
**FINANCIAL RESULTS FOR
THE SIX MONTHS ENDED SEPTEMBER 2019**

Mitsubishi Corporation

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FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019
(Based on IFRS) (Consolidated)

1. Consolidated operating results for the six months ended September 30, 2019

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	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For the six months ended										
September 30, 2019	7,723,892	(2.8)	356,440	(20.9)	269,939	(20.4)	242,359	(21.6)	26,257	(94.6)
September 30, 2018	7,943,248	117.2	450,554	20.1	339,075	19.8	309,309	21.8	489,412	13.5

	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)	
	Yen	Yen	Yen	Yen
For the six months ended				
September 30, 2019	154.97	154.64	154.64	154.64
September 30, 2018	195.01	194.55	194.55	194.55

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	%
September 30, 2019	17,532,294	6,358,790	5,422,301	30.9
March 31, 2019	16,532,800	6,636,920	5,696,246	34.5

2. Dividends

(Record date)	Cash dividend per share (Yen)				
	1Q end	2Q end	3Q end	4Q end	Annual
Fiscal Year ended March 31, 2019	—	62.00	—	63.00	125.00
Fiscal Year ending March 31, 2020	—	64.00			
Fiscal Year ending March 31, 2020 (Forecast)			—	68.00	132.00

Note: Change from the latest released dividend forecasts: Yes

3. Consolidated forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Note:
%: change from the previous year.

	Profit attributable to owners of the Parent		Profit attributable to owners of the Parent per share	
	Millions of Yen	%	Yen	Yen
For the year ending				
March 31, 2020	520,000	(12.0)	339.33	339.33

Note: Change from the latest released earnings forecasts: Yes

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries causing changes in scope of consolidation): Yes

New companies: 1 (Chiyoda Corporation)

Excluded companies: —

Chiyoda Corporation became a consolidated subsidiary during the period.

(2) Changes in accounting policies and accounting estimates

-1- Changes in accounting policies required by IFRS : Yes

-2- Changes in accounting policies other than -1- : None

-3- Changes in accounting estimates : None

Please refer to page 11, "3. Changes in Accounting Policies and Accounting Estimates."

(3) Number of shares issued (Common stock)

-1- Number of shares issued at quarterly-end (including treasury stock) (September 30, 2019) 1,590,076,851 (March 31, 2019) 1,590,076,851

-2- Number of treasury stock at quarterly-end (September 30, 2019) 63,327,701 (March 31, 2019) 3,099,600

-3- Average number of shares during each of the six months ended September 30, 2019 (September 30, 2019) 1,563,917,783 (September 30, 2018) 1,586,143,959

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 2020" on page 4.

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* Mitsubishi Corporation will hold an earnings conference call for the six months ended September 2019, 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 14:30 to 16:00 on Friday, November 8, 2019 (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 was ¥7,723.9 billion, a decrease of ¥219.3 billion, or 3% year over year. This was mainly due to decreased transaction volumes in the Petro-chemical business.

Gross profit was ¥903.1 billion, a decrease of ¥91.4 billion, or 9% year over year, mainly due to increased production cost and decreased market price in the Australian metallurgical coal business as well as the loss related to crude oil trading derivatives.

Selling, general and administrative expenses remained nearly the same year over year at ¥711.0 billion.

Gains on investments increased ¥18.2 billion, or 209% year over year, to ¥26.9 billion, mainly due to rebound from impairment loss of investment in Chiyoda Corporation in the previous year and fair value evaluation profit due to Chiyoda Corporation becoming a consolidated subsidiary.

Impairment losses on property, plant and equipment and others remained nearly the same year over year at ¥7.1 billion.

Other income (expense)-net remained nearly the same year over year at an expense amount of ¥14.2 billion.

Finance income decreased by ¥15.8 billion, or 16% year over year, to ¥85.1 billion, mainly due to decreased dividend income from resource-related investments.

Share of profit of investments accounted for using the equity method increased ¥13.9 billion, or 15% year over year, to ¥106.9 billion, mainly due to rebound from one-off losses related to Chiyoda Corporation in the previous year.

As a result, profit before tax decreased ¥94.2 billion, or 21% year over year, to ¥356.4 billion.

Accordingly, profit for the period fell ¥66.9 billion, or 22% year over year to ¥242.4 billion.

(2) Financial Position

Total assets at September 30, 2019 was ¥17,532.3 billion, an increase of ¥999.5 billion from March 31, 2019. The increase was mainly due to an increase in right-of-use assets as a result of the adoption of IFRS 16 "Leases".

Total liabilities was ¥11,173.5 billion, an increase of ¥1,277.6 billion from March 31, 2019. This increase was mainly attributable to an increase in lease liabilities as a result of the adoption of IFRS 16 "Leases".

Net interest-bearing liabilities (excluding lease liabilities), which is gross interest-bearing liabilities minus cash and cash equivalents, time deposits and lease liabilities, increased ¥55.7 billion from March 31, 2019, to ¥3,779.3 billion.

Equity attributable to owners of the Parent was ¥5,422.3 billion, a decrease of ¥273.9 billion from March 31, 2019. This decrease was mainly attributable to the purchase of treasury stock, the payment of dividends and a decrease in exchange differences on translating foreign operations due to the depreciation of the Australian dollar and US dollar, despite the accumulation of profit for the period.

(3) Cash Flows

Cash and cash equivalents at September 30, 2019 was ¥1,201.8 billion, an increase of ¥41.2 billion from March 31, 2019.

(Operating activities)

Net cash provided by operating activities was ¥360.1 billion, mainly due to cash flows from operating transactions and dividend income, despite the payment of income taxes and an increase in working capital requirements.

(Investing activities)

Net cash provided by investing activities was ¥25.1 billion. The main inflows were the inclusion of cash held by Chiyoda Corporation as a result of consolidating that company as a new subsidiary, the sale of investments in affiliated companies and the sale of listed stocks, which exceeded such uses of cash as payments for the purchase of property, plant and equipment and investments in affiliated companies.

As a result, free cash flows, the sum of operating and investing cash flows, was positive ¥385.2 billion.

(Financing activities)

Net cash used in financing activities was ¥329.8 billion. The main uses of cash were the acquisition of treasury stock and repayments of lease liabilities, which exceeded cash provided by short term financing activities.

Repayments of lease liabilities recognized with the adoption of IFRS16 "Leases" are included in Financing activities.

(4) Forecasts for the Year Ending March 2020

Due to lower operating income mainly in the Australian metallurgical coal business, the Automotive-related business and LNG-related business, and the loss related to crude oil trading derivatives, the forecast for the year ending March 2020 has been revised as follows.

Consolidated Forecast for the Year Ending March 2020 (April 1, 2019 to March 31, 2020)

(Billions of Yen)

	Previous full-year forecast (May 9, 2019) (A)	Revised full-year forecast (B)	Change (B-A)	Change (%)
Profit attributable to owners of the Parent	600.0	520.0	(80.0)	(13%)

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, 2019 and September 30, 2019

ASSETS	Millions of Yen	
	March 31, 2019	September 30, 2019
Current assets		
Cash and cash equivalents	1,160,582	1,201,842
Time deposits	207,949	197,338
Short-term investments	7,798	16,487
Trade and other receivables	3,722,719	3,397,667
Other financial assets	93,139	127,724
Inventories	1,213,742	1,296,546
Biological assets	70,687	68,427
Advance payments to suppliers	43,797	48,730
Assets classified as held for sale	105,586	39,224
Other current assets	412,925	425,518
Total current assets	7,038,924	6,819,503
Non-current assets		
Investments accounted for using the equity method	3,191,145	3,209,459
Other investments	2,108,983	2,011,153
Trade and other receivables	599,619	604,376
Other financial assets	100,326	101,615
Property, plant and equipment	2,168,962	1,910,752
Investment property	69,293	82,748
Intangible assets and goodwill	1,035,898	1,147,797
Right-of-use assets	—	1,441,141
Deferred tax assets	31,431	30,724
Other non-current assets	188,219	173,026
Total non-current assets	9,493,876	10,712,791
Total	16,532,800	17,532,294

LIABILITIES AND EQUITY	Millions of Yen	
	March 31, 2019	September 30, 2019
Current liabilities		
Bonds and borrowings	1,522,878	1,556,824
Trade and other payables	2,862,954	2,751,907
Lease liabilities	54,276	214,032
Other financial liabilities	83,589	93,592
Advances from customers	43,481	174,719
Income tax payables	63,497	37,610
Provisions	33,023	85,840
Liabilities directly associated with assets classified as held for sale	29,062	4,631
Other current liabilities	460,922	433,055
Total current liabilities	5,153,682	5,352,210
Non-current liabilities		
Bonds and borrowings	3,569,221	3,621,693
Trade and other payables	60,304	59,047
Lease liabilities	231,001	1,285,627
Other financial liabilities	15,198	26,177
Retirement benefit obligation	86,401	86,623
Provisions	178,928	160,661
Deferred tax liabilities	585,952	566,957
Other non-current liabilities	15,193	14,509
Total non-current liabilities	4,742,198	5,821,294
Total liabilities	9,895,880	11,173,504
Equity		
Common stock	204,447	204,447
Additional paid-in capital	228,340	227,358
Treasury stock	(8,279)	(178,328)
Other components of equity		
Other investments designated as FVTOCI	541,970	501,348
Cash flow hedges	(6,291)	(42,632)
Exchange differences on translating foreign operations	379,128	204,023
Total other components of equity	914,807	662,739
Retained earnings	4,356,931	4,506,085
Equity attributable to owners of the Parent	5,696,246	5,422,301
Non-controlling interests	940,674	936,489
Total equity	6,636,920	6,358,790
Total	16,532,800	17,532,294

(2) Condensed Consolidated Statement of Income
for the six months ended September 30, 2018 and 2019

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenues	7,943,248	7,723,892
Cost of revenues	(6,948,702)	(6,820,814)
Gross profit	994,546	903,078
Selling, general and administrative expenses	(691,815)	(710,983)
Gains on investments	8,726	26,942
Gains on disposal and sale of property, plant and equipment and others	2,161	2,287
Impairment losses on property, plant and equipment and others	(8,577)	(7,074)
Other income (expense)-net	(15,851)	(14,170)
Finance income	100,880	85,094
Finance costs	(32,515)	(35,585)
Share of profit of investments accounted for using the equity method	92,999	106,851
Profit before tax	450,554	356,440
Income taxes	(111,479)	(86,501)
Profit for the period	339,075	269,939
Profit for the period attributable to:		
Owners of the Parent	309,309	242,359
Non-controlling interests	29,766	27,580
	339,075	269,939
Profit for the period attributable to Owners of the Parent per share (in Yen)		
Basic	195.01	154.97
Diluted	194.55	154.64

(3) Condensed Consolidated Statement of Comprehensive Income
for the six months ended September 30, 2018 and 2019

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period	339,075	269,939
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss for the period:		
Gains (losses) on other investments designated as FVTOCI	98,723	(25,533)
Remeasurement of defined benefit pension plans	(120)	514
Share of other comprehensive income of investments accounted for using the equity method	2,386	1,780
Total	100,989	(23,239)
Items that may be reclassified to profit or loss for the period:		
Cash flow hedges	(2,761)	(9,106)
Exchange differences on translating foreign operations	68,637	(154,926)
Share of other comprehensive (loss) of investments accounted for using the equity method	(16,528)	(56,411)
Total	49,348	(220,443)
Total other comprehensive income (loss)	150,337	(243,682)
Total comprehensive income	489,412	26,257
Comprehensive income attributable to:		
Owners of the Parent	449,494	6,794
Non-controlling interests	39,918	19,463
	489,412	26,257

(4) Condensed Consolidated Statement of Changes in Equity
for the six months ended September 30, 2018 and 2019

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
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	229,423	228,340
Compensation costs related to share-based payment	768	1,426
Sales of treasury stock upon exercise of share-based payment	(787)	(1,049)
Equity transactions with non-controlling interests and others	(334)	(1,359)
Balance at the end of the period	229,070	227,358
Treasury stock:		
Balance at the beginning of the period	(10,970)	(8,279)
Sales of treasury stock upon exercise of share-based payment	1,288	1,706
Purchases and sales-net	(6)	(171,755)
Balance at the end of the period	(9,688)	(178,328)
Other components of equity:		
Balance at the beginning of the period	925,611	914,807
Cumulative effects of change in accounting policy	53	—
Adjusted balance at the beginning of the period	925,664	914,807
Other comprehensive income (loss) attributable to owners of the Parent	140,185	(235,565)
Transfer to retained earnings	67,397	(16,503)
Balance at the end of the period	1,133,246	662,739
Retained earnings:		
Balance at the beginning of the period	3,983,916	4,356,931
Cumulative effects of change in accounting policy	(3,677)	(9,079)
Adjusted balance at the beginning of the period	3,980,239	4,347,852
Profit for the period attributable to owners of the Parent	309,309	242,359
Cash dividends paid to owners of the Parent	(99,916)	(99,982)
Sales of treasury stock upon exercise of share-based payment	(500)	(647)
Transfer from other components of equity	(67,397)	16,503
Balance at the end of the period	4,121,735	4,506,085
Equity attributable to owners of the Parent	5,678,810	5,422,301
Non-controlling interests:		
Balance at the beginning of the period	932,784	940,674
Cumulative effects of change in accounting policy	(521)	(2,677)
Adjusted balance at the beginning of the period	932,263	937,997
Cash dividends paid to non-controlling interests	(38,853)	(32,094)
Equity transactions with non-controlling interests and others	(3,411)	11,123
Profit for the period attributable to non-controlling interests	29,766	27,580
Other comprehensive income (loss) attributable to non-controlling interests	10,152	(8,117)
Balance at the end of the period	929,917	936,489
Total equity	6,608,727	6,358,790
Comprehensive income attributable to:		
Owners of the Parent	449,494	6,794
Non-controlling interests	39,918	19,463
Total comprehensive income	489,412	26,257

(5) Condensed Consolidated Statement of Cash Flows
for the six months ended September 30, 2018 and 2019

	Millions of Yen	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Operating activities:		
Profit for the period	339,075	269,939
Adjustments to reconcile profit for the period to net cash provided by (used in) operating activities:		
Depreciation and amortization	122,664	218,672
(Gains) on investments	(8,726)	(26,942)
Losses on property, plant and equipment and others	6,416	4,787
Finance (income) -net of finance costs	(68,365)	(49,509)
Share of (profit) of investments accounted for using the equity method	(92,999)	(106,851)
Income taxes	111,479	86,501
Changes in trade receivables	(247,928)	339,843
Changes in inventories	(3,731)	(115,975)
Changes in trade payables	130,904	(244,601)
Other-net	(76,313)	(96,743)
Dividends received	207,152	182,067
Interest received	56,625	60,703
Interest paid	(39,843)	(47,579)
Income taxes paid	(149,928)	(114,177)
Net cash provided by (used in) operating activities	286,482	360,135
Investing activities:		
Payments for property, plant and equipment and others	(137,862)	(161,442)
Proceeds from disposal of property, plant and equipment and others	65,393	22,149
Purchases of investments accounted for using the equity method	(219,968)	(79,697)
Proceeds from disposal of investments accounted for using the equity method	70,123	61,935
Acquisitions of businesses-net of cash acquired	(18,431)	130,838
Proceeds from disposal of businesses-net of cash divested	86,141	50,813
Purchases of other investments	(39,813)	(18,247)
Proceeds from disposal of other investments	44,539	74,600
Increase in loans receivable	(28,986)	(104,757)
Collection of loans receivable	22,354	39,110
Net (increase) decrease in time deposits	1,535	9,817
Net cash provided by (used in) investing activities	(154,975)	25,119
Financing activities:		
Net increase (decrease) in short-term debts	108,708	172,521
Proceeds from long-term debts	331,532	174,423
Repayments of long-term debts	(363,598)	(235,720)
Repayments of lease liabilities	(26,417)	(130,561)
Dividends paid to owners of the Parent	(99,916)	(99,982)
Dividends paid to non-controlling interests	(38,853)	(32,094)
Payments for acquisition of subsidiary's interests from the non-controlling interests	(3,746)	(13,540)
Proceeds from disposal of subsidiary's interests to the non-controlling interests	6,813	6,649
Net (increase) decrease in treasury stock	(6)	(171,472)
Net cash provided by (used in) financing activities	(85,483)	(329,776)
Effect of exchange rate changes on cash and cash equivalents	12,137	(14,218)
Net increase (decrease) in cash and cash equivalents	58,161	41,260
Cash and cash equivalents at the beginning of the period	1,005,461	1,160,582
Cash and cash equivalents at the end of the period	1,063,622	1,201,842

3. Changes in Accounting Policies and Accounting Estimates

The significant accounting policies applied to the condensed consolidated financial statements for the six months ended September 2019 are identical to those for the previous fiscal year, except for the following:

New standards and interpretations applied

Standards and interpretations	Outline
IFRS 16 "Leases"	Changes in accounting and disclosure requirements for operating leases in the financial statements of lessees

IFRS 16 "Leases"

With the adoption of IFRS 16, due to its single lessee accounting model, right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments are required to be recognized in the consolidated statement of financial position for all leases, in principle. After the recognition of right-of-use assets and lease liabilities, depreciation of the right-of-use assets and interest expenses on the lease liabilities are recognized in the consolidated statement of income.

The Parent, together with its consolidated domestic and foreign subsidiaries (collectively, the "Company") has applied IFRS 16 from the fiscal year ending March 2020. 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. for the year ending March 2020. Consequently, the opening balance of retained earnings for the year ending March 2020 has decreased ¥9,079 million.

In transitioning to IFRS 16, the Company has chosen the practical expedient stated in IFRS 16 paragraph C3 and has not reassessed whether contracts, which were not previously identified as contracts containing leases applying IAS 17 "Leases" (hereafter, "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease", contain leases. From the date of application, this assessment is determined based on the provisions of IFRS 16.

For leases that the Company as lessee previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities are recognized at the date of initial application. These lease liabilities have been measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average of the lessee's incremental borrowing rates is 0.8%.

Right-of-use assets are initially measured at the initial measurement amount of the lease liability adjusted for prepaid lease payments etc.

The remaining lease payments include lease payments etc. under cancellable leases corresponding to the terms of which the lessee is reasonably certain not to exercise the option to terminate those leases, in addition to future minimum lease payments under non-cancellable leases.

For leases that the Company as lessee previously classified as finance leases applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application are the carrying amounts of lease assets and lease liabilities, respectively, immediately before the application date.

The following is a reconciliation of the disclosed non-cancellable operating lease contracts applying IAS 17 as of March 31, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	(Millions of yen)
Non-cancellable operating lease contracts as of March 31, 2019	351,557
Finance lease liabilities as of March 31, 2019	285,277
Cancellable operating lease contracts, etc. (*)	867,414
Lease liabilities as of April 1, 2019	<u>1,504,248</u>

(*) Includes the effect of discounting Non-cancellable operating lease contracts as of March 31, 2019 by the incremental borrowing rate at the date of initial application.

Right-of-use assets recognized at the date of initial application in the consolidated statement of financial position was ¥1,434,275 million.

The following practical expedients are used in the application of IFRS 16.

- (a) Leases for which the lease term ends within 12 months as of the date of initial application are accounted for in the same way as short-term leases.
- (b) Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- (c) A lessee elects, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.
- (d) As an alternative to perform an impairment test, the Company relies on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application.
- (e) The Company uses hindsight to calculate the lease term for lease contracts including options to extend or terminate the lease.

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 six months ended September 2019.

4. Notes Concerning Going Concern Assumption

None