



MEMBERSHIP

Financial Results for FY2018 1H (Apr.-Sep.)

October 31, 2018

MITSUBISHI HEAVY INDUSTRIES, LTD.

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MHI Group has adopted International Financial Reporting Standards (IFRS) from FY2018. Actual financial numbers for first half and full year of FY2017 are also shown here in accordance with IFRS.

I. FY2018 1H Financial Results

- Steady progress toward full-year forecasts
➡ p.4(Summary of 1H Financial Results), p.13(Summary of Forecast for FY2018)
- Fundamental business earnings, excluding MRJ investments, are solid.
(Profit from business activities ¥104.0 billion (5.6% margin) /
Profit attributable to owners of parent ¥72.4 billion (3.9% margin))
➡ p.5(Summary of 1H Financial Results)
- Orders received are firm in Industry & Infrastructure (+¥163.3 billion YoY),
offsetting decrease in Power Systems (-¥159.0 billion YoY)
➡ p.6(1H Financial Results by Segment), p.9(Orders Received & Order Backlog by Segment)
- Profit from business activities increased in Power Systems
(+¥33.1 billion YoY) and Industry & Infrastructure (+¥5.8 billion YoY),
offsetting decrease in Aircraft, Defense & Space (-¥2.0 billion YoY)
➡ p.6(1H Financial Results by Segment), p.11(Profit from Business Activities by Segment)
- Free cash flow improved (+¥107.6 billion YoY);
interest-bearing debt (¥897.4 billion) was lowest 1H level on record;
free cash flow full-year forecast revised from ¥50 billion to ¥100 billion
➡ p.7(Financial Position Overview), p.8(Main Financial Measures, Cash Flows)
- Interim dividend increased ¥5 YoY; full-year payout to increase ¥10 YoY
➡ p.13(Summary of Forecast for FY2018)

Summary of 1H Financial Results

(In billion yen)

	FY2017 1H		FY2018 1H		Change	
Orders received		1,594.1		1,561.8	- 32.3	(- 2.0%)
Revenue		1,828.0		1,872.0	+44.0	(+2.4%)
Profit from business activities	(1.1%)	19.4	(3.0%)	56.7	+37.3	(+191.7%)
Profit attributable to owners of parent	(-0.2%)	-2.9	(1.4%)	25.4	+28.4	-
EBITDA	(5.5%)	101.1	(6.4%)	120.1	+18.9	(+18.8%)
Free cash flow		-182.6		-75.0	+107.6	-

Summary of 1H Financial Results

(In billion yen)

FY2018 1H	Fundamental business		MRJ	Total	
Orders received		1,561.8	-		1,561.8
Revenue		1,872.0	-		1,872.0
Profit from business activities	(5.6%)	104.0	-47.2	(3.0%)	56.7
Profit attributable to owners of parent	(3.9%)	72.4	-46.9	(1.4%)	25.4
EBITDA	(8.9%)	167.3	-47.2	(6.4%)	120.1
Free cash flow		-19.8	-55.1		-75.0

1H Financial Results by Segment

(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2017 1H	FY2018 1H	Change	FY2017 1H	FY2018 1H	Change	FY2017 1H	FY2018 1H	Change
Power Systems	584.5	425.5	- 159.0	623.7	680.8	+57.1	14.2	47.3	+33.1
Industry & Infrastructure	762.5	925.8	+163.3	871.0	898.2	+27.1	24.5	30.3	+5.8
Aircraft, Defense & Space	246.3	225.5	- 20.7	336.3	307.4	- 28.8	-20.1	- 22.1	- 2.0
Others	60.4	35.6	- 24.8	60.6	34.2	- 26.3	3.4	2.9	- 0.4
Eliminations or Corporate	- 59.7	- 50.8	+8.8	- 63.8	- 48.8	+15.0	- 2.6	- 1.8	+0.8
Total	1,594.1	1,561.8	- 32.3	1,828.0	1,872.0	+44.0	19.4	56.7	+37.3

Financial Position Overview

(In billion yen)

	As of March 31, 2018	As of September 30, 2018	Change
Trade receivables	1,504.6	1,420.3	-84.2
Inventories	748.5	821.5	+72.9
Other current assets	* 987.7	* 1,000.5	+12.8
Total fixed assets	997.7	992.9	-4.8
Other non-current assets	1,010.0	1,017.6	+7.6
Total assets	5,248.7	5,253.0	+4.2
Trade payables	801.1	740.8	-60.2
Contract liabilities	914.6	908.5	-6.1
Other current liabilities	1,025.8	962.1	-63.7
Interest-bearing debt	813.1	897.4	+84.3
Equity	1,693.8	1,744.0	+50.1
Equity attributable to owners of the parent	1,395.5	1,436.3	+40.7
Total liabilities and Equity	5,248.7	5,253.0	+4.2

* Including indemnification asset for South African project
 (Mar. 31, 2018: 445.9 billion yen)
 (Sep. 30, 2018: 497.5 billion yen)
 (Aug. 3, 2018 : 506.7 billion yen)

Borrowings -13.6
 Commercial papers +128.0
 Bonds -30.0

Dividend -20.1
 Profit attributable to owners of parent +25.4
 Other comprehensive income +28.0 etc.
 (Unrealized holding gain on investment securities, etc.)

Main Financial Measures, Cash Flows

Main Financial Measures

	As of Mar.31, 2018	As of Sep.30, 2018	Change	FY2018 Forecast
Equity ratio	26.6%	27.3%	+0.7pt	-
Interest-bearing debt (In billion yen)	813.1	897.4	+84.3	770.0
D/E ratio	48%	51%	+3pt	-

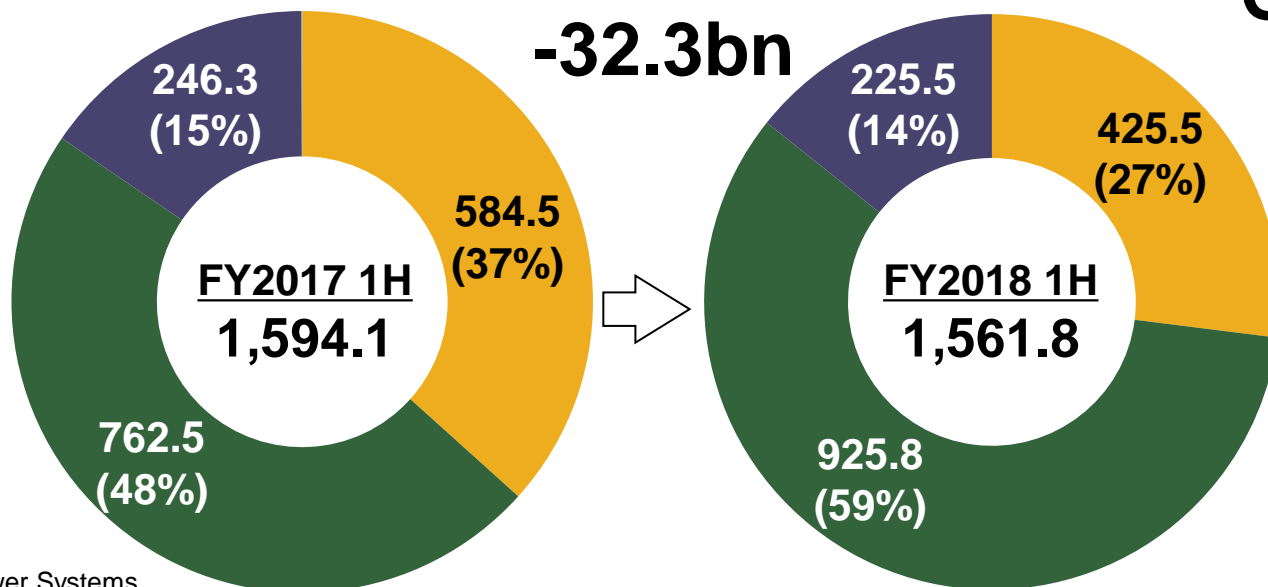
Cash Flows

(In billion yen)

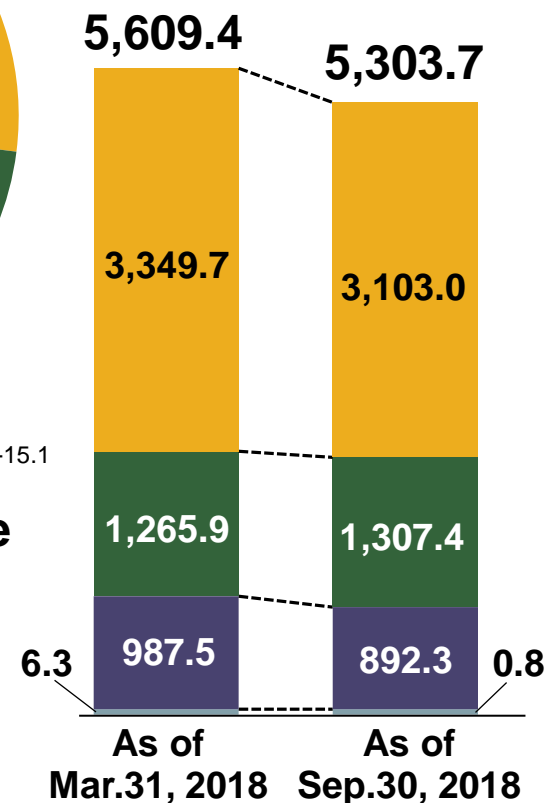
	FY2017 1H	FY2018 1H	Change	FY2018 Forecast
Operating cash flow	-63.1	-4.2	+58.8	-
Investment cash flow	-119.5	-70.7	+48.7	-
Free cash flow	-182.6	-75.0	+107.6	100.0

Orders Received

(In billion yen)



Order Backlog^(*2)



- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space
- Others, Eliminations or Corporate

Power Systems
Decreased:
GTCC^(*1),
Steam Power (Conventional thermal)

Aircraft, Defense & Space
Increased:
Defense aircraft
Decreased:
Commercial aircraft,
Naval vessels

Industry & Infrastructure
Increased:
Metals machinery, Chemical plants

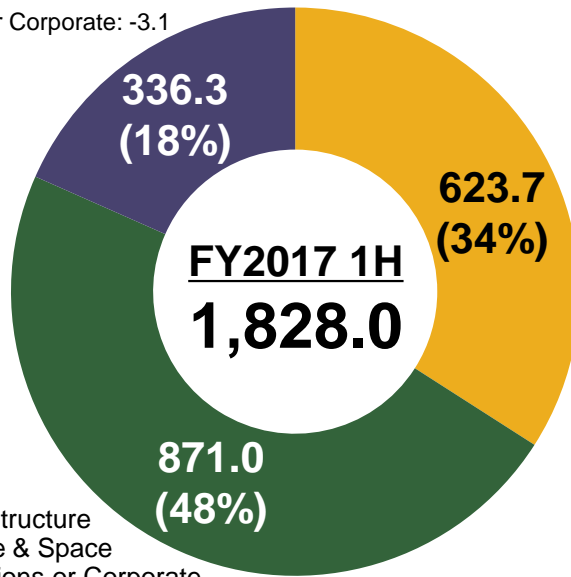
(*1)GTCC: Gas Turbine Combined Cycle

(*2) Does not include mass-manufactured products: turbochargers, air-conditioners, etc.

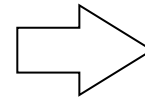
Revenue by Segment

(In billion yen)

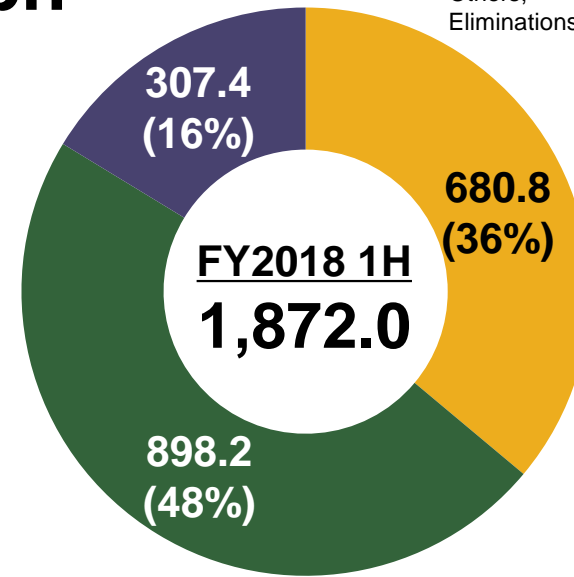
Others,
Eliminations or Corporate: -3.1



+44.0bn



Others,
Eliminations or Corporate: -14.5



- Power Systems
- Industry & Infrastructure
- Aircraft, Defense & Space
- Others, Eliminations or Corporate

■ Power Systems

Increased :

Nuclear power, GTCC, Aero engines

■ Aircraft, Defense & Space

Decreased:

Missile systems, Commercial aircraft

■ Industry & Infrastructure

Increased :

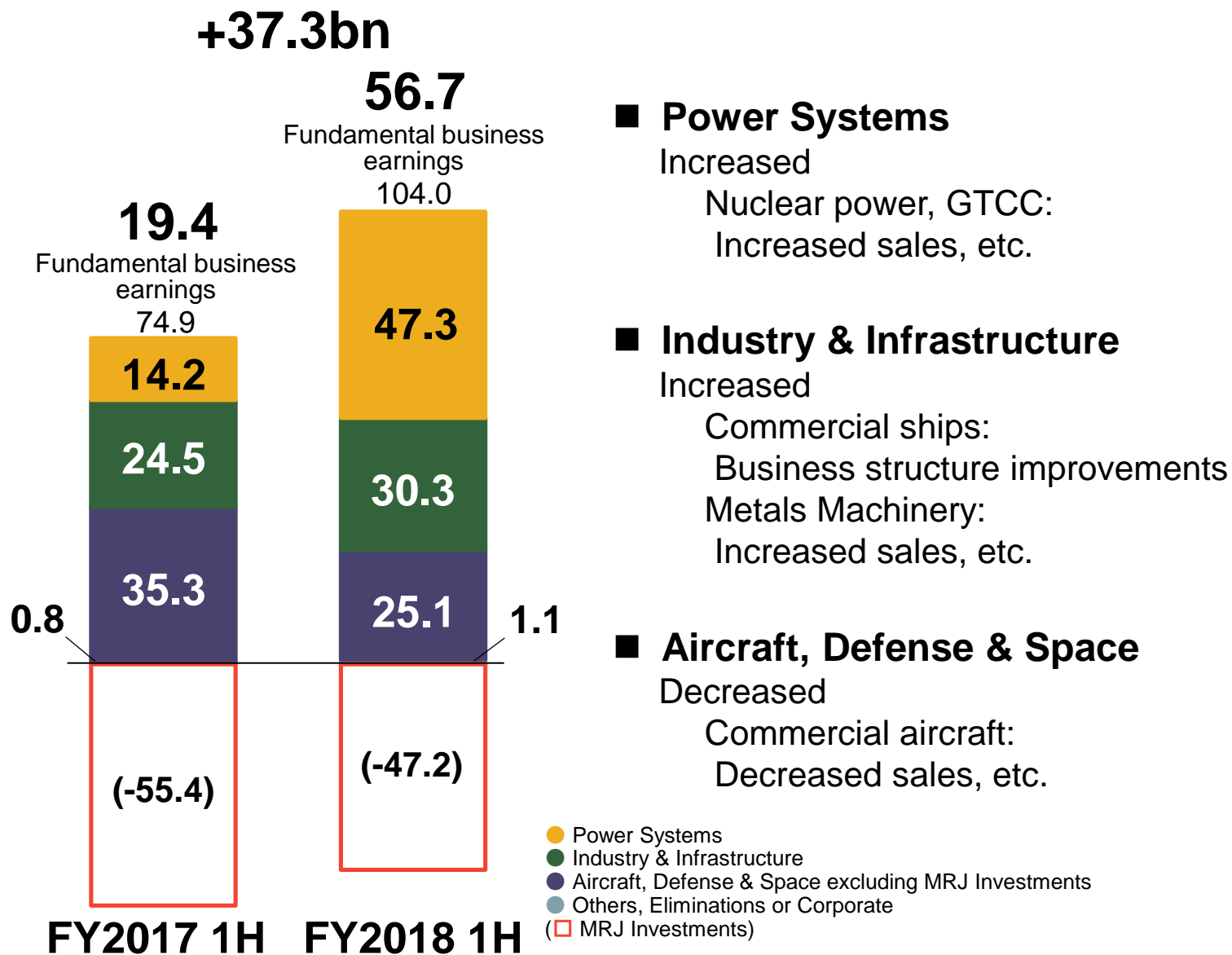
Metals Machinery, Material handling equipment,
Turbochargers

Decreased :

Chemical plants, Transportation systems

Profit from Business Activities by Segment

(In billion yen)



II. Forecast for FY2018

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 FY2018

(In billion yen)

	FY2017 (Actual)	FY2018 (Forecast)		Change	
		As of Oct. 31, 2018			
Orders received	3,868.7	4,100.0	4,100.0	+231.2	(+6.0%)
Revenue	4,085.6	4,200.0	4,200.0	+114.3	(+2.8%)
Profit from business activities	(1.4%) 58.1	(3.8%) 160.0	160.0	+101.8	(+175.0%)
Profit attributable to owners of parent	-7.3	(1.9%) 80.0	80.0	+87.3	-
ROE	-0.5%	6%	6%	-	
EBITDA	(5.7%) 231.9	(7.6%) 320.0	320.0	+88.0	(+38.0%)
Free cash flow	167.5	100.0	50.0	-67.5	-
Dividend (per share after the share consolidation)	(*)120.0yen Interim: 60.0yen year-end: 60.0yen	130.0yen Interim: 65.0yen year-end: 65.0yen		Undetermined foreign currency amount US\$: 1.3 billion Euro: 0.4 billion Assumed exchange rate US\$ 1.00 = ¥110 Euro 1.00 = ¥130	

Because actual 1H FCF exceeded our expectation,
the FCF figure previously announced has been revised.

(*) MHI implemented a share consolidation (10 to 1) effective October 1, 2017.
Actual dividend for FY2017 interim was 6 yen; however, for the purpose of comparison,
dividends are shown here at post-share consolidation levels.

Summary of Forecast for FY2018

(In billion yen)

FY2018 (Forecast)	Fundamental business		MRJ	Total
	As of Oct. 31, 2018	As of Aug. 3, 2018		
Orders received	4,100.0	4,100.0	—	4,100.0
Revenue	4,200.0	4,200.0	—	4,200.0
Profit from business activities	(6.0%) 250.0	250.0	−90.0	(3.8%) 160.0
Profit attributable to owners of parent	(4.0%) 170.0	170.0	−90.0	(1.9%) 80.0
ROE	12%	12%	—	6%
EBITDA	(9.8%) 410.0	410.0	−90.0	(7.6%) 320.0
Free cash flow	220.0	170.0	−120.0	100.0

- TOP^(*) for fundamental business 1 : 1.2 : 0.7
(Revenue ¥4.2 trillion / Total assets ¥5.1 trillion / Market capitalization ¥2.8 trillion^(*))

(*) TOP (Triple One Proportion) is a concept under which the managerial goal (proportion) is: Net sales : Total assets : Market capitalization = 1 : 1 : 1.

(*) Market capitalization is assumed as 16.7 times profit attributable to owners of parent, i.e. capital cost as 6%.

Forecast for FY2018 by Segment

(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2017 (Actual)	FY2018 (Forecast)	Change	FY2017 (Actual)	FY2018 (Forecast)	Change	FY2017 (Actual)	FY2018 (Forecast)	Change
Power Systems	1,437.5	1,500.0	+62.4	1,482.4	1,600.0	+117.5	84.9	135.0	+50.0
Industry & Infrastructure	1,711.3	1,950.0	+238.6	1,890.0	1,900.0	+9.9	41.0	80.0	+38.9
Aircraft, Defense & Space	714.6	650.0	- 64.6	718.3	700.0	- 18.3	- 63.5	- 45.0	+18.5
Others	113.5	100.0	- 13.5	120.7	120.0	- 0.7	3.4	5.0	+1.5
Eliminations or Corporate	- 108.3	- 100.0	+8.3	- 125.9	- 120.0	+5.9	- 7.7	- 15.0	- 7.2
Total	3,868.7	4,100.0	+231.2	4,085.6	4,200.0	+114.3	58.1	160.0	+101.8

Segment figures are unchanged from those previously announced (August 3, 2018)

III. Increased capitalization of Mitsubishi Aircraft

Increased Capitalization of Mitsubishi Aircraft

- With the understanding of existing shareholders, MHI will provide 100% of the capital increase to Mitsubishi Aircraft and also forgive the company's debt, in order to restore solvency and secure MRJ investment capital.
- As a result of the capital increase, MHI's ownership ratio will increase from 64.0% to 86.7%.

	Before increase		After Increase
Capital / Capital reserve	¥100 billion	Capital increase ¥170 billion →	¥270 billion
Cumulative loss ^(*)	approx. ¥-210 billion	Debt forgiveness ¥50 billion →	approx. ¥-160 billion
Net assets ^(*)	approx. ¥-110 billion	Total +¥220 billion →	approx. ¥110 billion

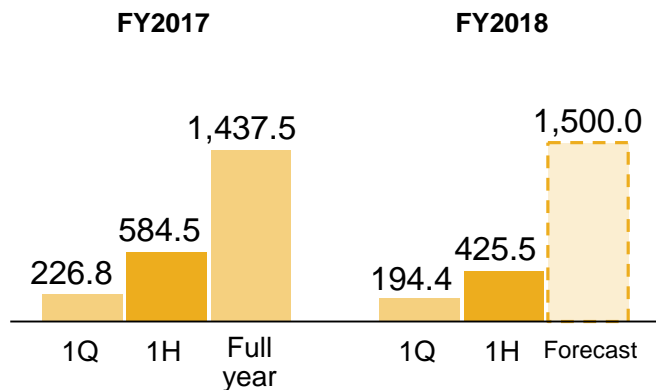
(*)Calculated based on figures as of the end of March, 2018.

- Funds raised through capital increase will be applied to MRJ90 development and preparation for commercialization.
- With the MRJ as one pillar, commercial aircraft will be grown into the next core business of MHI Group.
(to come from within MHI Group's flow of funds, as an investment to grow new business)

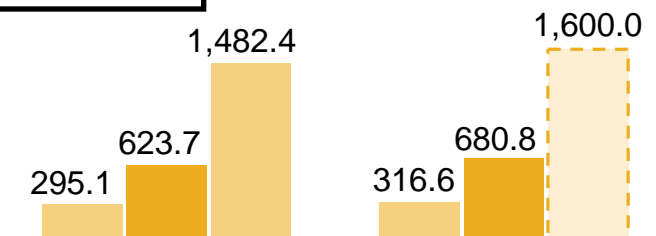
IV. Supplementary Information

(In billion yen, accumulated amount)

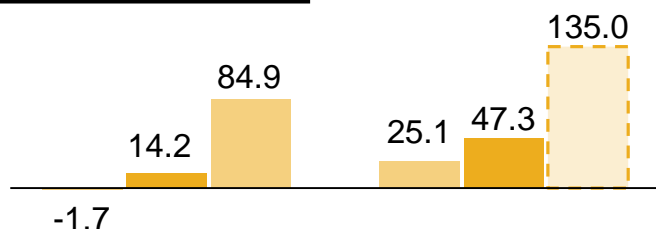
Orders Received



Revenue



Profit from business activities



Orders received : Down ¥159.0 billion YoY

- Decreased : GTCC^(*), Steam power (Conventional thermal)

(*)GTCC: Gas Turbine Combined Cycle

Gas turbine orders received

		North America	Asia	Japan	Others	Total
FY2017 1H	Large size	-	2	-	2	4
	Small to medium size	-	-	-	1	1
	Total	0	2	0	3	5
FY2018 1H	Large size	-	-	-	-	0
	Small to medium size	2	2	-	-	4
	Total	2	2	0	0	4

Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Sep. 30, 2017	43	13	56
As of Mar. 31, 2018	38	6	44
As of Sep. 30, 2018	33	8	41

Revenue: Up ¥57.1 billion YoY

- Increased : Nuclear power, GTCC, Aero engines

Profit from business activities : Up ¥33.1 billion YoY

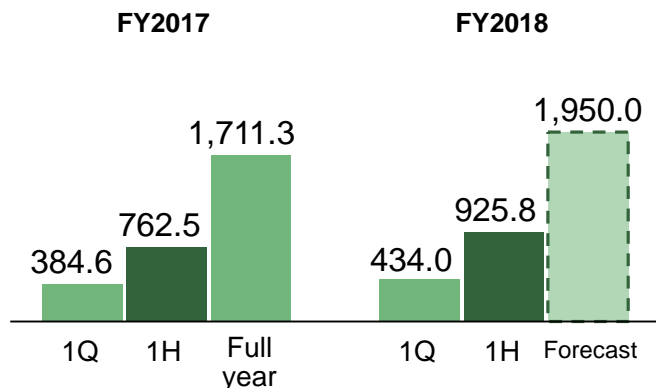
- Increased

Nuclear power, GTCC: Increased sales, etc.

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

(In billion yen, accumulated amount)

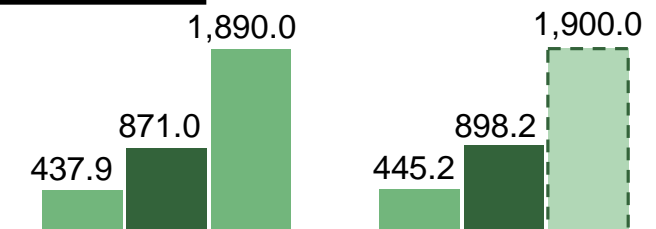
Orders Received



Orders received : Up ¥163.3 billion YoY

- Increased : Metals machinery, Chemical plants

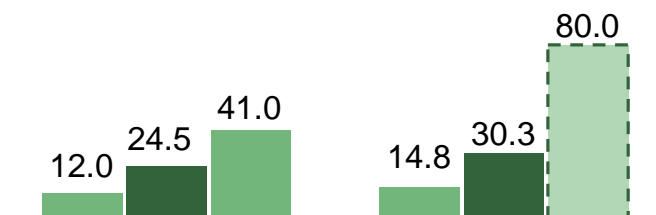
Revenue



Revenue : Up ¥27.1 billion YoY

- Increased : Metals machinery, Material handling equipment, Turbochargers
- Decreased : Chemical plants, Transportation systems

Profit from business activities



Profit from business activities : Up ¥5.8 billion YoY

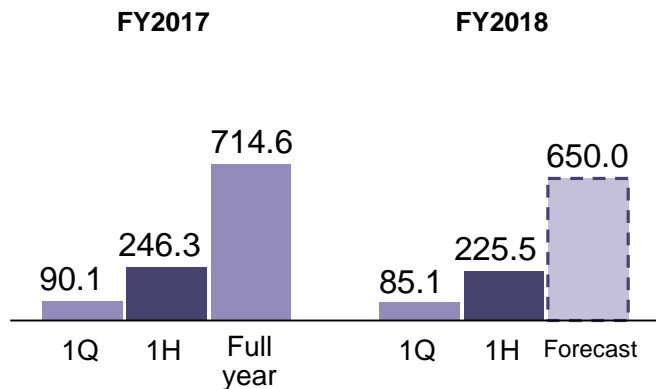
- Increased
Commercial ships:
Business structure improvements
Metals machinery:
Increased sales, etc.

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



(In billion yen, accumulated amount)

Orders Received

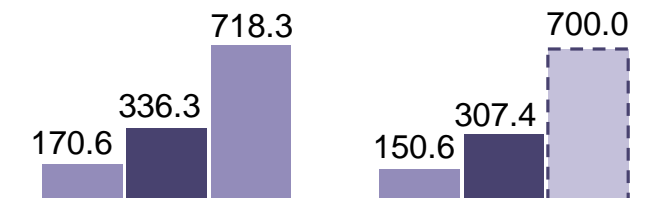


Orders received : Down ¥20.7 billion YoY

- Increased : Defense aircraft
- Decreased : Commercial aircraft, Naval vessels

Accumulated number of MRJ orders received: 387
(firm orders: 213 / options and purchase rights: 174)
[As of October 31, 2018]

Revenue



Revenue : Down ¥28.8 billion YoY

- Decreased : Missile systems, Commercial aircraft

Number of B777s / B777Xs delivered

FY2017 (actual) : 58 (1H:17, 2Q:15, 3Q:16, 4Q:10)

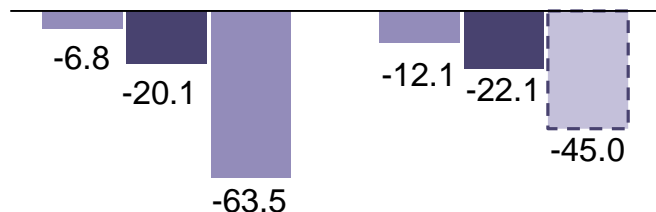
FY2018 (forecast) : 48 (1H:11, 2Q:11, 3Q-4Q: 26[planned])

Number of B787s delivered

FY2017 (actual) :141 (1H:36, 2Q:36, 3Q:33, 4Q:36)

FY2018 (forecast) :148 (1H:37, 2Q:36, 3Q-4Q: 75[planned])

Profit from business activities



Profit from business activities :

Down ¥2.0 billion YoY

- Decreased
Commercial aircraft: Decreased sales, etc.

Supplementary Information (2) Reference Data

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2017 1H	FY2018 1H	FY2018 (Forecast)
R&D Expenses	61.6	62.7	180.0
Depreciation	81.6	63.3	160.0
Capital Expenditure	71.2	53.9	160.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2017 1H	FY2018 1H
SG&A	261.5	261.4

3. Foreign Exchange Rates (For sales)

(In yen)

	FY2017 1H	FY2018 1H
US\$	111.3	109.6
Euro	125.7	129.3

(In billion yen)

4. Overseas Revenue by Region

	FY2017 1H	FY2018 1H
Asia	312.4 (17%)	346.1 (19%)
North America	329.0 (18%)	308.5 (16%)
Europe	183.3 (10%)	204.6 (11%)
Central & South America	71.2 (4%)	67.6 (4%)
The Middle East	71.2 (4%)	61.6 (3%)
Oceania	14.1 (1%)	11.3 (1%)
Africa	33.8 (2%)	40.6 (2%)
Total	1,015.2 (56%)	1,040.6 (56%)

5. Segment Information by Geographic Distribution

		FY2017 1H	FY2018 1H
Japan	Revenue	1,527.8	1,434.7
	Profit from business activities	4.9	35.2
North America	Revenue	215.7	216.3
	Profit from business activities	4.6	4.4
Asia	Revenue	138.0	208.3
	Profit from business activities	15.1	16.2
Europe	Revenue	171.4	186.0
	Profit from business activities	-5.4	0.4
Others	Revenue	51.5	23.6
	Profit from business activities	0.2	0.4
Eliminations or Corporate	Revenue	-276.6	-197.2
	Profit from business activities	-	-
Total	Revenue	1,828.0	1,872.0
	Profit from business activities	19.4	56.7

MOVE THE WORLD FORWARD

**MITSUBISHI
HEAVY
INDUSTRIES
GROUP**