

PRESS RELEASE

2019-10-31

MHI Announces Outline of FY2019 First 6 Months Financial Results Ended September 30, 2019 (Consolidated)

Tokyo, October 31, 2019 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first six months of fiscal year (FY) 2019 ended September 30, 2019.

(billions of yen)

	FY2019 First 6 Months (From April 1 to September 30, 2019)	FY2018 First 6 Months (From April 1 to September 30, 2018)	Changes (%)
Orders Received	1,698.2	1,561.8	8.7
Revenue	1,877.6	1,872.0	0.3
Profit from business activities	74.3	59.7	24.4
Profit Before Income Taxes	60.8	67.4	(9.8)
Profit (loss) Attributable to Owners of Parent	29.2	27.1	7.7
Operating Cash Flow	(91.1)	2.4	
Investment Cash Flow	(120.1)	(70.7)	
Financing Cash Flow	158.9	(0.6)	
Profit (loss) Attributable to Owners of Parent Per Share	87.06 yen	80.85 yen	7.7

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2019 First 6 Months (From April 1 to September 30, 2019)	FY2018 First 6 Months (From April 1 to September 30, 2018)
Power Systems	707.9	680.8
Industry & Infrastructure	874.6	898.2
Aircraft, Defense & Space	310.5	307.4
Others	33.6	34.2
Eliminations or Corporate	(49.1)	(48.8)
TOTAL	1,877.6	1,872.0

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2019 First 6 Months (From April 1 to September 30, 2019)	FY2018 First 6 Months (From April 1 to September 30, 2018)
Power Systems	37.2	47.5
Industry & Infrastructure	29.3	30.6
Aircraft, Defense & Space	12.6	(21.2)
Others	7.8	3.0
Eliminations or Corporate	(12.7)	(0.1)
TOTAL	74.3	59.7

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 = ¥120 for the portion yet to be fixed.

We have decided to voluntarily adopt IFRS from beginning with the first quarter ending June 30, 2018 onward, so estimate of consolidated financial results have been made based on IFRS.

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 Sep. 30, 2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	283,235	224,023
Trade and other receivables	717,414	577,515
Other financial assets	25,180	24,053
Contract assets	625,749	649,458
Inventories	739,820	804,516
Indemnification assets for South African projects	546,098	547,371
Other current assets	222,390	242,037
Total current assets	3,159,890	3,068,975
Non-current assets		
Property, plant and equipment	777,228	798,788
Goodwill	121,117	127,418
Intangible assets	113,131	149,728
Right-of-use assets	90,335	97,447
Investments accounted for using the equity method	209,929	218,136
Investments in securities and other financial assets	447,888	403,283
Deferred tax assets	133,511	144,579
Other non-current assets	187,320	179,054
Total Non-current assets	2,080,463	2,118,438
Total assets	5,240,353	5,187,413
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	459,548	677,314
Trade and other payables	862,174	764,578
Income taxes payable	27,024	17,964
Contract liabilities	875,294	831,547
Provisions	215,475	180,246
Other current liabilities	157,273	134,688
Total Current liabilities	2,596,790	2,606,340
Non-current liabilities		
Bonds, borrowings and other financial liabilities	637,204	580,933
Deferred tax liabilities	4,012	6,686
Retirement benefit liability	154,105	157,508
Provisions	47,583	46,090
Other non-current liabilities	71,964	73,224
Total non-current liabilities	914,870	864,444
Total liabilities	3,511,660	3,470,784
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	185,302	197,595
Treasury shares	(5,572)	(5,025)
Retained earnings	869,238	879,025
Other components of equity	96,987	59,952
Equity attributable to owners of parent	1,411,564	1,397,156
Non-controlling interests	317,128	319,472
Total Equity	1,728,693	1,716,629
Total Liabilities and Equity	5,240,353	5,187,413

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

i) First six months FY2018 and FY2019

(Millions of Yen)

	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)
Revenue	1,872,064	1,877,663
Cost of sales	1,525,900	1,531,356
Gross Profit	346,163	346,307
Selling, general and administrative expenses	259,740	271,198
Share of profit of investments accounted for using the equity method	8,280	9,464
Other income *	14,673	10,831
Other expenses	49,590	21,039
Profit from business activities	59,785	74,363
Finance income	14,717	4,270
Finance expenses	7,046	17,773
Profit before income taxes	67,457	60,860
Income taxes	29,821	21,672
Profit	37,635	39,187
Profit attributable to:		
Owners of parent	27,136	29,237
Non-controlling interests	10,499	9,949

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	80.85	87.06
Diluted earnings per share	80.68	86.94

*Other income includes dividend income. The amount of dividends of FY 2018 first 6 Month is 6,562 Million Yen, and the amount of FY2019 First 6 Months is 6,028 Million Yen.

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

ii) For three months ended Sep.30, 2018 and 2019 (FY2018Q2 & FY2019Q2)

(Millions of Yen)

	FY2018 Q2 (From Jul. 1 to Sep. 30, 2018)	FY2019 Q2 (From Jul. 1 to Sep. 30, 2019)
Revenue	965,957	958,335
Cost of sales	791,540	785,576
Gross Profit	174,416	172,759
Selling, general and administrative expenses	128,626	136,388
Share of profit of investments accounted for using the equity method	5,940	5,013
Other income *	3,162	1,871
Other expenses	28,033	9,309
Profit from business activities	26,860	33,947
Finance income	8,290	1,645
Finance expenses	2,936	6,377
Profit before income taxes	32,214	29,215
Income taxes	14,411	11,937
Profit	17,803	17,278
Profit attributable to:		
Owners of parent	11,259	12,865
Non-controlling interests	6,543	4,412

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	33.55	38.30
Diluted earnings per share	33.50	38.23

*Other income includes dividend income. The amount of dividends of FY2018Q2 is 600 Million Yen, and the amount of FY2019Q2 is 978 Million Yen.

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

i) First six months FY2018 and FY2019

(Millions of Yen)

	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)
Profit	37,635	39,187
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	20,294	(18,264)
Remeasurement of defined benefit plans	339	(448)
Share of other comprehensive income (loss) of entities accounted for by the equity method	(234)	(443)
Total	20,398	(19,156)
Items that may be reclassified to profit or loss		
Cash flow hedges	(302)	(958)
Hedging cost	-	257
Exchange differences on translating foreign operations	20,834	(23,840)
Share of other comprehensive income (loss) of entities accounted for by the equity method	(2,731)	1,125
Total	17,800	(23,416)
Total other comprehensive income (loss)	38,198	(42,573)
Comprehensive income (loss)	75,834	(3,385)
Comprehensive income (loss) attributable to		
Owners of parent	60,893	(6,392)
Non-controlling interests	14,941	3,007

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

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

ii) For three months ended Sep.30, 2018 and 2019 (FY2018Q2 & FY2019Q2)

	(Millions of Yen)	
	FY2018 Q2 (From Jul. 1 to Sep. 30, 2018)	FY2019 Q2 (From Jul. 1 to Sep. 30, 2019)
Profit	17,803	17,278
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	2,359	(5,015)
Remeasurement of defined benefit plans	121	(21)
Share of other comprehensive income (loss) of entities accounted for by the equity method	19	39
Total	2,499	(4,997)
Items that may be reclassified to profit or loss		
Cash flow hedges	210	(937)
Hedging cost	-	72
Exchange differences on translating foreign operations	18,288	(7,723)
Share of other comprehensive income (loss) of entities accounted for by the equity method	(267)	(1,362)
Total	18,231	(9,950)
Total other comprehensive income (loss)	20,730	(14,947)
Comprehensive income (loss)	38,533	2,330
Comprehensive income (loss) attributable to		
Owners of parent	27,965	(51)
Non-controlling interests	10,567	2,382

(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				27,136		27,136	10,499	37,635
Other comprehensive income					33,757	33,757	4,441	38,198
Comprehensive income				27,136	33,757	60,893	14,941	75,834
Transfer to retained earnings				5,704	(5,704)	-		-
Purchase of treasury shares			(2,108)			(2,108)		(2,108)
Disposal of treasury shares		11	41			53		53
Dividends				(20,160)		(20,160)	(4,590)	(24,750)
Put options held by non-controlling shareholders		197				197	156	354
Other		(306)	264	3,579		3,537	(1,155)	2,382
Total transactions with owners	-	(97)	(1,802)	(16,580)	-	(18,480)	(5,588)	(24,069)
Balance as of Jun. 30 ,2018	265,608	185,839	(5,883)	818,098	146,020	1,409,684	306,814	1,716,498
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				29,237		29,237	9,949	39,187
Other comprehensive income (loss)					(35,630)	(35,630)	(6,942)	(42,573)
Comprehensive income (loss)				29,237	(35,630)	(6,392)	3,007	(3,385)
Transfer to retained earnings				1,404	(1,404)	-		-
Purchase of treasury shares			(7)			(7)		(7)
Disposal of treasury shares		67	167			234		234
Dividends				(21,821)		(21,821)	(4,056)	(25,877)
Put options held by non-controlling shareholders		11,385				11,385	9,047	20,433
Other		840	387	965		2,193	(5,654)	(3,460)
Total transactions with owners	-	12,293	546	(20,856)	-	(8,015)	(662)	(8,678)
Balance as of Sep. 30 ,2019	265,608	197,595	(5,025)	879,025	59,952	1,397,156	319,472	1,716,629

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

(Millions of Yen)

	FY2018 First 6 Months (From Apr. 1 to Sep. 30, 2018)	FY2019 First 6 Months (From Apr. 1 to Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	67,457	60,860
Depreciation, amortization and impairment loss	106,875	68,097
Finance income and costs	4,138	682
Share of profit of investments accounted for using the equity method	(8,280)	(9,464)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(4,984)	(440)
Loss on disposal of property, plant and equipment, and intangible assets	2,513	3,095
Decrease (increase) in trade receivables	82,341	101,923
Decrease (increase) in contract assets	9,831	(28,831)
Decrease (increase) in inventories and advanced payments	(62,206)	(62,101)
Increase (decrease) in trade payables	(60,264)	(83,835)
Increase (decrease) in contract liabilities	(6,313)	(37,810)
Increase (decrease) in provisions	8,479	(37,270)
Increase (decrease) in retirement benefit liabilities	6,758	4,990
Decrease (increase) in indemnification asset for South African projects	(57,586)	(1,411)
Others	(59,819)	(38,382)
Subtotal	28,941	(59,897)
Interest received	1,671	3,223
Dividends received	8,979	8,584
Interest paid	(3,497)	(4,650)
Income taxes paid	(33,605)	(38,436)
Net cash provided by operating activities	2,490	(91,176)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(95,253)	(109,551)
Proceeds from sales of property, plant and equipment and intangible assets	10,846	19,694
Purchases of investments		
(including investments accounted for using the equity method)	(4,803)	(9,359)
Proceeds from sales and redemption of investments		
(including investments accounted for using the equity method)	19,039	13,591
Payments for acquisition of subsidiaries	-	(28,669)
Net decrease (increase) in short-term loans	(164)	446
Disbursement of long-term loans	(1,333)	(504)
Collection of long-term loans	337	69
Others	603	(5,848)
Net cash used in investing activities	(70,727)	(120,131)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	128,046	243,748
Proceeds from long-term borrowings	53	2
Repayment of long-term borrowings	(19,146)	(9,379)
Payment for redemption of bonds	(30,000)	(15,000)
Proceeds from issuance of stock to non-controlling interests	315	6
Dividends paid to owners of the parent	(20,111)	(21,776)
Dividends paid to non-controlling interests	(4,590)	(4,056)
Proceeds from factoring agreements	65,189	53,504
Repayment of liabilities under factoring agreements	(111,614)	(74,853)
Repayment of lease liabilities	(7,512)	(11,990)
Others	(1,318)	(1,290)
Net cash provided by (used in) financing activities	(690)	158,915
Effect of exchange rate changes on cash and cash equivalents	2,716	(6,819)
Net increase (decrease) in cash and cash equivalents	(66,210)	(59,211)
Cash and cash equivalents at the beginning of the year	299,237	283,235
Cash and cash equivalents at the end of period	233,026	224,023