesses-net of cash divested	―	81,743
Purchases of other investments	(12,774)	(11,275)
Proceeds from disposal of other investments	39,668	17,967
Increase in loans receivable	(17,055)	(20,049)
Collection of loans receivable	14,947	16,202
Net (increase) decrease in time deposits	12,722	(3,931)
Net cash provided by (used in) investing activities	(46,073)	34,856
Financing activities:		
Net increase (decrease) in short-term debts	(92,076)	63,997
Proceeds from long-term debts-net of issuance costs	35,952	152,666
Repayments of long-term debts	(118,460)	(203,566)
Dividends paid to owners of the Parent	(79,276)	(99,916)
Dividends paid to non-controlling interests	(18,571)	(30,898)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(6,671)	(1,925)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	51,690	4,506
Net (increase) decrease in treasury stock	(3)	(2)
Net cash provided by (used in) financing activities	(227,415)	(115,138)
Effect of exchange rate changes on cash and cash equivalents	6,967	17,875
Net increase (decrease) in cash and cash equivalents	(100,579)	(312)
Cash and cash equivalents at the beginning of the period	1,145,514	1,005,461
Cash and cash equivalents at the end of the period	1,044,935	1,005,149

3. Changes in Accounting Principles and Accounting Estimates

The important accounting principles applied to the condensed consolidated financial statements for the three months ended June 2018 are identical to those for the previous fiscal year, except for the following:

New standards and interpretations applied

Standard and interpretations	Outline
IFRS 15 Revenue from Contracts with Customers	Changes in accounting and disclosure requirements for revenue recognition
IFRS 9 Financial Instruments (Amended July 2014)	Partial changes in classification and measurement of financial instruments, and implementation of expected credit loss model for impairment losses

<u>IFRS 15 Revenue from Contracts with Customers</u>
The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company") has applied IFRS 15 from the first three months of the fiscal year ending in March 2019. Of the accepted transitional provisions, the Company has adopted the method of recognizing the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings, etc. of the year ending March 2019. However, the amount of impact is immaterial.

1) Revenue recognition criteria (five-step approach)
In line with the application of IFRS 15, the Company recognizes revenue based on the five-step approach outlined below.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company identifies distinct goods or services included in contracts with customers and identifies performance obligations by such transaction units.

In identifying performance obligations, the Company performs principal versus agent considerations. If the nature of the promise is a performance obligation to provide the specified goods or services itself, the Company is a principal and the total amount of consideration is presented as revenue in its consolidated statement of income. If its nature is a performance obligation to arrange for those goods or services to be provided by other parties, the Company is an agent and the commission or fee amount or the net amount of consideration is presented as revenue in its consolidated statement of income.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to customers. If the amount of consideration is undetermined at the point of revenue recognition, the consideration is estimated by a reliable manner based on formulas provided in the contract. If uncertainty is high or the transaction price cannot be reliably estimated, the consideration is not included in the transaction price. The transaction price is revised once the uncertainty is decreased and a reliable estimation becomes possible.

2) Revenue recognition in major streams

(Sale of products and commodities)

The Company trades a wide variety of products and commodities, including metals, machinery, chemicals, and consumer goods. In the sale of products and commodities, the Company recognizes revenue when the terms of delivery have been satisfied, as it is considered that the customer has obtained control of the products or commodities and therefore the identified performance obligations have been satisfied at the point.

(Rendering of services and other services)

The Company also performs service-related and other activities. In service-related activities, the Company provides a variety of services including the services based on franchise contracts, logistics, telecommunications, technical support, and other services. Revenue for service-related activities is recognized when the performance obligations for services identified in contracts are satisfied. For transactions where performance obligations are satisfied over time, revenue is recognized by measuring progress towards complete satisfaction of the performance obligations.

3) Comparison with the previous standards

With the application of IFRS 15, both amounts of "Revenues" and "Cost of revenues" of the condensed consolidated statement of income for the three months ended June 30, 2018 increased by approximately ¥2,000 billion respectively as compared to those under previous standards due to increase of transactions in which identified performance obligations of the Company are transfer of goods or services as principal and therefore revenue is recognized in the gross amount of consideration. There was no significant impact on other items of the condensed consolidated financial statements including "Profit for the period."

<u>IFRS 9 Financial Instruments (Amended July 2014)</u>

The Company has applied IFRS 9 Financial Instruments (Amended July 2014) from the first three months of the fiscal year ending in March 2019. Of the accepted transitional provisions under this standard, the Company has adopted the method of recognizing the cumulative amount of impact from this application as an adjustment in retained earnings at the beginning of the fiscal year ending in March 2019. However, the amount of impact is immaterial.

1) Classification and measurement of financial assets

The amendments to IFRS 9 include the addition of a fair value through comprehensive income (FVTOCI) measurement category for certain debt instruments. The Company has evaluated business models containing such financial instruments and the contract conditions of financial instruments as of the beginning of the fiscal year ending March 2019 and measured such instruments at FVTOCI if the following conditions are met:

・The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As a result, the classification of certain debt instruments in the amount of ¥35,853 million that were measured at fair value through profit or loss prior to this application has been changed to be measured at FVTOCI. In cases where debt instruments measured at FVTOCI are derecognized, the difference between the carrying amount and the consideration received or receivable, and cumulative gain or loss previously recognized through OCI is recognized in profit or loss.

2) Impairment of financial assets

The Company estimates expected credit losses on financial assets measured at amortized cost and debt instruments measured at FVTOCI, and recognizes and measures loss allowances.

As of the reporting date, if credit risks on certain financial instruments have not increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses that result from default events that are possible within 12 months after the reporting date.

Meanwhile, if, as of the reporting date, credit risks on certain financial instruments have increased significantly since initial recognition, the loss allowance on such financial instruments is measured at an amount equal to expected credit losses that result from all possible default events over the expected lifetime of the financial instruments (expected lifetime credit losses).

Significant increase in credit risk is determined considering information such as changes in external and internal credit ratings and past due information, and expected credit losses are measured by reflecting factors such as time value of money, history of default events, and reasonable and supportable information about forecast of future economic conditions.

Evidence of credit impairment is determined considering information such as significant financial difficulty of the issuer or the borrower, and a breach of contract, including past due events.

Furthermore, for financial assets showing evidence of credit impairment as of the reporting date, the Company estimates expected credit losses individually after taking into overall consideration such factors as investment rating, the details of investment contracts, the state of collateral, cash flow rights and priorities, and the status of the issuer.

However, for trade receivables that do not contain a significant financing component, the loss allowance is always recognized at an amount equal to expected lifetime credit losses, regardless of whether a significant increase in credit risk has occurred since initial recognition.

Except standards and interpretations outlined above, the adoption of new standards and interpretations had no significant impact on the condensed consolidated financial statements for the three months ended June 2018.

4. Notes Concerning Going Concern Assumption

None