

PRESS RELEASE

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MHI Announces Outline of FY2020 First 3 Months Financial Results Ended June 30, 2020 (Consolidated)

Tokyo, August 3, 2020 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2020 ended June 30, 2020.

(billions of yen)

	FY2020 First 3 Months (From April 1 to June 30, 2020)	FY2019 First 3 Months (From April 1 to June 30, 2019)	Changes (%)
Orders Received	689.6	750.2	(8.1)
Revenue	778.0	919.3	(15.4)
Profit from business activities	(71.3)	40.4	-
Profit Before Income Taxes	(76.8)	31.6	-
Profit (loss) Attributable to Owners of Parent	(57.9)	16.3	-
Operating Cash Flow	(223.6)	(119.9)	
Investment Cash Flow	(115.9)	(49.4)	
Financing Cash Flow	277.3	150.3	
Profit (loss) Attributable to Owners of Parent Per Share	(172.34) yen	48.76 yen	-

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2020 First 3 Months (From April 1 to June 30, 2020)	FY2019 First 3 Months (From April 1 to June 30, 2019)
Energy Systems	314.0	344.0
Plants & Infrastructure	139.5	186.3
Logistics, Thermal & Drive Systems	182.9	245.9
Aircraft, Defense & Space	155.1	152.1
Eliminations or Corporate	(13.7)	(9.0)
TOTAL	778.0	919.3

Profit (Loss) From Business Activities by Operational Segment

(billions of yen)

	FY2020 First 3 Months (From April 1 to June 30, 2020)	FY2019 First 3 Months (From April 1 to June 30, 2019)
Energy Systems	0.3	19.2
Plants & Infrastructure	(4.0)	6.8
Logistics, Thermal & Drive Systems	(2.6)	7.5
Aircraft, Defense & Space	(62.0)	9.4
Eliminations or Corporate	(2.9)	(2.7)
TOTAL	(71.3)	40.4

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2020

For the fiscal year 2020 ending March 31, 2021, MHI is expecting 3,800 billion yen in revenue, 0 yen in Profit from business activities, 0 yen in profit before income tax, and 0 yen in profit attributable to owners of parent. This estimate is based on the assumption of currency exchange rate of US\$ 1.00 = ¥110 and €1.00 = ¥120 for the portion yet to be fixed.

We have decided to voluntarily adopt IFRS from beginning with the first quarter ending June 30, 2018 onward, so estimate of consolidated financial results have been made based on IFRS.

Please note that this estimate has been projected with currently available information and data. As such, these projections involve risks and uncertainties. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. The actual results, therefore, may diverge broadly with the influence of a variety of outside factors such as economics surrounding MHI, currency movement of the yen 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.

(1) Condensed Consolidated Statement of Financial Position [IFRS]

(Millions of Yen)

	As of Mar. 31, 2020	As of Jun. 30, 2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	281,626	219,580
Trade and other receivables	611,976	499,955
Other financial assets	28,539	30,324
Contract assets	576,061	627,053
Inventories	726,228	819,110
Indemnification assets for South African projects	407,800	407,800
Other current assets	206,261	268,807
Total current assets	2,838,493	2,872,631
Non-current assets		
Property, plant and equipment	792,920	792,584
Goodwill	124,500	124,303
Intangible assets	78,908	96,780
Right-of-use assets	96,201	94,845
Investments accounted for using the equity method	177,569	182,041
Investments in securities and other financial assets	391,538	411,052
Deferred tax assets	382,729	405,583
Other non-current assets	102,827	93,119
Total Non-current assets	2,147,196	2,200,310
Total assets	4,985,690	5,072,942
<u>Liabilities and Equity</u>		
Current liabilities		
Bonds, borrowings and other financial liabilities	769,099	1,093,481
Trade and other payables	824,030	717,330
Income taxes payable	28,994	8,468
Contract liabilities	835,465	817,539
Provisions	199,496	194,034
Other current liabilities	151,657	151,760
Total Current liabilities	2,808,742	2,982,614
Non-current liabilities		
Bonds, borrowings and other financial liabilities	601,770	593,428
Deferred tax liabilities	7,318	6,878
Retirement benefit liability	145,890	142,433
Provisions	58,173	65,319
Other non-current liabilities	73,718	73,923
Total non-current liabilities	886,871	881,982
Total liabilities	3,695,614	3,864,597
<u>Equity</u>		
Share capital	265,608	265,608
Capital surplus	49,667	48,715
Treasury shares	(5,374)	(4,368)
Retained earnings	886,307	803,033
Other components of equity	22,133	26,916
Equity attributable to owners of parent	1,218,343	1,139,906
Non-controlling interests	71,732	68,438
Total Equity	1,290,076	1,208,344
Total Liabilities and Equity	4,985,690	5,072,942

(2) Condensed Consolidated Statement of Profit or Loss [IFRS]

(Millions of Yen)

	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)	FY2020 First 3 Months (From Apr. 1 to Jun. 30, 2020)
Revenue	919,327	778,009
Cost of sales	745,779	656,260
Gross Profit	173,547	121,748
Selling, general and administrative expenses	134,810	130,427
Share of profit of investments accounted for using the equity method	4,450	629
Other income *	8,959	8,044
Other expenses	11,730	71,383
Profit from business activities	40,416	(71,388)
Finance income	2,624	1,945
Finance cost	11,396	7,417
Profit before income taxes	31,644	(76,860)
Income taxes	9,735	(17,752)
Profit	21,909	(59,108)
Profit attributable to:		
Owners of parent	16,372	(57,902)
Non-controlling interests	5,537	(1,205)

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings per share	48.76	(172.34)
Diluted earnings per share	48.69	(172.34)

*Other income includes dividend income. The amount of dividends of FY 2019 first 3 Month is 5,050 Million Yen, and the amount of FY2020 First 3 Months is 4,337 Million Yen.

(3) Condensed Consolidated Statement of Comprehensive Income [IFRS]

(Millions of Yen)

	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)	FY2020 First 3 Months (From Apr. 1 to Jun. 30, 2020)
Profit	21,909	(59,108)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	(13,249)	725
Remeasurement of defined benefit plans	(426)	156
Share of other comprehensive income (loss) of entities accounted for by the equity method	(482)	(229)
Total	(14,159)	653
Items that may be reclassified to profit or loss		
Cash flow hedges	(21)	884
Hedging cost	184	764
Exchange differences on translating foreign operations	(16,116)	2,047
Share of other comprehensive income (loss) of entities accounted for by the equity method	2,487	799
Total	(13,465)	4,495
Total other comprehensive income (loss)	(27,625)	5,149
Comprehensive income	(5,715)	(53,959)
Comprehensive income (loss) attributable to		
Owners of parent	(6,340)	(53,247)
Non-controlling interests	625	(712)

*FVTOCI means "Fair Value Through Other Comprehensive Income".

(4) Condensed Consolidated Statement of changes in equity [IFRS]

(Millions of Yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total Equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of Apr. 1 ,2019	265,608	185,302	(5,572)	869,238	96,987	1,411,564	317,128	1,728,693
Profit				16,372		16,372	5,537	21,909
Other comprehensive income					(22,713)	(22,713)	(4,912)	(27,625)
Comprehensive income				16,372	(22,713)	(6,340)	625	(5,715)
Transfer to retained earnings				(637)	637			
Purchase of treasury shares			(2)			(2)		(2)
Disposal of treasury shares		17	44			62		62
Dividends				(21,821)		(21,821)	(3,614)	(25,435)
Other		(457)	269	(24)		(212)	929	716
Total transactions with owners		(440)	311	(21,845)		(21,974)	(2,685)	(24,659)
Balance as of Jun. 30 ,2019	265,608	184,862	(5,261)	863,128	74,911	1,383,249	315,067	1,698,317
Balance as of Apr. 1 ,2020	265,608	49,667	(5,374)	886,307	22,133	1,218,343	71,732	1,290,076
Profit				(57,902)		(57,902)	(1,205)	(59,108)
Other comprehensive income (loss)					4,655	4,655	493	5,149
Comprehensive income (loss)				(57,902)	4,655	(53,247)	(712)	(53,959)
Transfer to retained earnings				(127)	127			
Purchase of treasury shares			(1)			(1)		(1)
Disposal of treasury shares		36	182			219		219
Dividends				(25,188)		(25,188)	(2,401)	(27,590)
Other		(988)	824	(55)		(219)	(179)	(399)
Total transactions with owners		(952)	1,005	(25,244)		(25,190)	(2,581)	(27,772)
Balance as of Jun. 30 ,2020	265,608	48,715	(4,368)	803,033	26,916	1,139,906	68,438	1,208,344

(5) Condensed Consolidated Statement of Cash Flows [IFRS]

(Millions of Yen)

	FY2019 First 3 Months (From Apr. 1 to Jun. 30, 2019)	FY2020 First 3 Months (From Apr. 1 to Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	31,644	(76,860)
Depreciation, amortization and impairment loss	31,804	90,532
Finance income and costs	2,933	1,468
Share of profit of investments accounted for using the equity method	(4,450)	(629)
Loss (gain) on sale of property, plant and equipment, and intangible assets	(136)	(1,124)
Loss on disposal of property, plant and equipment, and intangible assets	1,025	922
Decrease (increase) in trade receivables	86,457	111,694
Decrease (increase) in contract assets	(3,419)	(51,512)
Decrease (increase) in inventories and advanced payments	(50,770)	(70,064)
Increase (decrease) in trade payables	(62,039)	(111,656)
Increase (decrease) in contract liabilities	(60,323)	(30,695)
Increase (decrease) in provisions	(21,224)	(689)
Increase (decrease) in retirement benefit liabilities	996	(3,429)
Decrease (increase) in indemnification asset for South African projects	(817)	-
Others	(41,948)	(43,055)
Subtotal	(90,268)	(185,100)
Interest received	251	766
Dividends received	6,458	5,373
Interest paid	(2,811)	(1,849)
Income taxes paid	(33,587)	(42,837)
Net cash provided by operating activities	(119,958)	(223,646)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(59,005)	(43,455)
Proceeds from sales of property, plant and equipment and intangible assets	18,903	2,060
Purchases of investments (including investments accounted for using equity method)	(9,445)	(3,877)
Proceeds from sales and redemption of investments (including investments accounted for using equity method)	803	687
Payments for acquisition of businesses		(68,709)
Net decrease (increase) in short-term loans	(169)	(1,464)
Disbursement of long-term loans	(487)	(317)
Collection of loans	38	36
Others	(97)	(876)
Net cash provided by (used in) investing activities	(49,459)	(115,916)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	194,202	282,528
Proceeds from long-term borrowings	2	10,000
Repayment of long-term borrowings	(1,610)	(1,526)
Proceeds from issuance of stock to non-controlling interests	5	1
Dividends paid to owners of the parent	(20,574)	(23,892)
Dividends paid to non-controlling interests	(3,614)	(754)
Proceeds from factoring agreements	30,436	38,293
Repayment of liabilities under factoring agreements	(43,983)	(22,680)
Repayment of lease liabilities	(4,921)	(5,548)
Others	433	901
Net cash provided by (used in) financing activities	150,377	277,322
Effect of exchange rate changes on cash and cash equivalents	(6,039)	194
Net increase (decrease) in cash and cash equivalents	(25,080)	(62,045)
Cash and cash equivalents at the beginning of the year	283,235	281,626
Cash and cash equivalents at the end of period	258,155	219,580