

PRESS RELEASE

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MHI Announces Outline of FY2019 First 3 Months Financial Results Ended June 30, 2019 (Consolidated)

Tokyo, August 5, 2019 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2019 ended June 30, 2019.

(billions of yen)

	FY2019 First 3 Months (From April 1 to June 30, 2019)	FY2018 First 3 Months (From April 1 to June 30, 2018)	Changes (%)
Orders Received	750.2	707.1	6.1
Revenue	919.3	906.1	1.5
Profit from business activities	40.4	32.9	22.8
Profit Before Income Taxes	31.6	35.2	(10.2)
Profit (loss) Attributable to Owners of Parent	16.3	15.8	3.1
Operating Cash Flow	(119.9)	(52.2)	
Investment Cash Flow	(49.4)	(41.2)	
Financing Cash Flow	150.3	16.5	
Profit (loss) Attributable to Owners of Parent Per Share	48.76 yen	47.29 yen	3.1

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2019 First 3 Months (From April 1 to June 30, 2019)	FY2018 First 3 Months (From April 1 to June 30, 2018)
Power Systems	343.2	316.6
Industry & Infrastructure	430.1	445.2
Aircraft, Defense & Space	152.1	150.6
Others	15.7	17.8
Eliminations or Corporate	(21.9)	(24.3)
TOTAL	919.3	906.1

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2019 First 3 Months (From April 1 to June 30, 2019)	FY2018 First 3 Months (From April 1 to June 30, 2018)
Power Systems	19.2	25.2
Industry & Infrastructure	14.4	15.0
Aircraft, Defense & Space	9.4	(11.6)
Others	6.2	2.7
Eliminations or Corporate	(9.0)	1.5
TOTAL	40.4	32.9

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2019

For the fiscal year 2019 ending March 31, 2020, MHI is expecting 4,300 billion yen in revenue, 220 billion yen in Profit from business activities, 210 billion yen in profit before income tax, and 110 billion yen in profit attributable to owners of parent. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥110 and €1.00 = ¥125 for the portion yet to be fixed.

Please note that this estimate has been projected with currently available information and data. As such, these projections involve risks and uncertainties. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. The actual results, therefore, may diverge broadly with the influence of a variety of outside factors such as economics surrounding MHI, currency movement of the yen to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the company.

(1) Condensed Consolidated Statement of Financial Position [IFRS]

(Millions of Yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	283,235	258,155
Trade and other receivables	717,414	615,193
Other financial assets	25,180	27,288
Contract assets	625,749	626,372
Inventories	739,820	783,920
Indemnification assets for South African projects	546,098	546,669
Other current assets	222,390	272,519
Total current assets	3,159,890	3,130,119
Non-current assets		
Property, plant and equipment	777,228	783,569
Goodwill	121,117	120,922
Intangible assets	113,131	127,246
Right-of-use assets	90,335	84,844
Investments accounted for using the equity method	209,929	217,310
Investments in securities and other financial assets	447,888	427,821
Deferred tax assets	133,511	142,034
Other non-current assets	187,320	182,231
Total Non-current assets	2,080,463	2,085,982
Total assets	5,240,353	5,216,101
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	459,548	671,258
Trade and other payables	862,174	776,908
Income taxes payable	27,024	11,827
Contract liabilities	875,294	811,297
Provisions	215,475	194,967
Other current liabilities	157,273	166,415
Total Current liabilities	2,596,790	2,632,676
Non-current liabilities		
Bonds, borrowings and other financial liabilities	637,204	606,921
Deferred tax liabilities	4,012	3,416
Retirement benefit liability	154,105	153,629
Provisions	47,583	47,936
Other non-current liabilities	71,964	73,205
Total non-current liabilities	914,870	885,108
Total liabilities	3,511,660	3,517,784
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	185,302	184,862
Treasury shares	(5,572)	(5,261)
Retained earnings	869,238	863,128
Other components of equity	96,987	74,911
Equity attributable to owners of parent	1,411,564	1,383,249
Non-controlling interests	317,128	315,067
Total Equity	1,728,693	1,698,317
Total Liabilities and Equity	5,240,353	5,216,101

(2) Condensed Consolidated Statement of Profit or Loss [IFRS]

(Millions of Yen)

	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2018)	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)
Revenue	906,107	919,327
Cost of sales	734,360	745,779
Gross Profit	171,746	173,547
Selling, general and administrative expenses	131,114	134,810
Share of profit of investments accounted for using the equity method	2,340	4,450
Other income *	11,510	8,959
Other expenses	21,557	11,730
Profit from business activities	32,925	40,416
Finance income	6,426	2,624
Finance expenses	4,109	11,396
Profit before income taxes	35,242	31,644
Income taxes	15,410	9,735
Profit	19,832	21,909
Profit attributable to:		
Owners of parent	15,876	16,372
Non-controlling interests	3,956	5,537

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	47.29	48.76
Diluted earnings per share	47.12	48.69

*Other income includes dividend income. The amount of dividends of FY 2018 first 3 Month is 5,962 Million Yen, and the amount of FY2019 First 3 Months is 5,050 Million Yen.

(3) Condensed Consolidated Statement of Comprehensive Income [IFRS]

(Millions of Yen)

	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2018)	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)
Profit	19,832	21,909
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	17,935	(13,249)
Remeasurement of defined benefit plans	217	(426)
Share of other comprehensive income (loss) of entities accounted for using the equity method	(254)	(482)
Total	17,899	(14,159)
Items that may be reclassified to profit or loss		
Cash flow hedges	(513)	(21)
Hedge costs	-	184
Exchange differences on translating foreign operations	2,546	(16,116)
Share of other comprehensive income (loss) of entities accounted for by the equity method	(2,463)	2,487
Total	(430)	(13,465)
Total other comprehensive income (loss)	17,468	(27,625)
Comprehensive income (loss)	37,301	(5,715)
Comprehensive income (loss) attributable to		
Owners of parent	32,927	(6,340)
Non-controlling interests	4,373	625

*FVTOCI means "Fair Value Through Other Comprehensive Income".

(4) Condensed Consolidated Statement of changes in equity [IFRS]

(Millions of Yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total Equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of Apr. 1 ,2018	265,608	185,937	(4,081)	830,057	118,015	1,395,537	298,327	1,693,865
Cumulative effects of changes in accounting policies				(28,219)	(47)	(28,266)	(865)	(29,131)
Restated balance	265,608	185,937	(4,081)	801,838	117,968	1,367,271	297,462	1,664,733
Profit				15,876		15,876	3,956	19,832
Other comprehensive income					17,051	17,051	417	17,468
Comprehensive income				15,876	17,051	32,927	4,373	37,301
Transfer to retained earnings				318	(318)			
Purchase of treasury shares			(2,104)			(2,104)		(2,104)
Disposal of treasury shares		(91)	183			92		92
Dividends				(20,160)		(20,160)	(2,523)	(22,683)
Other		77		3,208		3,286	883	4,169
Total transactions with owners		(13)	(1,920)	(16,951)	-	(18,885)	(1,640)	(20,526)
Balance as of Jun. 30 ,2018	265,608	185,923	(6,001)	801,082	134,700	1,381,313	300,195	1,681,508
Balance as of Apr. 1 ,2019	265,608	185,302	(5,572)	869,238	96,987	1,411,564	317,128	1,728,693
Profit				16,372		16,372	5,537	21,909
Other comprehensive income (loss)					(22,713)	(22,713)	(4,912)	(27,625)
Comprehensive income (loss)				16,372	(22,713)	(6,340)	625	(5,715)
Transfer to retained earnings				(637)	637			
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		17	44			62		62
Dividends				(21,821)		(21,821)	(3,614)	(25,435)
Other		(457)	269	(24)		(212)	929	716
Total transactions with owners		(440)	311	(21,845)	637	(21,974)	(2,685)	(24,659)
Balance as of Jun. 30 ,2019	265,608	184,862	(5,261)	863,128	74,911	1,383,249	315,067	1,698,317

(5) Condensed Consolidated Statement of Cash Flows [IFRS]

(Millions of Yen)

	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2018)	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)
Cash flows from operating activities		
Profit before income tax	35,242	31,644
Depreciation, amortization and impairment loss	52,496	31,804
Finance income and costs	4,294	2,933
Share of loss (profit) of investments accounted for using equity method	(2,340)	(4,450)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(4,022)	(136)
Loss on retirement of property, plant and equipment, and intangible assets	1,394	1,025
Decrease (increase) in trade receivables	84,342	86,457
Decrease (increase) in contract assets	8,298	(3,419)
Decrease (increase) in inventories	(42,604)	(50,770)
Increase (decrease) in trade payables	(36,728)	(62,039)
Increase (decrease) in contract liabilities	(7,096)	(60,323)
Increase (decrease) in provisions	8,348	(21,224)
Increase (decrease) in liability for retirement benefits	4,079	996
Decrease (increase) in indemnification assets of South African projects	(67,585)	(817)
Others	(65,584)	(41,948)
Subtotal	(27,464)	(90,268)
Interest received	202	251
Dividends received	8,374	6,458
Interest paid	(2,621)	(2,811)
Income taxes paid	(30,708)	(33,587)
Net cash provided by (used in) operating activities	(52,216)	(119,958)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(48,770)	(59,005)
Proceeds from sales of property, plant and equipment and intangible assets	8,820	18,903
Purchases of investments (including investments accounted for using equity method)	(4,115)	(9,445)
Proceeds from sales and redemption of investments (including investments accounted for using equity method)	307	803
Disbursement of loans	(378)	(169)
Payments for loans receivable	(1,343)	(487)
Collection of loans	319	38
Others	3,908	(97)
Net cash provided by (used in) investing activities	(41,251)	(49,459)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	109,227	194,202
Proceeds from non-current borrowings	45	2
Repayment of non-current borrowings	(11,629)	(1,610)
Capital contribution from non-controlling interests	-	5
Dividends paid to equity holders of parent	(18,957)	(20,574)
Dividends paid to non-controlling interests	(2,523)	(3,614)
Proceeds from fluidity of lease receivables	31,647	30,436
Repayment of payables under fluidity lease receivables	(86,038)	(43,983)
Repayment of lease obligations	(3,728)	(4,921)
Others	(1,537)	433
Net cash provided by (used in) financing activities	16,505	150,377
Effect of exchange rate changes on cash and cash equivalents	713	(6,039)
Net increase (decrease) in cash and cash equivalents	(76,249)	(25,080)
Cash and cash equivalents at the beginning of the year	299,237	283,235
Cash and cash equivalents at the end of period	222,987	258,155