# Q&A at Investor Meeting

## Financial Results for the Nine Months Ended December 2018

Presentation Date: Tuesday, February 5, 2019, 17:45 to 18:30

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Questions and Answers

**Q. What led to the heavy impairment losses in the third quarter? In addition, what are the current book values of Mitsubishi Corporation("MC")'s investments in the involved companies?**

A. Olam (an agricultural production, procurement, processing and trading company based in Singapore) and Compañía Minera del Pacífico ("CMP") (an iron ore production and sales company based in Chile) are both equity-method affiliates. The impairment losses on both of these companies were equivalent to their acquisition premiums. We recognized the impairment loss on Olam because its business performance fell short of the business plans drawn up at the time of MC's investment. For CMP, we recognized the impairment loss due to reevaluations of business plans in light of 1) additional costs for environmental response expected following meetings with Chile's environmental authorities, and 2) reconstruction costs due to the collaption of iron ore shipping facilities and impact on shipments.

After these impairment losses, the book values of our investments in Olam and CMP are approximately ¥84 billion and ¥60 billion, respectively.

**Q. What is the balance of goodwill for Olam?**

A. Goodwill has become nearly zero.

**Q. In the nine months ended December 2018, underlying operating cash flows and investing cash flows totaled ¥603.6 billion. Could you tell us about MC's capital policy going forward?**

A. Due to business considerations, we cannot currently tell you whether or not new investments are upcoming. As for fiscal 2018 capital policy, including share buybacks, we will evaluate our position at the end of the three-year midterm strategy and proceed appropriately.

**Q. Imports of coking coal to China have been down; what is your forecast for demand going forward? Mitsubishi Development Pty Ltd is expected to increase production in fiscal 2019, but what kind of sales volumes do you expect?**

A. We expect demand to soften going forward, but because of antitrust law constraints, we cannot give specific estimates. We are still working on plans for fiscal 2019.

**Q. Has the three months ended December 2018 downturn in MDP's results already been factored into forecasts for the full fiscal year?**

A. We do not see MDP's results as having particularly weakened in the third quarter.

**Q. At the end of December, MC had reached 69% of its consolidated net income target for the year. This is a little low, so why did you decide not to change the full-year forecast? Do you expect one-off gains in the fourth quarter?**

A. Progress toward the full-year forecast reached only 69% because of large losses in the second and third quarters. In the fourth quarter, gains on the previously announced sale of the Australian thermal coal business and improvements in operating income in other businesses will make up for some of the earlier losses. Furthermore, because of differences in the fiscal periods of our consolidated subsidiaries and the lag between crude oil and sales price changes, our results typically reflect the crude oil prices of approximately six months prior. As such, the impact on consolidated results of changes in crude oil prices from October 2018 onward will be limited.

**Q. Were the one-off gains and losses in the third quarter factored into the full-year consolidated net income forecast of ¥640.0 billion announced in November 2018? Also, while the published full-year forecasts for specific segments have not been changed, what are your actual expectations for segment performance?**

A. Some of the third-quarter one-off losses were comprehensively factored in as loss risks, but the impairment loss on the Chilean iron ore business was not. Because we decided to not change the overall forecast of ¥640.0 billion, we did not revise the segment forecasts, but we do not expect segment results to necessarily be exactly as forecast. Please understand that the decision to leave the forecast unchanged was based on companywide projections.

**Q. Given that the forecast did not account for the impairment loss on the Chilean iron ore business, how will you make up for the loss? Were the gains on the sale of the Australian thermal coal business factored into the full-year forecast?**

A. No, the gains on the Australian thermal coal business were not factored into the full-year forecast. We expect said gains as well as increased operating income in other businesses to make up for some of the impairment losses.

**Q. Why did MDP's third quarter results fail to improve as much as index prices? Was there some one-off expenses?**

A. There were no specific large one-off costs, but MDP's performance does not depend on index prices, either. MDP's performance was better in the third quarter than in the second, so we do not think it was that weak.

**Q. Within MC, how do you grasp the impairment loss on Olam?**

A. It is vital that we learn from the loss as a lesson. Going forward, we recognize that we must invest even more selectively.

**Q. What is your policy regarding Olam going forward?**

A. We will continue working with Olam, mainly in businesses in Africa.

**Q. The Machinery Group has been performing well. Given the results of the nine months ended December 2018, what do you see for it going forward?**

A. Performance in the major Asia automotive business was firm in the nine months ended December 2018. We forecast lower revenues in the fourth quarter than in the first three, reflecting falling motor vehicle sales volumes due to uncertainty in the global economic outlook as well as intensifying competition. However, we will work to increase sales volumes and improve profitability, aiming to meet our forecast for the fiscal year.

**Q. Even excluding the impact of impairment losses, performance in the Living Essentials Group seems somewhat lackluster. What is the reason behind this?**

A. The main factors causing the decline in revenue in the Living Essentials Group were Cermaq (a salmon farming, processing and sales company based in Norway) and the meat business. The decline at Cermaq was mainly due to quantity factor, and we expect moderate recovery in the fourth quarter. In the meat business, the net revenue of Indiana Packers Corporation ("IPC") (a pork slaughtering, processing and sales company based in the United States), in particular, fell ¥3.6 billion year over year. Although IPC does not directly export to China, trade tensions between the United States and China have indirectly affected IPC by pushing down meat prices within the United States.

**Q. How are the tensions between the United States and China, as well as the slowing of economic growth in China, impacting MC's other businesses?**

A. Our businesses within China and our trading between the United States and China are limited in scale. As such, for the time being, the impact on our revenues is minimal. However, if trade frictions continue long term, they could lead to economic stagnation in China and emerging economies, negatively affecting, for example, resource prices, so we are carefully watching developments in this area.

**Q. What impact will impairment losses have on the financial target of ¥900 billion in net income set in Midterm Corporate Strategy 2021?**

A. Excluding one-off factors, we are still generating annual net income of around ¥700 billion, so there is no cause to revise the ¥900 billion financial target. We regard making maximum use of the lessons imparted by these large impairment losses as crucially important and will continue to maintain strict discipline in evaluating potential investments.