



Financial Results for FY2019 1-3Q (Apr.-Dec.)

February 6, 2020

Mitsubishi Heavy Industries, Ltd.

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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 1-3Q Financial Results

Topics: SpaceJet

- First commercial delivery of SpaceJet is expected to be in FY2021 or later.
- In our SpaceJet business, losses from business activities as a result of impairment on assets up to last fiscal year and losses this year totaled 175.3 billion yen, and profit attributable to owners of parent amounts to 3.3 billion yen.
- 178.0 billion yen of deferred tax assets on accumulated losses in previous years and losses for the current fiscal year reflected.
- ➔ p.4,5(Summary of 1-3Q Financial Results), p.6(1-3Q Financial Results by Segment)
- Full-year forecast for this business of 270.0 billion yen in losses from business activities and 60.0 billion yen in losses attributable to owners of parent.
- ➔ p.14(Summary of Forecast for FY2019)

1-3Q Results and Full-Year Forecast

- Power domain contributed to increased order intake YoY.
- Revenue and profit (excluding SpaceJet business) generally unchanged from the same period a year earlier.
- Lowered full-year Industry & Infrastructure domain forecast due to U.S.-China trade war and a deterioration in market conditions.
- ➔ p.13,14(Summary of Forecast for FY2019), p.15(Revised Forecast by Segment)
- Remaining impact on B/S, P/L, C/F due to the settlement of South African Projects will be reflected in and after FY2019 4Q.
- Full-year dividend payout to increase 20 yen YoY, to 150 yen (no change).
- ➔ p.13(Summary of Forecast for FY2019)

Summary of 1-3Q Financial Results

(In billion yen)

	FY2018 1-3Q		FY2019 1-3Q		Change	
	(Profit margin)		(Profit margin)			
Order Intake		2,479.3		2,653.4	+174.1	(+7.0%)
Revenue		2,899.2		2,856.5	- 42.7	(- 1.5%)
Profit from business activities	(3.6%)	105.3	(0.4%)	12.7	- 92.5	(- 87.9%)
Profit attributable to owners of parent	(1.2%)	35.3	(3.5%)	101.4	+66.0	(+186.8%)
EBITDA	(6.9%)	200.7	(4.0%)	115.6	- 85.0	(- 42.4%)
Free cash flow		-154.4		-323.1	-168.7	-

Summary of 1-3Q Financial Results (Cont'd)

(In billion yen)

FY2019 1-3Q	Businesses excluding SpaceJet (Profit margin)	SpaceJet	Total (Profit margin)
Order Intake	2,653.4	-	2,653.4
Revenue	2,856.5	-	2,856.5
Profit from business activities	(6.6%) 188.1	-175.3	(0.4%) 12.7
Profit attributable to owners of parent	(3.4%) 98.0	3.3	(3.5%) 101.4
EBITDA	(10.2%) 290.3	-174.6	(4.0%) 115.6
Free cash flow	-225.5	-97.5	-323.1

1-3Q Financial Results by Segment

(In billion yen)

	Order Intake			Revenue			Profit from business activities		
	FY2018 1-3Q	FY2019 1-3Q	Change	FY2018 1-3Q	FY2019 1-3Q	Change	FY2018 1-3Q	FY2019 1-3Q	Change
Power Systems	756.5	1,104.1	+347.6	1,061.2	1,075.3	+14.1	79.3	105.6	+26.3
Industry & Infrastructure	1,368.1	1,259.5	- 108.5	1,371.8	1,312.8	- 59.0	53.4	39.6	- 13.7
Aircraft, Defense & Space	381.5	322.7	- 58.7	488.1	493.1	+4.9	-31.9	- 130.2	- 98.2
Others	53.0	51.5	- 1.5	51.9	50.6	- 1.3	6.4	10.0	+3.5
Eliminations or Corporate Expenses	- 79.9	- 84.5	- 4.6	- 73.9	- 75.4	- 1.5	- 1.9	- 12.2	- 10.2
Total	2,479.3	2,653.4	+174.1	2,899.2	2,856.5	- 42.7	105.3	12.7	- 92.5

Financial Position Overview

(In billion yen)

	As of March 31, 2019	As of December 31, 2019	Change
Trade receivables	1,343.1	1,361.8	+18.6
Inventories	739.2	818.4	+79.1
Other current assets	1,076.9	1,157.7	+80.7
Total fixed assets	1,013.7	1,008.5	-5.2
Other non-current assets	969.6	1,200.5	+230.9
Total assets	5,142.7	5,547.1	+404.3
Trade payables	862.1	778.7	-83.4
Contract liabilities	875.2	843.3	-31.9
Other liabilities	991.3	1,520.6	+529.2
Interest-bearing debt	665.1	1,014.0	+348.9
Equity	1,748.8	1,390.3	-358.4
Equity attributable to owners of the parent	1,430.8	1,317.1	-113.6
Total liabilities and Equity	5,142.7	5,547.1	+404.3

Borrowings	-21.1
Commercial papers	+435.0
Corporate Bonds	-65.0

(Assets and liabilities as of December 31, 2019 reflect the adoption of IFRS16 (+97.6 billion yen)).

Dividend	-47.0
Profit attributable to owners of parent	+101.4
Other comprehensive income	-168.0

Main Financial Measures

	As of Mar.31, 2019	As of Dec.31, 2019	Change	FY2019 Forecast
Equity ratio	27.8%	23.7%	-4.1pt	-
Interest-bearing debt (In billion yen)	665.1	1,014.0	+348.9	600.0
D/E ratio	38%	73%	+35pt	40.0%

Cash Flows

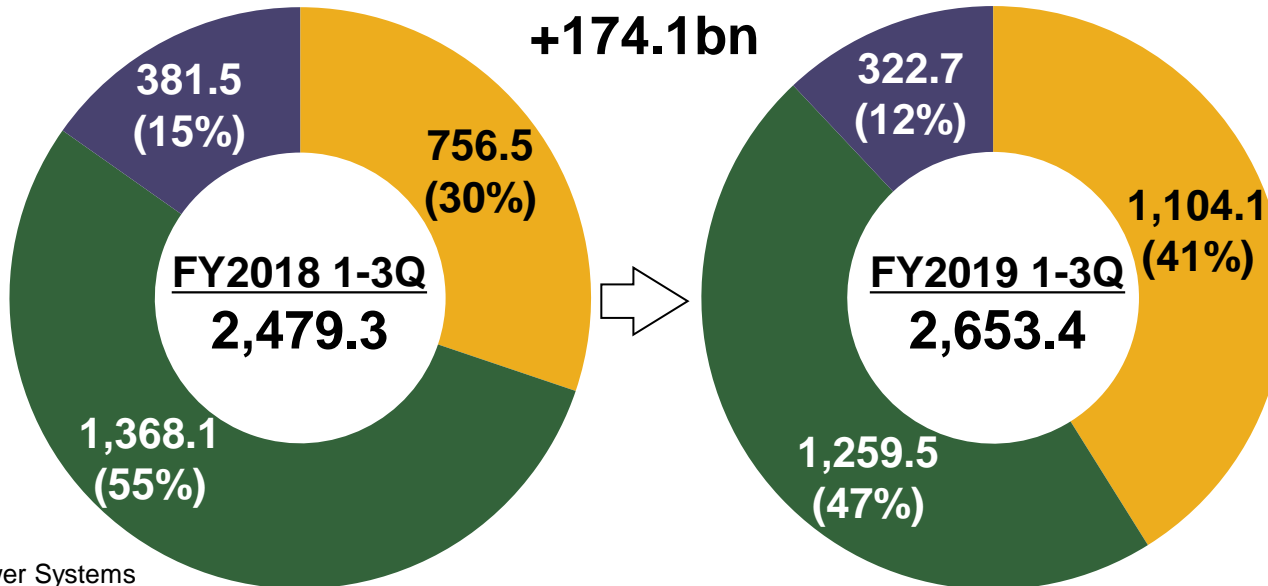
	FY2018 1-3Q	FY2019 1-3Q	Change	(In billion yen) FY2019 Forecast
Operating cash flow	-30.7	-137.1	-106.4	-
Investment cash flow	-123.7	-186.0	-62.3	-
Free cash flow	-154.4	-323.1	-168.7	100.0

Order Intake & Order Backlog by Segment

(In billion yen)

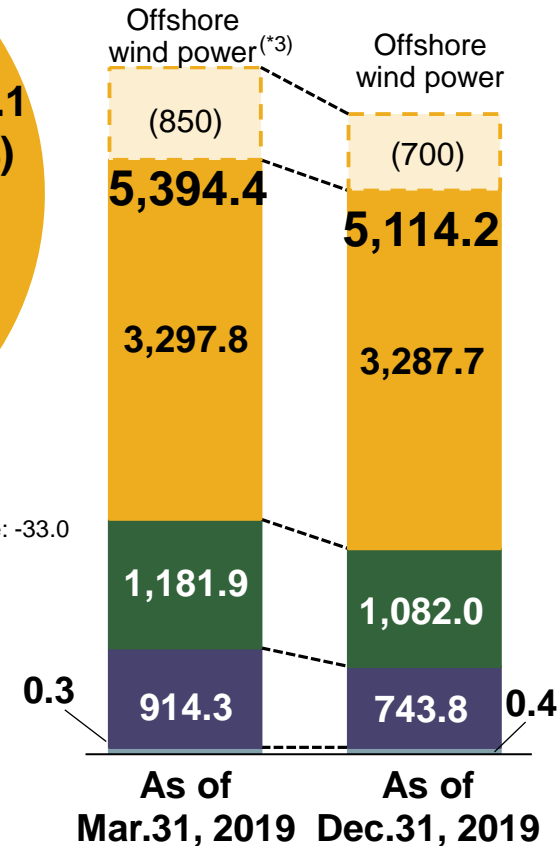
Order Intake

+174.1bn



Change in Order Backlog^(*2)

-280.1bn



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

■ Power Systems

Increased:
GTCC^(*1), Steam power,
Nuclear power

■ Aircraft, Defense & Space

Decreased:
Naval ships,
Defense aircraft, Missile systems

■ Industry & Infrastructure

Decreased:
Engineering, Turbochargers,
Machine tool

(*1) GTCC: Gas Turbine Combined Cycle

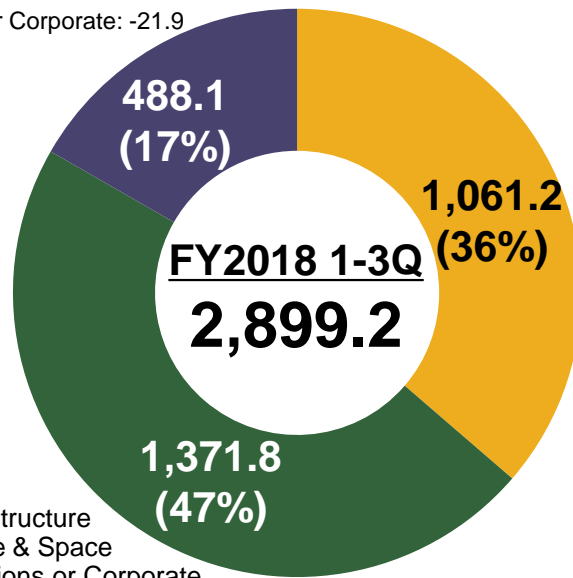
(*2) Does not include mass-manufactured products: turbochargers, air-conditioners, etc. and commercial aircraft Tier1 business.

(*3) Because this business is operated by an equity-method company (MHI Vestas Offshore Wind A/S), its backlog (rounded off) is indicated separate from the total backlog.

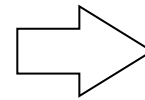
Revenue by Segment

(In billion yen)

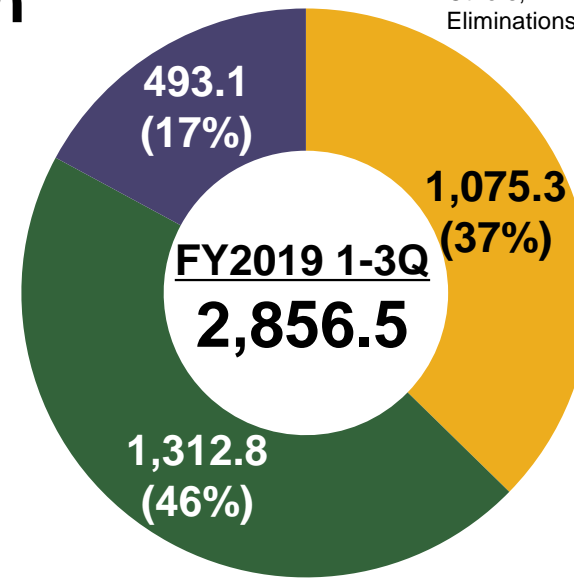
Others,
Eliminations or Corporate: -21.9



-42.7bn



Others,
Eliminations or Corporate: -24.8



■ Power Systems

Increased:

Compressors, Aero engines

■ Aircraft, Defense & Space

Increased:

Commercial aircraft

■ Industry & Infrastructure

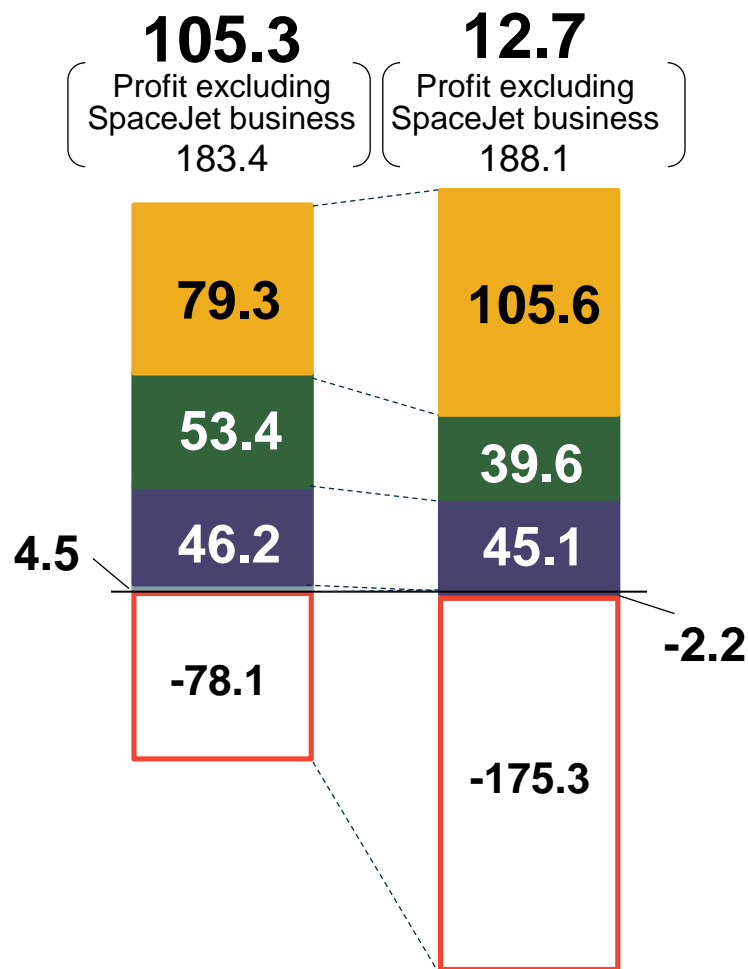
Decreased:

Engineering, Turbochargers

Profit from Business Activities by Segment

(In billion yen)

-92.5bn



■ Power Systems

Increased

Steam power, Nuclear power:
As a result of increased revenue, etc.

■ Industry & Infrastructure

Decreased

Engineering, Turbocharger:
As a result of decreased revenue, etc.

■ Aircraft, Defense & Space

Decreased

SpaceJet:
As a result of impairment losses, etc.

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

FY2018 1-3Q FY2019 1-3Q

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

Revised full-year forecast reflecting accounting treatment of SpaceJet and changes in market conditions.

(In billion yen)

	FY2018 (Actual)		FY2019 (Forecast)		Change from previous year	
			As of Feb. 6, 2020	As of May 9, 2019		
Order Intake	3,853.4		4,050.0	4,300.0	+196.5	(+5.1%)
Revenue	4,078.3		4,150.0	4,300.0	+71.6	(+1.8%)
Profit from business activities	(4.6%) 186.7		(0.0%) 0.0	220.0	- 186.7	(- 100.0%)
Profit attributable to owners of parent	(2.5%) 101.3		(2.4%) 100.0	110.0	- 1.3	(- 1.3%)
ROE	7.2%		7%	8%	-	
EBITDA	(7.6%) 311.6		(3.1%) 130.0	350.0	- 181.6	(- 58.3%)
Free cash flow	243.0		100.0	50.0	- 143.0	-
Dividend	130.0yen Interim: 65.0yen year-end: 65.0yen		150.0yen Interim: 75.0yen year-end: 75.0yen		Undetermined foreign currency amount USD: 1.6 billion Euro: 0.6 billion	

Assumed exchange rate
 USD 1.00 = ¥110
 Euro 1.00 = ¥120

Summary of Forecast for FY2019 (Cont'd)

(In billion yen)

FY2019 (Forecast)	Businesses excluding SpaceJet		SpaceJet		Total	
	(Profit margin)		As of Feb 6, 2020	As of May 9, 2019	(Profit margin)	
Order Intake	4,050.0		–	–	4,050.0	
Revenue	4,150.0		–	–	4,150.0	
Profit from business activities	(6.5%)	270.0	–270.0	–80.0	(0.0%)	0.0
Profit attributable to owners of parent	(3.9%)	160.0	–60.0	–80.0	(2.4%)	100.0
ROE	8%		–	–	7%	
EBITDA	(9.6%)	400.0	–270.0	–80.0	(3.1%)	130.0
Free cash flow	240.0		–140.0	–100.0	100.0	

- **TOP^(*1) for Businesses excluding SpaceJet 0.8 : 1 : 0.5**
(Revenue ¥4.2 trillion / Total assets ¥5.5 trillion / Market value ¥2.7 trillion^(*2))

(*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%.

Revised Forecast for FY2019 by Segment

Revisions mainly in Industry & Infrastructure and Aircraft, Defense & Space

(In billion yen)

	Order Intake				Revenue				Profit from business activities			
	FY2018 (Actual)	FY2019 (Forecast)		Change	FY2018 (Actual)	FY2019 (Forecast)		Change	FY2018 (Actual)	FY2019 (Forecast)		Change
		As of Feb 6, 2020	As of May 9, 2019			As of Feb 6, 2020	As of May 9, 2019			As of Feb 6, 2020	As of May 9, 2019	
Power Systems	1,426.5	1,600.0	1,600.0	+173.4	1,525.1	1,650.0	1,650.0	+124.8	132.8	160.0	140.0	+27.1
Industry & Infrastructure	1,852.0	1,800.0	2,000.0	- 52.0	1,907.8	1,800.0	1,950.0	- 107.8	70.1	60.0	110.0	- 10.1
Aircraft, Defense & Space	610.6	700.0	700.0	+89.3	677.5	700.0	700.0	+22.4	- 37.4	- 210.0	- 20.0	- 172.6
Others	73.3	50.0	100.0	- 23.3	71.6	70.0	70.0	- 1.6	35.9	5.0	5.0	- 30.9
Eliminations or Corporate Expenses	- 109.1	- 100.0	- 100.0	+9.1	- 103.8	- 70.0	- 70.0	+33.8	- 14.8	- 15.0	- 15.0	- 0.1
Total	3,853.4	4,050.0	4,300.0	+196.5	4,078.3	4,150.0	4,300.0	+71.6	186.7	0.0	220.0	- 186.7

III. Supplementary Information

- SpaceJet**
- Balance-Sheet**

Accounting Treatment of SpaceJet

(In billion yen)

		FY2019 1-3Q (Profit margin)		FY2019 Forecast (Profit margin)	
Revenue			2,856.5		4,150.0
	Businesses excluding SpaceJet		2,856.5		4,150.0
	SpaceJet		-		-
Profit from business activities		(0.4%)	12.7	(0.0%)	0.0
	Businesses excluding SpaceJet	(6.6%)	188.1	(6.5%)	270.0
	SpaceJet ^(*)	-	-175.3	-	-270.0
Profit attributable to owners of parent		(3.5%)	101.4	(2.4%)	100.0
	Businesses excluding SpaceJet	(3.4%)	98.0	(3.9%)	160.0
	SpaceJet ^(*)	-	3.3	-	-60.0

(*) SpaceJet related accounting for FY2019 1-3Q

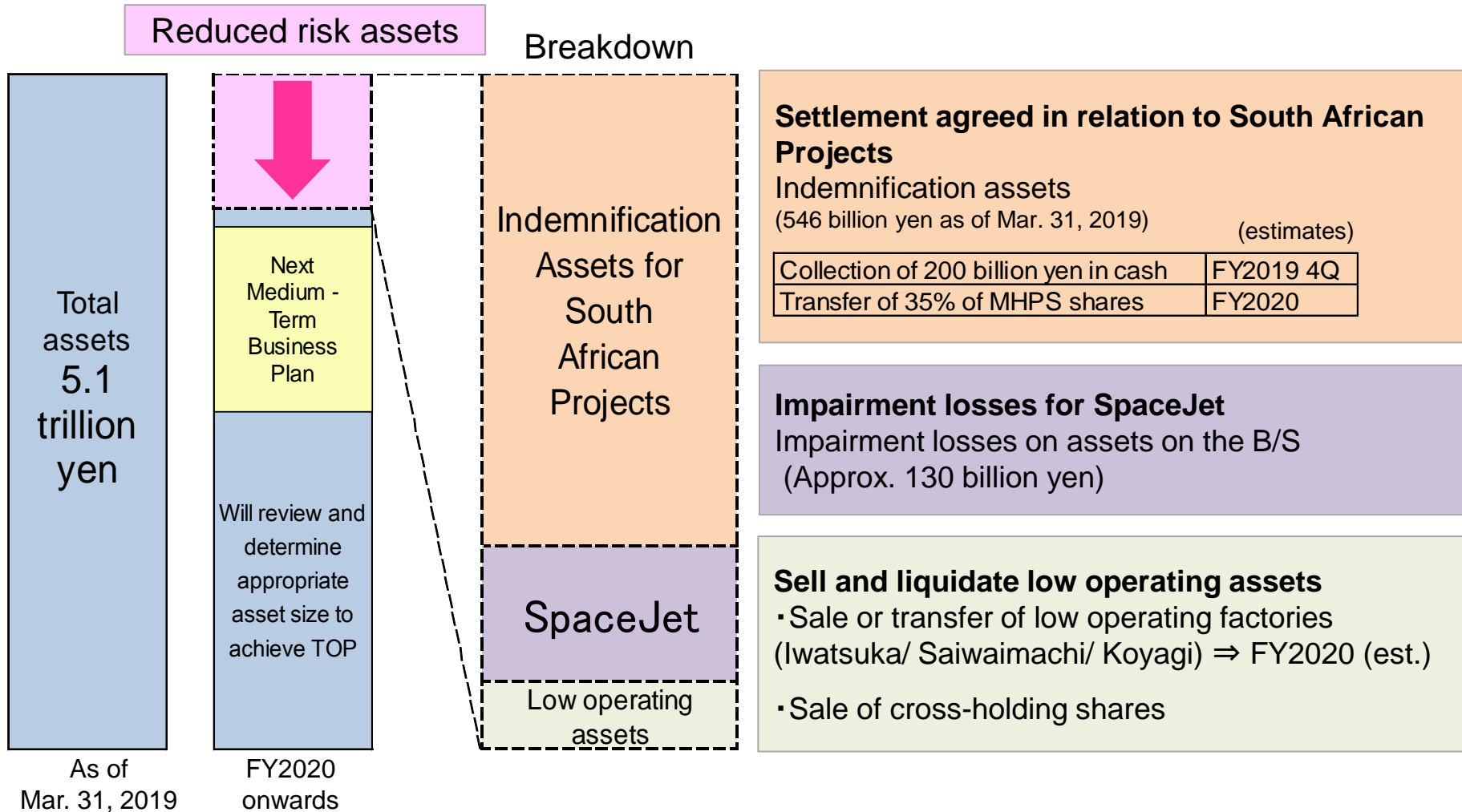
Profit from business activities

- Losses for the current fiscal year :
-97.5 billion yen
- Impairment losses for the assets on the B/S :
-77.8billion yen
(Reduced risk assets)

Profit attributable to owners of parent

- Profit before income taxes :
-175.4 billion yen
- Recognized deferred tax assets on the accumulated losses :
+178.0 billion yen

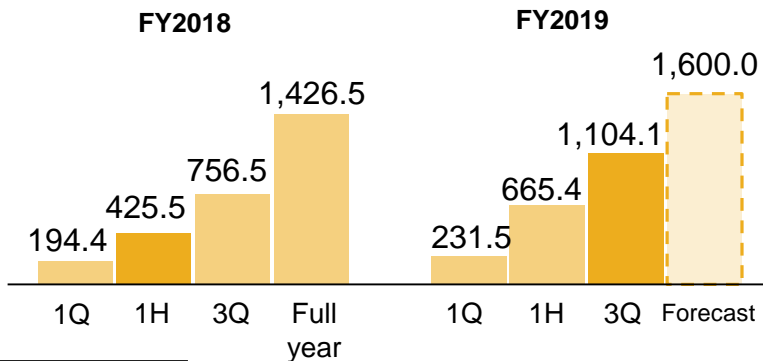
- Continued to eliminate negative legacy assets and reduce risk assets in FY2019
- Streamlining B/S to improve profitability, one solid step forward to achieve TOP



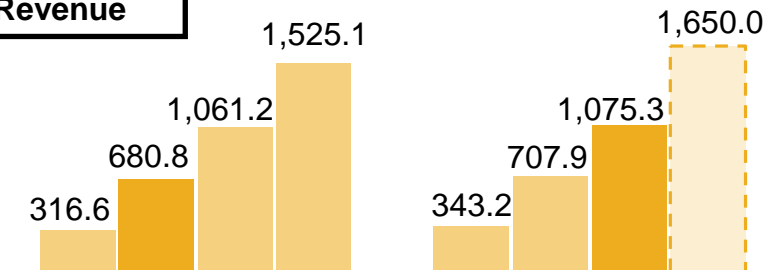
IV. Supplementary Information on Domains and Others

(In billion yen, accumulated amount)

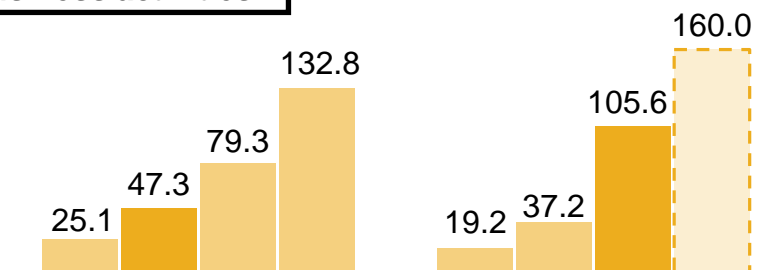
Order intake



Revenue



Profit from business activities



Order intake: Up ¥347.6 billion YoY

- Increased: GTCC, Steam power, Nuclear power

Gas turbine order intake

		Americas	Asia	EMEA ^(*)	Others	Total
FY2018 1-3Q	Large size	1	4	-	-	5
	Small to medium size	6	3	-	-	9
	Total	7	7	0	0	14
FY2019 1-3Q	Large size	4	4	2 ^(*)	-	10
	Small to medium size	3	2	-	-	5
	Total	7	6	2	0	15

Backlog of gas turbine order intake

	Large size	Small to medium size	Total
As of Dec. 31, 2018	37	8	45
As of Mar. 31, 2019	44	15	59
As of Dec. 31, 2019	40	12	52

(*) Europe, Middle East, Africa

(*)H100 turbine is categorized into "Large size" from "Small to medium size" from FY2019 1H

Revenue: Up ¥14.1 billion YoY

- Increased: Compressors, Aero engines

Profit from business activities: Up ¥26.3 billion YoY

- Increased:

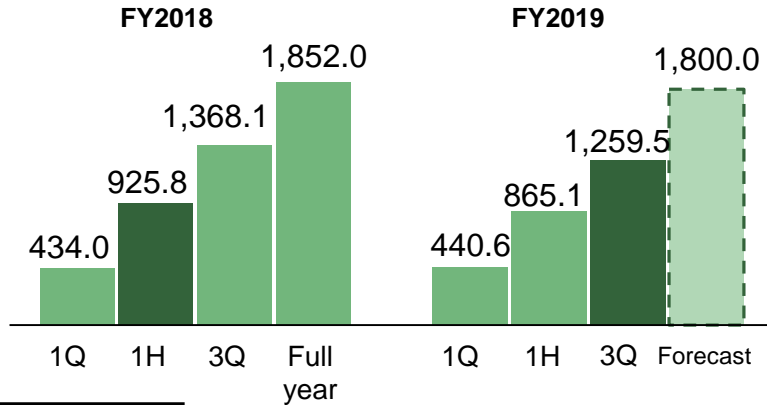
Steam power, Nuclear power:

As a result of increased revenue, etc.

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

(In billion yen, accumulated amount)

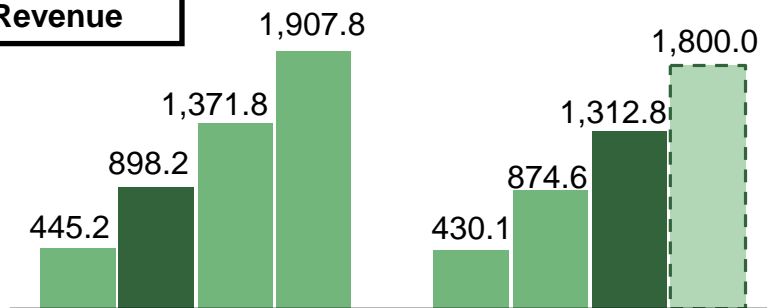
Order intake



Order intake: Down ¥108.5 billion YoY

- Decreased: Engineering, Turbochargers, Machine tool

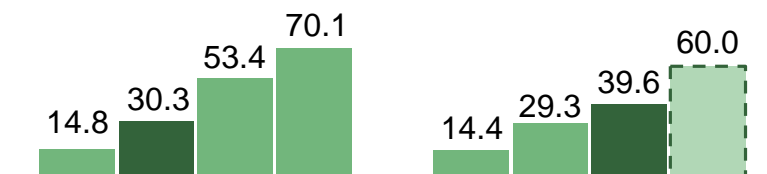
Revenue



Revenue: Down ¥59.0 billion YoY

- Decreased: Engineering, Turbochargers

Profit from business activities



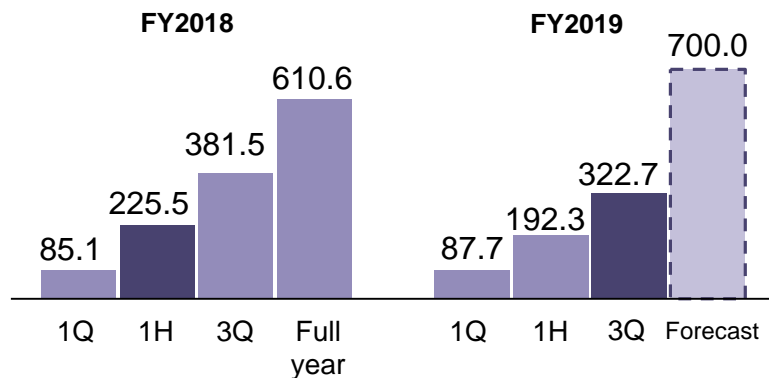
Profit from business activities: Down ¥13.7 billion YoY

- Decreased:
Engineering, Turbocharger:
As a result of decreased revenue, etc.

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

(In billion yen, accumulated amount)

Order intake

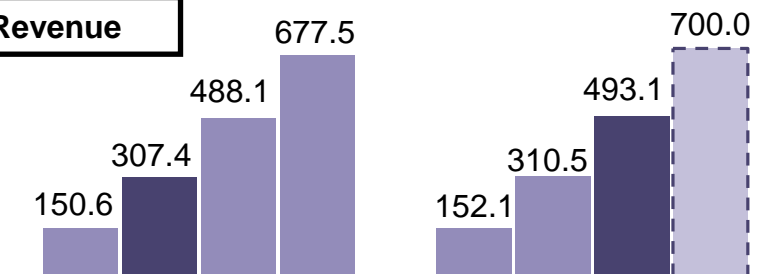


Order intake: Down ¥58.7 billion YoY

- Decreased: Naval ships, Defense aircraft, Missile systems

Accumulated number of SpaceJet order intake: 287 as of Feb 6, 2020
(firm orders: 163 / options and purchase rights: 124)

Revenue



Revenue: Up ¥4.9 billion YoY

- Increased: Commercial aircraft

Number of B777s / B777Xs delivered

FY2018: 48 (1Q: 11, 2Q: 11, 3Q: 11, 4Q: 15)

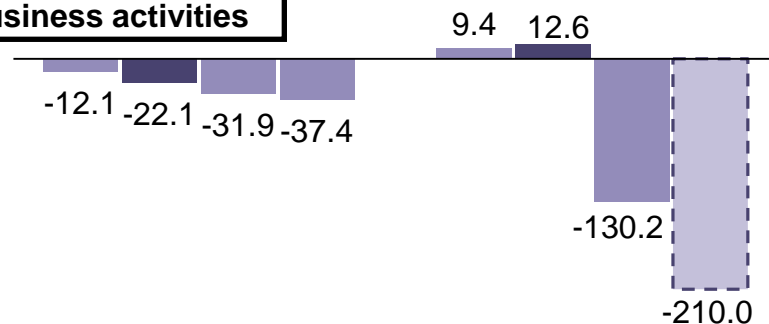
FY2019 (forecast): 55 (1Q: 16, 2Q: 14, 3Q: 13, 4Q: 12 (planned))

Number of B787s delivered

FY2018: 148 (1Q: 37, 2Q: 36, 3Q: 33, 4Q: 42)

FY2019 (forecast): 167 (1Q: 43, 2Q: 42, 3Q: 38, 4Q: 44 (planned))

Profit from business activities



Profit from business activities:

Down ¥98.2 billion YoY

- Decreased:
SpaceJet: As a result of impairment losses, etc.

1. R&D Expenses, Depreciation and Capital Expenditure

(In billion yen)

	FY2018 1-3Q	FY2019 1-3Q	FY2019 (Forecast)
R&D Expenses	97.6	95.3	160.0
Depreciation	95.3	102.9	130.0
Capital Expenditure	89.1	115.1	170.0

2. Selling, General and Administrative Expenses

(In billion yen)

	FY2018 1-3Q	FY2019 1-3Q
SG&A	393.5	427.3

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

(In yen)

	FY2018 1-3Q	FY2019 1-3Q
USD	110.7	109.1
Euro	129.4	121.4

4. Overseas Revenue by Region (In billion yen)

	FY2018 1-3Q	FY2019 1-3Q
Asia	543.3 (19%)	525.5 (19%)
North America	474.1 (16%)	523.3 (18%)
Europe	301.5 (10%)	264.4 (9%)
Central & South America	100.6 (3%)	95.4 (3%)
The Middle East	95.2 (3%)	65.4 (2%)
Oceania	19.9 (1%)	17.0 (1%)
Africa	72.1 (3%)	42.0 (2%)
Total	1,607.0 (55%)	1,533.4 (54%)

MOVE THE WORLD FORWARD

**MITSUBISHI
HEAVY
INDUSTRIES
GROUP**