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# Financial Results for FY2019 1H

October 31, 2019

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This presentation is an overview of MHI's financial results for the first half of fiscal year 2019, the period from April through September 2019.

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MHI has adopted International Financial Reporting Standards (IFRS16) from FY2019. Some financial data for FY2018 described in this presentation material differs from that in Securities report filed to Financial Services Agency and Summary of financial results filed to Tokyo Stock Exchange because retroactive amendments were made in these documents in accordance with regulations.  
(Financial data for FY2018 in this material remains unamended to facilitate the comparison with the past data.)

## I. FY2019 1H Financial Results

## 1H Results Highlights



- Need to pay close attention to downside risk due to factors like the slowdown of the Chinese economy due to the U.S.-China trade war and Brexit. These have had limited impact on this fiscal year's results but we need to watch market and financial conditions carefully going forward.
- Orders received, revenue and profit from business activities generally in line with full-year forecast.  
➡ p.4(Summary of 1H Financial Results), p.6(1H Financial Results by Segment)
- Substantial increase in orders received in power domain (thermal power).
- 1H profits from power segment came in below the same period a year earlier despite steady demand in thermal power due to revenue from nuclear power being concentrated in the latter half of the fiscal year. There is no change to full-year forecast.  
➡ p.9-11(Segment Information)
- Full-year forecast for free cash flow unchanged despite 1H results coming in below the same period a year earlier due to increase in investments and decrease of trade payables and contract liabilities.  
➡ p.8(Main Financial Measures, Cash Flows)
- Interim dividend increased by ¥10 YoY, to ¥75.  
Full-year payout to increase ¥20 YoY, to ¥150.  
➡ p.13(Summary of Forecast for FY2019)

Here we see the results highlights for the first half of fiscal 2019.

## Summary of 1H Financial Results



(In billion yen)

	FY2018 1H (Profit margin)		FY2019 1H (Profit margin)		Change	
Orders received		1,561.8		1,698.2	+136.3	(+8.7%)
Revenue		1,872.0		1,877.6	+5.5	(+0.3%)
Profit from business activities	(3.0%)	56.7	(4.0%)	74.3	+17.5	(+31.0%)
Profit attributable to owners of parent	(1.4%)	25.4	(1.6%)	29.2	+3.7	(+14.7%)
EBITDA	(6.4%)	120.1	(7.5%)	141.2	+21.1	(+17.6%)
Free cash flow		-75.0		-211.3	-136.2	-

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Orders received reached 1,698.2 billion yen, up 136.3 billion yen year-on-year, the result of solid performance in the Power Systems segment. Revenue totaled 1,877.6 billion yen, generally in line with the year-earlier level. Profit from business activities (74.3 billion yen), profit attributable to owners of the parent (29.2 billion yen), and EBITDA (141.2 billion yen) all finished above their respective previous-year results. Free cash flow ended the half at minus-211.3 billion yen, down by 136.2 billion yen year-on-year, attributable to increased investments and reductions in both trade payables and contract liabilities.

## Summary of 1H Financial Results



(In billion yen)

FY2019 1H	Fundamental business <small>(Profit margin)</small>		SpaceJet (MRJ)	Total <small>(Profit margin)</small>	
Orders received	1,698.2		-	1,698.2	
Revenue	1,877.6		-	1,877.6	
Profit from business activities	(4.7%)	88.2	-13.8	(4.0%)	74.3
Profit attributable to owners of parent	(2.3%)	42.8	-13.5	(1.6%)	29.2
EBITDA	(8.2%)	154.6	-13.4	(7.5%)	141.2
Free cash flow	-149.8		-61.4	-211.3	

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Here we see our profit from business activities excluding impact from investments into the SpaceJet (MRJ).

## 1H Financial Results by Segment



(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2018 1H	FY2019 1H	Change	FY2018 1H	FY2019 1H	Change	FY2018 1H	FY2019 1H	Change
Power Systems	425.5	665.4	+239.8	680.8	707.9	+27.0	47.3	37.2	- 10.0
Industry & Infrastructure	925.8	865.1	- 60.7	898.2	874.6	- 23.5	30.3	29.3	- 0.9
Aircraft, Defense & Space	225.5	192.3	- 33.2	307.4	310.5	+3.0	-22.1	12.6	+34.7
Others	35.6	34.1	- 1.5	34.3	33.6	- 0.6	2.9	7.8	+4.8
Eliminations or Corporate	- 50.8	- 58.8	- 8.0	- 48.8	- 49.1	- 0.3	- 1.8	- 12.7	- 10.9
<b>Total</b>	<b>1,561.8</b>	<b>1,698.2</b>	<b>+136.3</b>	<b>1,872.0</b>	<b>1,877.6</b>	<b>+5.5</b>	<b>56.7</b>	<b>74.3</b>	<b>+17.5</b>

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Orders received reached 665.4 billion yen in the Power Systems segment, representing a year-on-year increase by 239.8 billion yen. Orders taken in the Industry & Infrastructure segment ended the half at 865.1 billion yen, down 60.7 billion yen due to slowing growth in medium-lot products. Orders in the Aircraft, Defense & Space segment finished at 192.3 billion yen, off 33.2 billion yen year-on-year owing to the concentrated receipt of large-scale defense orders during the second half. Orders for commercial aircraft are solid, however.

Turning to revenue, in the Power Systems segment revenue increased for thermal power systems while revenue from nuclear power systems declined. In the Industry & Infrastructure segment, revenue—as with orders received—decreased largely from reduced revenue from medium-lot products. Revenue in the Aircraft, Defense & Space segment was generally on a par with the year-earlier level.

Profit from business activities decreased in the Power Systems segment by 10.0 billion yen year-on-year; however, because this owed to the concentration of revenue of nuclear power systems in the second half, we believe our full-year forecast is achievable. In the Industry & Infrastructure segment, profit performance was mixed; but, overall, profit from business activities is performing in line with the year-earlier level. The Aircraft, Defense & Space segment recorded a year-on-year increase in profit from business activities by 34.7 billion yen; this was due mainly to a relatively modest 13.8 billion yen in loss booked in conjunction with SpaceJet (MRJ) investments (with the full-year loss projected to reach 80.0 billion yen).

## Financial Position Overview



(In billion yen)

	As of March 31, 2019	As of September 30, 2019	Change	
Trade receivables	1,343.1	1,226.9	-116.1	
Inventories	739.2	804.5	+65.2	
Other current assets	* 1,076.9	* 1,037.4	-39.4	* Including indemnification asset for South African project
Total fixed assets	1,013.7	1,075.9	+62.1	(Mar. 31, 2019: 546.0 billion yen)
Other non-current assets	969.6	1,042.5	+72.8	(Sep. 30, 2019: 547.3 billion yen)
<b>Total assets</b>	<b>5,142.7</b>	<b>5,187.4</b>	<b>+44.6</b>	
Trade payables	862.1	764.5	-97.5	
Contract liabilities	875.2	831.5	-43.7	Borrowings -12.7
Other liabilities	991.3	992.2	+0.8	Commercial papers +245.0
Interest-bearing debt	665.1	882.4	+217.3	Corporate Bonds -15.0
Equity	1,748.8	1,716.6	-32.1	
Equity attributable to owners of the parent	1,430.8	1,397.1	-33.7	
<b>Total liabilities and Equity</b>	<b>5,142.7</b>	<b>5,187.4</b>	<b>+44.6</b>	

(Assets and liabilities as of September 30, 2019 reflect the adoption of IFRS16 (+97.6 billion yen) .

Dividend	-21.8
Profit attributable to owners of parent	+29.2
Other comprehensive income	-26.3 etc.
(Unrealized holding gain on investment securities, etc.)	

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Looking at our balance sheet, total assets increased by 44.6 billion yen from March 31, 2019. However, this includes a near 100 billion yen increase from the booking of lease assets—which were previously off the book—in line with the adoption of IFRS16. When the latter impact is factored out, total assets actually decreased year-on-year. Given that total assets typically tend to increase at the half, especially inventories, we think our efforts to achieve a sound financial position and our management focus on cash flows are steadily reaping results. Interest-bearing debt increased temporarily from the end of fiscal 2018. We believe squeezing this should be possible by the end of the current fiscal year, and we are procuring the funds mainly through commercial paper to be paid back in the short term.



## Main Financial Measures, Cash Flows



### Main Financial Measures

	As of Mar.31, 2019	As of Sep.30, 2019	Change	FY2019 Forecast
Equity ratio	27.8%	26.9%	-0.9pt	-
Interest-bearing debt (In billion yen)	665.1	882.4	+217.3	600.0
D/E ratio	38%	51%	+13pt	30.0%

### Cash Flows

(In billion yen)

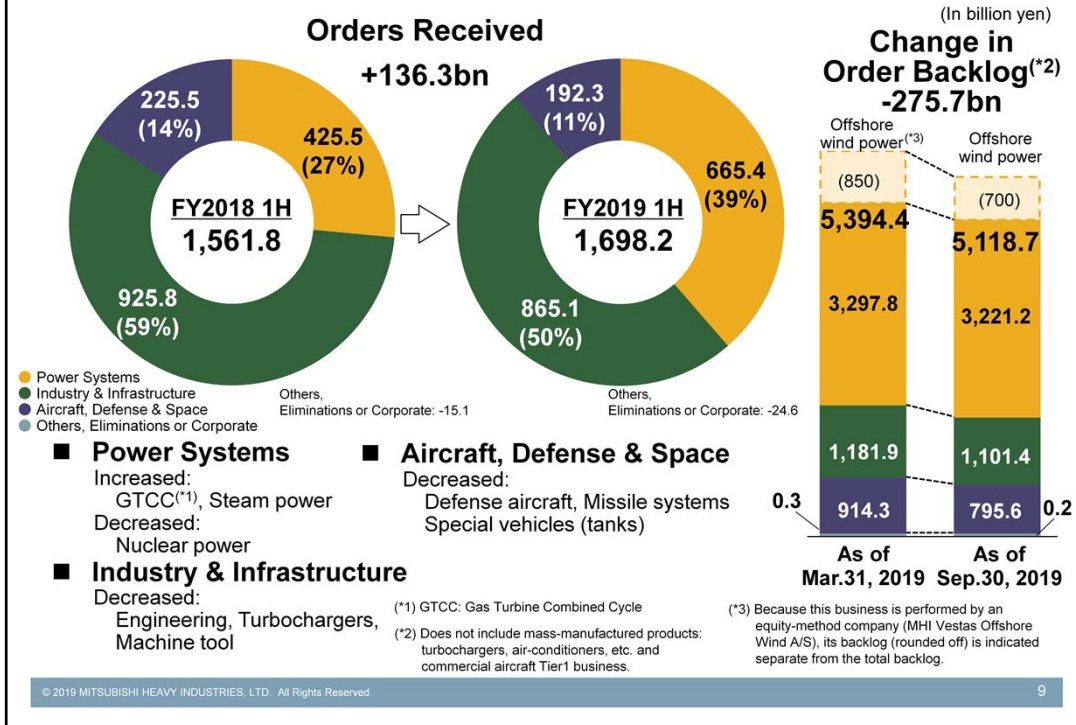
	FY2018 1H	FY2019 1H	Change	FY2019 Forecast
Operating cash flow	-4.2	-91.1	-86.8	-
Investment cash flow	-70.7	-120.1	-49.4	-
Free cash flow	-75.0	-211.3	-136.2	50.0

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The equity ratio ended the half at 26.9%, partly due to impact from booking an impairment loss on MRJ-related assets in fiscal 2018; however, even at the current level, we believe financial stability is being fully maintained. Our interest-bearing debt and debt equity ratio are generally in line with our targets. Among cash flows, investment cash flow is increasing, primarily from M&A activities.

## Orders Received & Order Backlog by Segment



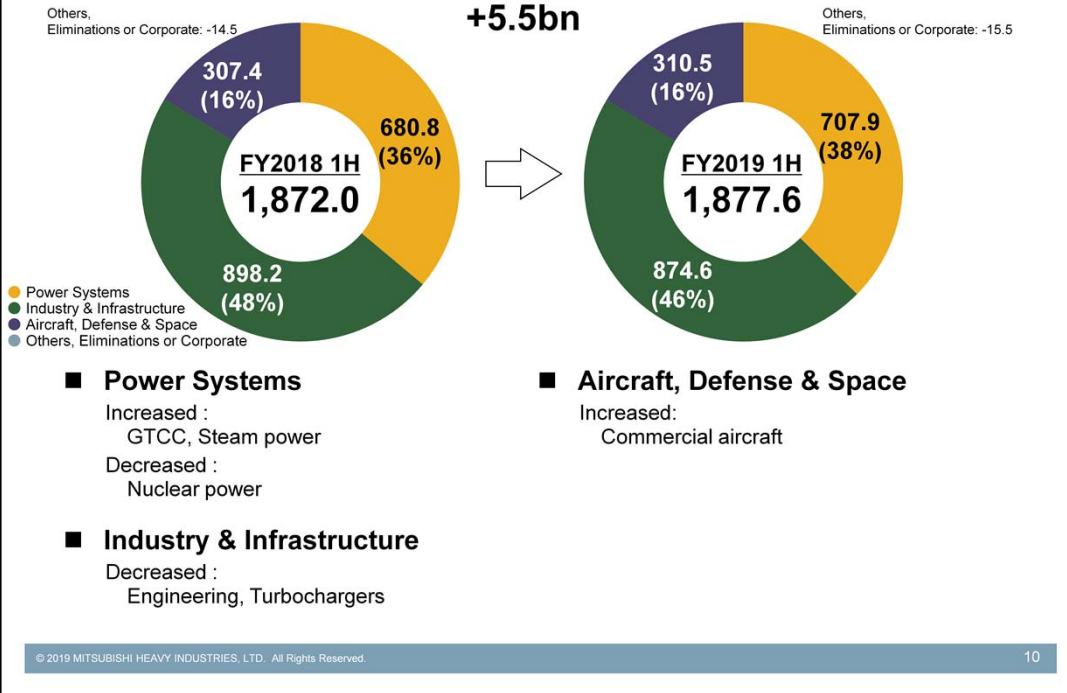
Here we see the segment-based orders received and order backlog figures for the first half.

In the Power Systems segment, order backlog had recently been in a decreasing trend, but we believe this trend has been brought to a halt by solid orders for gas turbines.

# Revenue by Segment



(In billion yen)

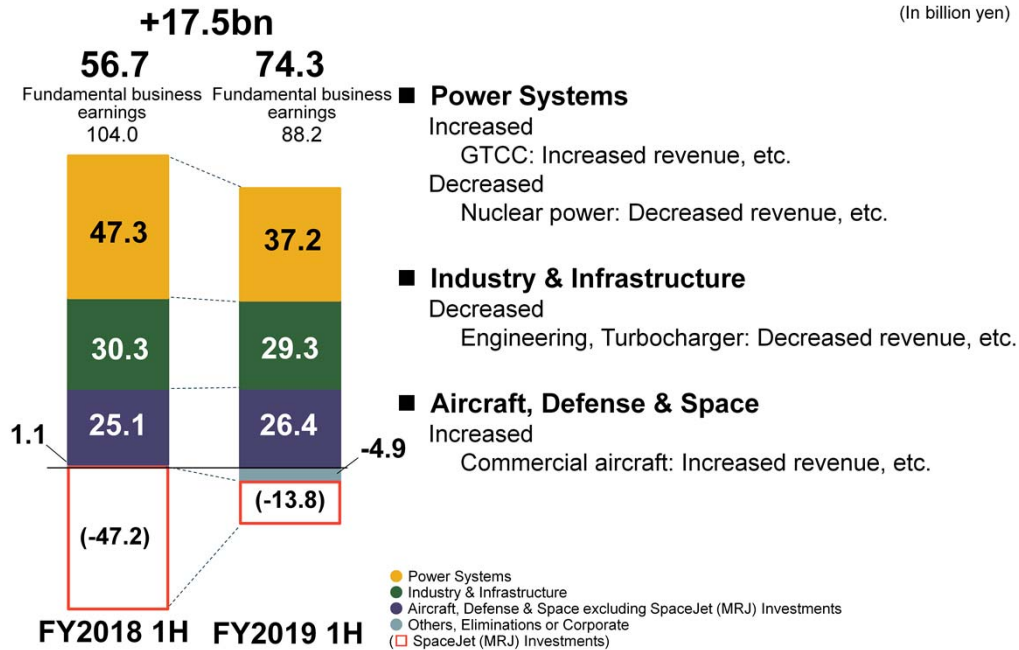


Here we see the segment-based revenue figures.

## Profit from Business Activities by Segment



(In billion yen)



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Profit from business activities deteriorated by 10.0 billion yen in the Power Systems segment, but this owes to the concentration of nuclear power system revenue during the second half. Profit in the Aircraft, Defense & Space segment improved year-on-year, due to limited booking of SpaceJet (MRJ) related losses during the first half.

## II. Forecast for FY2019

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, those projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may vary significantly from these projections due to a number of factors. These include, but are not limited to, economic trends affecting the Company's operating environment, currency movements of the yen value 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.

## Summary of Forecast for FY2019



(In billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change	
	(Profit margin)		(Profit margin)			
Orders received		3,853.4		4,300.0	+446.5	(+11.6%)
Revenue		4,078.3		4,300.0	+221.6	(+5.4%)
Profit from business activities	(4.6%)	186.7	(5.1%)	220.0	+33.2	(+17.8%)
Profit attributable to owners of parent	(2.5%)	101.3	(2.6%)	110.0	+8.6	(+8.5%)
ROE		7.2%		8%	—	
EBITDA	(7.6%)	311.6	(8.1%)	350.0	+38.3	(+12.3%)
Free cash flow		243.0		50.0	-193.0	—
Dividend per share		130.0yen		150.0yen		
		Interim: 65.0yen year-end: 65.0yen		Interim: 75.0yen year-end: 75.0yen		

Undetermined foreign currency amount  
 USD: 1.5 billion  
 Euro: 0.4 billion  
 Assumed exchange rate  
 USD 1.00 = ¥110  
 Euro 1.00 = ¥120 (\*)

There is no change in the forecast announced on May 9, 2019.

(\*) Euro 1.00 = ¥125 as of June 30, 2019

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Because business results and cash flows are generally trending on target and financial stability is being maintained, we have made no changes to our full-year forecasts.

This completes our presentation of the Company's financial results for the first half of fiscal 2019.

## Summary of Forecast for FY2019



(In billion yen)

FY2019 (Forecast)	Fundamental business <small>(Profit margin)</small>	SpaceJet (MRJ)	Total <small>(Profit margin)</small>
Orders received	4,300.0	–	4300.0
Revenue	4,300.0	–	4300.0
Profit from business activities	(7.0%) 300.0	–80.0	(5.1%) 220.0
Profit attributable to owners of parent	(4.4%) 190.0	–80.0	(2.6%) 110.0
ROE	8%	–	8%
EBITDA	(10.0%) 430.0	–80.0	(8.1%) 350.0
Free cash flow	150.0	–100.0	50.0

- TOP<sup>(\*)</sup> for fundamental business 0.8 : 1 : 0.6  
( Revenue ¥4.3 trillion / Total assets ¥5.2 trillion / Market value ¥3.2 trillion<sup>(\*)</sup> )

(\*1) TOP (Triple One Proportion) is a concept under which the managerial goal (proportion) is: Revenue : Total assets : Market value = 1 : 1 : 1.  
(\*2) Market value is assumed as 16.7 times profit attributable to owners of parent, i.e. cost of capital as 6%.

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## Forecast for FY2019 by Segment



(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2018 (Actual)	FY2019 (Forecast)	Change	FY2018 (Actual)	FY2019 (Forecast)	Change	FY2018 (Actual)	FY2019 (Forecast)	Change
Power Systems	1,426.5	1,600.0	+173.4	1,525.1	1,650.0	+124.8	132.8	140.0	+7.1
Industry & Infrastructure	1,852.0	2,000.0	+147.9	1,907.8	1,950.0	+42.1	70.1	110.0	+39.8
Aircraft, Defense & Space	610.6	700.0	+89.3	677.5	700.0	+22.4	- 37.4	- 20.0	+17.4
Others	73.3	100.0	+26.6	71.6	70.0	- 1.6	35.9	5.0	- 30.9
Eliminations or Corporate	- 109.1	- 100.0	+9.1	- 103.8	- 70.0	+33.8	- 14.8	- 15.0	- 0.1
<b>Total</b>	<b>3,853.4</b>	<b>4,300.0</b>	<b>+446.5</b>	<b>4,078.3</b>	<b>4,300.0</b>	<b>+221.6</b>	<b>186.7</b>	<b>220.0</b>	<b>+33.2</b>



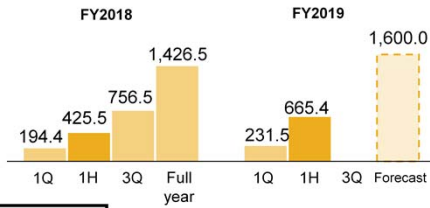
## III. Supplementary Information

Supplementary Information (1) Financial Results by Business Segment  
**< Power Systems >**



(In billion yen, accumulated amount)

**Orders Received**



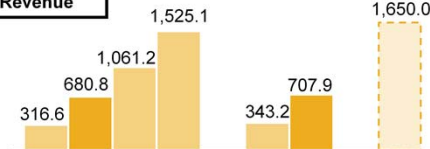
**Orders received : Up ¥239.8 billion YoY**

- Increased : GTCC, Steam power
- Decreased : Nuclear power

Gas turbine orders received

	Americas	Asia	EMEA <sup>(*)</sup>	Others	Total
FY2018-1H					
Large size	-	-	-	-	0
Small to medium size	2	2	-	-	4
Total	2	2	0	0	4
FY2019-1H					
Large size	3	1	2 <sup>(*)</sup>	-	6
Small to medium size	3	-	-	-	3
Total	6	1	2	0	9

**Revenue**



Backlog of Gas turbine orders received

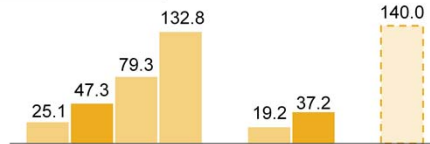
	Large size	Small to medium size	Total
As of Sep. 30, 2018	35	6	41
As of Mar. 31, 2019	44	15	59
As of Sep. 30, 2019	37	11	48

(\*) Europe, Middle East, Africa  
 (\*\*) H100 turbine is categorized into "Large size" from "Small to medium size" from FY2019 1H

**Revenue: Up ¥27.0 billion YoY**

- Increased : GTCC, Steam power
- Decreased : Nuclear power

**Profit from business activities**



**Profit from business activities :  
 Down ¥10.0 billion YoY**

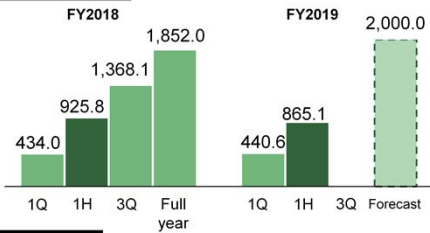
- Increased  
 GTCC: Increased revenue, etc.
- Decreased  
 Nuclear power: Decreased revenue, etc.

Supplementary Information (1) Financial Results by Business Segment  
**< Industry & Infrastructure >**



(In billion yen, accumulated amount)

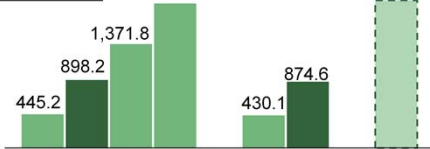
**Orders Received**



**Orders received : Down ¥60.7 billion YoY**

- Decreased : Engineering, Turbochargers, Machine tool

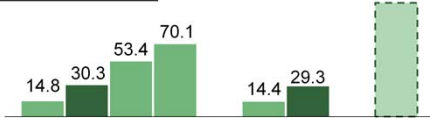
**Revenue**



**Revenue : Down ¥23.5 billion YoY**

- Decreased : Engineering, Turbochargers

**Profit from business activities**



**Profit from business activities :**

**Down ¥0.9 billion YoY**

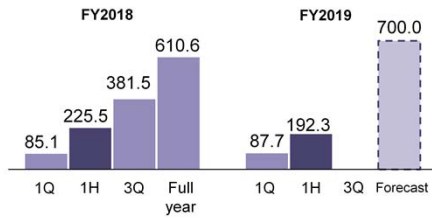
- Decreased  
 Engineering, Turbocharger: Decreased revenue, etc.

Supplementary Information (1) Financial Results by Business Segment  
**< Aircraft, Defense & Space >**



(In billion yen, accumulated amount)

**Orders Received**

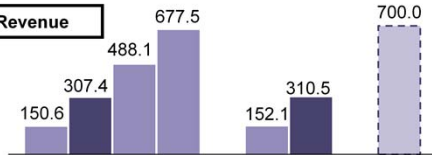


**Orders received : Down ¥33.2 billion YoY**

- Decreased : Defense aircraft, Missile systems, Special vehicles (tanks)

Accumulated number of SpaceJet (MRJ) orders received: 287  
 (firm orders: 163 / options and purchase rights: 124)  
 [As of October 31, 2019]

**Revenue**



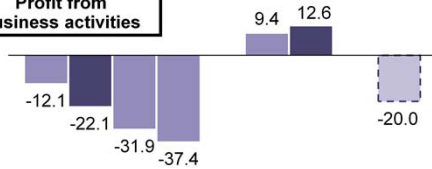
**Revenue : Up ¥3.0 billion YoY**

- Increased : Commercial aircraft

Number of B777s / B777Xs delivered  
 FY2018 (actual) : 48 (1Q: 11, 2Q: 11, 3Q: 11, 4Q: 15)  
 FY2019 (forecast) : 55 (1Q: 16, 2Q: 14, 3Q-4Q: 25[planned])

Number of B787s delivered  
 FY2018 (actual) : 148 (1Q: 37, 2Q: 36, 3Q: 33, 4Q: 42)  
 FY2019 (forecast) : 167 (1Q: 43, 2Q: 42, 3Q-4Q: 82[planned])

**Profit from business activities**



**Profit from business activities :**

**Up ¥34.7 billion YoY**

- Increased  
 Commercial aircraft: Increased revenue, etc.

## Supplementary Information (2) Reference Data



### 1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2018 1H	FY2019 1H	FY2019 (Forecast)
R&D Expenses	62.7	55.5	160.0
Depreciation	63.3	66.8	130.0
Capital Expenditure	53.9	69.7	170.0

### 2. Selling, General and Administrative Expenses

(In billion yen)

	FY2018 1H	FY2019 1H
SG&A	261.4	271.1

### 3. Foreign Exchange Rates (Average rate used for sales)

(In yen)

	FY2018 1H	FY2019 1H
USD	109.6	109.3
Euro	129.3	122.1

### 4. Overseas Revenue by Region (In billion yen)

	FY2018 1H	FY2019 1H
Asia	346.1 (19%)	345.3 (19%)
North America	308.5 (16%)	353.7 (19%)
Europe	204.6 (11%)	175.0 (9%)
Central & South America	67.6 (4%)	68.5 (4%)
The Middle East	61.6 (3%)	45.7 (2%)
Oceania	11.3 (1%)	9.0 (0%)
Africa	40.6 (2%)	34.3 (2%)
Total	1,040.6 (56%)	1,031.8 (55%)

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