

No. 2128

MHI Announces Outline of FY2018 First 3 Months Financial Results Ended June 30, 2018 (Consolidated)

Tokyo, August 3, 2018 -- Mitsubishi Heavy Industries, Ltd. (MHI) today announced its **consolidated** financial results for the first three months of fiscal year (FY) 2018 ended June 30, 2018.

(billions of yen)

	FY2018 First 3 Months (From April 1 to June 30, 2018)	FY2017 First 3 Months (From April 1 to June 30, 2017)	Changes (%)
Orders Received	707.1	701.9	0.7
Revenue	906.1	903.2	0.3
Profit from business activities	31.4	6.4	384.6
Profit Before Income Taxes	34.0	10.6	221.3
Profit (loss) Attributable to Owners of Parent	15.0	(3.0)	—
Operating Cash Flow	(55.5)	(16.9)	/
Investment Cash Flow	(41.2)	(59.6)	/
Financing Cash Flow	19.8	47.7	/
Profit (loss) Attributable to Owners of Parent Per Share	44.86 yen	(9.18 yen)	—

Figures in parentheses are negative.

Consolidated financial results (continued)

Revenue by Operational Segment

(billions of yen)

	FY2018 First 3 Months (From April 1 to June 30, 2018)	FY2017 First 3 Months (From April 1 to June 30, 2017)
Power Systems	316.6	295.1
Industry & Infrastructure	445.2	437.9
Aircraft, Defense & Space	150.6	170.6
Others	17.8	31.6
Eliminations or Corporate	(24.3)	(32.2)
TOTAL	906.1	903.2

Profit (Loss) From Business Activities by Operational Segment(billions of yen)

	FY2018 First 3 Months (From April 1 to June 30, 2018)	FY2017 First 3 Months (From April 1 to June 30, 2017)
Power Systems	25.1	(1.7)
Industry & Infrastructure	14.8	12.0
Aircraft, Defense & Space	(12.1)	(6.8)
Others	2.7	2.0
Eliminations or Corporate	0.7	1.0
TOTAL	31.4	6.4

Figures in parentheses are negative.

Estimate of Consolidated Financial Results for FY 2018

For the fiscal year 2018 ending March 31, 2019, MHI is expecting 4,200 billion yen in revenue, 160 billion yen in Profit from business activities, 170 billion yen in profit before income tax, and 80 billion 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 = ¥130 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.

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(1) Condensed Consolidated Statement of Financial Position

(Millions of Yen)

	Date of transition to IFRS AS of Apr. 1, 2017	As of Mar. 31, 2018	As of Jun. 30, 2018
<u>Assets</u>			
Current assets			
Cash and cash equivalents	242,404	299,237	222,987
Trade and other receivables	717,483	759,902	695,118
Other financial assets	38,953	27,591	28,030
Contract assets	743,118	744,707	736,496
Inventories	833,606	748,574	794,048
Indemnification assets for South African projects	409,521	445,920	506,760
Other current assets	271,137	214,992	262,968
Total current assets	3,256,226	3,240,925	3,246,410
Non-current assets			
Property, plant and equipment	791,265	773,186	773,127
Goodwill	120,552	121,563	121,385
Intangible assets	124,954	103,023	97,818
Investments accounted for using the equity method	145,754	205,198	204,273
Investments in securities and other financial assets	523,130	485,047	511,967
Deferred tax assets	102,442	121,138	109,738
Other non-current assets	182,675	198,673	203,939
Total Non-current assets	1,990,774	2,007,831	2,022,250
Total assets	5,247,000	5,248,756	5,268,660

(Millions of Yen)

	Date of transition to IFRS As of Apr. 1, 2017	As of Mar. 31, 2018	As of Jun. 30, 2018
<u>Liabilities and Equity</u>			
Current liabilities			
Bonds, borrowings and other financial liabilities	552,209	517,537	613,497
Trade and other payables	750,867	801,154	765,695
Income taxes payable	31,233	27,251	12,615
Contract liabilities	831,707	914,697	906,415
Provisions	257,679	202,797	211,349
Other current liabilities	221,057	188,121	183,035
Total Current liabilities	2,644,754	2,651,558	2,692,608
Non-current liabilities			
Bonds, borrowings and other financial liabilities	693,335	656,129	617,638
Deferred tax liabilities	6,976	6,738	4,420
Retirement benefit liability	127,730	142,242	146,883
Provisions	10,611	18,747	19,441
Other non-current liabilities	82,158	79,474	77,870
Total non-current liabilities	920,811	903,332	866,254
Total liabilities	3,565,566	3,554,891	3,558,862
<u>Equity</u>			
Share capital	265,608	265,608	265,608
Capital surplus	187,433	185,937	185,923
Treasury shares	(4,609)	(4,081)	(6,001)
Retained earnings	844,450	830,057	828,484
Other components of equity	111,321	118,015	134,737
Equity attributable to owners of parent	1,404,205	1,395,537	1,408,752
Non-controlling interests	277,228	298,327	301,045
Total Equity	1,681,434	1,693,865	1,709,798
Total Liabilities and Equity	5,247,000	5,248,756	5,268,660

(2) Condensed Consolidated Statement of Profit or Loss

(Millions of Yen)

	FY2017 First 3 Months (From Apr. 1 to Jun. 30, 2017)	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2018)
Revenue	903,252	906,107
Cost of sales	742,718	734,575
Gross Profit	160,533	171,532
Selling, general and administrative expenses	132,023	131,984
Share of profit of investments accounted for using the equity method	3,366	2,340
Other income *	7,399	11,527
Other expenses	32,790	21,987
Profit from business activities	6,484	31,427
Finance income	7,542	6,426
Finance expenses	3,418	3,764
Profit before income taxes	10,609	34,089
Income taxes	12,609	15,066
Profit (loss)	(2,000)	19,022
Profit (loss) attributable to:		
Owners of parent	(3,083)	15,059
Non-controlling interests	1,083	3,963

(Yen)

Earnings per share attributable to owners of parent		
Basic earnings (loss) per share	(9.18)	44.86
Diluted earnings (loss) per share	(9.21)	44.69

*Other income includes dividend income. The amount of dividends of FY 2017 first 3 Month is 5,834 Million Yen, and the amount of FY2018 First 3 Months is 5,962 Million Yen.

*As of October 1, 2017, the Company consolidated the shares at the rate of one share per 10 shares of common stock. Assuming that the consolidation was carried out at the beginning of the 2017 consolidated fiscal year, basic earnings(loss) per share and diluted earnings(loss) per share are calculated.

(3) Condensed Consolidated Statement of Comprehensive Income

(Millions of Yen)

	FY2017 First 3 Months (From Apr. 1 to Jun. 30, 2017)	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2017)
Profit	(2,000)	19,022
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Net gains and losses from financial assets measured at FVTOCI	12,396	17,935
Remeasurement of defined benefit plans	532	217
Share of other comprehensive income (loss) of entities accounted for using the equity method	559	(254)
Total	13,488	17,899
Items that may be reclassified to profit or loss		
Cash flow hedges	(505)	(513)
Exchange differences on translating foreign operations	8,262	2,513
Share of other comprehensive income (loss) of entities accounted for by the equity method	1,178	(2,463)
Total	8,935	(463)
Total other comprehensive income	22,423	17,435
Comprehensive income	20,422	36,458
Comprehensive income attributable to		
Owners of parent	15,668	32,100
Non-controlling interests	4,754	4,358

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

(4) Condensed Consolidated Statement of changes in equity

(Millions of Yen)

	Equity attributable to owners of parent						Non-controlling interests	Total Equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of Apr. 1 ,2017	265,608	187,433	(4,609)	844,450	111,321	1,404,205	277,228	1,681,434
Profit (loss)				(3,083)		(3,083)	1,083	(2,000)
Other comprehensive income					18,752	18,752	3,670	22,423
Comprehensive income				(3,083)	18,752	15,668	4,754	20,422
Transfer to retained earnings				666	(666)	-		-
Purchase of treasury shares			(1)			(1)		(1)
Disposal of treasury shares		(202)	231			28		28
Dividends				(20,149)		(20,149)	(3,195)	(23,344)
Other		(1,439)		(344)		(1,783)	(826)	(2,610)
Total transactions with owners		(1,642)	230	(20,493)	-	(21,905)	(4,021)	(25,927)
Balance as of Jun. 30 ,2017	265,608	185,791	(4,379)	821,539	129,407	1,397,968	277,961	1,675,929
Balance as of Apr. 1 ,2018	265,608	185,937	(4,081)	830,057	118,015	1,395,537	298,327	1,693,865
Profit (loss)				15,059		15,059	3,963	19,022
Other comprehensive income					17,040	17,040	395	17,435
Comprehensive income				15,059	17,040	32,100	4,358	36,458
Transfer to retained earnings				318	(318)	-		-
Purchase of treasury shares			(2,104)			(2,104)		(2,104)
Disposal of treasury shares		(91)	183			92		92
Dividends				(20,160)		(20,160)	(2,523)	(22,683)
Other		77		3,208		3,286	883	4,169
Total transactions with owners		(13)	(1,920)	(16,951)	-	(18,885)	(1,640)	(20,526)
Balance as of Jun. 30 ,2018	265,608	185,923	(6,001)	828,484	134,737	1,408,752	301,045	1,709,798

(5) Condensed Consolidated Statement of Cash Flows

(Millions of Yen)

	FY2017 First 3 Months (From Apr. 1 to Jun. 30, 2017)	FY2018 First 3 Months (From Apr. 1 to Jun. 30, 2018)
Cash flows from operating activities		
Profit before income tax	10,609	34,089
Depreciation, amortization and impairment loss	61,691	50,307
Finance income and costs	6,046	3,948
Share of loss (profit) of investments accounted for using equity method	(3,366)	(2,340)
Decrease (increase) in trade receivables	80,239	84,342
Decrease (increase) in contract assets	34,361	8,298
Decrease (increase) in inventories	(60,876)	(42,604)
Increase (decrease) in trade payables	(46,960)	(36,728)
Increase (decrease) in contract liabilities	11,415	(7,096)
Increase (decrease) in provisions	(41,032)	8,348
Increase (decrease) in liability for retirement benefits	4,969	4,079
Decrease (increase) in indemnification assets of South African projects	2,192	(67,585)
Others	(51,711)	(68,228)
Subtotal	7,578	(31,169)
Interest received	701	202
Dividends received	7,386	8,374
Interest paid	(1,997)	(2,275)
Income taxes paid	(30,612)	(30,708)
Net cash provided by (used in) operating activities	(16,943)	(55,575)
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(61,330)	(48,770)
Proceeds from sales of property, plant and equipment and intangible assets	1,274	8,820
Purchases of investments (including investments accounted for using equity method)	(1,889)	(4,115)
Proceeds from sales and redemption of investments (including investments accounted for using equity method)	615	307
Disbursement of loans	(479)	(3,866)
Collection of loans	6,235	2,464
Others	(4,064)	3,908
Net cash provided by (used in) investing activities	(59,637)	(41,251)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	115,110	109,227
Proceeds from non-current borrowings	2,953	45
Repayment of non-current borrowings	(8,118)	(11,629)
Dividends paid to equity holders of parent	(18,962)	(18,957)
Dividends paid to non-controlling interests	(3,195)	(2,523)
Proceeds from fluidity of lease receivables	28,226	31,647
Repayment of payables under fluidity lease receivables	(67,856)	(86,038)
Others	(404)	(1,906)
Net cash provided by (used in) financing activities	47,752	19,864
Effect of exchange rate changes on cash and cash equivalents	(3,401)	713
Net increase (decrease) in cash and cash equivalents	(32,230)	(76,249)
Cash and cash equivalents at the beginning of the year	242,404	299,237
Cash and cash equivalents at the end of period	210,174	222,987