



MEMBERSHIP

# Financial Results for FY2017 1H (Apr.-Sep.)

October 31, 2017

**MITSUBISHI HEAVY INDUSTRIES, LTD.**

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# I. FY2017 1H Financial Results

# Summary of 1H Financial Results

(In billion yen)

	FY2016 1H		FY2017 1H		Change	
Orders received		1,664.4		1,600.5	-63.8	(- 3.8%)
Net sales		1,750.5		1,825.4	74.9	(+4.3%)
Operating income	(2.2%)	38.4	(2.1%)	38.2	-0.1	(- 0.5%)
Ordinary income	(-0.1%)	-1.8	(2.3%)	41.2	43.0	-
Extraordinary gain/loss		-12.7		-4.7	+8.0	-
Net income attributable to owners of parent	(-1.1%)	-18.9	(0.7%)	13.5	+32.4	-
EBITDA	(7.2%)	126.3	(7.1%)	129.2	+2.9	(+2.3%)

## Breakdown of FY2017 1H Extraordinary gain/loss (-4.7)

### <Extraordinary loss>

-Business structure improvement expenses -4.7

Non-operating income below are included:

- Foreign exchange gain 7.0 (+18.8)
- Income from equity method investments 2.0 (+22.4)

\* ( ) Change from FY2016 1H

# 1H Financial Results by Segment<sup>(\*)</sup>

(In billion yen)

	Orders received			Net sales			Operating income		
	FY2016 1H	FY2017 1H	Change	FY2016 1H	FY2017 1H	Change	FY2016 1H	FY2017 1H	Change
Power Systems	591.8	584.5	- 7.2	648.6	630.0	- 18.6	30.2	12.1	- 18.0
Industry & Infrastructure	773.9	762.5	- 11.4	793.0	882.5	+89.4	12.2	26.9	+14.7
Aircraft, Defense & Space	293.1	252.7	- 40.4	303.3	316.0	+12.6	0.0	2.9	+2.9
Others	71.9	60.4	- 11.4	78.5	60.7	- 17.8	3.7	2.5	- 1.2
Eliminations or Corporate	- 66.5	- 59.7	+6.8	- 73.1	- 63.8	+9.3	- 7.8	- 6.4	+1.4
<b>Total</b>	<b>1,664.4</b>	<b>1,600.5</b>	<b>- 63.8</b>	<b>1,750.5</b>	<b>1,825.4</b>	<b>+74.9</b>	<b>38.4</b>	<b>38.2</b>	<b>- 0.1</b>

(\*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

# Balance Sheet Overview

(In billion yen)

	As of September 30, 2016	As of March 31, 2017	As of September 30, 2017	Change
Trade receivables	1,058.4	1,180.1	1,176.7	-3.3
Inventories	1,428.2	1,325.5	1,386.5	+61.0
Other current assets	918.4	1,016.3	* 1,068.8	+52.5
Total fixed assets	1,247.3	1,184.5	1,170.9	-13.5
Investments and advances	647.6	775.3	796.4	+21.1
<b>Total assets</b>	<b>5,300.1</b>	<b>5,481.9</b>	<b>5,599.6</b>	<b>+117.7</b>
Trade payables	745.2	836.0	775.3	-60.6
Advance payments received on contracts	736.4	777.6	775.2	-2.3
Other current liabilities	757.8	835.3	790.8	-44.4
Interest-bearing debt	1,182.1	925.5	1,098.4	+172.8
Net assets	1,878.4	2,107.2	2,159.7	+52.4
Net worth (Owners equity)	1,579.6	1,782.6	1,834.5	+51.8
<b>Total liabilities and net assets</b>	<b>5,300.1</b>	<b>5,481.9</b>	<b>5,599.6</b>	<b>+117.7</b>

\* Including indemnification asset for South African project (344.8 billion yen)

Short-term borrowings +26.1  
Commercial papers +196.0  
Bonds (incl. current portion) -40.0  
Long-term borrowings -9.2  
(incl. current portion)  
- Decreased 83.7 from FY2016 1H

Dividend -20.1  
Net income +13.5  
Other comprehensive income +48.5 etc.  
(Unrealized holding gain on investment securities, etc.)

# Main Financial Measures, Cash Flows

## Main Financial Measures

	As of Sep.30, 2016	As of Mar.31, 2017	As of Sep.30, 2017	Change	FY2017 Forecast
Equity ratio	29.8%	32.5%	32.8%	+0.3pt	-
Interest-bearing debt (In billion yen)	1,182.1	925.5	1,098.4	+172.8	850.0
D/E ratio	63%	44%	51%	+7pt	-

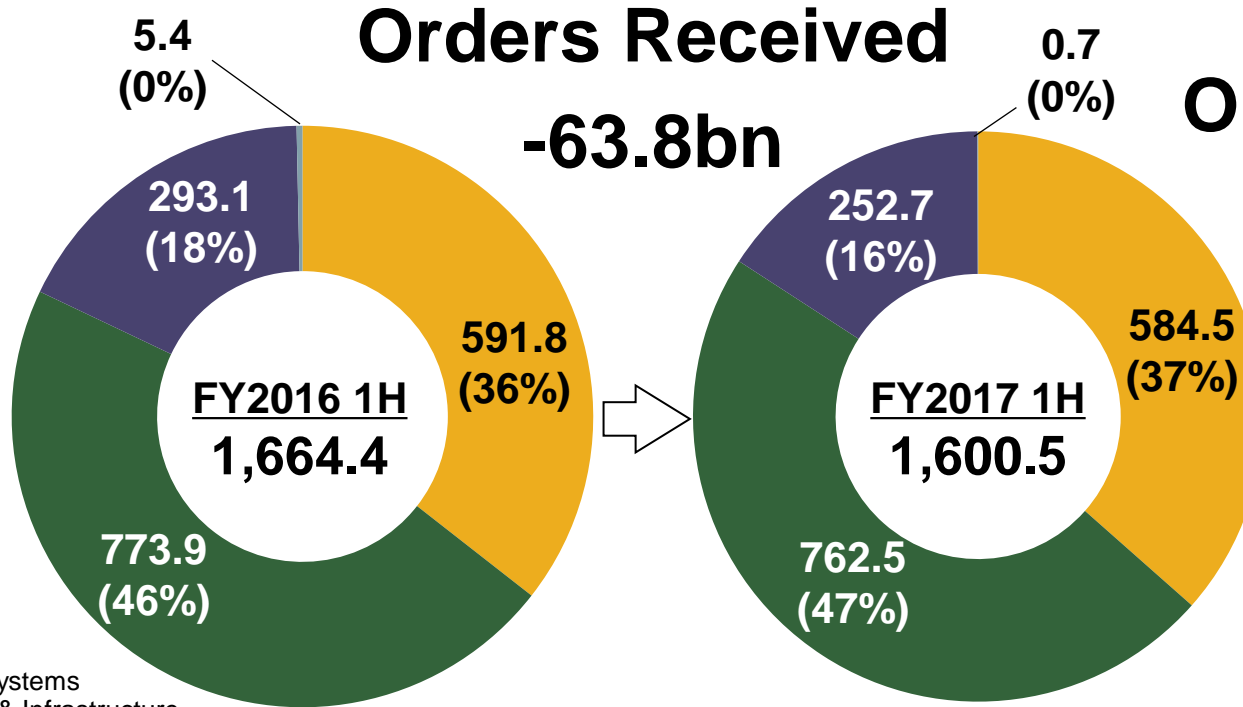
## Cash Flows

(In billion yen)

	FY2016 1H	FY2017 1H	Change	FY2017 Forecast
Operating activities Cash Flow	-118.3	-110.8	+7.5	-
Investing activities Cash Flow	-98.7	-75.4	+23.2	-
Free Cash Flow	-217.0	-186.2	+30.7	100.0

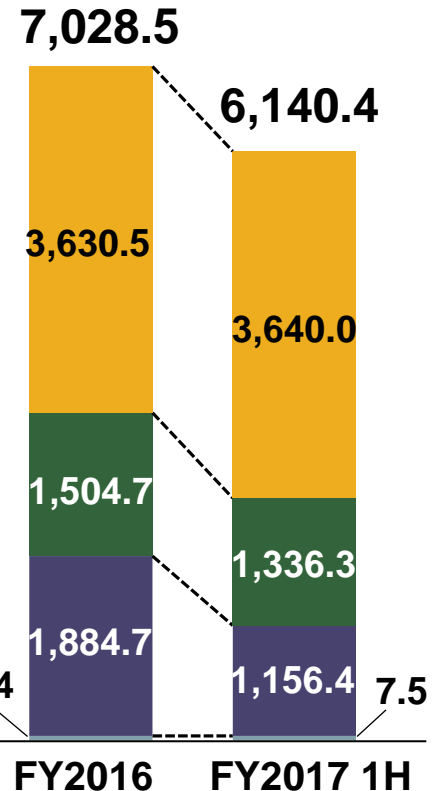
# Orders Received & Order Backlog by Segment

(In billion yen)



## Order Backlog<sup>(\*2)</sup>

**-888.0bn**



(\*2) • Does not include mass-manufactured products: turbochargers, air-conditioners, etc.  
 • Does not include MRJ in figures for FY2017 1H. (See p.16 for the number of MRJ orders received)

(\*1) GTCC: Gas turbine combined cycle

### Power Systems

Increased:

GTCC<sup>(\*1)</sup>, Compressors

Decreased:

Conventional thermal power

### Industry & Infrastructure

Increased:

Metals machinery, Forklift trucks

Decreased:

Commercial ships, Chemical plants

### Aircraft, Defense & Space

Increased:

Naval vessels, Space systems

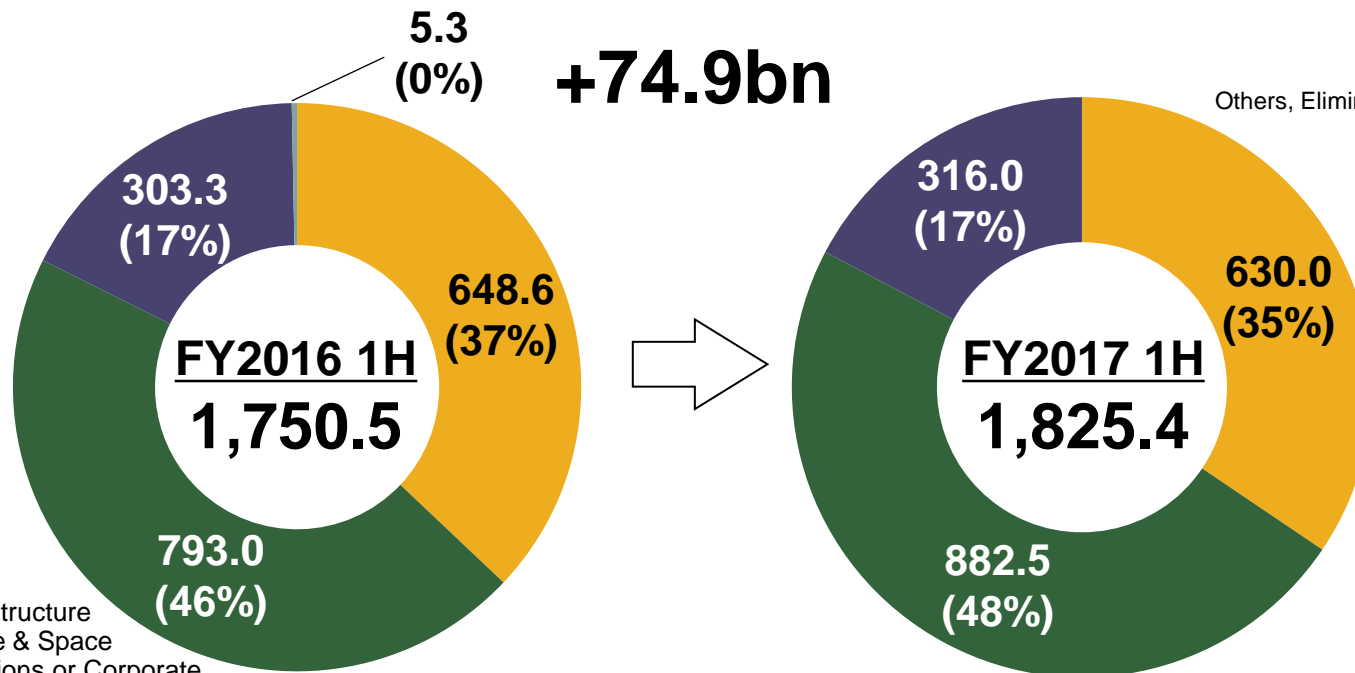
Decreased:

Defense aircraft, Special vehicles



# Net Sales by Segment

(In billion yen)



## ■ Power Systems

Increased :

Conventional thermal power

Decreased :

GTCC, Nuclear power

## ■ Industry & Infrastructure

Increased :

Forklift trucks, Transportation systems

Decreased :

Metals machinery

## ■ Aircraft, Defense & Space

Increased:

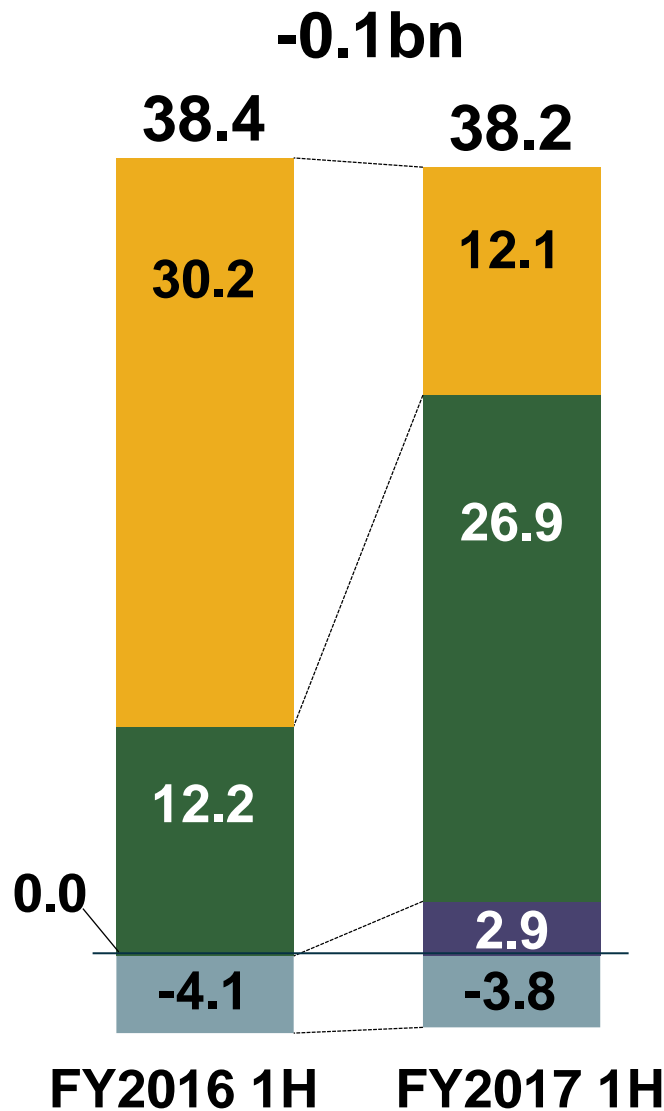
Space systems

Decreased:

Defense aircraft, Missile systems

# Operating Income by Segment

(In billion yen)



## ■ Power Systems

Decreased

GTCC, Nuclear power: Decreased sales etc.

## ■ Industry & Infrastructure

Increased

Forklift trucks, Turbochargers: Increased sales etc.

## ■ Aircraft, Defense & Space

Increased

Space systems: Increased sales

Commercial aircraft: cost improvement etc.

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

## II. Forecast for FY2017

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 FY2017

(In billion yen)

	FY2016 (Actual)	FY2017 (Forecast)		Change
		As of Oct. 31, 2017	As of July 31, 2017	
Orders received	4,275.6	4,000.0	4,500.0	- 275.6 (- 6.4%)
Net sales	3,914.0	4,050.0	4,150.0	+135.9 (+3.5%)
Operating income	(3.8%) 150.5	(4.4%) 180.0	230.0	+29.4 (+19.6%)
Ordinary income	(3.2%) 124.2	(4.2%) 170.0	210.0	+45.7 (+36.8%)
Net income attributable to owners of parent	(2.2%) 87.7	(2.0%) 80.0	100.0	- 7.7 (- 8.8%)
ROE	5.1%	4.4%	5.5%	- 0.7pt
EBITDA	(8.7%) 339.8	(9.1%) 370.0	430.0	+30.1 (+8.9%)
Free cash flow	104.6	100.0	100.0	- 4.6 (- 4.4%)
Dividend (per share after the share consolidation)	(*) 120.0yen Interim: 60.0yen year-end: 60.0yen	(*) 120.0yen Interim: 60.0yen year-end: 60.0yen		<Assumed exchange rate> US\$ 1.00 = ¥110 Euro 1.00 = ¥130

<Undetermined foreign  
currency amount>

US\$: 0.6 billion

Euro: 0.3 billion

Forecast has been revised in light of 1H results, business environment etc.

(\*) MHI implemented a share consolidation (10 to 1) effective October 1, 2017.

Actual dividend for FY2016 was 12 yen (Interim: 6yen / year-end: 6yen) and for FY2017 interim is 6 yen; however, for the purpose of comparison, dividends are shown here at post-share consolidation levels.

# Forecast for FY2017 by Segment<sup>(\*)</sup>

(In billion yen)

	Orders received				Net sales				Operating income			
	FY2016 (Actual)	FY2017 (Forecast)		Change	FY2016 (Actual)	FY2017 (Forecast)		Change	FY2016 (Actual)	FY2017 (Forecast)		Change
		As of Oct.31	As of July 31			As of Oct.31	As of July 31			As of Oct.31	As of July 31	
Power Systems	1,726.3	1,450.0	1,950.0	- 276.3	1,448.4	1,550.0	1,650.0	+101.5	108.1	100.0	145.0	- 8.1
Industry & Infrastructure	1,590.3	1,900.0	1,900.0	+309.6	1,747.0	1,850.0	1,850.0	+102.9	50.0	80.0	85.0	+29.9
Aircraft, Defense & Space	955.0	600.0	600.0	- 355.0	703.4	650.0	650.0	- 53.4	0.9	10.0	10.0	+9.0
Others	160.4	150.0	150.0	- 10.4	175.9	150.0	150.0	- 25.9	10.7	10.0	10.0	- 0.7
Eliminations or Corporate	- 156.6	- 100.0	- 100.0	+56.6	- 160.7	- 150.0	- 150.0	+10.7	- 19.3	- 20.0	- 20.0	- 0.6
<b>Total</b>	<b>4,275.6</b>	<b>4,000.0</b>	<b>4,500.0</b>	<b>- 275.6</b>	<b>3,914.0</b>	<b>4,050.0</b>	<b>4,150.0</b>	<b>+135.9</b>	<b>150.5</b>	<b>180.0</b>	<b>230.0</b>	<b>+29.4</b>

- Forecast revision mainly in Power Systems.
- There is no significant change in Industry & Infrastructure and Aircraft, Defense & Space.

(\*) The reported segments have been changed in line with the reorganization and business reconfiguration initiatives carried out effective April 1, 2017.

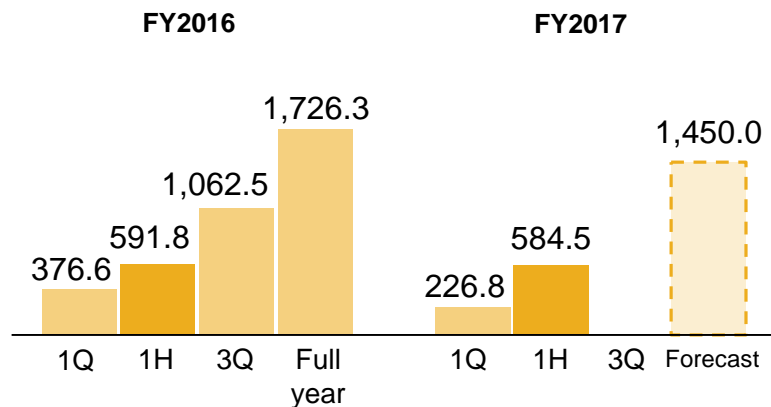
## III. Supplementary Information

# Supplementary Information (1) Financial Results by Business Segment

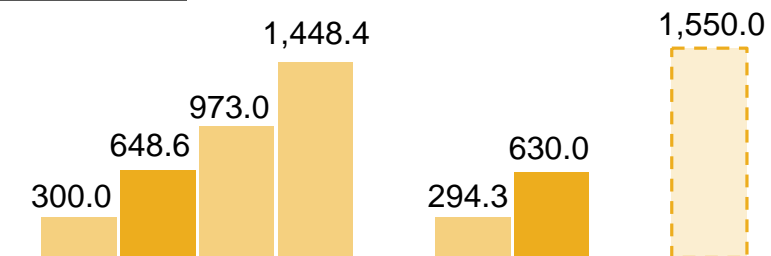
## < Power Systems >

(In billion yen, accumulated amount)

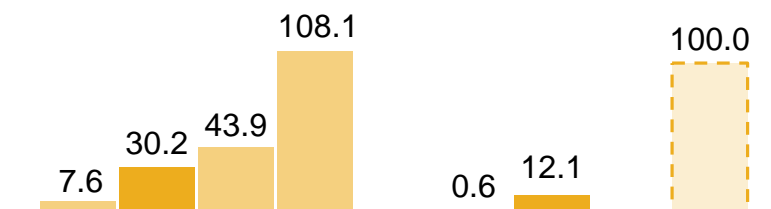
### Orders Received



### Net Sales



### Operating Income



## Orders received : Down ¥7.2 billion YoY

- Increased : GTCC<sup>(\*)</sup>, Compressors
- Decreased : Conventional thermal power

(\*) GTCC: Gas turbine combined cycle

### [Gas turbine orders received]

		North America	Asia	Japan	Others	Total
FY2016-1H	Large size	4	2	-	2	8
	Small to medium size	-	1	-	-	1
	Total	4	3	0	2	9
FY2017-1H	Large size	-	2	-	2	4
	Small to medium size	-	-	-	1	1
	Total	0	2	0	3	5

### [Backlog of Gas turbine orders received]

	Large size	Small to medium size	Total
As of Sep. 30 2016	38	30	68
As of Mar. 31 2017	43	14	57
As of Sep. 30 2017	43	13	56

## Net sales : Down ¥18.6 billion YoY

- Increased : Conventional thermal power
- Decreased : GTCC, Nuclear power

## Earnings : Down ¥18.0 billion YoY

- Decreased  
GTCC, Nuclear power: Decreased sales etc.

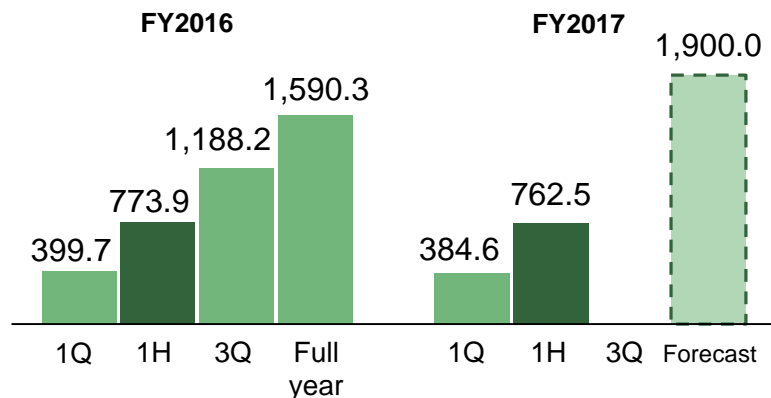
## Full-year forecasts :

- Orders received has been revised downward, from ¥1,950.0 billion to ¥1,450.0 billion
- Net sales has been revised downward, from ¥1,650.0 billion to ¥1,550.0 billion
- Operating income has been revised downward, from ¥145.0 billion to ¥100.0 billion

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

(In billion yen, accumulated amount)

## Orders Received



## Orders received : Down ¥11.4 billion YoY

- Increased : Metals machinery, Forklift trucks
- Decreased : Commercial ships, Chemical plants

Number of ships orders received

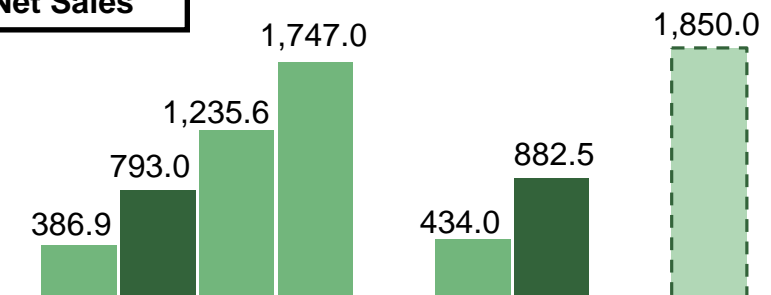
FY2016-1H: 6 (1Q: 4, 2Q: 2, 3Q: 0, 4Q: 3)

FY2017-1H: 2 (1Q: 1, 2Q: 1)

Backlog of ship orders: 29

(10 LNG carriers, 4 LPG carriers, 4 roll-on/roll-off ships and others)

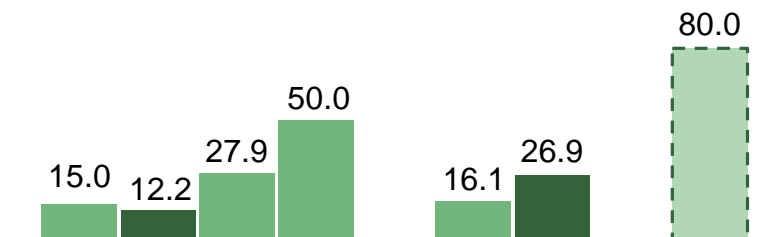
## Net Sales



## Net sales : Up ¥89.4 billion YoY

- Increased : Forklift trucks, Transportation systems
- Decreased : Metals machinery

## Operating Income



## Earnings : Up ¥14.7 billion YoY

- Increased  
Forklift trucks, Turbochargers: Increased sales, etc.

## Full-year forecasts :

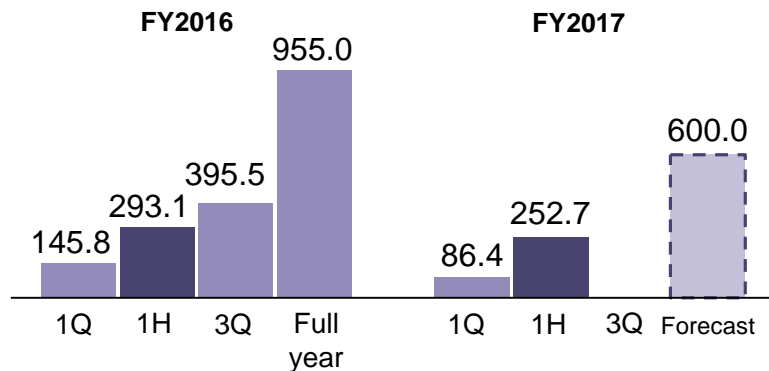
- Operating income has been revised downward, from ¥85.0 billion to ¥80.0 billion



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

(In billion yen, accumulated amount)

## Orders Received

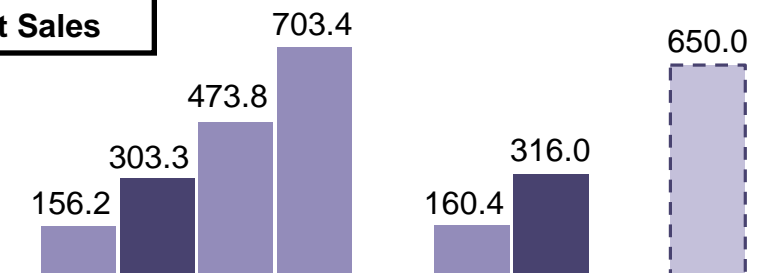


## Orders received : Down ¥40.4 billion YoY

- Increased : Naval vessels, Space systems
- Decreased : Defense aircraft, Special vehicles

Accumulated number of MRJ orders received: 427  
(firm orders: 233 / options and purchase rights: 194)

## Net Sales



## Net sales : Up ¥12.6 billion YoY

- Increased : Space systems
- Decreased : Defense aircraft, Missile systems

Number of B777s delivered

FY2016 (actual) : 91 (1Q: 27, 2Q: 24, 3Q: 19, 4Q: 21)

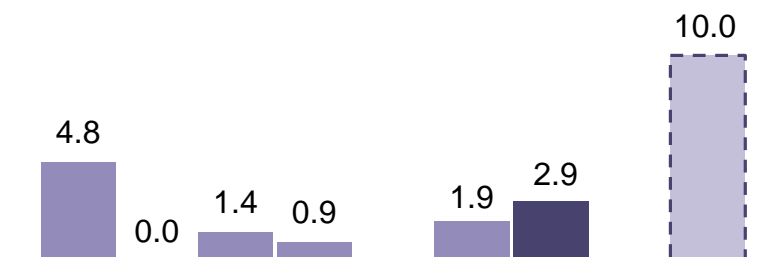
FY2017 (forecast) : 57 (1Q: 17, 2Q: 15, 3-4Q: 25[planned])

Number of B787s delivered

FY2016 (actual) : 125 (1Q: 36, 2Q: 31, 3Q: 25, 4Q: 33)

FY2017 (forecast) : 141 (1Q: 36, 2Q: 36, 3-4Q: 69[planned])

## Operating Income



## Earnings : Up ¥2.9 billion YoY

- Increased
  - Space systems: Increased sales
  - Commercial aircraft: Cost improvement etc.

## Full-year forecasts :

- No change

# Supplementary Information (2) Reference Data

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

(In billion yen)

	FY2016 1H	FY2017 1H	FY2017 (Forecast)
R&D Expenses	66.0	61.6	170.0
Depreciation	79.8	82.8	180.0
Capital Expenditure	93.7	71.2	200.0

## 2. Selling, General and Administrative Expenses

(In billion yen)

	FY2016 1H	FY2017 1H
SG&A	281.9	290.6

## 3. Foreign Exchange Rates (For sales)

(In yen)

	FY2016 1H	FY2017 1H
US\$	106.7	111.3
Euro	117.4	125.7

(In billion yen)

## 4. Overseas Sales by Region

	FY2016 1H	FY2017 1H
North America	319.1 (19%)	329.6 (18%)
Asia	288.0 (16%)	317.6 (18%)
Europe	204.9 (12%)	190.4 (10%)
Central & South America	42.3 (2%)	72.0 (4%)
The Middle East	55.9 (3%)	70.9 (4%)
Africa	56.5 (3%)	39.9 (2%)
Oceania	15.3 (1%)	14.5 (1%)
<b>Total</b>	<b>982.4 (56%)</b>	<b>1,035.1 (57%)</b>

## 5. Segment Information by Geographic Distribution

		FY2016 1H	FY2017 1H
Japan	Net sales	1,334.9	1,369.7
	Operating income	28.8	24.1
North America	Net sales	217.4	226.8
	Operating income	2.8	4.5
Asia	Net sales	170.9	193.8
	Operating income	14.8	13.7
Europe	Net sales	181.3	181.0
	Operating income	-7.7	-3.4
Others	Net sales	43.2	51.8
	Operating income	-0.3	-0.7
Eliminations or Corporate	Net sales	-197.4	-197.8
	Operating income	-	-
<b>Total</b>	<b>Net sales</b>	<b>1,750.5</b>	<b>1,825.4</b>
	<b>Operating income</b>	<b>38.4</b>	<b>38.2</b>

**MOVE THE WORLD FORWARD**

**MITSUBISHI  
HEAVY  
INDUSTRIES  
GROUP**