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GROUP



Financial Results for First Quarter FY2019

August 5, 2019

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

Table of Contents



I. FY2019 1Q Financial Results		II. Forecast for FY2019	
- 1Q Results Highlights	3	- Summary of Forecast for FY2019	13
- Summary of 1Q Financial Results	4	- Forecast for FY2019 by Segment	15
- 1Q Financial Results by Segment	6		
- Financial Position Overview	7	III. Supplementary Information	
- Main Financial Measures, Cash Flows	8	- Supplementary Information	16-20
Segment Information			
- Orders Received & Order Backlog	9		
- Revenue	10		
- Profit from Business Activities	11		

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.)

Some financial data in our quarterly results reports and results highlights for fiscal year 2018 has been retroactively amended in line with the booking of lease assets to the balance sheet in accordance with IFRS16. In this presentation, however, in order to facilitate comparison with past figures, financial data for fiscal 2018 has not been amended.

I. FY2019 1Q Financial Results

1Q Results Highlights



- Steady progress toward full-year forecast.
 - ➡ p.4(Summary of 1Q Financial Results), p.13 (Summary of Forecast for FY2019)
- Orders received, revenue and profit from business activities increased YoY.
 - ➡ p.4(Summary of 1Q Financial Results), p.6(1Q Financial Results by Segment)
- GTCC and commercial aircraft performed well, contributing to orders received and revenue. Improvements in Aircraft, Defense & Space segment including SpaceJet (MRJ) contributed to profit from business activities.
 - ➡ p.9-11(Segment Information)
- Full-year forecast for free cash flow unchanged despite 1Q results coming in below the same period a year earlier due to the 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 quarter of fiscal 2019.

Orders received, revenue, and profit from business activities all increased year-on-year. These results indicate steady progress toward achieving our full-year forecasts.

Summary of 1Q Financial Results



(In billion yen)

	FY2018 1Q		FY2019 1Q		Change	
Orders received		707.1		750.2	+43.1	(+6.1%)
Revenue		906.1		919.3	+13.2	(+1.5%)
Profit from business activities	(3.5%)	31.4	(4.4%)	40.4	+8.9	(+28.6%)
Profit attributable to owners of parent	(1.7%)	15.0	(1.8%)	16.3	+1.2	(+8.7%)
EBITDA	(7.0%)	63.6	(7.7%)	71.2	+7.6	(+11.9%)
Free cash flow		-96.8		-169.4	-72.5	-

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4

Orders received reached 750.2 billion yen, making for a year-on-year increase of 43.1 billion yen. Growth was achieved on the back of robust orders especially for GTCC. Year-on-year increases were also achieved in revenue, profit from business activities, profit attributable to owners of parent, and EBITDA.

Free cash flow deteriorated by 72.5 billion yen – the result of declines in trade payables and contract liabilities. We do not believe this is a serious problem, however, in terms of our ongoing efforts to improve our balance sheet and raise our asset turnover.

Summary of 1Q Financial Results



(In billion yen)

FY2019 1Q	Fundamental business		SpaceJet (MRJ)	Total	
Orders received	750.2		-	750.2	
Revenue	919.3		-	919.3	
Profit from business activities	(5.0%)	45.9	-5.4	(4.4%)	40.4
Profit attributable to owners of parent	(2.3%)	21.4	-5.0	(1.8%)	16.3
EBITDA	(8.3%)	76.5	-5.2	(7.7%)	71.2
Free cash flow	-136.3		-33.1	-169.4	

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5

The first quarter saw a cash outlay of 33.1 billion yen for investment in the SpaceJet (MRJ). Of that amount, profit from business activities was impacted by 5.4 billion yen. The difference was booked to the balance sheet as an asset.

On a full-year basis, we have made no change to our forecast of cash outlays totaling 100 billion yen, with 80 billion yen of that amount treated as an expenditure.

1Q Financial Results by Segment



(In billion yen)

	Orders received			Revenue			Profit from business activities		
	FY2018 1Q	FY2019 1Q	Change	FY2018 1Q	FY2019 1Q	Change	FY2018 1Q	FY2019 1Q	Change
Power Systems	194.4	231.5	+37.1	316.6	343.2	+26.5	25.1	19.2	- 5.9
Industry & Infrastructure	434.0	440.6	+6.5	445.2	430.1	- 15.0	14.8	14.4	- 0.4
Aircraft, Defense & Space	85.1	87.7	+2.6	150.6	152.1	+1.5	-12.1	9.4	+21.6
Others	18.6	17.5	- 1.0	17.8	15.7	- 2.1	2.7	6.2	+3.5
Eliminations or Corporate	- 25.1	- 27.3	- 2.2	- 24.3	- 21.9	+2.3	0.7	- 9.0	- 9.7
Total	707.1	750.2	+43.1	906.1	919.3	+13.2	31.4	40.4	+8.9

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6

Orders received increased year-on-year in the Power Systems, Industry & Infrastructure, and Aircraft, Defense & Space segments. In the Power Systems segment, a decrease in orders for steam power was offset by increased orders for GTCC.

Revenue decreased in the Industry & Infrastructure segment. This was attributable to sluggish orders for mass-manufactured products –turbochargers, engines and material handling equipment – compared to the year before. Revenue in the Aircraft, Defense & Space segment was generally unchanged from the previous year level.

Profit from business activities decreased by 5.9 billion yen year-on-year in the Power Systems segment, finishing at 19.2 billion yen. Profit from GTCC increased from fiscal 2018, but overall, profit in this segment was down mainly due to a low progress rate of nuclear power construction to which the percentage of completion method is applied.

In the Industry & Infrastructure segment, profit from business activities declined slightly year-on-year. The term saw improvement in profit/loss from commercial ship and metals machinery operations, but revenue from mass-manufactured products was sluggish.

In the Aircraft, Defense & Space segment, profit from business activities increased year-on-year. This owed mainly to reduced impact from SpaceJet (MRJ) investment and relatively solid profit in the commercial aircraft Tier1 business.

Financial Position Overview



(In billion yen)

	As of March 31, 2019	As of June 30, 2019	Change
Trade receivables	1,343.1	1,241.5	-101.5
Inventories	739.2	783.9	+44.6
Other current assets	* 1,076.9	* 1,104.6	+27.6
Total fixed assets	1,013.7	1,031.7	+17.9
Other non-current assets	969.6	1,054.2	+84.6
Total assets	5,142.7	5,216.1	+73.3
Trade payables	862.1	776.9	-85.2
Contract liabilities	875.2	811.2	-63.9
Other current liabilities	991.3	1,073.9	+82.6
Interest-bearing debt	665.1	855.6	+190.5
Equity	1,748.8	1,698.3	-50.5
Equity attributable to owners of the parent	1,430.8	1,383.2	-47.6
Total liabilities and Equity	5,142.7	5,216.1	+73.3

* Including indemnification asset for South African project
(Mar. 31, 2019: 546.0 billion yen)
(Jun. 30, 2019: 546.6 billion yen)

Borrowings -5.5
Commercial papers +196.0

(Assets and liabilities as of June 30, 2019 reflect the adoption of IFRS16 (+96.8 billion yen)).

Dividend -21.8
Profit attributable to owners of parent +16.3
Other comprehensive income -42.1 etc.
(Unrealized holding gain on investment securities, etc.)

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7

As of June 30, 2019, total assets stood at 5,216.1 billion yen. Although this represented an increase by 73.3 billion yen from March 31, 2019, the total includes 96.8 billion yen in assets 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. Overall, the Company's assets are in an expansionary trend, as indicated by the quarterly increase in inventories, etc. from construction progress. We view this unusual decrease in total assets as a result of our ongoing efforts to improve our balance sheet and its efficiency.

Turning to liabilities, as already noted, trade payables and contract liabilities both decreased from their respective levels as of March 31st. What these decreases mean is that trade payables and contract liabilities were converted to cash and expended. In the near term, we intend to increase capital mainly through commercial papers; we have no intention of increasing our borrowings.

Equity decreased from the level of March 31st, owing to dividend payout and a decrease in other comprehensive income. Other comprehensive income incorporates unrealized holding gains on investment securities, etc. and overseas assets, which were impacted by strengthening of the yen.

We might add that during the first quarter our cash conversion cycle – which doesn't appear in this presentation – was 37 days, marking an improvement year-on-year.

Main Financial Measures, Cash Flows



Main Financial Measures

	As of Mar.31, 2019	As of Jun.30, 2019	Change	FY2019 Forecast
Equity ratio	27.8%	26.5%	-1.3pt	-
Interest-bearing debt (In billion yen)	665.1	855.6	+190.5	600.0
D/E ratio	38%	50%	+12pt	30.0%

Cash Flows

(In billion yen)

	FY2018 1Q	FY2019 1Q	Change	FY2019 Forecast
Operating cash flow	-55.5	-119.9	-64.3	-
Investment cash flow	-41.2	-49.4	-8.2	-
Free cash flow	-96.8	-169.4	-72.5	50.0

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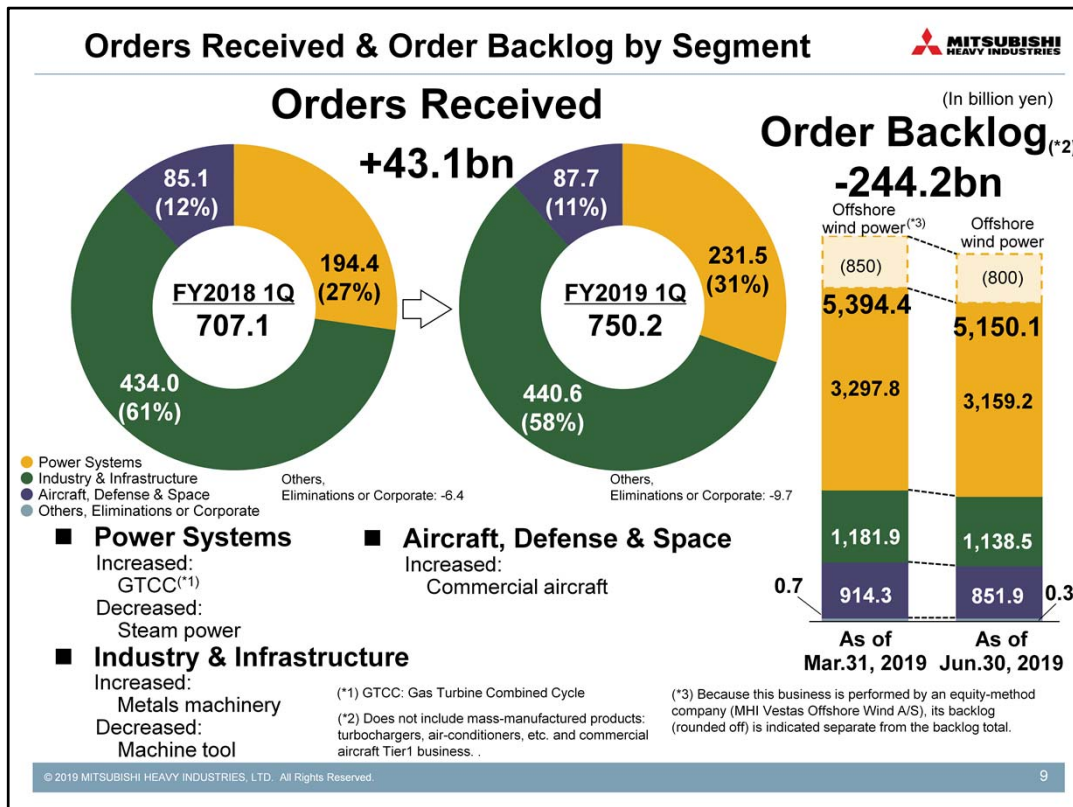
8

Our equity ratio stood at 26.5% as of June 30th. We don't view this as a notable problem, however, as in most years the ratio is low at the end of the first quarter.

Interest-bearing debt reached 855.6 billion yen. Although this represents a 190.5 billion yen increase from the level of March 31st, one year earlier the debt level was 914.2 billion yen. So we continue to make progress in reducing our interest-bearing debt.

Similarly, our debt equity ratio ended the quarter at 50%, down from 53% a year earlier. We see this as an indication that we continue to make progress in improving our financial position.

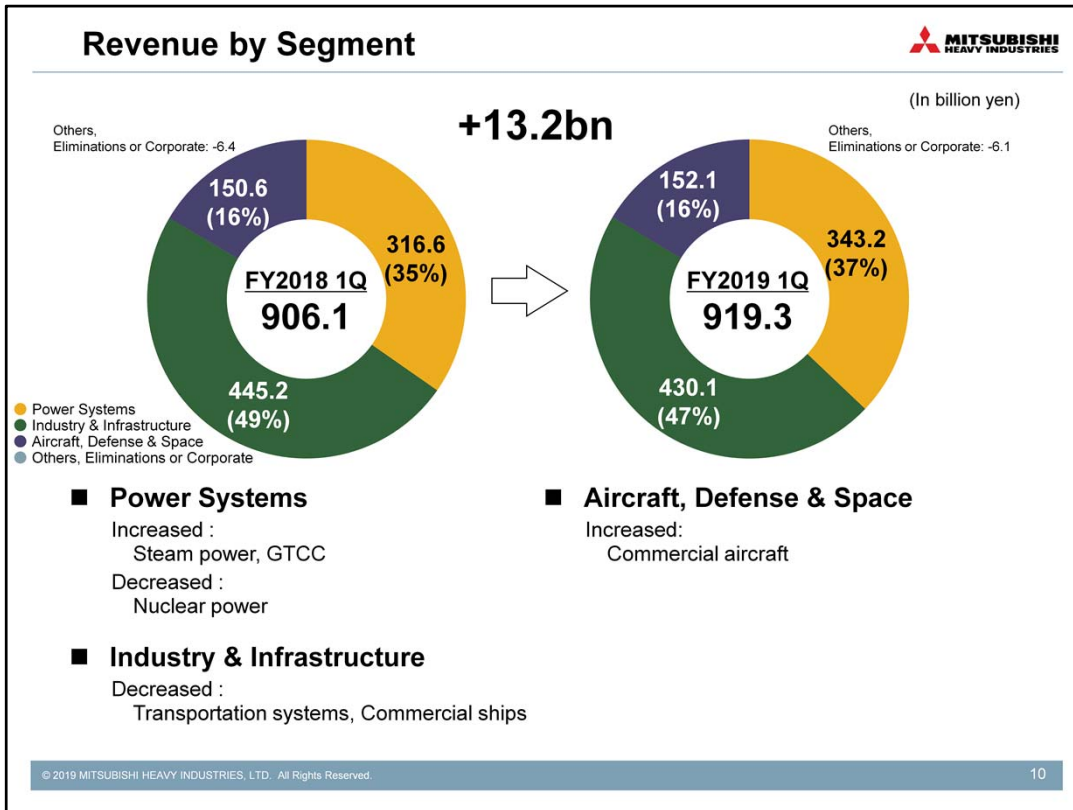
Our cash flows are as shown here.



Here we see how new orders increased or decreased in the various segments.

The order backlog decreased during the quarter, owing to the trend of recent years in which revenue has continuously exceeded orders received. That said, in our view we have sufficient back orders to engage us for the next three years or so.

The order backlog for offshore wind turbines – which are handled by MHI Vestas Offshore Wind – is shown here as a reference.

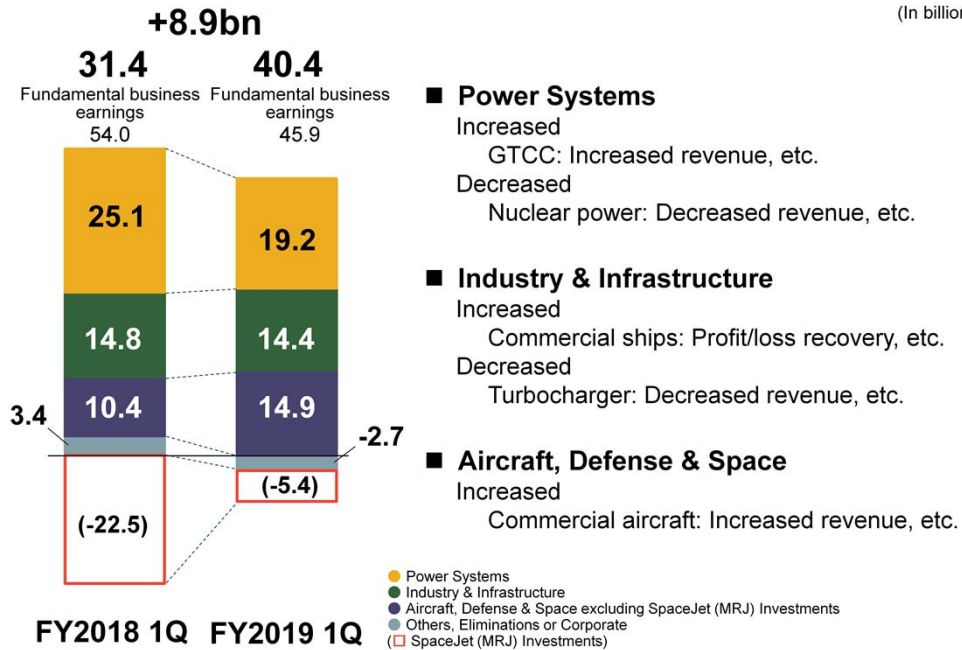


The segment-based revenue figures are indicated here.

Profit from Business Activities by Segment



(In billion yen)



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11

Profit from business activities improved substantially during the first quarter, aided by the absence of impairment from SpaceJet (MRJ) investments.

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	
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	130.0yen Interim: 65.0yen year-end: 65.0yen		150.0yen Interim: 75.0yen year-end: 75.0yen		Undetermined foreign currency amount US\$: 1.8 billion Euro: 0.5 billion Assumed exchange rate US\$ 1.00 = ¥110 Euro 1.00 = ¥125	
There is no change in the forecast announced on May 9, 2019.						

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13

Although year-on-year comparisons show deterioration in the financial account balance caused by the yen's strengthening, the Company's fundamental earning power is in an improving trend. Overall, we believe the results of the first quarter demonstrate steady progress toward achieving our full-year targets.

Accordingly, we are making no changes to our full-year forecasts or our dividend projection. We continue to look for 4.3 trillion yen in orders received, 4.3 trillion yen in revenue, 220 billion yen in profit from business activities, 110 billion yen in profit attributable to owners of parent, EBITDA of 350 billion yen, and free cash flow totaling 50 billion yen.

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

Summary of Forecast for FY2019



(In billion yen)

FY2019 (Forecast)	Fundamental business	SpaceJet (MRJ)	Total
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^(*) for fundamental business 0.8 : 1 : 0.6
(Revenue ¥4.3 trillion / Total assets ¥5.2 trillion / Market value ¥3.2 trillion^(*))

(*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. capital cost as 6%.

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
Total	3,853.4	4,300.0	+446.5	4,078.3	4,300.0	+221.6	186.7	220.0	+33.2

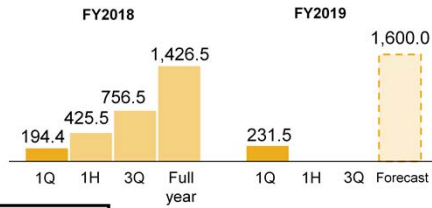
III. Supplementary Information

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



(In billion yen, accumulated amount)

Orders Received



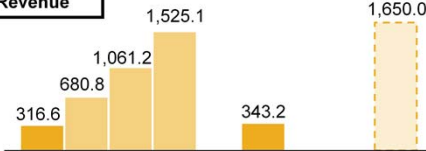
Orders received : Up ¥37.1 billion YoY

- Increased : GTCC
- Decreased : Steam power

Gas turbine orders received (*) EMEA: Europe, Middle East, Africa

	Americas	Asia	EMEA(*)	Others	Total
FY2018-1Q	-	-	-	-	0
	-	2	-	-	2
	0	2	0	0	2
FY2019-1Q	-	1	-	-	1
	3	-	2	-	5
	3	1	2	0	6

Revenue



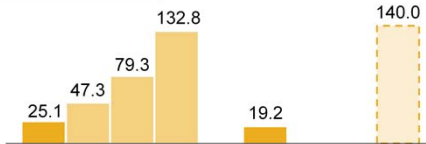
Backlog of Gas turbine orders received

	Large size	Small to medium size	Total
As of Jun. 30, 2018	38	8	46
As of Mar. 31, 2019	43	16	59
As of Jun. 30, 2019	41	14	55

Revenue: Up ¥26.5 billion YoY

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

Profit from business activities



**Profit from business activities :
Down ¥5.9 billion YoY**

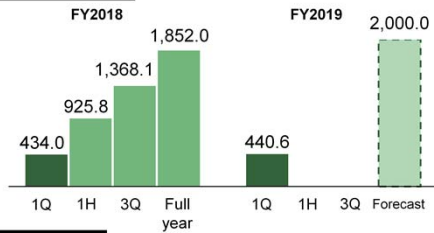
- Increased
GTCC: Increased revenue, etc.
- Decreased
Nuclear power: Decreased revenue, etc.

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



(In billion yen, accumulated amount)

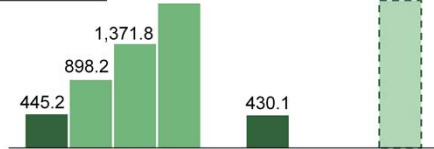
Orders Received



Orders received : Up ¥6.5 billion YoY

- Increased : Metals machinery
- Decreased : Machine tool

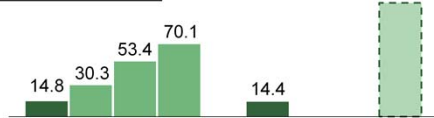
Revenue



Revenue : Down ¥15.0 billion YoY

- Decreased : Transportation systems, Commercial ship

Profit from business activities



Profit from business activities :

Down ¥0.4 billion YoY

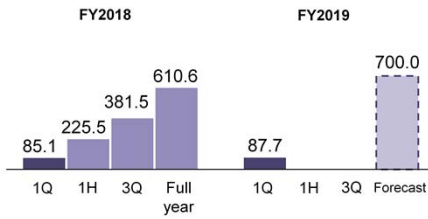
- Increased
Commercial ships: Profit/loss recovery, etc.
- Decreased
Turbocharger: Decreased revenue, etc.

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



(In billion yen, accumulated amount)

Orders Received

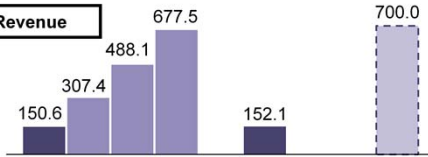


Orders received : Up ¥2.6 billion YoY

- Increased : Commercial aircraft

Accumulated number of SpaceJet (MRJ) orders received: 387
 (firm orders: 213 / options and purchase rights: 174)
 [As of August 5, 2019]

Revenue



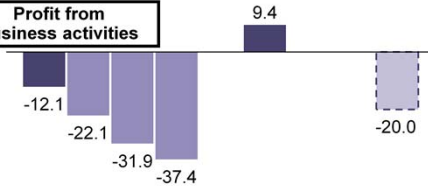
Revenue : Up ¥1.5 billion YoY

- Increased : Commercial aircraft

Number of B777s / B777Xs delivered
 FY2018 (actual) : 48 (1Q: 11, 2Q: 11, 3Q: 11, 4Q: 15)
 FY2019 (forecast) : 56 (1Q: 16, 2-4Q: 40[planned])

Number of B787s delivered
 FY2018 (actual) : 148 (1Q: 37, 2Q: 36, 3Q: 33, 4Q: 42)
 FY2019 (forecast) : 167 (1Q: 43, 2-4Q: 124[planned])

Profit from business activities



Profit from business activities :

Up ¥21.6 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 1Q	FY2019 1Q	FY2019 (Forecast)
R&D Expenses	30.4	27.3	160.0
Depreciation	32.2	30.8	130.0
Capital Expenditure	27.4	31.6	170.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2018 1Q	FY2019 1Q
SG&A	131.9	134.8

3. Foreign Exchange Rates (For sales)

(In yen)

	FY2018 1Q	FY2019 1Q
US\$	108.7	110.9
Euro	129.9	124.5

4. Overseas Revenue by Region

(In billion yen)

	FY2018 1Q	FY2019 1Q
Asia	163.4 (17%)	170.6 (19%)
North America	155.6 (17%)	177.7 (19%)
Europe	108.9 (12%)	87.3 (9%)
Central & South America	34.0 (4%)	34.1 (4%)
The Middle East	32.9 (4%)	24.0 (3%)
Oceania	5.7 (1%)	3.8 (0%)
Africa	5.0 (1%)	17.9 (2%)
Total	505.8 (56%)	515.8 (56%)

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